



Analysis

Business Reputations – The Court of Public Opinion is Always Right and Denial is Always Wrong

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Biography

Nick Hood is the Senior Business Adviser at the Opus Business Advisory Group (<https://www.opusllp.com>), the largest independent advisory, restructuring and insolvency firm in the UK.

Nick was a licensed Insolvency Practitioner, working in the business rescue market for 25 years. He is a committed internationalist, having created the largest global network of independent business rescue firms and having also worked overseas in Canada, Milan and Bahrain.

In his earlier career and after qualifying as a Chartered Accountant in 1970, Nick held senior executive positions in major companies in the construction, engineering and media sectors, as well as working for a boutique investment bank.

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Abstract

Reputations in business are hard won, but easily lost and they can be near impossible to rebuild. Better to mould behaviours to mitigate the most obvious risks and deal constructively and openly with problems where they do occur. In this article, the author looks at examples of public relations (PR) disasters and sets out actions that can be taken to avoid getting into such situations.

Introduction

Many would have thought that last year's car crash handling by NatWest of the de-banking of Nigel Farage by its exclusive subsidiary, Coutts would become the textbook case study on how an apparently sophisticated organization for which a spotless public image was paramount could be so inept at managing downside reputational risk.

But already that commercial and public relations (PR) disaster has been eclipsed by the crisis that has engulfed the Post Office since the broadcasting earlier this year



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of the 'Mr. Bates and the Post Office' series on ITV. There had already been some limited public awareness for several years of issues with mistreatment of sub-postmasters, so as an organization it should have been ready to step up its efforts to preserve its reputation. Nothing could be further from the reality, as it has stumbled repeatedly from one communications debacle to the next.

The temptation is to assume that such huge and complex organizations can simply never be sufficiently nimble and focused to react effectively and earn themselves at least a modicum of damage limitation. What these two high profile cases have revealed is a far more insidious problem and one that can be extremely hard to change: a culture of denial, supported by an endemic unwillingness to accept blame at an individual executive level or corporately.



Social media as an accelerant

Before these troubled days of social media platforms and their influencers, PR experts could often steer their clients through shark-filled reputational waters by a relatively limited campaign aimed at pushing back against critical comment in the print media or on broadcast channels, or by finding an accommodating journalist willing to author positive stories to counterbalance the original criticism. The media back then might have been challenging, but it was generally reasonably respectful of companies willing to engage with them by seeking to explain their apparently poor behaviour, whatever that might be.



How different things are now and have been for some time. Upset even one key influencer on Facebook or TikTok and no amount of positive PR will necessarily be able to put Humpty Dumpty back together again once he has fallen off the reputational wall. It's worth remembering that as of October 2023, research showed that 54% (4.3 billion) of the world's population had use of a smartphone¹. This means that one in two of every human on the planet can comment on what a company has done wrong. The impact of social media on an obstinate, unthinking corporate is well illustrated by a story from the world of confectionary.

The strange tale of the Schwedenbombe

A Schwedenbombe is made up of marshmallowy egg-white foam placed on a wafer base and then coated with chocolate and sometimes sprinkled with coconut flakes. They are cousins to the Tunnock's chocolate teacakes in the Scotland and are absolutely adored in Austria.



Austrians like them so much that when their manufacturer went into bankruptcy protection some years ago and rumours circulated that the business might be sold and moved to Hungary, a social media campaign was started on Facebook to force the bankruptcy trustees to find an Austrian buyer instead. The Facebook page soon had 40,000 followers.



When the trustees resisted, the campaign organizers organized boycotts, which caused mayhem with production schedules. Then they held flash mob demonstrations at major railway stations, which got huge media coverage. Finally, they wrote a song about Schwedenbomben, which went viral and reportedly boosted sales to a million items a week. In the end, the trustees had to renege on the Hungarian deal and sold the business instead to an Austrian company.

SMEs can have reputational issues too

Are scenarios like the Post Office or the Schwedenbombe the sole preserve of major corporates and institutions, who live constantly in the public eye? Unfortunately, small businesses are every bit as vulnerable.

Last year brought the demise of a local pub in the South East of England that had to close when the landlady's collection of golliwog dolls was seized by the police after a complaint by a member of the public². The pub's two global brand beer suppliers immediately terminated their relationship and its maintenance company refused to even visit the premises. The landlady did not understand the offence the dolls caused and then made the classic error of trying to defend the indefensible, complaining to the media about what she said was unjustified prejudice.

In another instance, the owner of a successful village restaurant was forced to sell the business after a whispering campaign by several local residents, who took exception to his affair with one of his teenage servers, which he started while his wife was pregnant. The owner mistakenly believed that in a close-knit community, he could keep his private life separate from his business.



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Avoiding reputational pitfalls

Regardless of their size, there are many reputational challenges facing the business sector. These include:

1. How well do you know your business community?

No business is an island. It exists as part of a network of stakeholders, such as customers, staff, suppliers, landlords, credit insurers and many more. It is also part of a wider local community, with whom it may not necessarily interact but who can be the fiercest critics. It is important to know not just who these all are, but for those on which the business is reliant, what their attitudes and moral sticking points are. This means maintaining an open and constructive dialogue with them.

2. Where are the potential risks in how your business operates?

Knowing what behaviours might lead to reputational issues is not easy, but there are certain obvious areas of risk:

- How staff are treated;
- How staff behave in public situations;
- How customer complaints and disputes are dealt with;
- How supplier disputes are resolved;
- How internal disputes, especially between senior staff, are handled;
- Tone and content of social media accounts;
- Interactions within trade associations;
- Relationships with competitors;
- Relationships with nearby businesses.



If there are attitudes here that might generate allegations of poor behaviour, changes should be made and those involved made to understand what they are doing wrong, why it is a problem and be helped to avoid causing criticism.

3. Be a good and responsible business citizen

Reputational risk can never be eliminated altogether. It can come at a business completely out of left field. It might also be the result of malicious action by another business or an individual with their own agenda. Behaving well consistently goes a long way to help in being able to fend off these criticisms. For example, this might involve making charitable donations or giving active support for local organizations and for the vulnerable or disadvantaged in the local community. The pandemic was a time when many businesses built formidable reputations locally or nationally for their positive actions. If it could be done then, it can always be done.

At the other extreme, being seen to be excessively aggressive against competitors, with smaller suppliers or other local businesses, or displaying dubious business ethics in difficult situations is never a good reputational look.



4. Keep a watchful eye on social media

Being constantly aware of what is being said about a business on the most widely used platforms gives its management some chance of getting ahead of criticism and being proactive rather than reactive in rebutting it. Social media comment moves fast, and the tone can change extremely rapidly as word of an issue gets out and then sets off a 'pile on' as a deluge of ill-informed chat overwhelms the original story.

5. How best to react to reputational problems

Things will always go wrong, actions will be misinterpreted, false accusations will be believed by some. The important thing is how a business reacts. Mistakes need to be admitted and sincere apologies made. Misunderstandings need to be explained. Malicious criticism and fake news need to be countered with the truth. Speed of reaction is of the essence. Responses need to be quick, even if they also need to be carefully considered. Ultimately, openness and accuracy in what a business says in public is always the best policy; denial and secrecy is usually the short road to a PR disaster.



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Calling in the experts

Countering reputational damage is all about effective communications. Hopefully, very few smaller businesses will need to turn to specialist reputation management experts, but when a problem occurs, it is sensible to speak with a communications professional to discuss potential strategies, help draft press statements, social media posts or website announcements and, where necessary, to have them act as a 'buffer' between a business, its critics, and the media.

Reference

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