Getting reputation management into the heart of business

By Andrew Griffin and Ivor Godfrey-Davies

It has been a good ten years since 'reputation management' entered the corporate lexicon, and it was a catchphrase in the world of corporate communications some years before that. Today, it's commonplace to hear terms such as 'reputation protection', 'reputation risk management' and 'reputation strategy' at the very top of a company. Some organisations have gone so far as to include reputation in the title of a senior executive: Dow has a VP of Communications and Reputation and GSK has a VP of Corporate Image and Reputation. Other organisations have formed reputational risk committees composed of senior and even main board level executives.

This commitment to the concept of reputation is also reflected in tangibles, for large organisations at least. Most now have some sort of crisis communication manual, which is reviewed and tested periodically. Most have an issues management structure (although these range from the rudimentary to the very advanced). And most produce some sort of corporate responsibility report. Together, with local community investment, advertisement campaigns focusing on values and good old-fashioned philanthropy, this all adds up to a massive endorsement by organisations in all sectors and of all shapes and sizes of the value of reputation.

WHAT HAS BEEN THE RETURN ON THE INVESTMENT IN REPUTATION?

To be frank, it doesn't look good. Although some surveys suggest that public levels of trust have recovered from those experienced immediately after the Enron and WorldCom scandals earlier this decade, they are still worryingly low in most countries. Most suggest that fewer than half of those surveyed say they trust companies. The high-profile collapses, rescues and nationalisations of the recent credit crunch will only have exacerbated this situation. Despite the investment in reputation, companies remain on a continual 'collision course' with the public and the news agenda is still full of corporate failings, global problems and reasons to hate the powerful private sector. However, attitude tracking and surveys tend to suggest that while society at large feels that the big corporations have a poor image, individuals are ready to report positive personal experiences of dealing with them. Even in the current climate, there is some goodwill about, but it is fragile. Robust and concerted reputation management would significantly reduce that fragility.

There is still a notable difference in the 'maturity' of reputation management in different sectors. Asset-rich companies (eg, oil companies) typically have strong disaster management capabilities and some sort of issues management structure. Physical product-led companies (eg, food and pharmaceuticals) are often well versed in the art of product recalls. The service industry is the least prepared for a major crisis or issue. But, given the events of the last year, this is already changing. The creation of a reputation management structure within banks has been accelerated by an interest shown by financial regulators around the world in how reputational risk is mitigated. Both the Financial Services Authority in the UK and the Hong Kong Monetary Authority are including the examination of reputation management systems in their oversight processes.

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TOP TIPS FOR GETTING REPUTATION MANAGEMENT INTO THE HEART OF YOUR BUSINESS

Although reputation is now a familiar buzzword in most organisations, reputation management is still not where it needs to be: at the heart of an organisation.

- Reputation must not be 'compartmentalised' or 'ghettoised' – it should be integrated into everyday corporate life.
- Reputation management should be seen (and internally sold) as a positive rather than a negative: not just 'protecting what we've got' but helping to create positive environments in which organisations can grow and flourish.
- The corporate stakeholder map should change to reflect a more inclusive concept of reputation. Key stakeholders are not simply ministers and 'special publics', but customers and employees too.
- Systems don't manage reputations; people do. Processes to manage risks to reputation should therefore encourage ownership and empower decision-making, and encourage people to find opportunity in issues.

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physical assets and popular products, have everything to lose if reputation depletes. The accountancy firm, Arthur Andersen found this out after its alleged role in the Enron collapse. Despite the fact that the company won an appeal against its conviction for obstructing justice, the name once associated with excellence and integrity became associated with scandal and deceit. Its employees and clients deserted the company, which then ceased trading in 2004. Arthur Andersen had built and maintained an excellent reputation over nearly 100 years, but this reputation disappeared in a matter of weeks, and the company spiralled to an ignominious end shortly thereafter.

WHAT SHOULD BUSINESSES BE AIMING FOR?

The reality of reputation management does not yet match the rhetoric. The goal must therefore be for actions to match the words, and not just at the top of the organisation.

The key word is 'integration'. Reputation is currently managed at corporate HQ, ably assisted by the communications department. It is therefore compartmentalised, as if it is somehow manageable separately from other more basic corporate needs. It is not a cause for celebration to read that business leaders value reputation higher than they value shareholder return, customer satisfaction and licence to operate. It just shows that they don't understand that reputation is the sum of all of these things and more.

Just as it needs to be integrated into other indicators, it needs to be integrated across functions and through the lifeblood of the organisation as a whole. Furthermore, it is not enough for people in the organisation to hear about the value of reputation; they need genuinely to understand it. Just as everyone is aware of E=MC2 but few understand it, everyone is now aware of 'reputation' but few know really what it means. Ultimately, the solution is about an internal sales job and increased understanding. It is about a much wider internal audience understanding E=MC2 as well as having heard of it.

HOW TO GET THERE – OVERALL APPROACH AND TONE

The typical reputation management experience of a non-communications person is often an incomplete one. Many will buy in to the concept of managing reputation, but will still feel entirely divorced from the process of it. Indeed, the process can be seen as a threat to a project or product that has been months or years in the making. Nobody wants to spend time and money developing something for the business only for the 'reputation inspectors' to come in at the last minute, spotting problems and reasons not to proceed. That is not 'reputation management at the heart of business', it is reputation management as an awkward and unpopular add-on. Reputation should not be treated as a final tick in the box of a massive project.

