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THE REPUTATION JOURNEY: FROM MEASUREMENT TO BUSINESS IMPACT



*While reputation itself is an age-old concept, quantifying it and managing it for corporations is still less than 20 years old. Much has happened since 1996 when Reputation Institute Founder and Chairman Dr. Charles Fombrun wrote the seminal book *Reputation*, which gave birth to both Reputation Institute and the art and science of reputation management as an emerging management discipline.*

Since the early 2000s (when advisory services were first offered beyond stakeholder measurement), the corporate reputation journey has evolved through three generations of thought leadership and organizational structure: the Good Guy Strategy approach, the Reputing Revolution, and today's Business Impact. This article examines all three frameworks and subsequent articles in this issue focus on describing in more detail the five-phase journey from exploration to business impact.

The Good Guy Strategy Approach, 2000-2006

As companies began investing in custom stakeholder perception research in the late 1990s, there was a need to place the burgeoning data into context. How high was high, and how low was low on a 100-point scale, started to become a barrier for communications and research departments to merchandise the results up to senior management as well as cascade them down into business units.

One of RI's earliest consulting clients was MasterCard, and they summed up the sentiment of many leading companies in the early 2000s when they asked RI to create a series of case studies focused around the concept of being a "Good Guy." This approach asked (and answered) four fundamental questions.

- 1. Which companies are seen as Good Guys?**
- 2. What are they doing right?**
- 3. What can we learn from these companies?**
- 4. What should be the base of a Good Guy Strategy for us?**

This was built on the foundation that strong reputations are built on seven key dimensions. However, historic research suggested that Products & Services and Financial Performance were the foundation that all companies are expected to deliver against. Improving products and performance was therefore unlikely to produce a good guy competitive advantage. Companies can only build a differentiated position as a good guy company by pursuing differentiation through one or more of the following five key drivers of reputation: **Innovation, Leadership, Governance, Citizenship, and Workplace.**

This quest for the Good Guy approach led to key findings in three primary focus areas.

Organization:

- Rooted in written statements and transferred into actions
- One clear manager of reputation at executive management level.
Cross-functional integration
- Internal audits by facilitators. Integration with performance measures.
Published codes and guidelines
- Regular and systematic measuring of adherence to internal codes and stakeholder perception tracking

"After 15 years of helping large and small organizations around the world become "Good Guys" and find their reputing voice, the Reputation Institute has evolved from exploring the possibilities of managing perceptions to helping leading organizations achieve full integration."



Engagement:

- Clear prioritization of stakeholders and focused overall engagement strategy
- Focused partnerships aligned with business and external profile. Open for dialogue with all stakeholders
- Employee involvement; enforcement of values through actions
- Both focused and tied to business strategy

Communications:

- Fact-based reporting on non-financial value drivers
- Carriers have a human face—not just product- or brand-related. Strategic use of Reputation Champions
- Communications tied to actions and communicated through stakeholder-relevant media

The Reputing Revolution, 2007-2011

In the mid-2000s, companies started to focus on the next stage of their reputation journey: how to use the research they had to make better decisions.

Reputation Institute started exploring how a company's expressiveness was driving trust and preference. At the 2006 RI Conference in New York, Reputation Institute Executive Partner Kasper Nielsen defined a new active way of influencing stakeholders as "Reputing." Reputing entails the specific actions a company takes to influence the trust, admiration, and respect stakeholders have for an organization. In short, is it the steps taken to build a reputation. In the U.S., the communication association The Arthur W. Page Society published a white paper in 2007 titled *The Authentic Enterprise* where it defined the new expectations of the Chief Communications Officer. To be successful, CCOs could not only be media relations or employee relations experts. CEOs were now asking them to provide more strategic insight and recommendations around the following areas:

- Defining and instilling company values
- Building and managing multi-stakeholder relationships
- Enabling the enterprise with new media skills and tools
- Building and managing trust—in all its dimensions

Reputing started to take shape around the creation of a job description for a Chief Reputation Officer. Managing stakeholder perceptions undoubtedly have a direct impact on the bottom line; to be a great reputation leader, you need to combine a deep understanding of communication with practical business skills. RI managing partner Anthony Johndrow defined the skills as follows in a 2009 *Forbes* CMO Network column:

- Cognitive Skills—knowledge about business and communication functions plus stakeholder specific know-how
- Analytical Skills—causal thinking and drawing inferences plus systems thinking and contextual analysis
- Process Skills—change management plus facilitation and coordination execution
- Communication Skills—writing, speaking, presenting, plus comparative dynamics of old and new media
- Organizational Skills—persuading others and mobilizing support plus organizing and leading high-performance teams, not just Full-Time Equivalents (FTEs)

Having defined the way to measure reputation and the skills needed to manage it, companies were now looking for ways to implement reputation management into the ways they conducted business. Reputation Leaders were on a journey and at the 2011 Reputation Institute conference in New Orleans, RI introduced the Five Phases of the Reputation Journey.



