Understanding Corporate Reputation

Emerging themes | 24.05.19

1. Background and Methodology

To expand our understanding of the challenges faced by our clients in managing corporate reputation, we recently conducted 12 interviews with Chief Executives and communications professionals from a wide range of sectors and held a roundtable discussion. The aim of the research was to establish current thinking on best practice principles for managing and measuring corporate reputation.

Organisations that took part included The Joseph Rowntree Foundation, LinkedIn, McDonald's, Northern Rail, London First, TheCityUK, Centrica, University of Warwick, Pagefield Communications and Headland Consultancy.

2. Key Insights

1. Corporate reputation is what people say about you when you're not in the room.

There is little ambiguity over what corporate reputation means. *It's what people say about you when you're not in the room.* This may not be factually correct or particularly well informed but, to the outside world, it's who you are.

Unlike your communications, corporate reputation is not something you can control. To borrow a Jeremy Bullmore quote, *"people build brands as birds build nests, from scraps and straws we chance upon."* If you want to maximise the control you have over this, then you need to look at every element people could be judging you on and make sure it is both true to you and reflects well on you.

2. Reputation can be broken down into capability and character

A helpful framework for thinking about reputation is that of capability i.e. your ability to deliver your product or service, and character i.e. your values and behaviours as an organisation.[1]

There is no denying that both are important. There is debate around whether one is more important than the other, especially if you are a consumer facing brand. Some point to the rise

[1] The Reputation Game, Rupert Younger and David Waller, OneWorldPublications, 2017

in popularity of 'purposeful' brands as evidence that consumers are caring more about the character of the brands they use. Kantar Consulting, for example, found that brands with a higher sense of purpose have experienced a brand valuation increase of 175% over the past 12 years compared to the median growth rate of 86%[2].

But others argue that consumers focus almost exclusively on the capability of the brands they use, and are much less interested in their character, particularly when what that brand offers is distinctive or desirable. This explains why damage to reputation (character) does not often impact on short term sales.

"Perceptions of capability are of greater importance to customers whilst perceptions of character are of greater importance to counter parties. After the emissions scandal, VW had their best sales year ever including of diesel cars. Conversely Iceland saw a dip in sales after it put out its Greenpeace ad despite all the plaudits and views that got on social media."

3. Corporate reputation is more complex today than it was 20 years ago

Social media has changed the landscape completely. Organisations are more exposed to scrutiny, have less time to respond and have to contend with rumour and inaccuracies. Sites such as Glassdoor, Tripadvisor and Trust Pilot have changed the dynamic between brands and consumers, employees and employers, organisations and civil society.

"In this country we've always had an independent and active media and they play a huge role in criticising industries and tarnishing reputations but now we have an ever growing impact of social media and I think we are in danger of allowing fake facts and figures to take root…There are corporates who are scared of engaging with social media and the danger with that is that you end up looking guilty because you are not responding."

In this environment, it's not about what you say but what you do. Your reputation will be shaped by authentic voices. *"The days of a CEO standing up and telling their story alone and it being believed are over."* Employees, opinion formers, campaigning organisations, consumers all have an impact.

"A major part of it is being a genuine company. Trying to build a corporate reputation without having some principles and sticking to them and acting in the right way is impossible. It's very easy for people to get into businesses these days – email, social media. You can't hide from that. You have got to be open and transparent."

[2] https://www.marketingdive.com/news/study-brands-with-a-purpose-grow-2x-faster-than-others/521693/

4. Corporate reputation may become even more important in future

This is seen as a moment of increased political risk for business in the UK. Since the financial crash, public trust in business has deterioriated. Politicians on both sides of the spectrum are in tune with this mood, and this can mean short shrift for businesses who make a wrong step.

"The makeup of the day is important. The select committee headed by Rachel Reeves had the chief exec of Melrose held to account. The media picked up on it and their corporate reputation got far more attention that they had ever previously experienced. It wasn't even a consumer facing brand. We're seeing a more explicit message coming out around what society wants."

Added to this, there is a commercial push to prioritise corporate reputation as investors become more interested in the connection between reputation and profit. *"Long term investors set the agenda and they are interested in this. Character issues can affect share price."*

5. Reputation is getting more attention at boardroom level but embedding a 'reputation culture' in an organisation remains a real challenge

Gone are the days of Gerald Ratner. Reputation is now a big topic at boardroom level. But it is a difficult thing to get right and there is little consistency in how it is currently being approached. Disaster stories abound but there is little consensus on what 'good' looks like. In some organisations reputation is looked at primarily through a risk management lens, in others it's a more central debate but on a periodic basis only. Both of these approaches have significant shortcomings.

"I don't think it's understood at all well. When you look back at Cadbury, an absolute zenith of a company, with heritage and standing and what happened around the salmonella crisis, simply because someone on the factory floor had not been advised to elevate the fact that there had been a salmonella finding on a sample. That blew into a multi million pound fiasco. If it can happen to Cadbury, it can happen to anyone."

6. The world of corporate reputation has professionalised hugely and there are different schools of thought emerging

The last twenty years has seen a steady increase in the resources being devoted to corporate reputation, the rigour being applied to the way that it is being done and the premium placed on the quality of this work.

"Look at the way corporate reputation is becoming hard wired into MBAs. Oxford now has a Corporate Affairs Academy and it's specifically focused on corporate reputation. That's being replicated in other business schools around the world."

