

Reputation Risk

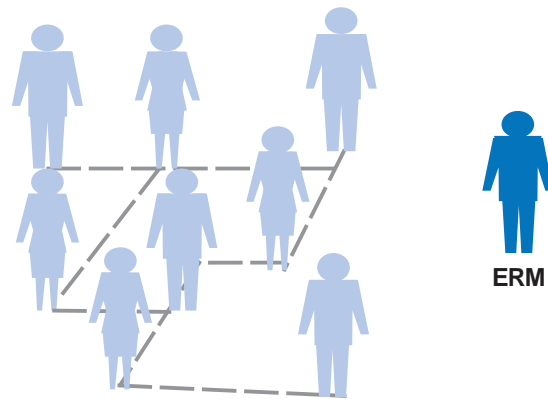
Building a Culture of Risk
Awareness and Escalating
Potential Crises

Expand ERM's reach by asking a recognized leader (who is also a champion of greater risk management) to communicate ERM messages.

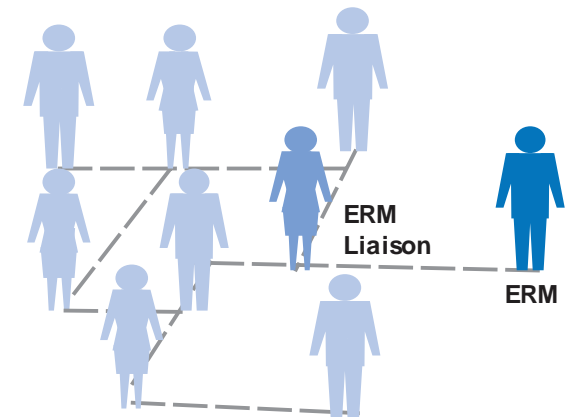
- ERM Liaisons help foster a culture of risk awareness and escalate potential crises.

UTILIZE AN AUDIENCE'S NETWORK TO COMMUNICATE MESSAGES

ERM often sits outside a stakeholder's network, meaning it has little initial legitimacy or clout.



By having a message delivered by someone within an audience's network, buy-in becomes easier to achieve.



Potential ERM Liaisons

- An employee in the targeted stakeholder's reporting line
- An employee with enough visibility to understand why a risk management initiative is being undertaken

Stakeholder Reaction

- Do I need to take this request seriously?
- Is this a real priority for the company?
- Is it really necessary that I be involved?

Source: CEB analysis.

Stakeholder Reaction

- ✓ If this person is asking me to do something, it must be important.
- ✓ Coming from this person, participation is part of my role.



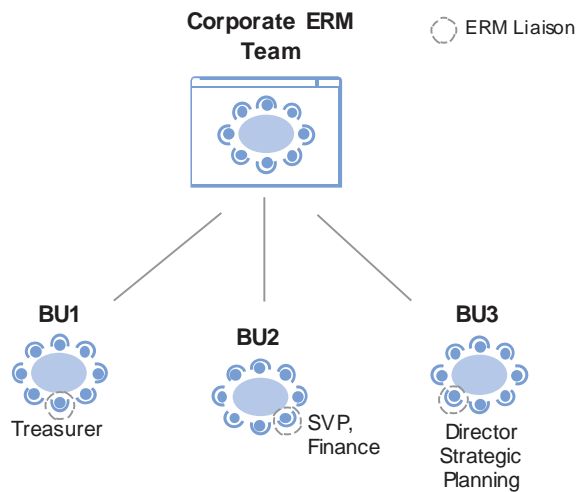
Eli Lilly's ERM team appoints business leaders as their ambassadors.

- There are 14 ERM liaisons across various business areas and support functions.
- ERM educates the appointed liaisons on the ERM framework and toolkit.
- ERM liaisons start attending risk workshops, at first as silent observers, and later as active participants.
- Responsibility as an ERM liaison is perceived as a career-enhancing opportunity.

DEVELOPING ERM LIAISONS

ERM Liaison Network

Illustrative



Role of an ERM Liaison

Responsibilities

- Ensuring risk-adjusted strategic decisions
- Fostering a culture of risk awareness
- Sharing risk management best practices from across the firm
- Ensure smooth information flow between business and corporate ERM.

ERM liaisons spend 2–10% of their time on ERM activities, depending on their line of business and strength of controls and mitigation in their division.

Desired Attributes in a Liaison

Seniority and Experience

The candidate should be senior enough to influence the decision making process in the business area.

Terrain Knowledge

The candidate must possess adequate knowledge of the business area's strategy and operations to make valuable contributions.

Understanding of Risks

The candidate must understand operational risks within the business and how they interact with the company's strategic risks.

Time Commitment

The candidate should be in a position to devote up to 10% of their time on ERM related activities.



"We can't do it all; we can't know it all."

Pamela Hrubey
Director
Enterprise Risk Management.



Caterpillar’s leadership have shifted the dynamic of their safety walks from a compliance to a learning approach.