Even in cases where the reputation risk attached to new products and services is examined during the initial development phase, the potential for damage is not always recognised. For example, a change in terms and conditions attached to loans to students caused HSBC to become the focus of a campaign on the social networking site Facebook. As a result, HSBC reversed its decision within a short time.

A key part of selling reputation and reputation management to those at the heart of the business is to couch it in the language of business and to integrate it into the everyday business of corporate life. And this means selling it as a positive rather than a negative. They are likely to be more interested in opportunities than obstacles.

Good reputation management, therefore, should not be about the 'reputation inspectors' putting the brakes on business projects. It should be seen as helping to create the environment in which businesses can flourish. Business people need to be convinced that resource devoted to issues management is creating opportunities and building trust amongst customers and stakeholders.

Once reputation management is seen as enabling, not disabling, the business, an internal audience is far more likely to be receptive.

HOW TO GET THERE – CHANGE THE STAKEHOLDER MAP

Linked to this is the organisation's stakeholder map. Most people 'at the heart of business' regard ministers, NGOs and other 'opinion leaders' as fairly remote from their everyday business lives. But reputation management places huge influence on these 'special publics' or 'key stakeholders'. This further ghettoises reputation into the corporate affairs department.

If stakeholder engagement is corporate speak for 'talking and listening to people who matter to us and our business', then it makes sense to categorise these people and map them out in some way to understand how they are all interrelated. But the groups that are often missing are the most important stakeholders to any organisation: customers and employees. Without these two groups, the organisation wouldn't function at all. With this in mind, we would suggest organisations adopt a stakeholder map that places emphasis where it should be.

PRIORITY 1 - PEOPLE WITHOUT WHOSE ACTIVE SUPPORT WE CAN'T OPERATE:

- CUSTOMERS - who buy our products and services
- EMPLOYEES - who make and sell our products and services
- SHAREHOLDERS - who finance the company
- LOCAL COMMUNITIES - who support our continued operations where they live

PRIORITY 2 - PEOPLE WHO HOLD POWER OVER US:

- GOVERNMENTS - who can withdraw our licence to operate
- REGULATORS - who can report perceived or real failings and can withdraw our licence to operate

PRIORITY 3 - PEOPLE WHO INFLUENCE THOSE IN THE ABOVE CATEGORIES:

- THE MEDIA - who have some control over our public image
- INTEREST GROUPS - who also talk to key audiences
- EXPERTS - who can have an influence in their field over the above audiences

PRIORITY 4 - PEOPLE WHO WANT TO SEE US FAIL:

- CAMPAIGN GROUPS - who oppose what we do and what we stand for
- COMPETITORS - who have no interest in seeing us succeed (although might not always want us to fail, lest we take the whole industry's reputation down)

The above priorities may vary from organisation to organisation but corporate reputational leaders recognise the power of the various stakeholders. However, this has only recently translated into a structure for dealing with them in a unified way. It is still the case today that in some organisations different businesses and head office units, such as communications, legal and compliance and investor relations, work separately to deal with the stakeholders most related to them. This prevents the organisation from co-ordinating its messaging and emphasising its reputation management activities.

Placing the right emphasis on customers and employees in particular can send a message internally that reputation is at the grass roots of everything the organisation does. It takes reputation management out of the 'elites' and into the realm of the salesman and the consumer. It therefore makes reputation management more accessible to the true 'heart of the business'.

HOW TO GET THERE– SYSTEMS THAT HELP, NOT HINDER

It is not good having an 'enabling' approach to reputation management, and a focus on the real stakeholders that matter, if the practice of reputation management is over-engineered and constraining.

Reputation management must not be seen as a chore – a box-ticking exercise that keeps people at HQ happy. Yes, crisis management needs structure and process to ensure that, when the worst happens, people are ready to respond. But ultimately people manage crises, systems don't.

This is even more pronounced with issues management. Introducing complex systems often just means that people spend more time managing the issues management system than managing the issues themselves. This is a sure fire way to put people off issues and reputation management altogether.

So how do you find the right balance? The best systems encourage the user to make the right decisions. Often, however, users see the system as either a security blanket or a straightjacket. If they do not have the confidence and competence, they look at the system for comfort in the hope that the system itself will manage the issue. If they do feel that they have the confidence and ability to manage the issue, they can see the system as an obstacle to achieving what they think they can achieve. The message has to be that reputation management is the responsibility of everyone within the organisation but that there is a mechanism that can provide support.

A good issues management system must encourage ownership, empower decision-making and provide helpful guidance and tools - in that order. To that end, organisations should focus on ensuring the lines of responsibility are clear and fair, that individuals who are tasked with managing a particular issue are trained and confident, that they know their powers, limitations and reporting requirements, and that they have access to a toolkit if they need it. If they then make mistakes, 'the system' cannot be blamed.

FINAL THOUGHTS

If you *talk* reputation, you must *do* reputation. And you must do it throughout the organisation, not just at the top. This requires investment, and means changing cultures and mindsets rather than just introducing a new system.

But it is worth the effort. Reputations are often not valued enough by companies that have good ones; but those that have been through issues or crises that have damaged reputation know that you miss it when it's gone. Exxon, Nestlé, Monsanto, Arthur Andersen, Northern Rock, BAA: unless reputations are truly managed from the core of a business, the list will just get longer and longer.

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