# REPUTATION MANAGEMENT

Stephen Rogers explains why this is one of the most important assets a business has today

Businesses are fast beginning to recognise just how important their reputation is. Reputation can be a fickle master though. It takes years to nurture, build and establish, but it can all be lost in a day.

### So what is reputation in today's corporate world?

It is in essence what a company represents. What it stands for, its position, its values and how those are perceived by the communities it is trying to influence or sell to. Reputation has to be earned; it is not something that can be instantly acquired – even through merger or takeover.

### Why is it so important then?

Reputation at first glance might seem intangible, even ethereal but it does in fact have a hard currency impact on a business. For example it can seriously effect the value of a business through negatively impacting the share price. Witness companies affected by insurance mis-selling and rail tragedies. It can also adversely impinge on revenues as the result of conscious consumer purchasing pattern changes, as recently seen impacting certain fast food and petro-chemical companies.

Conversely it can enhance the value of a business and contribute to the overall revenue growth. This can be seen in the former for instance in the difference between an individual company's P/E and the sector average. If it is above the sector average this reflects the greater reputational value that that company has.

A good reputation delivers customer confidence, commitment and loyalty which in turn leads to sales and more positive consumer awareness and so continues the upward revenue growth cycle.

So reputation does have a capital value.

### So is it worth protecting then?

It certainly is worth defending and protecting, but it is also worth enhancing and developing. However all four of these need to be done proactively rather than just when a given situation arises.

It is also important to remember that it is still one factor within the total business mix. In isolation, in extreme circumstances it can be enough to bring a business to its knees. In reality though it more than likely will be part of a number of contributory factors that collectively impact the business.

The reason it remains critical though is that it does have a material impact of the performance of a business. This need not be all doom and gloom though - because it can be managed. The important thing is to fully understand and recognise that it is possible to protect, manage and to enhance the corporate reputation. Reputation management could therefore significantly reduce in the former or increase in the latter the prosperity and success of a given business.

Reputation does have a material impact on the performance of a business

### Isn’t this covered by the PR department and PR agencies?

No – not in its entirety. PR performs a vital role within the overall communications mix of an organisation. This is in the majority of cases more tactical than strategic and typically focuses on reactionary responses to situations or issues rather than a proactive response.

PR will however be an important component in the armoury of activities that can be undertaken within reputation management programmes.

### How can a company manage its reputation?

The starting point is to create a strategic reputation plan. This is a pre-emptive plan that should aim to define the strategic reputation management objectives and development initiatives. It should also define the processes and focus areas that will dictate the protection and defensive strategies.

There are four areas to the plan:

• Understanding reputation

• Defining reputational elements

• Managing reputation

• Monitoring reputation

**Understanding reputation** is firstly about defining and articulating what the company’s reputation is, in the form of a simple concise statement. Having determined this, the next step is to score the reputation. This establishes a benchmark reference point against which progressive quarterly measurement and assessment can be made in order to monitor the corporate reputation’s performance.

This does not in the first instance need to be a very sophisticated or complex metric, but can simply be on a scale of between 1 and 10, where 1 is catastrophic and 10 is celestial. It is deliberately a self-assessment but should reflect where the company sees its own reputation in comparison to its direct peers and sector competitors.

The final part of this phase is to define where a company would like to develop its reputation both in terms of a new definition and a new rating on the same comparative basis as above. This will then feed into the management phase of defining how to achieve this reputational shift.

**Defining reputational elements** is achieved by using the reputation statement defined in the first phase and determining what the key constituent elements are within it. This is important because these are the pillars and the characteristics that effectively form and therefore under pin the overall reputation.

It is also essential to review and define what each of the constituent elements are both terms of the dependencies and influencing factors. This then provides the basis for the development strategy and the pre-emptive monitoring phase.

**Managing reputation** is really a combination of determining where the company needs to be and then planning how to get there. It is the activation part of the plan, defining what the reputational objectives are, what are the core strategies and the tactical activities that will lead to the achievement of these objectives.

It is essential to pre-emptively and proactively manage the corporate reputation

**Monitoring reputation** is a critical part of the protective and defensive reputation strategies. This is a pre-emptive phase that monitors the critical reputation influencing and dependency factors and then proactively manages the situation to enhance, avoid or contain any potential reputation damage.

This includes monitoring relevant industry sector trends or issues, political and environmental issues, customer behavioural changes and public opinion 'cause based crusades'. This acts as an early warning system that can then be used to manage the corporate reputation strategically in advance of circumstances, events or other external constraining factors damaging the reputation.

The final element is then reputation valuation and this is a methodology that allows companies to be able to determine what the value of their reputation is and then to be able to progressively monitor it as their reputation grows.

## Summary

It is important for companies to not only understand their reputation, and its value to their business as a whole, but also not to take it for granted. It needs to be managed and monitored, not only to simply protect its value, but equally and potentially more importantly to develop and grow it. As having a good corporate reputation will improve a company's overall business performance.

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