The Reputation Academy: Guiding Professionals on Their Reputation Journey

Reputation Institute has provided clients, practitioners, and leading institutions with best-in-class interactive online reputation management training for over five years. To date, we have trained over 600 professionals from more than 40 countries. These online training sessions provide individuals from all over the world access to top academics and practitioners in the reputation management field. Over the years, our attendees have shared their insights on how such programs could be adapted to better suit their lifestyle and workday.

Reputation Institute has taken this feedback and developed a new reputation management training experience called the **Reputation Academy**. The Reputation Academy is a robust and rigorous online catalog of initially more than 50 courses designed to educate professionals on the critical reputation management disciplines. Through online sessions led by the world's foremost reputation management practitioners, the Reputation Academy provides participants with the essential resources and insights needed to advance their own organization's reputation journey.

The Reputation Academy is designed for professionals to manage their individual training, the training of teams they manage, and the training of entire departments. We have created a Professional Assessment that can be used to design a learning plan for individual or organizational goals.

There are seven main sections of the Reputation Academy that touch upon all the essential themes in the study of reputation management. Courses may be purchased independently allowing individuals the flexibility to focus on themes of particular interest. The assessment is designed to offer a recommendation of courses based upon an individual's interests and areas in need of improvement. Take our professional assessment today to see how easy it is to start your reputation management journey. Visit reputationinstitute.com/training for more information.



The Five Phases of the Reputation Journey

Reputation Management is a journey. It's a new way of thinking and working. And change takes time to implement. Companies go through an evolution which can be described in the following five stages:

Phase 1: Exploration and Business Rationale: Reputation is a new management discipline across the organization. Focus is primarily on exploration and discovery of best practices from other companies and industries and the link from reputation to business impact

Phase 2: Management and Measurement Framework: Focus on making reputation tangible through measurement and metrics. Linking reputation to existing priorities, indicators, and/or metrics

Phase 3: Business Planning and Integration: Reputation is “proven” to have a business impact. Company specific reputation measurement and intelligence gathering is developed and employed with multiple stakeholders. Reputation begins being built into business planning process

Phase 4: Cross Functional Implementation and Accountability: Organization leaders are responsible for specific reputation goals. Reputation KPIs are core to business planning, and seen by the organization as a core driver of success



Phase 5: Full Integration into Long-Term Strategy and Investment: Reputation-based decision-making fully integrated into enterprise vision, strategy, and operations from the Board of Directors and CEO down

It is companies who have embraced reputation as a management discipline who are the predicted winners in the Reputation Economy (Phase 4 and 5 players). Based on the old adage—you can only manage what you measure—the accountability instilled by Phase 4 companies gives RI confidence in their future success. Most Phase 5 companies have gotten there by gut and culture (not to mention a charismatic founder or two who sets the tone from the top)—which is obviously not bad, but not necessarily enough to be sustainable.



Are You the Guide or Passenger on the Reputation Journey?

Reputation is of high priority to Executive Management and the Board of Directors, and the importance of reputation will increase over the next two to three years. Why? Because reputation has a direct link to customer retention, revenue growth, and market share.

Those are the views of 313 business leaders from communications, marketing, and public affairs leaders who took part in the 2013 Reputation Leaders Study. Sixty percent believe that reputation has a significant financial impact on their company with direct impact on customer retention, sales, and market share, while 52 percent think that reputation is a higher priority for their company this year compared to last.

Only 20 percent of the business leaders across companies in 25 countries believe that they are ready to leverage this opportunity and protect their company against the reputation risks with their current tools and processes. Business leaders point to three key issues that are preventing them from implementing a reputation management strategy into the way they work:

1. We don't have a structured process for getting reputation thinking implemented into our business planning.
2. We are not leveraging the knowledge we have to be relevant to each stakeholder group.
3. Internal silos prevent cross-functional collaboration.

Fifty-six percent of business leaders believe reputation is a top priority for Executive Management and the Board of Directors, while 63 percent expect reputation management to be a principle matter for their company in the next two to three years. Clearly there is a need to act.

