



Reputation and Its Risks

Michael Netzley, PhD

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Reputation is the most important commercial mechanism for conveying information to consumers.

- John Kay, **Why Firms Succeed**, 1995.

Changing Business Environment



Reputation - Reality Gap

- We create an image of the organization that is about *inconsistent* with the reality



Internal Breakdowns

- When deviations from procedure or protocol create the opportunity for your good name to become tarnished.



Changing External Environment

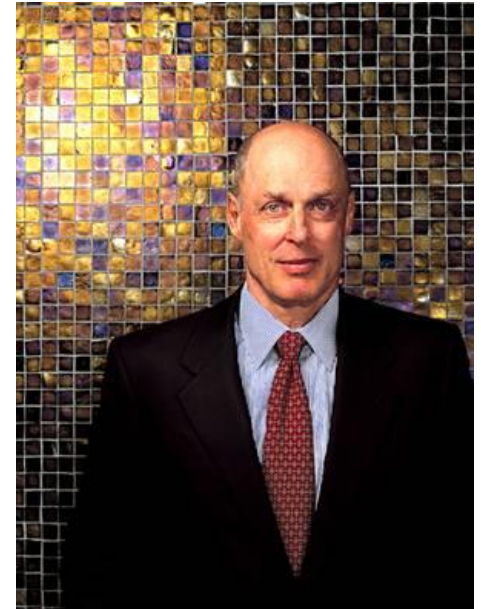
- When your organization's activities become out of step with stakeholders because of external changes in values or mores

Good Reputation Helps To

- Command premium prices
- Pay lower purchase prices
- Attract top recruits
- Increase intent to purchase when brand is backed by solid reputation.*
- Increase loyalty from consumers and employees
- Face fewer risks during a crisis
- Gain greater latitude to act by constituents
- Overall favorable operating environment

The Importance of Reputation

Hank Paulson, [former] Chief Executive of Goldman Sachs, has ordered the bank to stop using its own money to finance hostile takeover bids....Mr. Paulson has warned that such moves threaten to damage the bank's standing with corporate clients, which is more important than the investment profits from any single deal.



Reputation Reality Gap

2016 Olympics in Rio Don't Always Live Up to Expectations

Shaunae Miller's controversial dive for gold ruins Allyson Felix's Olympic moment



Jeff Passan

MLB columnist

Aug 16, 2016, 2:31 PM



[Medal count](#) | [Olympic schedule](#) | [Olympic news](#)

RIO DE JANEIRO – Almost 20 minutes after she dove across a finish line to win an Olympic gold medal, Shaunae Miller barely had moved from the spot on the track where she splayed her weary body. Her hip sported an oval-shaped strawberry, her arm a cut, her leg a scratch. She was still out of breath. Her wheezes alternated between desperation for oxygen and joy. She was the Rio Games' 400-meter champion, and she

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

Warren Buffett



www.thequotes.in

Reputation Reality Gap

2016 Olympics in Rio

REUTERS

Stunning Phelps, Schooling wins Singapore's first gold

FULL COVERAGE OF THE RIO OLYMPICS | Sat Aug 13, 2016 12:15pm EDT

Stunning Phelps, Schooling wins Singapore's



Schooling makes Olympic history for Singapore



Olympic spirit: New Zealand and American runners help each other after collision

Nikki Hamblin and Abbey D'Agostino finished last in the 5000m after coming to each others' aid following a mid-race fall

Eleanor Ainge Roy
in Dunedin

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Abbey D'Agostino of the United States (R) is assisted by Nikki Hamblin of New Zealand after a collision during the Women's 5000m heat. Photograph: Ian Walton/Getty Images

