The evolution of reputation management

A successful reputation management program ensures that stakeholders are involved in co-creating the future through an “outside-in,” systemic approach

by Heather Robinson

ike it or not, consumers are becoming more discerning, stakeholders are increasingly demanding, and the impact and presence of key influencers is intensifying. Their perceptions of companies are primarily influenced by their personal experiences, the companies’ actions and messaging, media conversation, and what third parties say about the companies. As a result, executives are reevaluating their strategies, companies are becoming more expressive and transparent, and the need to build trust and credibility among stakeholders is deemed crucial to future success. Corporate reputation management is evolving and cannot be ignored.

What is corporate reputation?
Reputation Institute defines reputation as “the trust, admiration, good feeling and overall esteem observers have for a company.” Simply put, it is the emotional connection with the company. Reputation is created by the perceptions people have on seven key dimensions: products/services, innovation, workplace, governance, citizenship, leadership and performance.

Reputation Institute’s proprietary RepTrak model measures the rational perceptions stakeholders have about a company, and research shows that building a reputation on these seven pillars can create a strategic platform for communicating and engaging with stakeholders.

There is an unquestionable link between reputation and public support. Strong reputations lead to positive, supportive behavior from stakeholders, which leads to improved organizational performance. Stakeholders are reluctant to support companies that they do not like, trust or respect.

Results from Reputation Institute’s 2009 Global Reputation Pulse study show that companies that improved their reputation scores by 5 points saw an average increase in word-of-mouth recommendations of 6.75 percent.

What influences corporate reputation most?
There is no simple answer to this question. However, it is important to develop reputation strategies across multiple dimensions, understanding that stakeholder priorities differ. For example, consumers are primarily influenced by the product or service they purchase, whereas analysts tend to be most interested in corporate leadership, governance and financial performance.

Building trust in an ever-changing world is not a straightforward task. Reputation Institute’s research shows that governance is increasing in importance as stakeholders demand transparency and ethical leadership. In 2009, Rep-
Institute’s research identified that stakeholders’ willingness to give companies the benefit of the doubt during a crisis is primarily motivated and influenced by the commitment to and demonstration of good corporate governance and transparency.

The bottom line is that communicators need to stay attuned to stakeholder expectations and key reputation developments within their own companies, as well as at industry and country levels.

Stakeholders and the future
A successful reputation management program ensures that stakeholders are involved in creating the future through an “outside-in,” systemic approach, instead of through “inside-out” public relations spin and traditional communication. System-wide interactions among stakeholders contribute significantly to corporate reputation, so it is imperative that we examine stakeholder concerns and understand the factors that drive their perceptions.

Reputation Institute recommends that four key questions be answered by communicators and reputation managers when evaluating how to create strong reputations:

1. What are the actions that stakeholders expect and want from companies?
2. How can we partner with external stakeholders to co-create a better future?
3. How do we align employees in the creation of stakeholder support?
4. How do we manage the risks and leverage the opportunities more systematically?

Risk to reputation
Damage to corporate reputation is listed among the top 10 risks that executives are concerned about, according to Aon’s 2009 Global Risk Management Survey. A loss of reputation can directly affect the bottom line as stakeholders lose trust, respect and admiration for the company and no longer offer the support necessary for business success, such as purchasing its products, recommending it to others, investing in the company or choosing to work for it.

In a nutshell, a reputation risk is the risk of reputation failure, which results in people losing their emotional connection with the company. Reputation risks permeate all aspects of a company’s operations and occur when other types of operational risk materialize. It is important for communicators to understand its presence in everything that goes on within the company and to identify the business-critical considerations that potentially underpin business failure.

Coupled with this is the need for a deeper understanding of stakeholder perceptions and expectations of the company. Why? The effects of damaged stakeholder relationships can have a prolonged impact on the company’s recovery due to the demand for increased effort, time and investment to restore trust and confidence.

Reputation Institute’s magazine, Reputation Intelligence, highlights four questions that need to be answered by communicators and executives when considering reputation risks and stakeholder perceptions:

1. What matters most to stakeholders? What do our stakeholders expect from us? Which areas matter most to them? Where do they react strongest if we have an issue?
2. How are we ensuring an ongoing dialogue with our key stakeholders? Where are we in dialogue with the stakeholders? How do we make sure they hear our side of a story?
3. Where do we have the biggest opportunities? Where are the opportunities compared with those for rivals? Where do we have a great story to tell that people don’t know about?
4. How should we engage with our stakeholders in ways that make them trust and feel good about us? How can we involve our stakeholders in the things we are doing? How can we help our stakeholders address issues that matter to them?

A proper reputation risk management strategy will help identify potential reputation risks that, in turn, could help prevent them from crystallizing. Of course, a strategy is no guarantee that risks will be eliminated, but companies that actively manage reputation risk across the seven dimensions of reputation are able to lower their risk exposure.

The time is right to build and sustain corporate reputation and create economic value for your organization.

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about the author
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