

Best Practice Reputation Management

Summary of an Executive Roundtable in Zurich, Switzerland
on April 10, 2014, hosted by Reputation Institute and
Executive MScom Alumni Association

A group of senior communications professionals gathered at Widder Hotel in Zurich on April 10 2014 to reflect on corporate reputation matters in their organizations. The discussion was primed by a keynote session from Cees Van Riel, Co-Founder and Vice Chairman, Reputation Institute. This paper is a write-up of the key findings and recommendations of the attending executives from leading companies in Switzerland's blue-chip stock market index SMI® 20. Author: Carsten Wegmann, Director, Reputation Institute cwegmann@reputationinstitute.com

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BUSINESS CASE

The executives in this group of senior communications professionals explained in the round of introductions how they are called into an increasing number of conversations with corporate colleagues who want to understand more about reputation.

How to measure it? What business metrics does it impact? How to use it to drive business value? What are the concrete reasons to top management to invest time and money in reputation management?

They said these conversations are becoming increasingly important, as their companies observe on a daily basis the impact that their reputation has on matters like their share price, on sales success, their ability to attract and retain talent.

“A company’s reputation has direct impact on its transaction costs and ability to form and build business relationships” said Cees Van Riel, Co-Founder and Vice Chairman, Reputation Institute, at his keynote.

“Your company’s reputation is a calculated assessment”, he went on, a number you can use to inform the executive decision-making process, much like other business fundamentals like Earnings Before Interest and Tax (EBITDA) or Net Present Value (NPV).

If done right, reputation management links to the company’s strategy, whether it is in terms of operational excellence, customer centricity, employee turnover, or sustainability – it is a means to an end. “It shouldn’t just be a party in the communications department” he mused.

Why Reputation Management Matters

“A company’s reputation has direct impact on its transaction costs and ability to form and build business relationships”

Cees Van Riel, Co-
Founder and Vice
Chairman, Reputation
Institute



MANAGEMENT PRACTICE

The essence of good reputation management practice is focus, and to be acutely aware of the key impact drivers for the company – tracking and acting on these aspects by market, by stakeholder. You need to understand the expectations and perceptions by key stakeholder and by core market presence. “Ideally, your executive dashboard includes reputation metrics with so-what, actionable capabilities built in” Cees Van Riel added.

CEOs and Board of Directors have always been concerned about minimizing risk and avoiding scandal. But this direct link from trust in the company to real business performance has today’s leaders taking notes and taking action. As the playbook develops, the marketplace is realizing this action is both defense and offense: Protecting the company against reputation risk and using reputation to drive growth.

More stakeholders now care about you and act as a company, and that includes people with disruptive points of view who have massive access to information about you, and are not shy about publishing their perspectives. Good reputation management enables the company to be prepared for this. “In contrast to crisis management which is all about calling the fire brigade, reputation management is more like setting up smoke detectors, a proactive measure to get ready for trouble ahead” one of the executives stated.

SECTOR CONTEXT

You have to look at reputation over time and in context, and not compare leading reputation business indicators across the board. Now, CEOs may want to be ‘the stars of the world’, but if you are in say pharmaceuticals or banking, you will not be able to reach the reputation levels of

say Fast Moving Consumer Goods (FMCG) players. In any given sector, you should focus on outcompeting the players you are trying to take marketshare from and gain advantage against, “not whine about the sector” as one participant said - some have figured this out, many not.

Most banks for instance, make the same claims about being a key driver in the economy, being customer focused, serving the interests of their customers, aiming to behave ethically, the list goes on – but large parts of the world do not believe in them. The clever ones will (and are) finding ways to break away from the pack, and use their reputation in a broader sense than just fishing for the most profitable customers for the sake of building relevance and results. “In my view, it’s all about being relevant in the marketplace, and that’s where the big differences are, including what you add to society that makes you relevant” Cees Van Riel underscored.

How does your reputation in new markets influence a product launch? How do your employees’ perceptions of the company impact your top line performance? What are the links between the media’s view of your company, and Wall Street’s, and how can that be used to maximize shareholder value? These are the types of questions leaders begin to ask when the light switch goes on that reputation is business critical within the context of their competitive frame.

WAY FORWARD

Beginning with the notion that stakeholder feedback is a critical factor for emerging business priorities, companies mature through phases of measuring key reputation factors, mapping the business case, and ultimately relying on reputation for strategic insight and guidance.

Once they see firsthand that reputation drives measurable business impact, companies race to acquire the competencies to listen to their stakeholders, analyze this feedback, and embed these best practices into business planning processes and daily management practices.

The Corporate Communications department is a natural ‘owner’ of this multi-stakeholder perspective, where Marketing tends to focus more on the customer. However, the Communications team is only relevant if their reputation initiatives integrate with the business strategy and planning as input and advice (as opposed to just doing ‘spokesperson’ work).

The logical first steps on the reputation journey are to uncover the business case, to map the stakeholder terrain around the company, and to establish the right way to embed stakeholder-related insight in the decision-making process, step-by-step. This requires a framework dedicated to delivering fact-based insights based on stakeholder perceptions, and a structured process to use those insights to fuel more confident decision-making.

BOTTOM LINE

From strategy to execution, leading global firms are realizing their reputation has measureable impact on corporate objectives such as revenue, customer retention, market share, competitive advantage, cost management, and share price.