INSIDER
INDUSTRIAL AUTOMATION & PROCESS CONTROL

REPUTATION MANAGEMENT

For some reason, it is hard to explain to a company, or to a public person, that their reputation matters. It matters enough that companies can be nearly destroyed by the things that they are perceived to be doing. Note that I said, "perceived to be doing."

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The list of companies who have fallen afoul of this is extremely long. In the early 1960s, General Motors produced a revolutionary automobile—the Corvair. They installed a cheap, low-quality suspension system, which led to Ralph Nader's expose book, *Unsafe at any Speed.* After they fixed the suspension, the Corvair was the *wundercar* it was supposed to have been, but it was too late. Its reputation had been ruined.

Ford Motor Company decided to save $11.00 per vehicle by using a less expensive, and also less safe gas tank on its flagship economy vehicle, the Pinto. An internal study's cost-benefit analysis showed that it would have cost $137 million to have corrected the fault. Legal judgements against Ford after the fact cost them that much, while the damage to Ford's reputation was incalculable. It was not an accident that Ford's nickname became "Found On Road Dead."

There are many more. Right now, we are watching The Boeing Company self-destruct over cost accounting.

Prior to the takeover/merger with McDonnell-Douglas, Boeing had been an engineering driven company. Sales and cost accounting were always subservient to design and manufacturing engineering and safety. Boeing had a sterling history of safety in aircraft production. The major issue had been cost overruns in manufacturing. Boeing's new management, most from McDonnell-Douglas, were accounting-driven and pushed Boeing into making some questionable decisions in the design of the 7XX series aircraft. These questionable decisions have come back to bite Boeing with a vengeance. In fact, it seems like they just get one issue behind them and another one pops up. Cockpit windshield glass falls out, hidden door panels

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blow out, software systems that nobody told the pilots about cause multiple crashes…you get the picture. And of course, the current mess, which is that they cannot retrieve the two astronauts who went to the International Space Station on a Boeing rocket and capsule, because the capsule has sprung a leak and is not likely to survive re-entry.

So that you don't think I'm picking on Boeing, there have been other companies who have made similar messes. Remember BP whose Texas City plant erupted because critical safety equipment failed from lack of testing? Look at all the people who have been cyber-attacked. For example, the City of Seattle's Public Library, whose computer systems have been held for ransom for over a month at this writing. That reputation-destroyer has gotten so numerous that it is a rather blasé event now. Yes, your data is on the dark web. So what?

The point of all this is that your reputation, your company's reputation, matters a whole lot. BP has yet to recover from Texas City, Ford still winces when the Pinto is mentioned, and all the generally poorer people who use the Seattle Public Library for their internet access are hopping mad, and not at the hackers, either. Remember Tylenol?

So, what do you do when you have a public relations disaster happen to you?

1. Get out in front of it. As soon as you hear what's happened, appoint a single executive and a single PR operative to be the spokespeople for the company. NOBODY ELSE should speak for the company.
2. Be transparent and tell the truth as you know it. No waffling, no weasel wording. Just the truth as you know it. Answer questions as accurately as you can. If you don't know the answer, say that you don't know, but will do your best to find out. And then find out.
3. Set up a schedule of reporting press conferences. Keep the schedule. Make sure you have something new to report at every conference. Don't overdo the conferences. Two a day are enough if that many.
4. Be the first to report new information always.
5. Begin the incident investigation immediately. Announce it, and who will lead it.

The Ten Commandments of Reputation Management:

1. Get out in front of the issue.
2. Be transparent and tell the truth.
3. Report early and often.
4. Always be the first with new info.
5. Begin the investigation instantly.
6. Take care of any victims.
7. Only make promises you will keep.
8. Announce the investigation results immediately.
9. Accept responsibility immediately and correct the problems so that the incident will not happen again.
10. Pay indemnities and fines immediately.