This calls for a new way of working with reputation; an approach that is much more systematic and professional and one that integrates reputation into the overall business strategy. Twenty-three percent of companies already do this. In these organizations, the CEO's office has assumed the responsibility of overseeing its company's reputation management platform. Reputation is no longer, as has been the tradition, relegated to just the Communications or Marketing departments.

Building a World-Class Reputation System

What are the best companies doing? Reputation leaders are treating reputation as a strategic asset that is managed like any other core element of strategy, with clear goals, strong KPIs, easy-to-use tools, and relevant communication.

The best companies in the world such as BMW and The Walt Disney Company work systematically with their Reputation. Reputation is an integrated part of their company strategy and they are seeing the business benefits.



The top performers from the 2013 Global RepTrak™ 100, which was just released in *Forbes*, had three characteristics in common:

1. They have a strong company narrative that cuts across the seven dimensions of reputation.
2. They engage with stakeholders as a company and not a product.
3. They have a systematic way of integrating reputation decision-making into the way they work.

Building an effective reputation management strategy requires the development of a structured, systematic approach. To be fully prepared to win foreign market share, compete with local players, align a global workforce, and navigate in today's reputation economy, companies must embark on a Reputation Journey.

Four elements stand out as the pillars of a strong reputation management system:

1. **Business Case for Reputation.** Reputation Leaders know the business rationale for reputation management. They know which stakeholders influence their business, what specific business outcome they want from each, and how their company vision is relevant to them.
2. **Reputation Intelligence and Strategy.** Reputation Leaders have ongoing perception tracking with key stakeholders. They understand what stakeholders expect from them and have translated that into a strong corporate narrative that is used to tell the enterprise story and be relevant to key stakeholders.
3. **Reputation Management and Accountability.** Reputation Leaders are making the reputation strategy come to life for teams and functions through tools and training so that each one can use the intelligence to develop their stakeholder action plans.
4. **Reputation Activation.** Reputation Leaders are activating their corporate narrative across all touch points and they are enabling stakeholders to participate in the storytelling.

These four elements are what set the best apart. The reputation leaders implement these elements as a business strategy that is directly tied to the overall performance of the company and with the attention of the CEO and Board of Directors. But it didn't happen overnight. The best companies have been on this journey for many years and are seeing the business impact.

But it takes a strong leader to map out the direction of the Reputation Journey, one that understands that reputation is a core element of a winning business strategy. Therefore, the question you should ask yourself is: Are you the guide or the passenger on your company's Reputation Journey?



If reputation management is essential for business success and only a fraction of companies have built the internal capabilities necessary to leverage their reputation for competitive advantage, what are the leading companies doing to build the business case for reputation? Phase 4 and 5 companies tell the story in three primary ways:

- **Integrating and measuring reputation as part of business strategy.** Whether it is reputation risk or opportunity that motivates a company, it can no longer be separated from operational performance.
- **Build reputation into day-to-day decision-making.** Reputation is built and destroyed in the day to day action you take so to be successful every frontline employee needs to understand and deliver on the reputation promises towards internal and external stakeholders.
- **Leveraging reputation to drive growth.** Cost reduction and operational excellence can only go so far and to win market share and drive growth reputation is a key component of differentiation.

Perhaps the most telling differences between the Reputation Economy leaders versus the rest of the field occur in reputation strategy, measurement, and investment trends.

- **The CEO should set direction for reputation strategy.** This is true at the majority of Phase 4 and 5 companies, but only one in four of Phase 1 and 3 firms.
- **Reputation must be measured and integrated into corporate dashboards.** Roughly half of Phase 4 and 5 companies rank reputation as the major KPI ahead of the more traditional measures including customer retention/loyalty, while only one in 10 regard net promoter score as the major KPI.
- **Invest in reputation management:** Phase 4 and 5 companies spend roughly half of their annual strategy budget and their execution budget on reputation management, in contrast to Phase 1 and 3 firms who spend only half as much.

Conclusion

Reputation management has come a long way since the mid-1990s, but there is still much more work to be done to define and refine the business case for managing perceptions inside the vast majority of organizations around the world. Having a multi-phase journey to help keep score and measure progress over time will help the management discipline gain legitimacy with skeptical board of directors and senior executives.

At the end of the day, being able to measure stakeholder perceptions is still an important starting point, and being able to activate a reputation platform across internal and external stakeholders is critical to achieving business results. Having a global framework and systematic approach is the key to bringing the dream of the reputation journey to life. ■