

Expertise@Work

Four strategies for proactively managing your company's reputation

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A solid reputational intelligence function prioritizes building relationships with key constituents—including customers as well as regulators and activists. Executives' ability to understand other peoples' perspectives will determine whether they ultimately succeed or fail.

This article is part of the Expertise@Work series in which business practitioners discuss their own insights on how to apply the ideas of Kellogg faculty to solve difficult business challenges.

For corporations that juggle the concerns of customers, regulators, and other constituents—sometimes across the globe—reputational crises are commonplace. And yet when they arise, executives are frequently shocked. Take a recent US example: SeaWorld and its response to *Blackfish*, a documentary focused on Tilikum, a killer whale involved in the deaths of three trainers, that roundly criticizes the theme park's treatment of Tilikum and other captive killer whales and staff safety practices.

The SeaWorld/*Blackfish* controversy

SeaWorld has been a frequent activist target for years, but public response to the film—which first screened at the 2013 Sundance Film Festival—seemed to take SeaWorld leadership completely by surprise. Why?

It's unclear whether SeaWorld executives had processes in place to anticipate and respond to reputational risks. If they did, for whatever reason, they remained silent. The producers of *Blackfish* first approached SeaWorld with the project in 2012, and the film made its debut in January 2013—but it took until July 2013 for SeaWorld to publicly respond (Figure 1).

In December 2013, nearly a year after *Blackfish* first screened, SeaWorld finally launched what appeared to be a coordinated campaign to actively mitigate the ongoing reputational damage. To date, however, this campaign has had limited success, and *Blackfish* continues to widen the wound on SeaWorld's reputation. Beyond public backlash and sinking attendance, SeaWorld has paid fines to government agencies whose investigators determined that the company wasn't doing enough to update staff safety procedures. And a bill introduced by California legislators—perhaps in response to the impassioned cries of California voters—would outlaw keeping orcas in captivity. These actions not only lend credibility to the filmmaker's argument, but also threaten the very existence of SeaWorld. Furthermore, if the legislation passes it could possibly set a precedent for prohibiting animal captivity and threaten the existence of all US zoos, aquariums, or any other organization that keeps captive animals for public display.

Where has SeaWorld fallen short?

All along, SeaWorld has seemed bent on using data and logic to refute *Blackfish* claims, a strategy that falls short on a critical aspect of responding to a reputational threat: emotion. It appears that SeaWorld leadership continues to underestimate the film's emotional impact, and the company has roundly failed to demonstrate sincere empathy or address the emotional component of their constituents' concern for the captive animals or for the trainers who risk their lives.¹

Even without firsthand knowledge of what happened in the SeaWorld executive offices as the *Blackfish* backlash unfolded, an observer can glean a fascinating illustration of what can happen when an organization lacks an effective reputation management capability and fails to identify potential reputational threats.

Figure 1: *Blackfish* timeline

After the release of *Blackfish*, SeaWorld created [a new section on its website](#) to refute claims made in the film—but leadership waited for several months to do so, and the response seems to fall short as it fails to demonstrate empathy and attempts to answer public concerns with data alone. Below is a timeline of significant events in the SeaWorld/*Blackfish* controversy, assembled using publicly available information. Click on the hyperlinks to see direct sources.

