

Corporate reputation management - reality or spin?

July 25, 2010



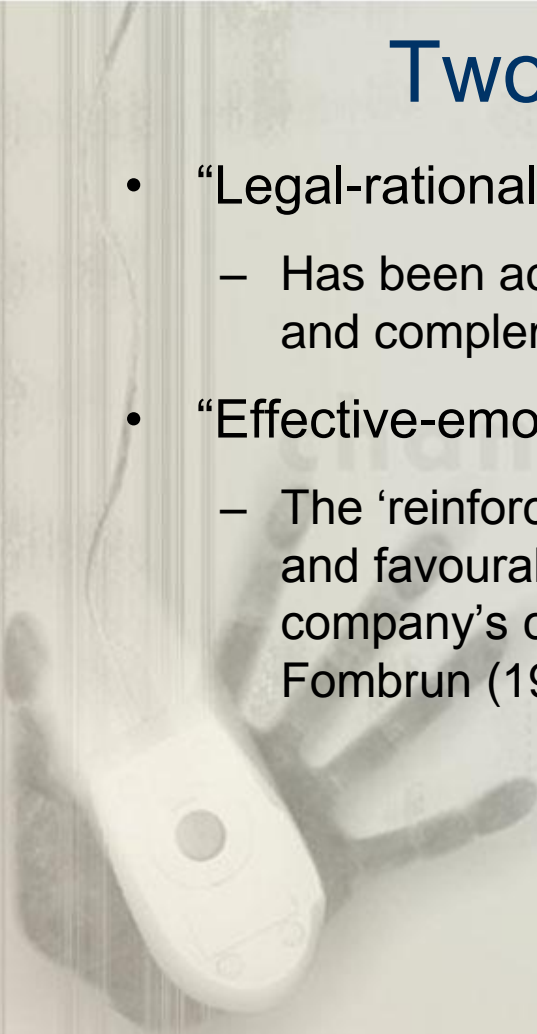
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Our starting point - source of clarification

- Underlying assumption
 - Commercial institutions (companies) contribute to the functioning and wellbeing of society
 - As social ‘actors’ companies formulate their actions based on the expectations of other members of society
 - More than just an organization engaged in business
 - ‘The limited liability joint-stock company is a distinct legal entity (so distinct, in fact that its shareholders can sue it) endowed by government with certain collective rights and responsibilities’ (The Companies Act of 1862)
- It is the company’s performance of these collective rights and responsibilities that can so often be the focus of stakeholder interest.

Two dimensions of corporate action

- “Legal-rational”
 - Has been acknowledged in economic organizations (Weber, 1947), and complements
- “Effective-emotional”
 - The ‘reinforcing network of factors that helps companies build strong and favourable reputations with their principal constituencies’: a company’s credibility, reliability, responsibility and trustworthiness Fombrun (1996) .



Why reputations matter

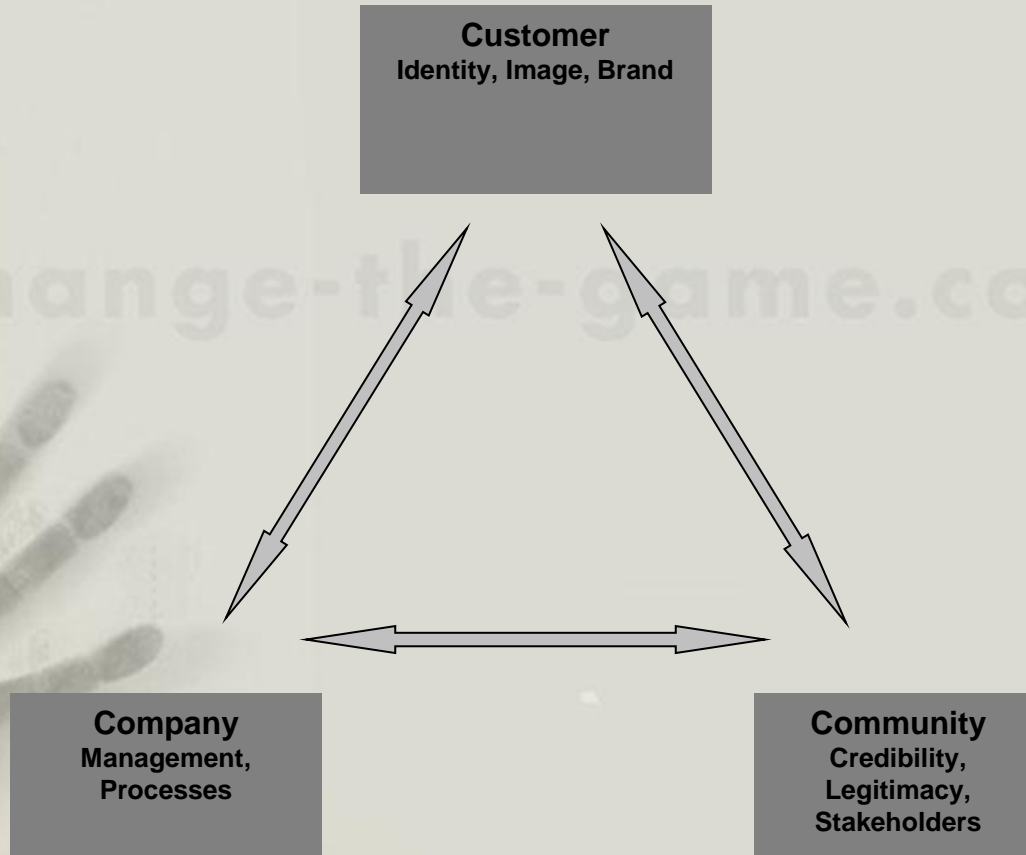
- If managed well they are a valuable asset
- Source of stakeholder loyalty
- Source of stock market equity
- Make organizations more resilient
- Relevance for organization, strategy, communications.