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6. If there are victims of the incident or accident, contact them immediately. Make sure they know that you sympathize with them, and that you will make sure they are taken care of. Make sure they have all the necessities if they've been dispossessed of housing, etc.
7. Only make promises you intend to keep. It makes a problem worse if you say you're going to fix something, and then delay, defer, and just don't do it. Boeing is finding out what agreeing with a set of sanctions and then ignoring them is going to do to their reputation and to the huge fines they will be paying for ignoring the FAA.
8. Fast-track the investigation and announce the results promptly, even if they make the company look bad or worse.
9. Accept responsibility immediately, even before you know completely what happened. Make sure you let everyone know, "It happened on our watch, we will fix it." Correct the problems so the incident won't happen again. Make sure to announce each corrective action so you get credit for it.
10. Pay any fines and indemnities immediately, without arguing. It costs you much less to be seen as helpful and magnanimous than as a vicious, litigious Scrooge.

Remember the Tylenol case? The poisoning of several Tylenol bottles caused a country-wide panic and Tylenol was withdrawn. The company meticulously planned the re-introduction including tamper-proof packaging and an inner seal. Even though the poisoner was never apprehended, Tylenol's reputation was restored and stays that way today. You can do what McNeil did, and get in front of the problem, fix the problem, and make sure it never happens again.

You can't expect that nothing will ever go wrong. So you have to plan for when things hit the proverbial airmotive device. Make sure you know what to do, make sure everybody including the CEO knows what to do. Or you'll get what the CEO of BP got, when he complained that he hadn't had any sleep while there were more than 15 dead operators in his plant.

If you are in charge of reputation management for your enterprise, make sure you have the authority to make stuff happen and make your instructions stick. If not, you'll be out of work in a hurry.

THE 21ST CENTURY MARKETING BLUES, Part Five

It's about customer service.

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That's why we get phone trees with, "Your call is important to us, but right now all our operators are busy helping other customers." That's right, there are other customers whose problems are more important than yours!

How many times have you wanted to climb down the phone cord and strangle the AI-enabled recording that says, "Before I can find you a representative, please tell me what you are calling about so I can help you."

No, it isn't about customer service. It is about defending yourselves from the customers. It is about cutting costs in the service area. After all, why should you pay all those humans to be on the phone with customers when you can have AI-enabled phone triage instead. If you can get a whole lot of customers so upset they hang up, but not so upset that they go away, you've got a winner there, Spunky. Lower service costs, lower headcount. It's a win!

Customer service is about serving the customers, where they are, and the way they want to be served.

Except that the customers know when they're being diddled. They may not be able to do anything about it, because you're the only game in town, or they have too much invested in your products or services, but they remember. And they will hurt you for it whenever they can.

The situation has gotten so bad that there are commercials making fun of it. A commercial for one bank has the customer convinced they are talking to a robot, who Is really a human being who turns the tables on the customer. A phone company advertises that you get to speak to a human being every time. Even as far back as the 1970s, the great comedienne Lily Tomlin nailed bad phone customer service to a tree.

If it is that bad, why do we all do it? Nearly every company I deal with has telephone triage whether I call for service or sales. And while I'm on the phone because I can't find the answer I need, I get told that I can always find my answer quicker and easier on their website.

And companies wonder why they are disliked.

Customer service is about serving the customers, where they are, and the way they want to be served. It is about *them*, not about you.

It is about how fast you solve the customer's problems. The kiss of death for customer service is a service tech insisting that the customer is at fault. The customer may in fact be at fault, but

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you can't tell them that. You have to fix the problem, show them the fix, and let it dawn on them that it was their fault. If they never see that, that's okay. In fact, it is the best of all possible things to have a customer say, "Yes, I had a problem with them, but they were quick to fix it, and it stayed fixed!" It is even better to have that reaction than have no problems at all. Having no problems may not mean no problems. It could be that the customer is tired of talking to you and just doesn't report problems anymore. You really don't want that.