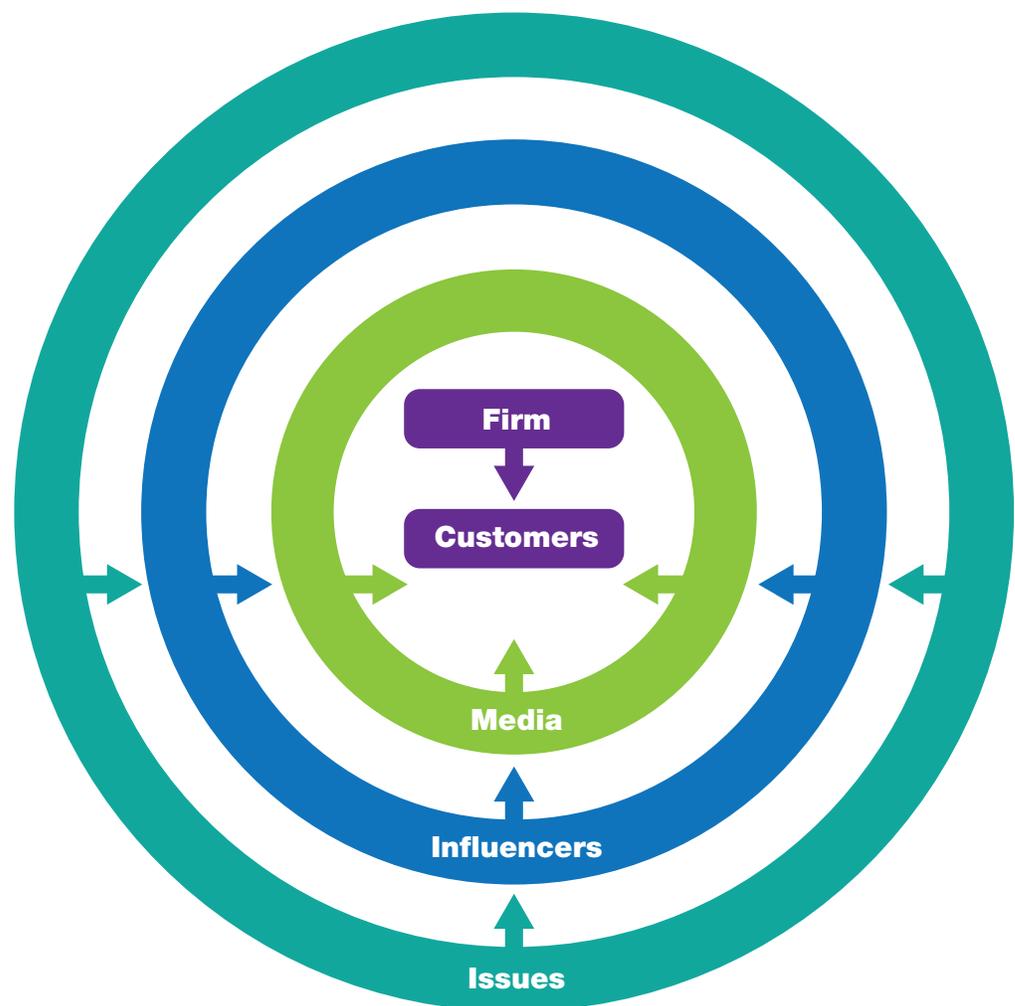
2010	Feb 24	SeaWorld trainer Dawn Brancheau is drowned by the orca Tilikum.
2011	Jun 11	An administrative law judge upholds an OSHA citation stating that SeaWorld endangered the safety of its trainers. The judge also upholds the recommendation that SeaWorld keep its trainers behind barriers or at a safe distance when working with killer whales. SeaWorld quickly appeals.
2012		According to the official <i>Blackfish</i> website and other news outlets, SeaWorld leadership is alerted that the film project is underway, and they repeatedly refuse to take part in the production of <i>Blackfish</i> . However, several former trainers, including Bridgette Pirtle, agree to be interviewed on camera.
2013	Jan 19	<i>Blackfish</i> debuts at the Sundance film festival. Former trainer Pirtle says , “ <i>Blackfish</i> was a complete ‘180’ from what was originally presented to me. . . . I’d love to be able to shed a bit if [sic] light on the dark side of the exploitation and fallacies behind the film.”
	Jul 15	In the company’s first official reaction , SeaWorld’s VP of Communications Fred Jacobs emails high-profile film reviewers in the US, calling the film “dishonest” and refuting the film’s assertions. The film’s producers responded immediately , offering counter-refutations.
	Jul 19	<i>Blackfish</i> opens in US theaters.
	Aug 23	SeaWorld San Diego’s Vice President of Zoological Operations Michael Scarpuzzi publishes an editorial in the U-T San Diego online.
	Oct 28	Jacobs publicly answers questions from CNN about the controversy and about keeping orcas in captivity. That same week, CNN airs network debut of <i>Blackfish</i> .
	Dec (early)	Top-tier musicians scheduled to perform at SeaWorld Orlando’s upcoming concert series back out of their commitments , citing <i>Blackfish</i> as their reason.
	Dec 20	SeaWorld posts an open letter on its website and places full-page ads in a handful of newspapers around the nation, including <i>The New York Times</i> and <i>The Wall Street Journal</i> . Around this time the company also debuts a new section of its website dedicated to refuting the assertions of <i>Blackfish</i> , including a detailed analysis of every scene in the film.
	Dec (late)	The Oceanic Preservation Society and others issue openly critical rebuttals to SeaWorld’s defense, claiming that the park’s assertions are inaccurate.
2014	Jan 1	During the Rose Parade in Pasadena, California, 19 protesters are arrested for attempting to block and destroy the SeaWorld float.
	Feb 17	SeaWorld files a complaint with the US Department of Labor, claiming the OSHA investigator who probed Brancheau’s death had behaved unethically by aiding the filmmakers . <i>Blackfish</i> director Gabriela Cowperthwaite denies claims of improper collaboration.
	Feb 20	A California lawmaker proposes legislation, California Bill AB2140 , that would essentially be a fatal blow to SeaWorld operations there, by making it illegal to “hold in captivity, or use, a wild-caught or captive-bred orca for performance or entertainment purposes.”
	Mar 7	Cowperthwaite offers her own rebuttal and challenges SeaWorld to a public debate . SeaWorld declines.
	Apr 8	California bill AB2140 is put on hold through at least mid-2015, as lawmakers decide that further study is needed.
	Apr 11	The US Court of Appeals denies SeaWorld’s petition to drop the June 11, 2011, OSHA ruling.