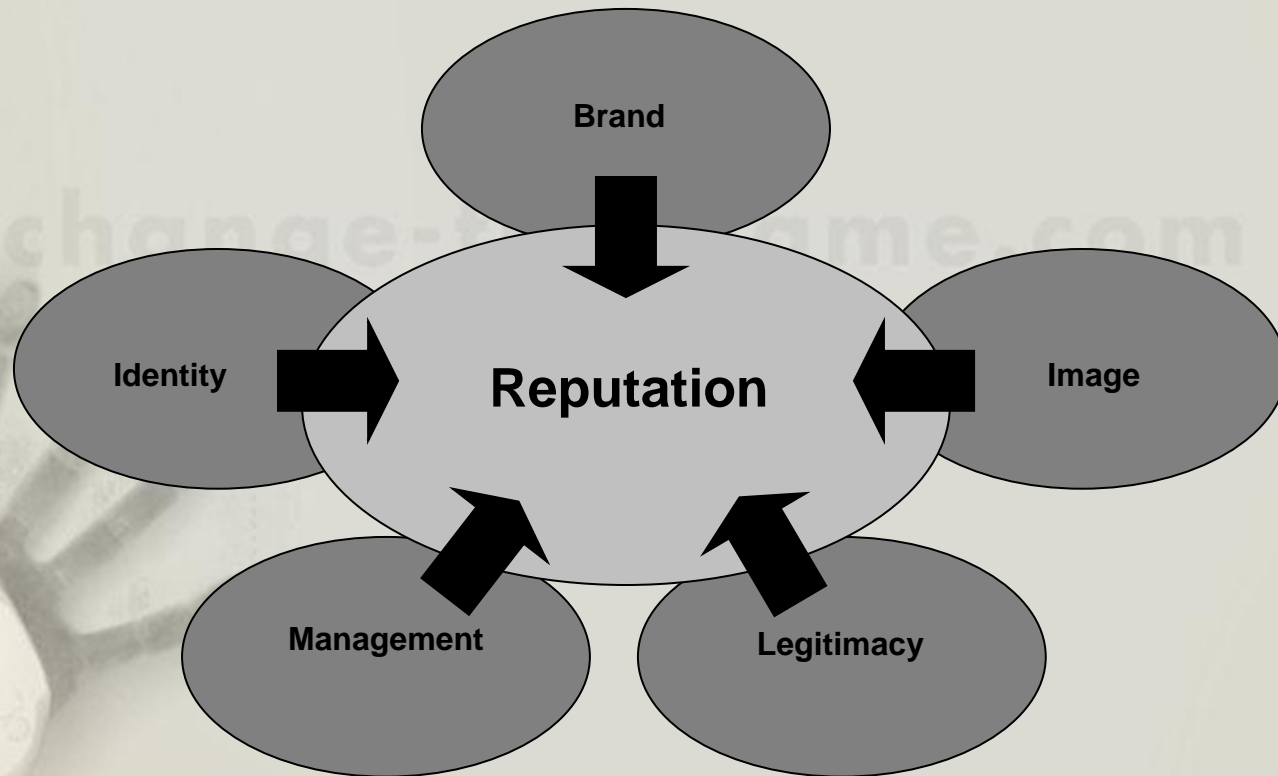
Why is reputation important?

