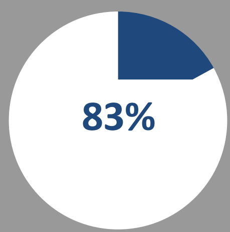
THE TRUTH WILL SET YOU FREE: DEBUNKING THREE MYTHS ABOUT CORPORATE REPUTATION

James Savage | Pierpont Communications

Introduction

This spring, Nielsen, the research firm best known for television ratings, released the results of its 2014 Global Reputation Study surveying opinion "elites" in 16 countries. In the United States, 54% of respondents, the highest percentage of all the countries surveyed, said they had personally stopped doing business with certain companies because of "something they learned about the way the company conducts itself."



83% of consumers say they would definitely buy products or services from companies with excellent reputations.

Clearly, reputation matters. Actually, the only thing surprising about the survey is that 46 percent of respondents did *not* think corporate reputation was such a big deal. It is, of course, a very big deal indeed, and no company wants over half its public to look away, or walk away, because of an unsavory reputation.

Corporate reputation is defined as the level of trust, admiration, respect and good feelings between people and companies. Reputation matters. A Reputation Institute (RI) survey from 2015 showed that only 9% of consumers say they would definitely buy products or services from a company with a weak reputation versus 34% for firms with an average reputation and 83% for those with excellent reputations.

In fact, no one escapes the judgement of reputation. Politicians and celebrities innately know this to be true, and are always in the process of moulding and burnishing carefully-crafted public personas. For companies it is a bit different. Corporate leaders generally think of their firm's overall reputation purely in terms of product strengths, or in terms of financial performance or processes, often leaving the heavy lifting of defining and building reputation to marketers and communicators who may or may not have the skill sets and corporate support to be true reputation champions.

Yet, according to RI, a full 70% of the public's willingness to buy, recommend, work for or invest in a company is driven by perceptions of who a company is and what they stand for. Only 30% is driven purely by product quality or technical innovation. Anyone who has bid an RFP, pitched a product or service proposal, or presented a business plan knows this to be true.

If this is so obvious then why aren't companies more reputation-aware? **Pierpont Communications has identified three critical myths that, frankly, can cloud the judgement of business leaders when they think, as in fact they often do, about their company's reputation.**

Myth # 1: Awareness equals Reputation

While we all know the mighty can and do fall, companies often persist in equating levels of brand awareness with having a strong reputation. This is not irrational. Awareness matters. Flying below the radar screen does not mean your firm will avoid getting a bad reputation. There is a very real risk to invisibility.

But, at the same time, to know you is not necessarily to love you. As companies from Enron to BP to AIG have discovered, a strong brand embellished with award-winning corporate social responsibility (CSR) programs and tasteful advertising won't necessarily save you when the chips are down.

Your reputation is defined by your behavior. Fortunately, the vast majority of organizations behave well, do good things every day and have highly (or at least moderately) motivated and ethical employees who want people to know about the value they add.

By good things, we don't just mean philanthropic programs or corporate social responsibility (CSR) initiatives, however desirable those activities may be in their own right. It is about your daily work. Building reputation is sometimes necessarily selective, as you can't please everybody, but <u>it is *always* founded on your integrity, how you act within your core business, and how that gets communicated to your employees and the outside world.</u>

The reputational Holy Grail, in this instance, is to ensure you are well-known and well-regarded for who you really are. This is what the Arthur W. Page Society, a senior group of corporate communicators, called "the imperative of authenticity," a key theme from that organization's landmark report from 2007 entitled *The Authentic Enterprise*. As we'll see with Myth #2, this also means coming to terms with admitting who you are not, and finding a way to deal respectfully with those who don't like what you do.

Myth #2: My reputation is what I say it is (i.e., Ignore your lying eyes)

This is a killer, and companies fall into this trap all the time. More than thirty years ago, Ford famously took to the US airwaves with a massive campaign proclaiming that "Quality is Job One!" But a reputation for quality can't be faked, and the company's products at the time did not come close to living up to the tag-line. The auto industry has learned over the years to focus on building quality instead of merely proclaiming it, and today's cars, not least from Ford, are vastly superior to even the best cars of the 1980s.

Even so, in that chastened industry the boasting is now largely gone. Car companies today are far more likely to let longer warranties or third-party J.D. Power rankings do the talking with regard to attributes such as quality. In other words, the carmakers are allowing their actions to speak, although they are rightly also making every effort to communicate those actions.

The lesson here is that Good Works will not themselves lead to salvation, and telling the world about your stellar reputation when there is less there than meets the eye will fool no one.