Building reputational intelligence and relationships

In my experience, the ability to anticipate reputational risk requires that companies build processes that harness available intelligence. Such processes should, among other things, make clear which key constituent relationships take precedence—whether it be with customers, activists, regulators, or other, less obvious players.

In his book *Reputation Rules*, former Kellogg Professor Daniel Diermeier points out that the chain of events leading to a reputational crisis typically progresses as follows: “issues activate influencers, and both trigger media engagement, which leads to business impact” (Figure 2). Indeed, all of these rings must be taken into consideration when designing an intelligence system.

Figure 2: Issues—Influencers—Impact

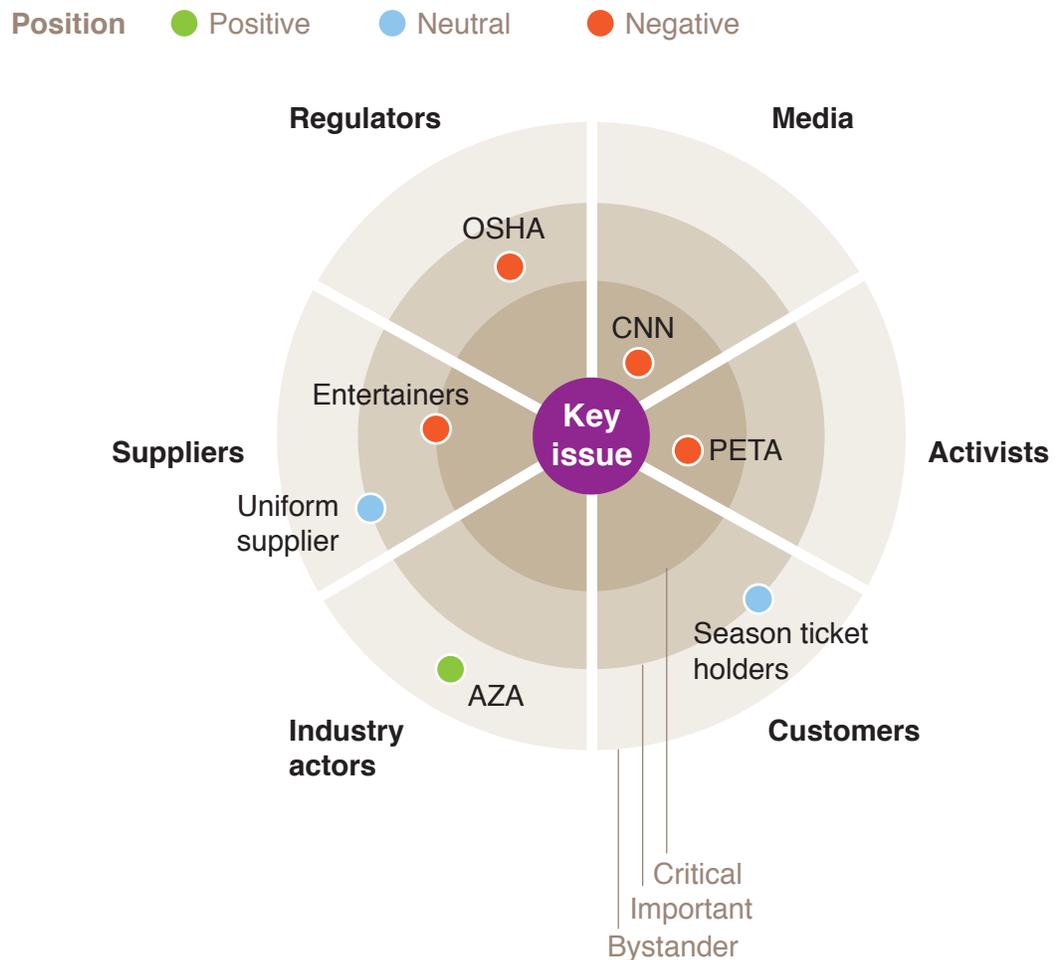


Source: Daniel Diermeier, Chapter 8, *Reputation Rules: Strategies for Managing Your Company's Most Valuable Asset* (New York: McGraw-Hill, 2011).

I have found that the analysis must be issue-centric since the reactions of your constituents will be issue-specific, and the position they take on each issue will vary (Figure 3). So it's most practical to first identify issues, then determine how influencers and the media might act on them, and last consider the potential impact on the firm and its customers.

Every executive's goal should be to establish an intelligence system outfitted with processes and decision-making structures that increase the organization's capacity for the strategic handling of reputational threats—and that trigger action. *Reputation Rules* outlines the three essential components of such an intelligence process: issue identification, issue evaluation, and issue monitoring. And to harness and develop actionable insights from this intelligence, it is critical to forge partnerships that might help your company to ward off reputational threats.

Figure 3: Issue-centric analysis (Illustrative example)



1. **Identify** and create awareness of potential threats by constructing an issue identification function.