- ‘There is a growing recognition that a significant proportion of the market value of firms today lies in intangible, off-balance sheet assets, rather than in tangible book assets’ (Srivastava, 1998)
- Corporate reputation is recognized as an important intangible asset (Herbig & Milewicz, 1993; Petrick, Scherer, Brodzinski, Quinn, & Ainina, 1999; Vendelo, 1998).
- Corporate reputation:
 - That inventory of value, which, in its meaningful content predisposes relevant stakeholder segments to think, feel and to behave more positively towards the organization.

Dimensions of reputation



Components of reputation



Identity

- The articulation of what an organization is, what it stands for, what it does and how it goes about its business (especially the way it relates to its stakeholders and the environment)
 - "what we are"
 - "who we are"
- An organisation's identity, its distinctiveness, is defined by the way its attributes differ from those of other organizations
 - What employees feel and think about their organization
 - It focuses on questions relating to organizational culture.

Image

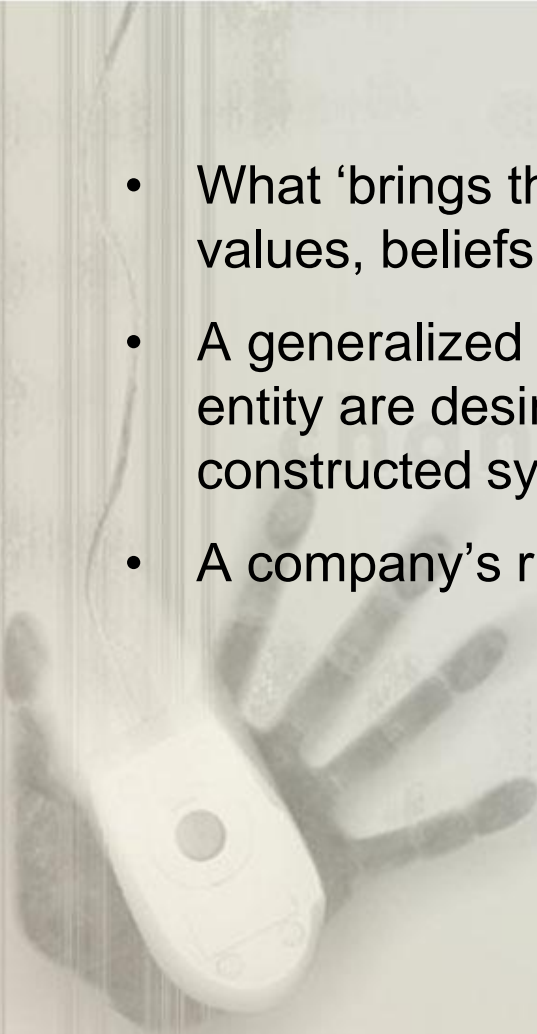
- The sum of impressions and expectations of an organisation built up in the minds of its stakeholders and public
- ‘Informational signals’ emanate from organizations
- About firms’ structural positions within organizational fields
 - Market and accounting signals indicating performance
 - Institutional signals indicating conformity to social norms
 - Strategy signals indicating strategic postures’
- Projected by companies, perceived by stakeholders.

Branding

- There is evidence of increased interest in the corporate brand
- 'The visual, verbal and behavioural expression of an organization's unique business model' (Knox & Bickerton, 2003)
 - A means for differentiation by a company that requires positioning the whole corporation
 - Values and emotions symbolised by the organisation become key elements of differentiation strategies
 - The meaning and identity of a company, initially designed or expressed by marketers, that resides in stakeholders' minds.

