



MANAGING RISK, PROTECTING VALUE

DRD Partnership

As your organisation grows and changes, you need to manage a range of risks.

The external environment in which you operate is also changing, making the risks confronting you less predictable and more complex. Managed well, this area will be a source of differentiation and competitive advantage for you. However, if you leave this work too long in the “too difficult” tray, you risk losing opportunities to generate value, or destroying value, or being distracted by a crisis that interrupts your business and damages your reputation.

DRD Partnership is well placed to help you manage this complex area with a clear focus on enhancing and protecting value.

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The risk environment: Reputation Risk

Organisations such as yours succeed through good management of the risks associated with your area of operation. Financial, technical and operational risks are by and large well understood and managed. The other major area of risk is associated with **the complex interface between an organisation and the external environment in which it operates**. This is often called **'reputation risk'** or **'strategic risk'**. It is harder to pin down, but how well it is managed can represent **huge upside opportunities or downside value-destruction**.

Reputation risk covers many areas and can be hard to navigate. It encompasses broad areas of generic risk that all organisations need to handle, but also highly granular considerations linked to the type of organisation, its governance, stage of development, competitive environment, areas of operation, partners, customers, suppliers and regulators.

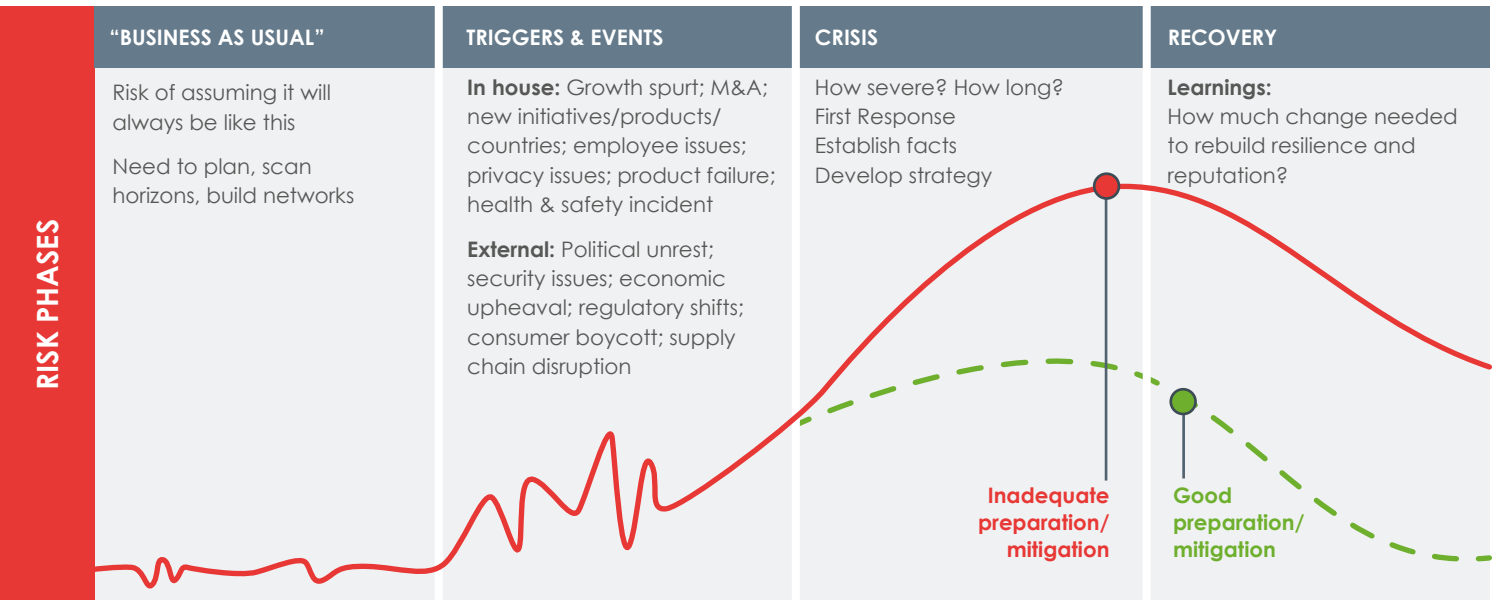
Broad areas include governance, duty of care, data management, compliance, transparency, political exposure, social licence to operate, health and safety, climate change and human rights.