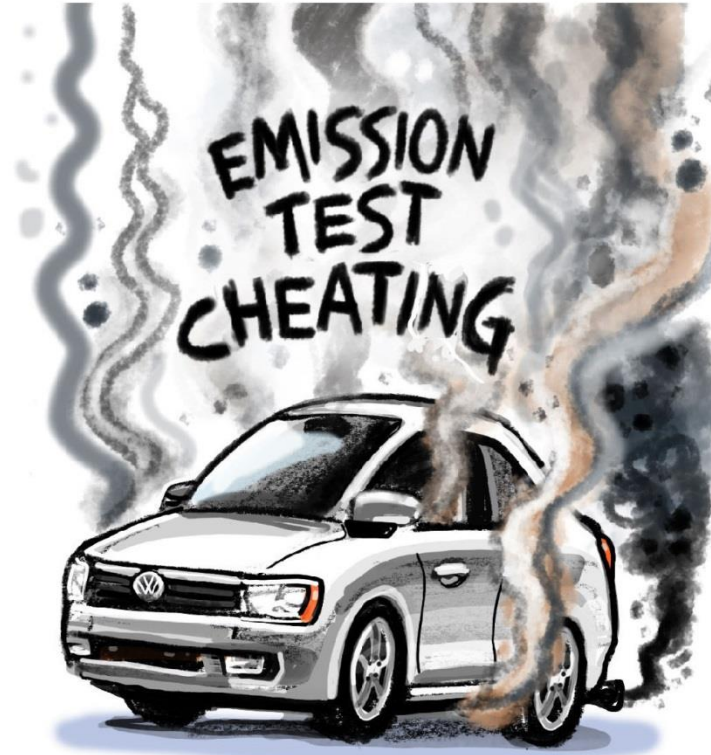
Internal Breakdown

Procedures not followed create the risk

STAR TRIBUNE
S&K



VW Beetle



VW STINKBUG

Attribution of Fault is the Key

Intentional versus accidental attribution to your organization



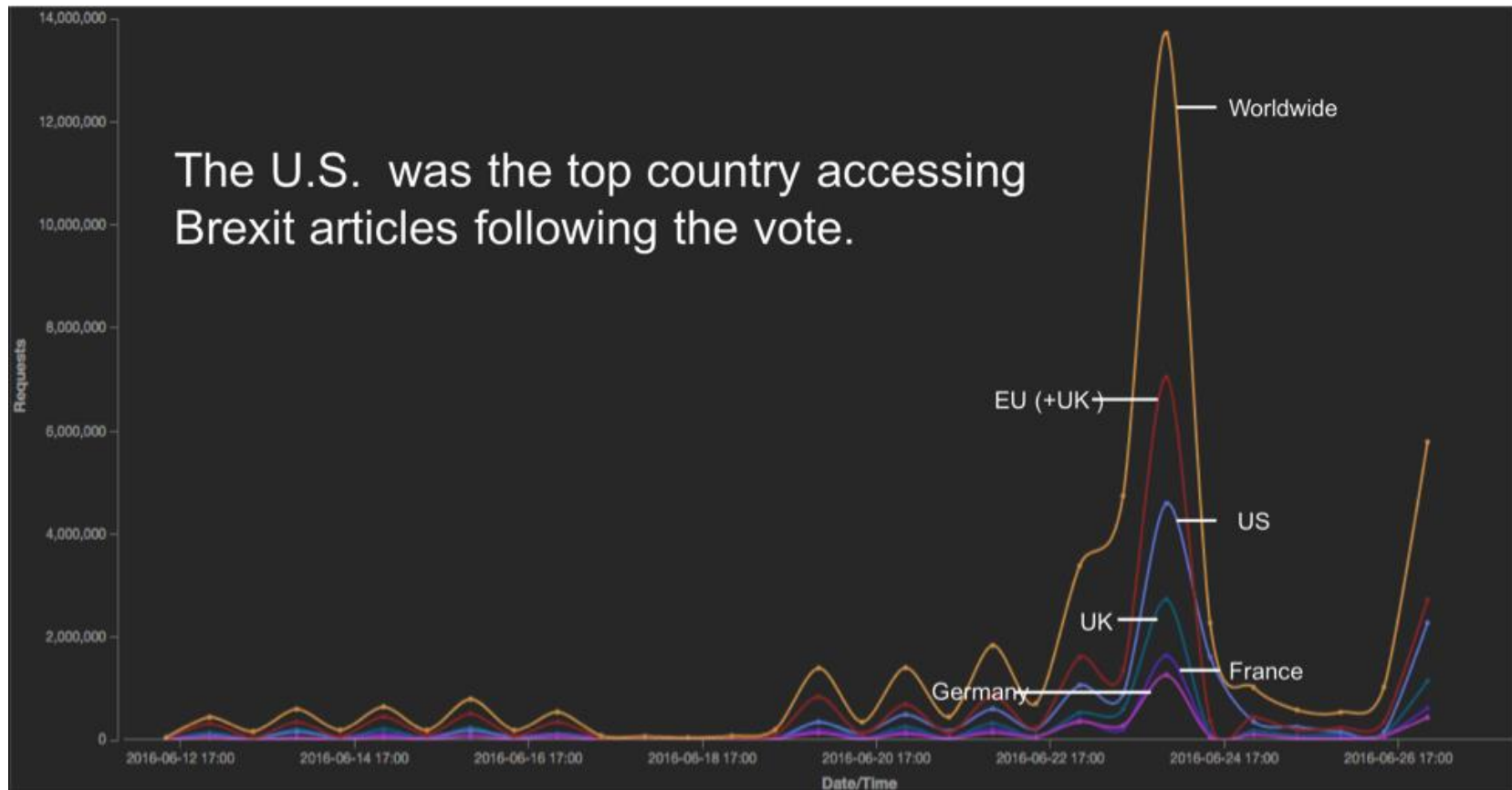
Changing External Environment

Companies need to keep up with public sentiment



Too Late is *Not* Better Than Never

The damage is only beginning



Applying Salt to the Wound

We are living in a world of



24/7 media scrutiny with traditional and social media



Large decline in trust granted to societal institutions



Increased Transparency

On Reputation

If the business were split up, I would take the brands, trademarks, and goodwill, and you could have all the bricks and mortar—and I would do better than you.

- John Stewart, past
Chairman of Quaker Oats