

Risks rise in the boardroom

Proactive risk management, woven into external comms and brand management, is on its way

Question: How many disasters does it take to convince a board to embrace proactive risk management in its corporate reputation and strategic business planning? Answer: Many more, of much greater magnitude, than you might imagine.

But the good news is that, at last, things are changing in the boardrooms of international businesses, not least due to the barrage of external triggers. The impacts of global environmental, social and economic threats are too omnipresent to ignore.

What a year it has been already. Take the weather: Australia suffered its worst natural disaster, with severe flooding. Reports quoted the cost of repair at \$20bn. Brazil had its most deadly natural disaster, following massive mud-slides in the Serrano mountain region, destroying 21,500 homes, businesses and other structures.

In the US, winter storms affected the eastern half of the country and, in Asia, floods and landslides hit Sri Lanka and the Philippines. There was severe winter weather in China and flooding across Europe, as well as similar deluges in South Africa, Mozambique, Botswana, Namibia, Zambia and Zimbabwe. Not to mention all the political turmoil in Arab states, where, just for a start, tourism losses are reported to be as big as the consequences of Iceland's volcanic eruption.

Risk is in our headlines, and in our heads and hearts, every day.

In our globally operating and globally sourcing economy, big-hitting disasters trickle down to real-time operational effects on businesses and livelihoods of all scales. No crisis occurs in isolation.

There are risks we do have the power to constrain. Global supply chains are coming under scrutiny from a risk point of view: top diplomats in the UK and US are discussing the security of cyber networks and of our global



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aviation and shipping systems in the face of terrorist threats.

As with governments, so with business boardrooms. Risks are prevalent, growing and very much part of business planning. Boards are appointed to have the intellect, impetus and experience to fulfil their collective responsibility. Risk – and reputation protection – is part of this remit.

Historically, risk management has suffered from being viewed as a cost centre, with questionable material value, or as an expendable sub-set of financial reporting. Now we realise that risk management can save costs, not inflate them. In fact, risks not usually on the balance sheet, like operational risk and reputational risk, are often the root cause of outcomes that translate into financial risk.

The blinkers are coming off and this is a chance for comms professionals to be at the centre of an all-encompassing movement to build and protect reputation. Top management and shareholders increasingly support the function in its conventional objectives (compliance, risk mitigation) as well as in its new territory, such as affecting crucial business decision-making, good governance and brand management.

Communication is central to the risk mix. More mature internal communication on risk is emerging through company policies, social media and engagement programmes. Proactive risk management, woven into external comms and brand management, is well on its way.

Building and protecting reputation are two sides of the same coin. We, at College Hill, are already seeing this message ignite, for example, with many of our food and ingredients clients – a good bellwether of where our profession is going.

Chris Woodcock is a managing partner in College Hill's business communications service and heads its Razor risk and crisis management practice

Views in brief

Which crisis did you learn the most from working on?

My first national product recall around 18 years ago – it bore all the hallmarks of a crisis decision made on a Friday night, with a weekend of miracles to be achieved as a consequence.

What were the most important lessons?

How every detail matters when you are protecting a big brand and where the line can be drawn between the controllable and the uncontrollable.

What is the best example of crisis management work that you have observed in the past 12 months?

The Chilean mine disaster last autumn – some masterly media opportunism by the President, Sebastian Pinera, and his team.