In practice, the first step to constructing this function is usually to secure internal buy-in: the board must believe in the essentiality of a reputational intelligence system, then clear the path for integration across the enterprise. After all, when a threat is not imminent, such an identification process is not always the leadership's first priority. Furthermore, it is not a simple or easy process. But intelligence organizations can help to reduce—as Donald Rumsfeld once put it—the “unknown knowns” related to the firm, its activities, and the industry at large. The goal is to lessen the myopia that can lead to potential threats going unnoticed.

One tactic used by forward-thinking executives is to bring in an impartial third party to gather information and present to the board on a routine basis. The involvement of intelligence professionals who have spent time with the foreign service, state department, or industry groups can help ensure that the organization gathers the right data while simultaneously demonstrating your company's commitment to building an impartial reputation management program—one that brings institutional knowledge to focusing on the most important issues.

2. **Evaluate** issues to determine which may have catastrophic repercussions and which are likely to remain mere irritations.

To know what issues should be of greatest concern, it is often helpful to map out key issues by influencer (customers, suppliers, regulators, etc.) and their position on that issue (positive, negative, neutral). Plot this information on a matrix of each actor's importance (bystander, important, critical); see Figure 3 for an illustrative example using the SeaWorld case.

In most cases, figuring out who your main constituents are and what motivates their behavior—both in an institutional sense and as individuals—requires forging relationships and working to honestly understand issues from others' perspectives. This is the best way to keep tabs on potential risks. Furthermore, mapping these relationships makes it easier to examine key actors and how they relate with each other; often, these relations are based on issues that have nothing to do with your company. Indeed, the relationships between the players and facts often end up being much more important than the facts alone.

3. **Monitor** press coverage and potential impact once an issue moves from being latent to active.