Legitimacy

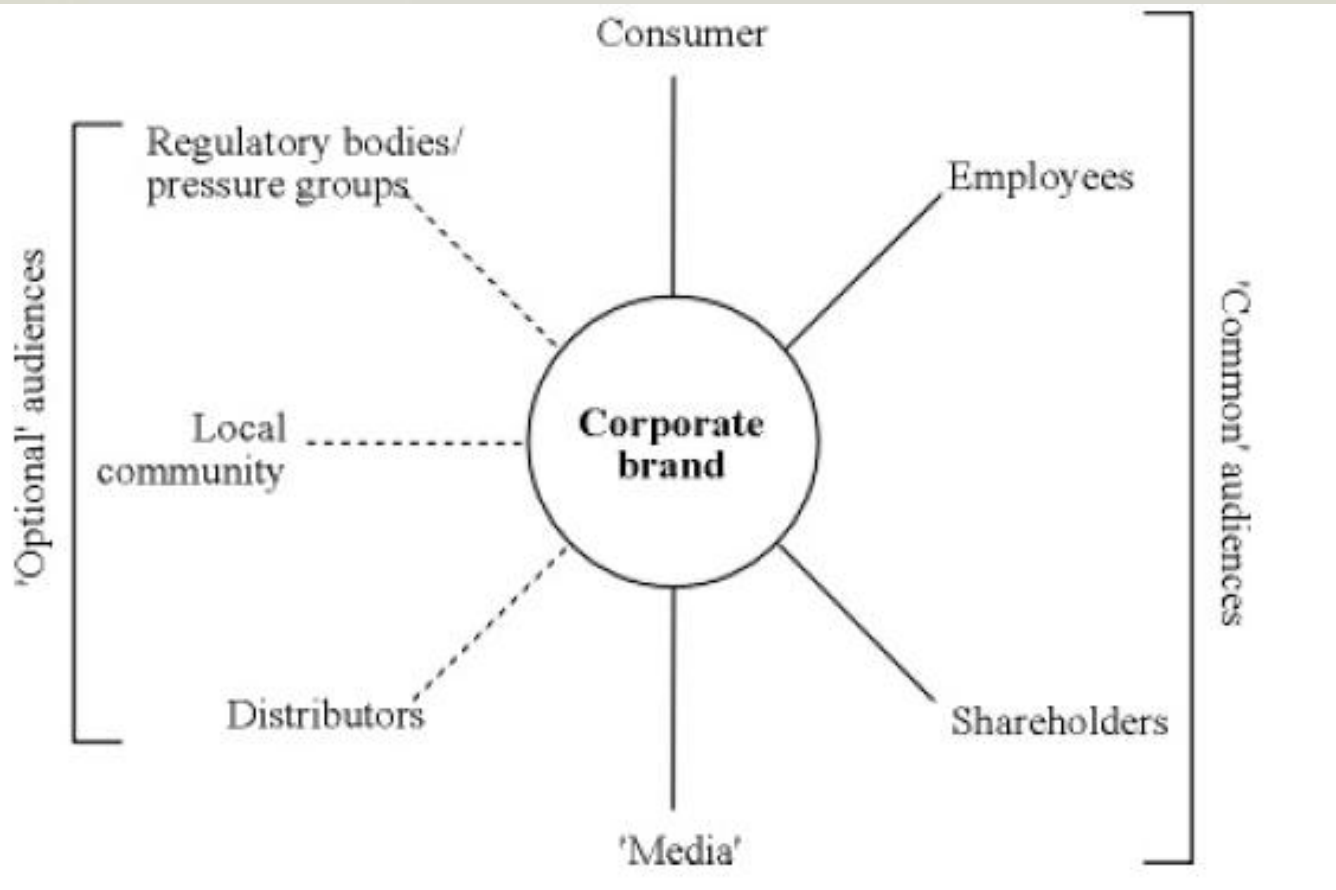
- What 'brings the unaccepted into accord with accepted norms, values, beliefs, practices and procedures' (Zelditch, 2001)
- A generalized perception or assumption that the actions of an entity are desirable or appropriate within some socially constructed system of norms
- A company's right to exist and operate relatively freely.



Management

- An organization's reputation is affected not only by its senior management, but by the actions of every business unit, department and employee that comes into contact with a stakeholder
- Reputation management programmes ensure effective relationships are maintained with stakeholders
 - Not an artifact of past behavior or an afterthought of senior management'
 - If reputation is not adequately understood it cannot be effectively managed.
 - Senior management cannot anticipate fully the impact of their actions if they are unable to evaluate them within a reputational frame of reference.

Stakeholders for reputation management



Some common misunderstandings

- That reputation is the concern only of big companies - Fonterra, Air New Zealand, BNZ, The Warehouse and Telecom
 - It is not. It is vital to any organisation: to start-ups, SMEs, NGOs, government departments, universities, political parties, cause-related organisations.
- That reputation is relevant to a limited area of communications activity.
 - In practice it has been seen to be essential to the development and implementation of effective communications strategies.
 - In its successful pitch for the British Rail account, JWT London identified two key functions for advertising: to increase revenue and to improve reputation.
 - They overlap. Clearly there is no value in increasing people's respect for an organisation unless that respect helps the organisation to become more successful, more self-sufficient, delivering greater satisfaction.

Some common misunderstandings

- That branding is a sine qua non that pre-empts the need for reputation communications.
 - Alas, branding is not enough.
 - When Air New Zealand was preparing for a major share offering, it took more than the projection of brand properties to strengthen its reputation in the eyes of potential investors.
 - It took an understanding of its renewed spirit of determination and of its international successes and achievements to create a TV and print advertising campaign that built legitimacy for the airline in the eyes of targeted stakeholders. Staff and New Zealand travellers were not overlooked as stakeholder targets.
 - Reputation, therefore, is as relevant to advertising strategy as it is to PR and to other elements in the communications mix.

