BUILDING TRUST DURING TIMES OF CRISIS

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We seem to have entered the age of corporate crises. During the last few years we have seen some of the world's most recognized companies (Toyota, Goldman Sachs, BP, to name just a few), all leaders in their industry, battling reputational crises. J.P. Morgan's recent trading losses, the hacking scandal at News Corp, the bribing allegations at Walmart, or Apples' issues over working conditions at supplier Foxconn's Chinese factories are just the most recent examples. Non-profits face similar changes as the controversy over the Susan G. Komen foundation or the Penn State scandals indicate. These crises are just the tip of the iceberg. The root causes go deeper. Trust in business has been eroding at a steady pace over the last decade and CEOs are now among the least trusted professionals. Four main factors are responsible for the increase in reputational risk.

First, media coverage, whether traditional or social, has dramatically increased globally. This increased scrutiny has made it virtually impossible for companies to hide. Transparency is expected, while companies have less control over their messages; once an issue is on the Web, it will likely stay there forever.

The second factor is an unexpected consequence of globalization. The globalization of activist organizations has matched the global reach of companies. NGOs have increasingly succeeded in forcing private regulation: the "voluntary" adoption of rules and standards that constrain certain forms of company conduct without the involvement of public agents. In many cases, the mechanism driving change is the creation of reputational crises for globally operating companies that, when effective, leave the companies with no choice but to change their business practices.

Third is a shift in expectations about corporate conduct, especially among younger population segments. Evidence for these trends can be found in the explosive growth of areas such as corporate social responsibility, sustainability, and socially responsible investing. Some critics have dismissed these trends as passing fads that lack impact, but reputational crises are increasingly being driven by moral outrage, whether over environmental concerns or executive perks.

The final factor is the rise of business models based on trust. To develop unique customer experiences and solutions, companies need to get closer to customers' unarticulated—perhaps even unconscious—desires and needs. This requires trust. While this shift has undoubtedly created new opportunities for value creation, even the mere perception of broken trust will lead to a feeling of betrayal, a strong emotion indeed.

Yet, despite these significant changes in the business environment, the nature of corporate crises is frequently misunderstood. Such misconceptions can lead to severe management mistakes in a crisis situation.

First, all too often crisis management is viewed as the sole responsibility of the public relations or the legal department. This approach overlooks the fact that crises need to be viewed as business issues closely connected to a company's identity and position in the market-place. Managing these challenges frequently requires a trade-off between different risks such as legal and reputational risks. By delegating these decisions to any functional unit managers effectively abdicate their responsibility.

Delegation to functional experts also makes it much less likely that crises are prevented before they occur – the most effective form of crisis management. The reason is that once PR specialists or the corporate attorneys become involved the crisis is usually already in full swing – too late for effective crisis management. A much more effective approach is to view the prevention of crises as the responsibility of management.

Second, the crisis is misunderstood. Companies frequently focus on who is at fault (usually somebody else, e.g. a supplier) and who is liable (ideally not the company, of course). While the assessment of potential legal liabilities is an important part of any crisis management strategy, it is only a part. Other important issues that need to be considered are damage to a company's reputation, its supplier relationships, its effect on customer trust, its potential damage on employee morale, and its relationship to regulators, to name just a few. Managers need to balance those effects and integrate them into their strategy choice.

The most important task during a crisis is to reassure all stakeholders. Brands are promises, and these promises needs to be reaffirmed to a crisis. To preserve and rebuild trust companies need to focus on four dimensions: transparency, expertise, commitment, and empathy. Unfortunately, many companies focus on expertise alone, in part because their expertise is their comfort zone, giving them an illusion of control. Leaders need to actively resist this temptation and emphasize all four dimensions.