Sometimes fast means really really fast. When I worked for Texas Nuclear, many years ago, one of the chemical plants in Louisiana had their nuclear level gauge die in mid-run. The entire plant was controlled by the level measured by that gauge. In the middle of the night, the plant manager called and said, "We're sending the corporate jet for your technician. We want him at the airport in two hours with whatever parts he needs to fix this. My plant is completely shut down and we're losing a half-million dollars an hour." The wrong answer would have been, we are booked with service calls for a week. We can get to you next Thursday. Luckily, we gave him the right answer. The technician was rousted out of bed and sent to the airport with handfuls of parts and a toolkit.

Companies cannot go wrong by emphasizing good, high-quality service. It very quickly makes you stand out from your peers, who don't. You can even get a premium for both your products and your service when you have a track record of exceeding expectations and providing high quality service.

The next time somebody brings you a proposal for a new and more elaborate phone triage system, complete with AI-enhanced voice recognition, so that the "customer facing" workers can be further isolated from the customers, make them use it themselves, over and over.

A Tale of Sea Drones and Supply Chains

War, not necessity, is the mother of invention. The beleaguered nation of Ukraine, with a huge waterway on its southern flank, the Black Sea, has had to develop some innovative weapons systems. The Russian Black Sea Fleet had at the start of the war, about 37 major surface vessels with which to guard the sea approaches to the Crimean Peninsula, which Russia had illegally expropriated in 2014. The Ukrainian Navy had, on the other hand, a small number of patrol boats with which to defend against the vaunted Black Sea Fleet. Today, Ukraine has destroyed over 15 of the Russian ships, including the Moskva, the command ship of the Fleet. They did it, mostly, by inventing new technology using small boat drones.

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The Ukrainian postage stamp pictured shows the Magura V5 drone, which has been used to successfully sink Russian warships and war materiel related shipping. It is only one of the drones Ukraine has successfully developed during the war. One of the scariest things the Ukrainians have done is to invent tactics that allow these powerful drones to be used as swarm attackers. Drones are relatively cheap to build, use mostly conventional electronics and detection equipment and can use Starlink for Internet connectivity.

Unless you are Ukrainian or Russian, why should you care?

Well, imagine the Houthis in Yemen deploying Ukrainian-style drones against Red Sea shipping, or perhaps the USS Gerald R Ford—at $13 Billion the most expensive warship ever built. Drones are cheap enough for asymmetrical warfare and use as single use Kamikazes, simple enough for small industrial plants to build, and as the Russians are finding out, very difficult to defend against. Asymmetrical warfare has been used by the American revolutionaries, the Viet Cong, and others. It is very hard to defend against and to defeat.

Asymmetrical Warfare:
Unconventional strategies and tactics adopted by a force when the military capabilities of belligerent powers are not simply unequal but are so significantly different that they cannot make the same sorts of attacks on each other.
— Encyclopedia Brittanica

Now imagine the insurgents everywhere there is a commercial sea lane with drones of their own. Container ships are very lightly defended and are often in isolated waters. We have seen a rise in piracy in the past two decades, and we can expect to see interdiction of the sea lanes with drones.

How safe is your supply chain?

What should we be doing to secure our supply chains in this very scary 21st Century?

1. Keep your supply chains short. Make your products where you sell them. You may need to build more plants globally, but this will save you in the event of global issues.

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2. Don't do rigorous just-in-time supply. Make sure you have enough parts and systems to get past a short interruption. Plan for what to do if the "interruptions" become endemic.
3. Keep your supply chains redundant. Don't have single point of failure situations. Yes, this will cost you more. But I don't think you want to see three months' production at the bottom of the South China Sea, or the Sunda Strait.

The world is getting scarier as the world order developed in 1946 degenerates. It is essential for your company's survival into the next century that you plan for surviving this one.

If you liked this issue of the INSIDER and want to contribute to the work I do, please…

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