Some industries are innately polarizing. Think of mining, big oil, big finance, big pharma, or, heaven help us, big tobacco. We do a lot of work in the oil sector, which lives with this reality every day. For years BP was lauded for its "Beyond Petroleum" campaign, but this "reputational reserve" was merely seen as disingenuous and insincere when the company was faced with an immense environmental disaster caused by its own failures. ExxonMobil, by contrast, was pilloried for many years for being insufficiently apologetic about being in the oil business, however environmentally responsible and safety-conscious they have been. In the end, ExxonMobil, by being proud of what they do as a company, has succeeded by building a solid positive reputation amongst its many stakeholder groups without falling into the trap of trying to be something they are not as part of a quest for universal love and acceptance. BP, for its part, has also learned the lessons of "walking the walk" and is much more authentic and successful in its communications and marketing efforts.

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Myth #3: I don't need to care about reputation – I just need to manage risk.

This myth involves primarily the peril of benign neglect, and the related danger of confusing reputational risk with operational or financial risk. Companies need to be mindful of the many worlds in which they work and the myriad reputational risks on the horizon. At Pierpont, we have identified a clear disconnect between, on one side, many firms' GRC (Governance, Risk Management and Compliance)/ERM (Enterprise Risk Management) functions, which are usually located within finance, IT and legal departments, and those, on the other side, of reputation management, which are usually sited within communications and/or marketing departments.   These two sides often fail to acknowledge, much less communicate, with one another.

GRC and ERM functions focus on financial and regulatory risks, and as a result of these self-imposed blinders can fail to see the wider reputational issues the firm may be facing. During the depths of of the financial crisis Goldman Sachs had what was said to be the world's best risk management system and, according to the Reputation Institute survey, was at the same time burdened with one of the worst corporate reputations in America. To be of any value, a comprehensive assessment of enterprise risk must also include reputational risk. At least one ERM expert, Madhua Charyya of Bournemouth University, argues in *New Frontiers in Risk Management* that the long term benefit of good ERM is a good *reputation* among stakeholders. So, in fact, we're all working towards the same goal. We just don't know it and, as a result, risk working at cross purposes.

Reputation-building programs need to be closely aligned to –and aware of- the firm's risk management functions, and vice versa. For smaller firms, this is as simple as ensuring the firm's reputation-building activities are closely aligned to business strategy and the company's long term objectives. **The reality is this effort is often best undertaken initially by credible outside parties in order to avoid the spectre of internal turf battles and ownership issues.**

In fact, all parts of the enterprise have a stake in corporate reputation, and that's why corporate reputation – not just corporate risk or company brand -- is increasingly getting the attention of the C-suite.

Conclusion

In what is coming to be called the "reputation economy," managing your company's reputation is a full-time job. **The whole organization must think about reputation well beyond mere branding or positioning, or beyond just managing financial risk**. Employees, managers and executives all have to be engaged and reputation-aware.

Penetrating the myths of reputation isn't always easy. Every day business leaders have to fight the natural instinct to falsely believe that a high public profile or having the ability to talk a good game will be all it takes to build a good reputation. And even those leaders who know better may not be aware that, despite having great financial risk management or a couple of award-winning sustainability programs, no one in the organization is taking the macro view of reputation or looking for the danger signs.

Fortunately, as canny firms of all sizes are now showing every day, the tools to build and manage reputation are more accessible than ever. Surmounting the myths and embracing your firm's reputational realities and reputational objectives are the first steps.

About the Author

James Savage is SVP and General Manager of Pierpont Communications in Dallas. Prior to joining Pierpont Savage led the corporate practice of Edelman in Dallas as SVP, where he contributed to the brand and reputation success of regional, national and global clients. Savage was also the managing partner of Reputation Leadership Group (RLG), an international corporate reputation firm, and led the public affairs and communications functions for the Federal Reserve Bank of Cleveland, where he also led communications for the Federal Reserve System Financial Services Payments Committee. He has also held senior communications, brand marketing and strategic planning positions with Philips Electronics and Verizon, in addition to two global industry associations and the Government of Canada. Savage has an M.Sc. in Economics from the London School of Economics and a B.A. from the University of British Columbia, and is the author of *The Politics of International Telecommunication Regulation* (Westview Press).

About Pierpont Communications

Founded in 1987, Pierpont is Texas' largest independent communications agency and is the only firm to have a true statewide presence with offices in Austin, Dallas, Houston and San Antonio. Through our global affiliation with MSLGROUP, we serve clients across time zones, borders and continents. We empower campaigns with a unique perspective of public relations, marketing, advocacy and digital communications. Our focus is squarely on creativity and service excellence.

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