SPECIFIC WAYS IN WHICH THIS CAN IMPACT ON VALUE INCLUDE:

- ▶ The damage and costs sustained when an organisation's **licence to operate** is threatened; this can prevent it from operating in a particular country, or lead to loss of access to grants/patronage/funding and partnerships.
- ▶ **Geopolitical or location risk** at global, regional, country, province and/or city level, particularly shifts within the political landscape and exposure to unforeseen political crises or policy/regulatory shifts.
- ▶ Risks from overconfidence and groupthink, typically in organisations where one or a small group of individuals make all the decisions and/or where like-minded people are focused on a narrow set of business goals.
- ▶ Risk of expropriation of assets and title.
- ▶ Impacts on **brand value**.
- ▶ **Internal morale**, and the ability to attract, retain and motivate employees. Severe crises can **expose weaknesses in planning and leadership** that undermine confidence.
- ▶ Risks when an organisation operates on the basis of an established belief that maintaining a low profile and a reactive posture is the safest option.
- ▶ **Legacy risks** from previous stages of the organisation's evolution.
- ▶ Ever-growing **digital risk** - revelations made on social media can easily cause rapid escalation of crises and expose companies to unforeseen angles of risk.
- ▶ Association with organisations or individuals such as agents or advisers that have their own reputation exposures.
- ▶ Risks in **data management** such as leaks or hacks. Often, the leak or hack causes only limited damage, but the wrong management response can do immense reputational damage.

“ Reputation is your most valuable asset ”
FORBES

- ▶ Complicating or delaying positive changes such as periods of rapid growth, diversification, critical negotiations, new market entry, merger or acquisition, new partnerships, or streamlining of supply chains.
- ▶ Risks presented by foreign exchange and repatriating funds.



Our approach: Managing Risk, Protecting Value

Even this lengthy list is far from comprehensive. The temptation – especially for well-established organisations that have not encountered such risks in the past and new, small, fast-moving organisations – is to postpone planning for such contingencies, or simply outsource it with no regard for developing and embedding the necessary in-house skills. Neither of these is a credible strategy.

All organisations have some mix of risks in this category, and need to demonstrate that they are delivering on their accountabilities and preparing well to handle the implications.

In DRD's experience, the key to cutting through unnecessary and unmanageable complexity is to focus on value:

- ▶ Which factors enable the organisation to generate the most value?
- ▶ How could more of this value be unlocked?
- ▶ What could reduce or destroy this value?

An assessment on this basis of the organisation's opportunities and exposures can help **generate a focused and proactive strategy to manage risk in order to promote and protect value**. This analysis should recognise the value of reputation capital as a key asset of the organisation, the efforts needed to build and protect it, and the costs of failing to do so.

The specifics will vary greatly, but the broad approach is consistent. **Well-framed scenarios around key areas of value and risk, including the reputation impacts, can help to focus effort**. The aim is to be proactive wherever possible, but prepare also for unexpected shocks. Sound performance, strategic stakeholder engagement and scenario-based insights are used to avoid, or at least anticipate and reduce the impact of, major risk events. If a crisis event does occur, it needs to be managed rapidly and skilfully so as to limit the damage to reputation and value. Recovery from crisis events needs to be well managed, with lessons learned built into future strategy.

The organisation will need to review a wide range of factors, including:

- ▶ Its scope and structure, including geographic spread, partners, supply chains, cultural complexities, and how significant issues at a local operating level are escalated.
- ▶ The role of the Board and top-level management, including mechanisms for aligning on the management of risk, skills and experience in managing risk, and the interface with the rest of the organisation.
- ▶ Its capacity to conduct internal investigations to **establish the facts** and, as needed, to manage cooperation with external agencies such as law enforcement and regulators.
- ▶ Mapping of **key stakeholder relationships** and strategic management of them.
- ▶ **Rapid, agile, disciplined communications** including internal, media and digital.
- ▶ The development and deployment of a **risk management toolkit** including designated, empowered decision-making team(s), response plans, action logging, and exercises.
- ▶ A supportive HR framework, including identifying key staff and skills development.

