

### Never Underestimate Reputational Risk

Reputational risk may be the biggest risk faced by any company and board today. Social networks and almost instantaneous information can seriously hurt the reputation of any company that experiences a significant problem.

One prime example is Sony. Estimates are that personal information on over 70 million PlayStation Network users was stolen. Hackers on a least 2 separate dates infiltrated their IT systems. It took decades to build their reputation for quality and reliability. Now it's in jeopardy.

Many believe that Sony will weather the storm because they have such a solid reputation. They built incredible customer loyalty over decades. Others are complaining that Sony is not responding quickly enough to divulge the scope of their problem and provide an acceptable solution.

In any situation when personal or important business information is stolen, reputational risk becomes a critical issue. Twitter, Facebook and blogs all spread the news and customer reaction quickly around the world. The accuracy of this information is immaterial. Most companies are immediately judged guilty. Claiming innocence or minimizing the problem doesn't work.

#### Years to Build, Minutes to Destroy

It takes years to build trust with your customers whether they are other businesses or consumers. It takes only one security breach, one hack or one lost laptop to create a major crisis.

The need to react quickly and decisively is imperative. A "no comment" response is unacceptable. Controlling your messaging and the discussion is critical.

Sony is not an isolated example. Apple is accused of capturing personal data on your iPhone. Google is tracking your location and activity without telling you.

Consumer mistrust of business is building and is unforgiving. The trust, brand equity and reputation that you spent years developing can vaporize in a heartbeat.

#### Plan Ahead

If you haven't already done so, spend some time now at your next board meeting to discuss this topic. Think about what could happen in your company that would cause loss of important information. Then ask your CEO and management team to scenario plan on what they would do about it. Think about how they will control the response and messaging. Neglecting this issue until it occurs at your company is a recipe for disaster.