Shattered Reputation Could Challenge Healthcare Organizations in the Post-COVID-19 Era

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Nurses arriving for the night shift at an understaffed Detroit emergency room, believing themselves to be inadequately supported, protested by refusing to work—and were sent home. Physicians have been disciplined for speaking out about conditions, and staff for wearing masks in common areas. "Most physicians have never seen this level of angst and anxiety in their careers," one ER doctor was quoted as saying.[1] Yes, there's fear, simmering anger, and a deep sense of betrayal among many health professionals on the front lines of the COVID-19 crisis.[2] It is an emotional storm threatening to destroy some organizations' reputations in ways that could have lasting implications.

Safety is a fundamental human need and an expectation most employees have of their employer. Executives who believe that clamping down on fearful angry employees will somehow protect their organizations' reputations are seriously misguided. Strong and resilient reputations exist when entities set expectations accurately and then meet them consistently. Some are doing that; some are not.

Employees—who in the healthcare field often have more subject matter expertise than the executives running operations—expect management to do what is necessary to keep them safe. Sloganeering, marketing pablum, and what is known in legal circles as "corporate puffery" won't fool them. Patients and visitors, albeit relatively naïve, nevertheless have the same expectations. They will accept—and they may expect—extreme measures being taken to protect them, just as they did after 9/11.

Attention healthcare executives: When your stakeholders are doctors, nurses, and hospital workers who are perceived as heroes in a public health crisis, and their expectations of their employer are shattered, the reputations of those medical institutions are going to incur significant material damage. That's not just a diminished score in an annual *U.S. News and World Reports* league table. *Material* means politicians are going to hold hearings, legislation is going to be proposed, funding formulas could be rewritten, regulators will likely apply new levels of scrutiny, attracting talent may become more difficult, and issuing debt for expansion may become more expensive.

1 Karen Weise, "Doctors Fear Bringing Coronavirus Home: 'I Am Sort of a Pariah in My Family,'" *The New York Times*, March 17, 2020.
2 Eric Topol, "Topol: US Betrays Healthcare Workers in Coronavirus Disaster," *Medscape,* March 30, 2020.

The winners—meaning lower costs of operations, lower cost of capital, and lower regulatory opprobrium—will be those organizations that lived up to the expectations of their internal stakeholders and those in the community. The losers will be those whose reputations have been sullied as a result of conflict with these key stakeholder groups.

There may be fundamental structural changes, as well. This erosion of trust by healthcare workers for their employers could also present a major organizing opportunity for labor unions. While some nurses and healthcare workers in this country are unionized, most are not. Just as labor unions' growth a century ago resulted from unsafe working conditions in factories, steel mills, and coal mines, we may see a similar rise in union membership now resulting from concerns about safety in healthcare professions.

Even physicians, most of whom are independent contractors and prohibited by law from collective bargaining, may look for better ways to have their voices heard as a group. When the reputations of institutions we are closest to crumble, we look for other types of institutions in which we can place our trust. It is not hard to imagine, depending on who prevails in the 2020 elections, legislative proposals exempting physicians from antitrust laws when it comes to workplace conditions and their own safety. In an industry that is already consolidating, legislation could produce dramatic effects. Consider how the Air Mail Act of 1930 at the top of the depression precipitated the consolidation of the airline industry in only four years from 44 carriers to three: United, TWA, and American.

The problem at many healthcare organizations—and this is true in the corporate world as well—is that reputation is often viewed as a marketing and communications issue and handled by those departments. Employee relations is handled by HR. Workplace safety is probably in the realm of general counsel and risk management. Regulatory and legislative issues are in the hands of government affairs.

Reputation is not about marketing. In our post #MeToo, COVID-19, greenwashing, social-washing, post-advertising world, reputation is about expectations and the ability of an institution to meet them. The gap between the two is reputation risk. Board members should know the difference.

Boards comprise the governance arm of an institution's reputation risk management apparatus. The remainder of this article provides a framework for boards to help fulfill their oversight duties and protect their most valuable asset.

