

# **LABOUR & EMPLOYMENT LAW**

*A Practitioner's Guide*

## **MANAGING CORPORATE REPUTATIONAL RISKS: ACTION PLAN FOR HR MANAGERS**





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*"In a digitally connected world, a byte  
of data can boost or bite your brand "*  
*Bernard Kelvin Clive.*

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## 1.0 INTRODUCTION

Corporate reputation refers to the summation of the public perception of an organisation or a corporate entity. An intangible component, corporate reputation is an invaluable asset of an organisation. This work explains the link between human resources practices and corporate reputation. It establishes that employees are corporate ambassadors, and that organisations' human resource practices may impact

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positively or adversely on corporate reputation. The work also offers useful tips for managing corporate reputational risks including how to respond to adverse or damaging social media publicity.

## **2.0 HUMAN RESOURCE PRACTICES AND CORPORATE REPUTATION**

**2.1.1** As noted earlier, corporate reputation refers to the summation of the public perception of an organisation or a corporate entity. Good corporate reputation is critical, not only because of its potential for value creation, it has also become an important tool for creating competitive advantage including stakeholders approval and acceptance. In an increasingly competitive global market, organisations require impressive corporate image to sustain or expand their market share. Reputational risks and threats are dangers to the good name or standing of an organisation. With some of the biggest corporate scandals around the world, especially that of Enron, Arthur Anderson, Tyco and Worldcom, corporate organisations are increasingly recognising the adverse and very devastating consequences of brand damage. Brand damage can hardly be quantified in monetary terms, and in the words of Warren Buffet, losing reputation is a far greater sin for an organisation than losing money.

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**2.1.2** The explosion of social media around the world in the last decade has been a phenomenon. The increasing use of, and massive subscriptions to various social media platforms such as Facebook, LinkedIn, Twitter, Instagram etc continue to have implications for corporate reputation. In this regard, disgruntled and disloyal employees are reputational risks to any organisation. No sooner that memos are issued than they post them on various social media platforms and which go viral at incredible speed.



The key influencers of corporate reputation are employees and customers. The scrutiny and increasing competition under which businesses operate today, and the quantum of information in the hands of employees make corporate risk management as important as the finance of the company. A corporate scandal can occur at any time and the common risk factor is employees' dissatisfaction arising from human resources policies they consider as wrongful, unlawful, unethical or unfair.

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A negative publicity against a company can affect customers' behaviour including public perception of the company and its processes. Organisation's reputation is dependent on its behaviour as a corporate citizen, corporate organisations must, therefore, be deliberate in promoting workplace practices that enhance the company's corporate image and brand. A distinguished expert in corporate reputation, Fombrom CJ underscores the centrality of corporate practices to corporate reputation when he wrote as follows:

*“Better regarded companies build their reputations by developing practices which integrate social and economic considerations into their competitive strategies. They not only do things right- they do the right things. In doing so, they act like good citizens. They initiate policies that reflect their core values that consider the joint welfare of investors, customers and employees, that invoke concern for the development of local communities....”<sup>1</sup>*

The critical link between human resource practices and corporate reputation came to fore during the 2020 Covid-19 lockdown.

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<sup>1</sup> Fombrom CJ “Reputation: Realising Value from Corporate Image” Harvard Business School (1996) P. 8.



### **3.0 LESSONS FROM COVID-19 PANDEMIC**

The Covid-19 pandemic has had serious implications for human resources management. During the Covid-19 lockdown in 2020, many corporate organisations in Nigeria had to deploy different measures in response to the declining business fortunes and uncertainties created by the pandemic. In a desperate attempt to reduce labour costs, many organisations had to resort to various measures and practices, some of which are not only wrongful, but grave unfair labour practices. There were reported cases where employees had their contracts of employment arbitrarily terminated, suspended, or materially altered without their consent or any prior engagement whatsoever. Other measures taken by employers of labour across different industries included arbitrary and unilateral pay cuts, compulsory leave without pay, and all sorts of cost cutting labour practices.

Most of these in-house human resource practices crawled into the public domain as they found their way to the ever-busy social media, with attendant embarrassing consequences for the companies and their management. Leaked memos and emails from CEOs announcing unilateral and arbitrary pay cuts, correspondences between human resources department and trade unions, letters of termination etc littered social media space. From Twitter to Whatsapp, and Facebook, aggrieved employees of corporate organisations continued to serve the public with daily doses

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of otherwise private and privileged information and documents within their organisations.

## **4.0 MANAGING REPUTATIONAL RISKS: THE ROLES OF HR MANAGERS**

To manage corporate reputational risks, below are some options and strategies.

### **4.1 SOUND HR PRACTICES**

Most companies say that their human capital is their most important resource but their human resources practices sometimes betray this often bandied cliché. Among all the factors of production, the centrality of labour to any enterprise cannot be over-emphasised. The premium a company places on its workforce is mirrored and measured by the quality of its human resources culture, and the values of every company will be measured by the way their employees are treated especially during difficult times. Good news, like bad news, also make the social media. If employees are treated fairly by their employers, words would also get to the public and this will certainly cause a surge in the reputation of the organisation. Employees are major influencers of corporate reputation, and being insiders, their comments are often believed by the public.

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A popular actor, John Carradine once warned his son “never do anything you wouldn’t want to be caught dead doing”. This is one golden rule in managing corporate reputation.

#### **4.1.2 HUMAN RESOURCES MANAGERS AS EMPLOYEES’ ADVOCATE**

Human Resources managers are not only the custodian of the company’s human resources policies, they also play critical roles in policy formulation and execution. Human Resources managers should preach best practices in human resources management.

#### **4.1.3 EMPHASISE EMPLOYEES’ DUTY OF CONFIDENTIALITY**

Employees have the duty to keep confidential, all company’s official information, documents, data, records and processes which they become privy to in the course of their employment. Unauthorised disclosure of the company’s confidential information to third parties or the public space is a serious misconduct deserving summary dismissal. Most companies’ Employee Handbooks categorise a breach of confidentiality obligation as a gross misconduct deserving summary dismissal. For emphasis, management should immediately develop a robust confidentiality policy and circulate it among its employees. Even where such policy is already in place, employees should constantly be reminded of their obligations under the policy.

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### **4.1.3 FORMULATION OF WORKPLACE SOCIAL MEDIA POLICY**

As social media continues to have implications for human resources management, including corporate reputation, corporate organisations must respond to this by developing a Social Media Policy to guide their employees. By this policy, employees are reminded to take good judgment to ensure that their social media comments and activities do not adversely affect the company's corporate reputation and business interests generally. A breach of the policy should be categorised as a gross misconduct.

### **5.0 SEEK LEGAL ADVICE**

It is also important that corporate organisations seek legal advice on every proposed human resources policy. HR managers must also ensure that organisations act fairly within the confines of the extant labour and employment law and international best practices.

### **6.0 CONCLUSION**

Corporate reputation is an invaluable asset of every organisation and this must be enhanced and protected jealously. With the increasing dominance of social media communications globally, corporate organisations must be mindful of their corporate reputation before implementing any human resources policy or cause of action.

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