A LEARNING POSTURE

Caterpillar’s “Safety Walks”

From → To

Looking for Safety Violations
<p><i>Objective</i> Identify and correct non-compliant behaviors.</p>
<p><i>Sample Communication</i> “Start wearing your hard hat and safety goggles.”</p>
<p><i>Role of Employee</i> Object of safety communications.</p>
<p><i>Solutions</i> Address the symptoms of the unsafe environment.</p>

Asking Questions
<p><i>Objective</i> Identify barriers to safe working practices.</p>
<p><i>Sample Communication</i> “What hazard do you see that could lead to an accident?”</p>
<p><i>Role of Employee</i> Empowered contributor toward safety outcomes.</p>
<p><i>Solutions</i> Address the root causes of unsafe employee behaviors.</p>

Sample Questions

- Surface Cultural Barriers**
- Which is more important to your supervisor—safety or productivity?
 - Have you brought safety issues to supervisor’s attention? What was the result?
- Surface Physical Barriers**
- What obstacles prevent you from doing your job safely every time?
 - How can I help you create a more safe working environment?

Safety Walk Guidelines

Who: Leaders from line supervisors up to VP level
When: supervisors conduct walks daily; VP level on a monthly/quarterly basis
How: Leaders are provided with questions to guide their discussions with employees. The questions help them to start a conversation and surface any issues or concerns

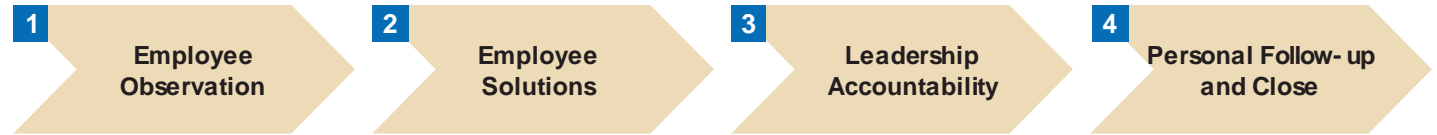


In addition to asking employees for feedback, Caterpillar also gives staff the opportunity to volunteer information.

CULTURE OF ACTION



Caterpillar's "Continuous Improvement Cards"

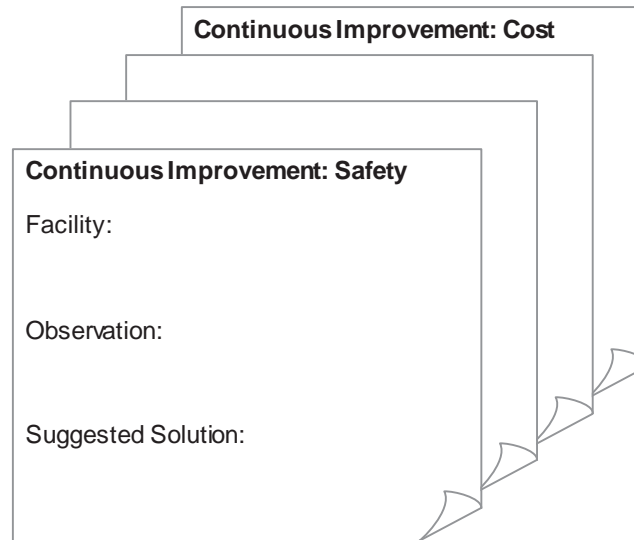


- Employee observes and reports a safety condition or risk
- Employee has an idea to proactively improve safety

- Employee provide a proposed solution to the issue
- Employee completes a Continuous Improvement Card

- Continuous Improvement Card is posted publicly in the facility
- Each card/issue is assigned responsibility to a leader and dated
- Leader is responsible for following up on employee suggestion

- Leader must reach out directly to the employee who submitted the card
- Leader and employee have dialogue around proposed action steps and come to agreement
- Employee signs off on the issue when comfortable with the action taken





Provide actionable tools to help assess the situation and determine crisis management support.

BUILD AWARENESS OF ASSESSMENT PROTOCOLS



Timken's Crisis Assessment Grid

Diverse crisis indicators account for range of possible situations.

Single page, four-level design is simple and easy for employees to use.

Clear escalation outcomes ensure management of the situation at the appropriate level.

Area of Concern	Level 1 Incident	Level 2 Crisis	Level 3 Crisis	Level 4 Crisis
People	No injuries or threat of injury.	Minor injuries.	Serious injuries or loss of life.	Multiple fatalities and injuries.
Scope	Controlled, no-harm incident	Confined to company facility	Affecting the facility and nearby area.	Affecting the region for an indefinite period of time.
Business/ops Impact	Minor. Incident briefly interrupted.	Temporary. Confined primarily to the local company operations.	Significant. Operations shut down temporarily.	Extremely serious. Out of action indefinitely.
Public Concern	Unlikely; internal only.	Local, limited to curiosity.	Some, but mostly local interests.	Substantial public anxiety.
Media Coverage	No publicity likely.	Likely 1–2 days in the news/social media.	2–7 days of media coverage; mainstream news, social media, and blogs.	Weeks of national/global news onslaught likely.
Financial Impact	None.	None. Damages insured.	Non-material financial impact. Unlikely to jeopardize sales and earnings.	Material financial impact. Potential to erode market value.
Customer Impact	None.	None.	Possible short-term service delays of 1–3 weeks.	Likely long-term service delays that pose threat of loss of business.
Escalation Level/Crisis Management	Local Team	Local Team w/ corporate notification	Crisis Management Team	Senior Crisis Management Team; all hands on deck

From the COMMUNICATIONS EXECUTIVE COUNCIL © of the SALES, MARKETING, AND COMMUNICATIONS PRACTICE www.cec.executiveboard.com

Source: Communications Executive Council research, The Timken Company.

Thank You

Erik Edlund

Senior Executive Advisor, CEB

571-303-5464

eedlund@cebglobal.com