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Is Public Relations just “Spin Doctoring” or is it Reputational Risk Management?

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INTRODUCTION

Public Relations has been described as ‘making the crap credible’. Many would argue that promoting biotechnology and genetic engineering research in today’s political environment definitely falls into this category. Indeed there may be a very thin line between promoting or defending such research. While such work may be labelled as ‘public relations’ by the traditionalists, or ‘spin doctoring’ by the more cynical, a more valid and correct label for it would be ‘reputational risk management’.

What is reputational risk?

The Concise Oxford English Dictionary offers the following definition of ‘Reputation’:

“What is generally said or believed about a person’s or thing’s character ... the state of being well thought of, distinction, respectability ...”. *This suggests that the factors leading to one’s reputation are: respectability, credibility, being held in high esteem, the regard of others.*

None of these is particularly helpful in defining reputational risk, as all of the factors mentioned are intangible. Therein lies part of the problem. What are the risks that can damage or influence the reputation of a company?

Another definition has been proposed by Scott MacDonald (personal communication) from the Edwin Cox School of Business at Southern Methodist University, Dallas, Texas. He suggests that reputational risk is: “... *the potential that negative publicity regarding an institution’s business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions.*”

Reputational risk is therefore not easy to define because of the differences in each company’s culture, their attitude to risk, the products and services they offer, and the markets in which they work.

Why is reputational risk management important?

The single most valuable asset any company has is its reputation and it is easy to identify those companies who have good reputations - by and large they are successful. Not necessarily successful in terms of profitability or size, but in value. Value to their shareholders, their customers and to their employees. This value, in itself, makes reputational risk important.

Those who are concerned about reputational risk are the management team of a company, its shareholders, its customers, and its regulators. Each of these groups looks at a company’s reputation differently.

The management team of a company is concerned about their company’s reputation as it directly influences their position in their market and therefore affects their own individual reputations. This in turn affects their earning potential, job security and lifestyle. There are all too many cases of high profile casualties when a company’s reputation suffers.

Shareholders of a company look at the value and security of their investment. Those companies with a good reputation for sound management and the delivery of consistently good products or services are more able to attract capital investment than those without. The term ‘Blue Chip’ stocks are recognised by all. Generally, these are ‘admired’ companies that deliver long-term growth and good returns to their shareholders.

Customers generally have a choice, so why purchase a product from Company A rather than from Company B? They perceive that they are getting value, reliability, consistency and care with the product or service that they buy. If they are happy, they come back again thus enhancing the value of the company. If not, they look elsewhere.

Quantifying reputational risk

The factors that influence a company’s reputation are intangible. This makes it extremely difficult to measure reputational risk. Green (1992) claims: “*Reputation value is a direct function of the perceptions of the public involved with a company or its brands. It is only contingently related to the quality of the products, services or corporate performance.*”

That is certainly true, but how does one measure public perception? Is reputation the ethical standing, good will, brand value, value of assets, market value, book value or some combination of these?

There is no easy answer to reputational risk management in the world of biotechnology and genetic research. Risk management practitioners must use their experience, management approach and culture to find a solution that works for their companies. There can be no similar approach to quantifying operational risk, as every organisation is different.

Can reputational risk be managed?

The impact of reputational damage on a company can be catastrophic and often irreversible. Reputations are often lost because of the bad handling of a sensitive or potentially explosive issue. A reputation can be lost if risk management fails. It rarely suffers from direct action. The use of careful pre-incident planning and rigorous post-incident action can certainly mitigate loss. This is an ongoing process and must always be at the forefront of public relations planning.

Knight and Pretty (1996) studied 15 companies that suffered corporate catastrophes. Their findings make interesting reading. Of the 15 companies studied, two groups emerged, ‘recoveries’ and ‘non-recoveries’. Those who recovered were in a positive position 50 days after their loss. Those that did not were still in a negative position one year after their loss. Knight and Pretty (1996) found that the recoveries were largely based on the response of management to the catastrophe facing the company. So maybe that is a brief blueprint for protecting any organisation’s reputation.

CONCLUSIONS

At the beginning of this paper, the question was posed whether promoting biotechnology and genetic engineering research in today’s political environment constituted ‘spin

doctoring' or it needed the discipline of 'reputational risk management'.

In my view, the answer is obvious. Reputation is hard won. It takes years of effort on the part of employees of an organisation to build that reputation up and yet it can be lost in seconds if the battle to educate and inform a critical target audience is just left to the 'spin doctors' of old. For that reason alone, 'spin doctoring' will not save the day for an organisation engaged in biotechnology and genetic engineering research work. However a well thought-out reputational risk management programme will.