Companies must develop a monitoring protocol. In the case of an active threat, relationships with key constituents are more important than ever, since they can provide insight into how players might react and what tactics might assuage their concerns. This involves paying attention to the actions of other constituent groups—friendly or not—and how they may

be using a controversy for their own purposes. In my experience, an effective strategy involves assigning an “issue champion”—someone who is solely responsible for tracking developments, conferring with constituents, and keeping senior management informed.

It is sometimes possible to anticipate how an adversary might turn a reputational issue into media propaganda and take steps to mitigate ill effects before an issue turns into a disaster. Once a company identifies a potential reputational issue, or several issues, and builds its matrix, they can use the matrix as keywords for press searches. Ours is an age of sound bites and headlines; when controversy strikes, the press look for and use these same keywords. The person within your company performing the press search—most likely someone from public affairs—must make sure the issues get to all the people who matter. Depending on the organizational chart, there might be buckets for functional or geographical leaders. Processes to follow up on potential risks, prompt conversations about relationships, and trigger action when necessary are critical to triaging reputational risks before they get out of hand.

In other cases—such as the *Blackfish*-inspired media campaign of People for the Ethical Treatment of Animals (PETA)—it's less obvious how to control an opponent's agenda and avoid further reputational damage. PETA announced its plan to stage a protest at the 2014 Rose Parade in Pasadena, for example, where 19 people were arrested for attempting to block and destroy the SeaWorld float. Given the warning, could SeaWorld communicators have possibly diluted PETA's message by addressing its primary customers and the media? Perhaps, if SeaWorld had not already lost control of the debate; the company's silence had left an empty stage on which the media and other actors could pile on and share their views.

4. Partner with diverse firms that might be able to help your company ward off reputational threats, either by providing a credibility boost or by contributing to your executives' understanding of constituents.

The influencers matrix should also help to examine the relationships among constituents and determine which among them are natural allies. Of course, any strategy to engage potential allies in a constructive dialog should be genuine; they cannot be forged for the sole purpose of reputation management, which may damage instead of boost your company's credibility. Forging alliances with third-party experts when times are good is key, so that when times are bad, they'll stand at your side.

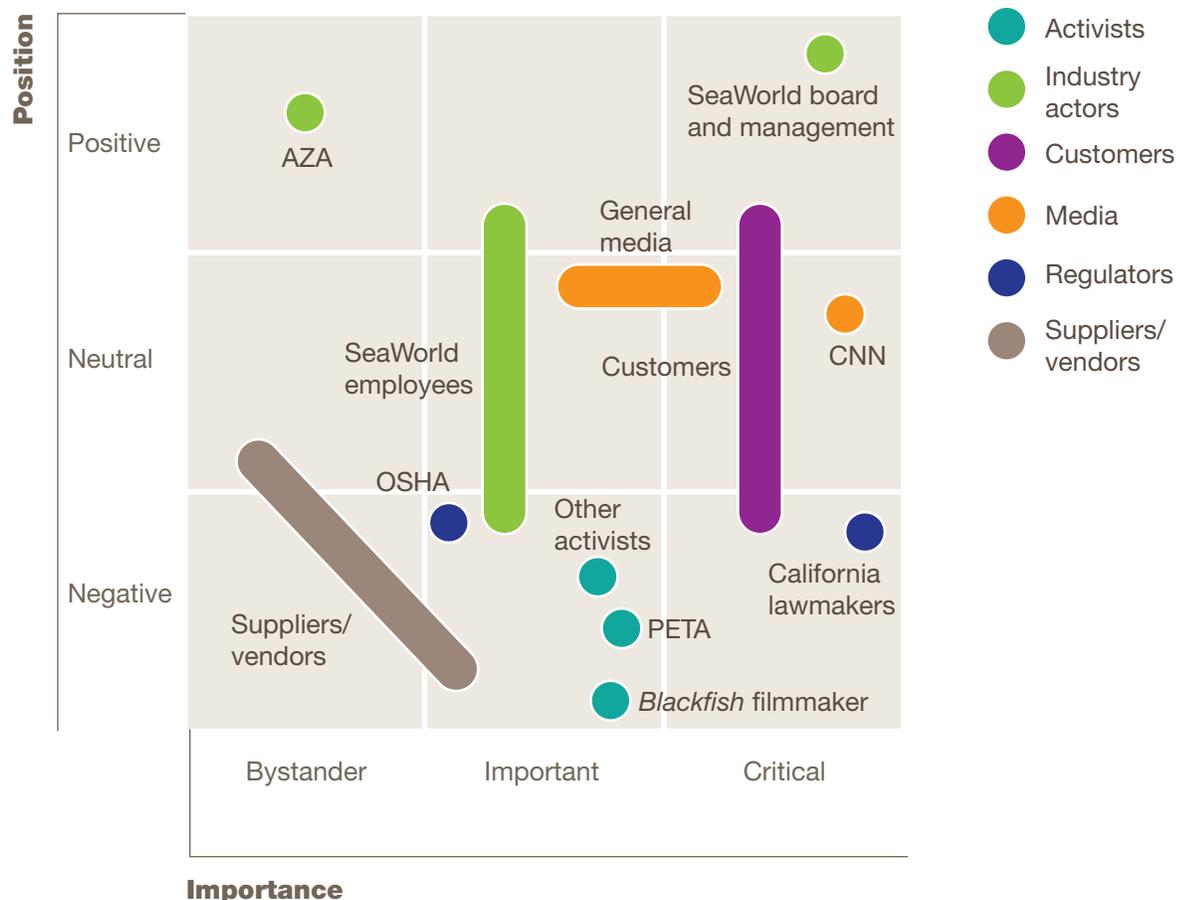
Professor Diermeier rightly notes that, particularly when engaging in negotiations and long-term contracts all over the world, you'll get nowhere without solid relationships. Executives must get to know these key experts, educate them about the positive work their company is doing, and create a foundation to understand where the company is coming from. Joint research projects are a common way for companies to create a bond with an outside expert who can lend credibility in the wake of a reputational crisis.