Whilst reputation used to be seen as something of a ‘mop and bucket’ issue, there is now recognition of its potential to drive growth by creating the context for improved business performance. In the reported words of one head of marketing, *“If we get reputation right I’m walking downhill not uphill.”*

To capture the potential of corporate reputation as a tool for driving the business, corporate affairs needs to occupy the same status in organisations as other core functions such as HR, finance etc. *“Corporate affairs should occupy a similar place to HR. It’s a corporate function that is an enabler to the business. It works well when the function heads in marketing, communications etc are your best advocates.”*

7. But there remains a fundamental challenge in how you prove correlation with business performance

It is a truth universally acknowledged that boards want dashboards and measures. If you can’t prove impact on the bottom line, it’s very difficult to have a conversation about resources needed for reputation management.

“There’s agreement that what we do is important but how can we measure our importance and how you can turn this into dollars and head count because marketing colleagues will reel off the success of their campaigns in terms of potential customer conversion and what that means to revenue generation.”

A metric that gives a 360 degree view and is nuanced enough to flag problems as they arise is the holy grail. But there is a tension here between desire for simplistic metrics and the need for high quality insight that can allow you to know what levers you can pull and what vulnerabilities you should monitor. Whilst the one may be what is most called for, the other is often what is actually needed.

“Reputation is a human factor; you’re not going to turn around one day and see how better regarded you are by your friends since last year with a number. There are pointers you can have, but fundamentally it’s a judgement issue and it’s the corporate affairs director’s job to act as a key interpreter and judge in this situation.”

3. Emerging principles for reputation management

1) If you make reputation your primary goal you fail

Above all, your reputation will be driven by perceptions of genuine commitment to your values. Doing the right thing for its own sake, not for publicity, is the strongest signal of this. *“We didn’t look at that and think that’s millions of pounds we are spending to build our reputation we looked at it and thought that’s the right thing to do. While we have got positive coverage for* *the decision, in the media and in the House of Commons, it's not something we have pushed proactively ourselves."*

2) Hypocrisy is a reputation killer

You don't have to be perfect to have a good reputation. But you do have to be honest about what your faults are and what mistakes you've made. *"For me the big thing is for companies to be more honest about the fact that they are only human if you like and not everything they do will go well. Ironically the more glossy the brochure and the more it sets out all the fantastic things that the company is doing, the more cynical people are about it. Whereas if a company is upfront about the challenges it faces and what it's trying to do about that, I think that generates an awful lot more trust.*"

The dangers of hypocrisy are most clearly demonstrated in those PR mis-steps where an organisation's corporate behaviour is shown to contradict the purpose or values they claim to the outside world. However, no such 'Ratner moment' is required for hypocrisy to prove caustic to reputation. Whether it's a board focussed solely on efficiency and productisation whilst the brand claims 'artisanal', 'bespoke' and 'handmade', or a charity whose leadership measures success by media prominence whilst donors are told their contributions are being spent on the front line, our research shows over and over, that where the energy and focus of an organisation is directed towards a goal that diverges from its claimed purpose or values, the contradiction is picked up and reputation suffers.

3) Reputation cannot be separated out from your operations

There's a temptation to think that making reputation a line item on a meeting agenda means it's been 'dealt' with. But the reality is reputation cuts through everything and should be considered everyone's responsibility. *"A number of large companies I've been in, corporate responsibility was on the register but in other cases it wasn't. Interestingly, the places where it wasn't on the register handled it better as they took the decision that corporate reputation wasn't a single thing but actually ran through every single thing we did. Of course that's a more difficult way of doing it."*

4) Managing reputation is about taking risks as well as mitigating them

Reputation management shouldn't become synonymous with risk management or it will become a blocker to action. *"If you only do it through the lens of risk management you naturally become very guarded. It means you never make some of the bold, brave moves that you need to make because you're so scared about what the downside might be."*

4. Our point of view on 'measuring' corporate reputation

'Measurement' with all its connotations of precision is a misleading term in this context. Reputation cannot be precisely measured, and any single metric claiming to represent a 'measure' of reputation will always require a degree of interpretation.

That said, insight can improve your visibility and mean that you are not just relying on instinct to guide you in decision making and resource allocation. Specifically it can tell you:

- What 'scraps and straws' are being used to judge you
- How you compare to competitors/ peers
- What your vulnerabilities are and what would help mitigate these
- What opportunities exist to shore up goodwill

To get to this level of insight, you need a bespoke approach; one that is tailored to fit your most important audiences and issues. The more audience groups you engage, the better your visibility will be. In our view, an ideal programme would include:

- A bespoke audience list, informed by a clear-eyed account of who matters for your reputation. This might include employees, customers, social influencers, opinion formers, informed consumers, NGOs, investors, but in every case they will be *your* audiences, not some generic category.
- Deep qualitative insight with your key audiences, to understand how you are seen, the symbols that support this view, and the contextual factors that are making particular aspects of your business and behaviour more or less salient to stakeholders.
- Tracking metrics on key measures that are bespoke to you and borne out of insight into the strongest drivers of your reputation, ideally replicated across your key audience groups.
- Targeted engagement with opinion formers who have the ability to influence the issues that are impacting your reputation to understand what action you can take to improve your reputation in a specific area.
- Socialising your reputation internally through workshops/ debrief sessions with different parts of the business to ensure it is embedded into corporate culture and thinking.

Whatever method you use, an element of judgement will be required to think about how this intelligence fits alongside other indicators of reputational health such as sales, media coverage, brand and recruitment metrics. The point shouldn't be to pit one against the other but rather to make them work as a whole.