Third, crises are not only threats. They can also present a (hid-

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den) opportunity. Once a company is in the media spotlight it is effectively on stage, and customers, employees, business partners and external stakeholders are paying attention. Once we pay attention, we remember. So, whatever course of action management takes, it will define its reputation for a long time. Effective crisis management can significantly enhance a company's reputation, as in Johnson and Johnson's famous decision to pull Tylenol from retail shelves, or it can damage it as in the case of the Exxon Valdez. These crises happened over decades ago. Yet, they define the companies' perceptions to this day.

Finally, crises provide supreme learning opportunities. But too often early warning signs are ignored or the wrong lessons are learned. After settling with the SEC in the Waste Management accounting fraud case, Arthur Andersen changed its document retention policy. It did not sufficiently investigate its culture, value system, or incentive structure. A company's values are its guide in a crisis. In turn, a crisis is a great opportunity to see whether these values still govern day-to-day decision making.

Many crises originate in routine management decisions. They are often not the direct consequence of external events beyond the control of the company, but a consequence of what the company did or failed to do. Ironically, it is during this pre-crisis state that a company has most control over the situation in the pre-crisis state.

This emphasizes the value of prevention and preparation strategies applied to everyday business practice. The goal of prevention strategies is to eliminate or significantly reduce crisis risks. Adopting such safeguards (and allocating resources to fund them) is the responsibility of managers.

How should companies prepare for crises? Most companies still view stewardship of the company's reputation as a narrow issue best left to the PR department. For the most part, the response is an underfunded initiative greeted by nervous questions from the board. What is needed instead is an enterprise-wide reputation management capability. Building such capabilities is a necessary response to an environment characterized by growing reputational risks. If the growth in risk is not matched by a growth in corresponding capabilities crises will result.

Business leaders and corporate boards are starting to take notice, but are unsure what to do. Most companies still believe that building a strong reputation is easy and only requires common sense; it is merely a natural consequence of doing right by customers, employees and business partners. This approach is flawed. Good business practices are important, even necessary, but they are not sufficient for successful reputation management. A company's reputation needs to be actively managed by the business leaders, led by the CEO as the steward of corporate reputation. While experts such as public relations specialists may play an important role, they should not own the process. The reason is that challenges to a company's reputation typically arise out of a specific business decision, but reputational risk awareness is not part of the decision process.

Successful reputation management is difficult. It requires a high level of strategic sophistication and mental agility that sometimes runs counter to day-to-day business decisions. A company's reputation is shaped not just by its direct business partners, customers, and suppliers, but also by external constituencies. Frequently, constituencies that have lain dormant for many years can suddenly spring into action, particularly in the case of reputational crises. Companies need to have a process to identify such risks.

A company's reputation consists of what others are saying about the company, and not just its business partners and customers. It is essentially public. This necessitates the ability to assume external actors' perspectives and viewpoints, especially when they are critical or even hostile towards the company. A proper response requires a strategic rather than defensive approach by business leaders. Anger or self-pity is not helpful.

A strategic approach requires the emotional fortitude to treat reputational difficulties as understandable — and even predictable — challenges that one should expect in today's business environment. As a result, companies should handle reputational crises like any other major business challenge: based on principled leadership and supported by sophisticated processes and capabilities that are integrated with the company's business strategy and culture.

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once a lottery, and its legislators, are ready to explore new territory, we recommend having a look at online Bingo. Bingo is usually seen as soft gambling which puts it in the same category as other traditional lottery games. Bingo also has the added bonus of being a well-known brand, so the barrier for a new player is also low.

The how

The "how" really needs its own series of articles. So it will only be covered superficially here. Generally a lottery going online for the first time will require a platform (think of it as the foundation for your gaming site), a player account (your player database), an electronic wallet (so players can receive winnings and transfer money in and out) and content (games for the player to play). To confuse things slightly the platform and electronic wallet is often included under the player account umbrella. We are seeing a trend in Europe where lotteries with mature online operations are shifting to what is called a multi-sourcing, or best-of-breed, strategy. This strategy centers around an open platform and player account that will allow the lottery to tie together top tier content from different gaming vendors. ◆