Though they were forged mid-crisis, when threatened by potentially business-killing legislation, SeaWorld leadership did an excellent job building partnerships with elected officials and community leaders to protect its economic interests. By communicating well and framing the issues—including the shared loss of revenue from taxes and tourism—for the people and elected officials of San Diego, SeaWorld effectively gained trusted partners in its struggle to stay alive and preserve its reputation.

Avoid the blind spots

When executives don't honestly consider the perspectives of people other than themselves, they create blind spots—sometimes around a single actor and sometimes around an entire issue. Even the best technical solution might not be the right one to mollify your company's audience—and that audience is growing and changing faster than ever. The ease with which consumers find information on the Internet and social media, combined with governments and activists who expect that companies will behave in a moral way, have heightened expectations and contributed to a proliferation of constituents who make their voices heard. Most executives

Figure 4: SeaWorld Actor position matrix (illustrative example)



can't possibly expect to monitor trends on their own; seeking out a range of perspectives on a regular basis can open their aperture and identify risks before they become full-blown crises.

Despite this, executives often get caught up in being right, stop listening to the people around them, and are subsequently stunned when bad things happen. Instead, determine the best solution by focusing on building relationships with your constituents. Building strong relationships is not rocket science. It just requires hard work. ■

¹For more on the importance of empathy when dealing with reputational risk, see Daniel Diermeier, Chapter 1, *Reputation Rules: Strategies for Managing Your Company's Most Valuable Asset* (New York: McGraw-Hill, 2011).

About the author

Lee Entsminger, Ford Scholar at the Ford Center for Global Citizenship at Northwestern University is a trustee and board member for the Virginia Aquarium Foundation, and retired from a 34-year career with Mobil and its successor ExxonMobil as a geoscientist, manager, and leader in the petroleum industry. Lee completed a mix of technical, commercial, and business assignments, both domestic and international, and he has held several key positions including Chairman and Managing Director of Mobil Exploration and Production Australia and Chairman and Managing Director of Ampolex. He has worked extensively in government relations with both the US and international governments, which involved working with the Departments of State, Energy, Commerce, and Treasury to address issues ranging from student visas for scholarship programs to assuring compliance with US sanctions. He also served as the primary ExxonMobil contact with the Iraqi and Libyan governments as both countries reopened business relationships with US companies following the lifting of sanctions and normalization of relationships in the early- and mid-2000s.