The goal is to ensure that the organisation is able rapidly and robustly to identify and align on core objectives and execute a plan to deliver these in order to protect and promote value.



Reputation is the single most important driver in value creation and value destruction

CIRANO RESEARCH



What happens next?

Our experience suggests that applying this Risk + Value approach to your business strategy and current risk map is likely to reveal areas of misalignment or gaps.

We would like to invest an hour of our time, without charge, in discussion with you to get a clear picture of the priority value-related risks and opportunities as you see them. We will prepare for this through analysis of publicly available sources, together with any risk map or strategy materials that you can provide. On the basis of this analysis and our discussion, we will propose a diagnostic of the extent to which your current risk management is aligned to key areas of value and where value is exposed to reputation/strategic risk, together with some required workflows to address this.

Examples of recent Risk + Value work

Support for a major global professional services firm in Russia and the Commonwealth of Independent States (CIS) in tackling a range of legal and regulatory issues so as to protect its reputation and competitive position in the market.

Established a robust understanding of all the issues, and a comprehensive approach to reposition the firm in a constructive light. This involved aligning on a solid fact base from which to rebut allegations; working through likely scenarios; identifying gaps in intelligence needs; establishing a comprehensive media strategy with both proactive steps and reactive materials; mapping out a prioritised stakeholder engagement approach. The firm is adopting a more strategic, proactive media and engagement strategy to ensure it is not simply reacting to events but is building a more resilient platform from which to grow and protect the value of the business.

Preparing a child safeguarding organisation for allegations of historical abuse

A global charity became aware of a significant historic situation of abuse and corruption at a single facility, which had gone undetected for over a decade despite best practice standards and reporting procedures. DRD Partnership was called in to help prepare for the likelihood of the situation becoming known publicly, both locally and internationally. The brief included identifying ways to ensure that, in improving its strategic approach, the organisation would gain valuable institutional learning and be better prepared in the future. Critical factors included the profile of the charity, the risk of damage to the integrity of its fundraising, and the breadth of the stakeholder audiences from children previously supported by the charity to UN advocates. Taking a strategic approach, each risk was assessed and scenarios devised. These focused on how the handling of each instance could preserve the organisation's global reputation, while providing the transparency needed to provide confidence in the charity's activities. Coaching, training and mentoring were provided for the leadership, operational and communications teams. Real time exercises were run to gauge the efficacy of the planning processes. The aim was to ensure that all internal personnel were aware of their responsibilities but remained focused on the protection of the rights of the children who drew attention to their plight in the first place.

Examples of jurisdictions

- ▶ UK
- ▶ Europe
- ▶ USA
- ▶ Latin America
- ▶ Russia & CIS
- ▶ MENA region
- ▶ Sub-Saharan Africa

Examples of sectors

- ▶ Healthcare, Pharmaceuticals
- ▶ Oil & Gas, Mining
- ▶ High Net-Worth Individuals
- ▶ Professional Services
- ▶ Disputes & Arbitrations
- ▶ Financial Institutions
- ▶ Retail
- ▶ Education
- ▶ Governments
- ▶ Charities & NGOs

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DRD Partnership is a strategic communications consultancy with expertise in national and international government relations, litigations and management of reputation risk. Using our expertise and commercial understanding, we deliver programmes to help our clients achieve their business objectives – including in circumstances where they only have one chance to get things right. We draw on our experience from careers inside large multinational organisations, governments and senior consultancy to engage with the media, policy makers and opinion leaders. The expertise of our extensive network of advisers and specialists drawn from industry, government and international institutions is available as needed to address specific issues. We are based in London, but the large majority of our work is international and involves a multistakeholder approach.

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