Key Board Takeaways

- ✔ **Establish among directors a behavioral economic understanding of reputation risk.** It is a peril of economic damage from angry disappointed stakeholders, to be mitigated by a risk management apparatus (governance, leadership, processes, and insurances) overseeing expectation management, operational execution, and a spectrum of communications processes.
- ✔ **Demand more from leadership.** A visible leader communicating truthfully and empathically in a simple, easy-to-understand, and credible manner is a key success factor in a crisis. Plan ahead to have this type of leadership available, and in a crisis (like COVID-19), demand that type of behavior from the current leader or a replacement.
- ✔ **Identify the institution's stakeholder groups and make sure you understand their expectations.** Risk managers, general counsel, along with CFOs, marketers, and other departments need to create processes to work together on a continual basis to define their universe of stakeholders and understand their expectations—bearing in mind that the stakeholders and their expectations may change rapidly at any given time.
- ✔ **Assess whether your organization is engaging in unrealistic, aspirational marketing.** Reliable, repeatable review processes should mitigate this source of increased reputation risk. The more stakeholders expect beyond what can be delivered, the greater the disappointment and anger arising from institutional failure.
- ✔ **Ensure reputation risk is managed by risk managers in tandem with general counsel.** These two positions already work across organizational silos to identify, minimize, and protect against enterprise risks. Reliable, repeatable analytical processes should enable risk professionals to understand the peril's sources, the potential costs, and the full spectrum of operational and financial strategic options to mitigate the losses from disappointed stakeholders.
- ✔ **Show stakeholders that they are being heard and are trusted with the truth.** Frontline medical and support staff especially need to see that their institution leaders hear them, care about them, and are doing everything in their power to protect them. Content control processes should ensure they are trusted with the truth. To do otherwise creates additional sources of reputational risk.
- ✔ **Remember that marketing isn't risk management.** Marketing isn't good reputation risk management nor reputation insurance, but good reputation risk management backed by reputation insurance is powerful marketing.

1. Leadership

The organization's leadership must command moral authority. Reputational resilience after the crisis depends on the degree to which stakeholders—especially frontline medical and support staff—believe leadership hears them, cares about them, and is doing everything in its power to protect them. The institution's leaders must trust stakeholders with the truth, set reasonable expectations, and be authentic. Varnished truth, unsubstantiated optimism, and artifice are no more than additional sources of reputational risk. If this is not the leadership currently at the helm, then this is what the leadership should become.

2. Controls

Controls are the processes of a reputation risk management apparatus that mitigate the gap between expectations and reality. Risk managers and general counsel need to take control of the entire portfolio of potential reputational risks, assisted by the other departments, and function as the central source of reliable intelligence. Risk managers, general counsel, along with CFOs, marketers, and other departments need to work together on a continual basis to define their universe of stakeholders and understand their expectations—bearing in mind that the stakeholders and their expectations may change rapidly at any given time.

They need to delve into every corner of the organization, anticipate reputational risks, and stress test the organization's controls against them. For example, many frontline medical and support staff may perform fearlessly with respect to their own safety, and yet be ridden with fear and guilt over possibly leaving their family unsupported. Does the institution have a risk management-based program that provides for child or elder care if the caretaking healthcare worker is incapacitated? Do stakeholders expect this, perhaps without necessarily verbalizing it?

3. Insurances

Insurances provide contingent capital to fund the costs of managing a crisis, and until that day, tell a story of an institution's preparedness. The latter is an especially important feature of an institution's reputation risk management apparatus.

Boards and CEOs have an obligation to ensure that their organizations' controls and insurances are protecting against gaps between expectations and performance. The two may go hand-in-hand. For example, an institution may purchase commercial insurances or fund a captive insurance solution to cover the costs of child or elder care for a stricken worker. Risk managers understand how to support underwriting and financial risk transfer.

Because they are first acquired before a crisis strikes, insurances underpin the effectiveness of a leader's communications by affirming forethought. Insurances mean a risk was considered ahead of time, and mitigation steps were taken. Risk managers know how to utilize third-party validation as a signal of strength. An insurance product that covers reputation loss tells a story. The very existence of that coverage enables marketers to do their job—building reputations based on good governance, strong operational controls, and meeting the expectations of stakeholders.

Boards need to know this: in the sector-wide shakeout that is almost certain to occur in the depressed economic aftermath of COVID-19, organizations with strong reputations, those that met or exceeded their stakeholders' expectations during this time of crisis, are going to be in the driver's seat. Those that have failed to anticipate those expectations are going to have a challenging road ahead.

The Governance Institute thanks Nir Kossovsky, M.D., CEO of Steel City Re, for contributing this article. He can be reached at nkossovsky@steelcityre.com.