

Reputation Management is Also an Essential Piece of Risk Management



Much has been reported over the past few months regarding some very high-profile private equity managers most notably [Colony Capital](#) and [Apollo Global Management](#) with Tom Barrack and Leon Black these company's respective former CEOs and some of their alleged activities. For the record, this blog is not about any opinions about these particular cases as the courts will ultimately decide the legal and financial fates of the individuals involved.

For the record, 99.99+% of all asset managers don't find their names attached to such high-profile stories nor are their leaders typically reported in such high-profile fashions.

However, there is another factor that needs proper evaluation as well and is known as the "Court of Popular Opinion" and where these headline stories are often litigated in the media and not a pretty sight. And this is where a different type of risk mitigation needs to be assessed as much as all the other risks that are evaluated in attracting potential investors and retaining existing investors such as strategy selection in asset class, demographics, downside protection, diversification and most importantly portfolio performance. It's not unreasonable to realize that an investor base may not be that comfortable with what is transpiring in this Court of Popular Opinion and would rather not have their names involved in any press at all as it relates to these stories.

In other words when coming to protecting investor's interests it's essential to understand that there is such a thing as "bad press" and nobody ever knows if this will happen. But if it does, it's so important to be prepared for the possibility of this kind of situation. Heather Fernstrom Border, Co-CEO, [Alliance Global Advisors](#) has stated, "Our industry moved at a

rapid pace over the last couple of years and we have learned many valuable lessons. Having a primed and tested risk mitigation plan is vital to every organization.” Hard to argue with this sentiment.

But how does a firm manage itself through a potentially explosive story? Are their risk management protocols set in place for a Black Swan event? Are there internal teams prepared for any sort of problem and do they have plans in place to mitigate this sort of problem should it ever occur? Do they have an external communications team or teams ready at the go? Finally, who should be responsible for educating and maintaining these risk mitigation tools throughout the organization? There’s more to consider here than one might have thought.

There is a very high probability that what has transpired over the past few months won’t occur with your firm. Yet, having a proper plan in place is the best insurance is the policy to implement.