Some common misunderstandings

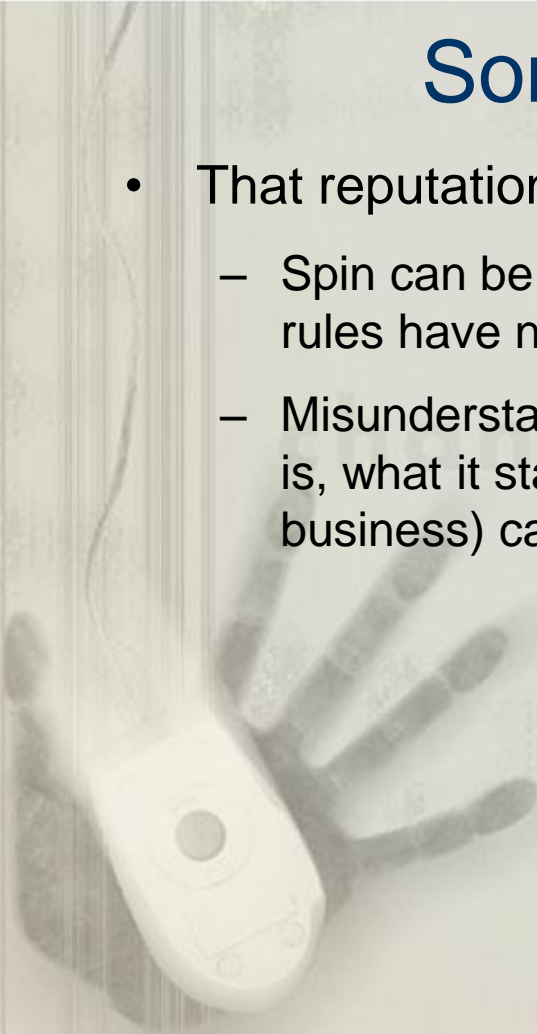
- That reputation is synonymous with image, identity and branding. It is not.
 - These components are quite distinct from, yet contribute to the development of a strong reputation.
- That reputation communications are vague, untargeted and cannot be monitored.
 - This is clearly not the case, provided communications are stakeholder focused.
 - Consumers, lapsed users, investors, suppliers, distributors, licensees, the Government, may all be stakeholders. Each stakeholder segment has distinct needs and expectations. Communications, therefore, must be strategically targeted and coordinated.

Some common misunderstandings

- That reputation management means the same as spin.
 - Spin is based on deception; reputation management is not.
 - Management includes an understanding that reputation can have very different implications to, for example, their ability to attract young graduate employees in comparison to their ability to attract big institutional investors.
 - Companies can better assess their attractiveness as employer or investment by understanding their reputation on the items most relevant to the decision they are interested in
 - Companies can better communicate organisational qualities that are highly influential on the decisions they want to encourage (e.g., to attract quality employees or to drive the demand for their shares among big investors).
 - For corporate reputation management to be effective detailed knowledge of
 - Which information sources the stakeholder target audiences uses and
 - How credible these sources are in forming impressions of corporate reputationis required.

Some common misunderstandings

- That reputation management means the same as spin.
 - Spin can be the last resort when reputation management decision rules have not been followed
 - Misunderstanding or misalignment of identity (what an organization is, what it stands for, what it does and how it goes about its business) can result in serious reputation loss.



Some common misunderstandings

- That reputation is of interest only to CEOs.
 - They certainly need to be involved. They are vital to reputation management and development.
 - An organisation's reputation is closely correlated to its CEO's reputation and vice versa. Yet if reputation is about the recognition of what a company stands for - its culture and its achievements - it needs to be more than a top-down exercise.
- That a sense of urgency is important in reputation assessment, management and communication
 - It does not come as a quick fix and need not be driven by contingencies and 'discontinuities'
 - Organisations should be thinking today about the reputational space they want to occupy in tomorrow's marketplace.

About Stephen Lloyd



- Former JWT and McCann-Erickson Asia-Pacific VP
- Assignments include UK, New Zealand, Japan, US
- Director-in-charge of Nestle, Gillette, Coca-Cola, Kellogg's, Kraft, Johnson & Johnson, Bristol-Myers Squibb, Air New Zealand and Cathay Pacific
- PhD on corporate reputation
- Brings an FMCG Marcoms approach to CR strategy development.