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Olivier Serrat
Asian Development Bank

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Managing Corporate Reputation

Abstract
{Excerpt} Newly minted approaches to corporate reputation are already obsolete. Beyond gaining control of issues, crises, and corporate social responsibility, organizations need to reconceptualize and manage reputation in knowledge-based economies.

Reputation is not about likability: it is the aggregate estimation in which a person or entity is held by individuals and the public against a criterion, based on past actions and perceptual representation of future prospects, when compared to other persons or entities. Since we cannot develop a personal relationship with every entity in the world, the regard in which a party is held is a proxy indicator of predictability and the likelihood the party will meet expectations, a useful earmark that facilitates sense and decision making against alternatives.

Every day, through what amounts to a distributed means of social control, we assess and judge with effect the competence of individuals and organizations to fulfill expectations based on such social evaluation.

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Knowledge Solutions

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Managing Corporate Reputation

By Olivier Serrat

Newly minted approaches to corporate reputation are already obsolete. Beyond gaining control of issues, crises, and corporate social responsibility, organizations need to reconceptualize and manage reputation in knowledge-based economies.

At Ev'ry Word a Reputation Dies

Reputation, reputation, reputation! O, I have lost my reputation! I have lost the immortal part of myself, and what remains is bestial, wails Cassio in William Shakespeare's *Othello*. Tongue in cheek, a Chinese proverb enjoins: *Don't consider your reputation and you may do anything you like*. Should we heed that facetious advice?

Reputation is not about likability: it is the aggregate estimation in which a person or entity is held by individuals and the public against a criterion, based on past actions and perceptual representation of future prospects, when compared to other persons or entities.[1] Since we cannot develop a personal relationship with every entity in the world, the regard in which a party is held is a proxy indicator of predictability and the likelihood the party will meet expectations, a useful earmark that facilitates sense and decision making against alternatives.

> *I would rather go to any extreme than suffer anything that is unworthy of my reputation, or of that of my crown.*
>
> —Elizabeth I

Every day, through what amounts to a distributed means of social control, we assess and judge with effect[2] the competence of individuals and organizations to fulfill expectations based on such social evaluation.

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[1] The most universally understood measure of corporate reputation is stock price, a prime determinant of which is a company's earnings. Others might include quality of management, quality of products, value for money of products, client orientation, credibility of advertising claims, treatment of employees, dedication to charitable and social issues, and commitment to protection of the environment. Of course, even in the same industry or market, not all stakeholder groups will agree on measures or, if they do, ascribe the same importance to these. (Not to mention the general public, standard stakeholders comprise customers, employees, investors, and suppliers.) The deeper question, therefore, is: do organizations have one reputation or many? (And so, might an alignment process ever reconcile different perceptions to give a more accurate, consensual picture of an organization's corporate reputation than the stock price currently offers for those listed?) The Reputation Institute, for one, works to promote seven dimensions: (i) products and services, (ii) innovation, (iii) workplace, (iv) governance, (v) citizenship, (vi) leadership, and (vii) performance. See Reputation Institute. 2011. Available: www.reputationinstitute.com/

[2] Reputation defines the identity—hence, social relationships—of others, sometimes fundamentally. Not surprisingly, many words are synonymous (or antonymous) with it (and not just in the English language).

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If individuals have often worried about their reputations to a fault,[3] organizations (as opposed to small businesses) only really began to do so from the 1950s, which saw the materialization of consumer products and growing attempts at product and image differentiation, originally by way of public relations[4] and marketing. These days, however, even successful public relations do not suffice to nurture an organization's reputation.[5] The convergence of globalization and widespread computing since the 1990s,[6] bringing immediate news and online journalism including by the general public, magnify blunders and wrong doings.[7] Beyond corporate images[8] and efforts to realize value from brand equity, beyond more recent endeavors at differentiation through innovation, operational excellence, or closeness to customers, and beyond even exertions to foster key behaviors for a one-company culture, many organizations now also try to nurture reputational capital, that is, all intangible assets including business processes, patents, and trademarks; repute for ethics and integrity; and quality, safety, security, and sustainability.[9] Put differently, they strive to enhance corporate citizenship in the way they relate to direct clients, audiences, and partners; other stakeholders in society at large; and, more and more, themselves. Are we there yet?

> *It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.*
>
> —Warren Buffett

Managing Corporate Reputation 1.0

It is a given that perceptions[10] shape behaviors to drive results. However, nearly all organizations are such complex entities one can hardly expect them to be naturally proficient at gaining and maintaining the trust of sundry clients, audiences, and partners. (Many find it perennially difficult to just build trust in the workplace.) Enter reputation management, the process of tracking an entity's actions and other entities' opinions about these, reporting on those actions and opinions, and reacting to reports through feedback channels to build,

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3 What people think of an individual conditions, for example, whether they want or not to meet, talk, listen to, or employ him or her.

4 Public relations—the management function that seeks to establish and maintain a favorable public image for an individual or organization vis-à-vis the clients, audiences, and partners on which success depends—has a long history. Its chief objectives, namely, informing people, persuading people, and integrating people with people, are as old as society. (Of course, the means and methods for crafting related messages have changed as society has changed: early vehicles included art and furnishings, architecture, letters, oratory, poems, and religious texts; of late, they include blogs, broadcast media, celebrity endorsements, exhibitions, media kits, media tours, newsletters, pamphlets, press releases, speaking engagements, special events, sponsorships, social media, and websites.)

5 If corporate reputation is a consensus of perceptions it cannot change much in the long run owing to public relations. Publicity campaigns may offer short-term solutions but organizations need to convey substance over time: messages must have authentic, candid content backed by real performance; corporate values are the best way to promote that since one must stand for something to be known for something.

6 In pre-internet days, reputation would travel by word of mouth. In comparison, the evolving and emergent social technologies of Web 2.0 provide rich understanding of the specific organizational contexts that shape and inform practice. They will develop as key applications for managing corporate reputation as organizations move from broadcasting to social casting, paying particular attention to community conversation, participation, and collaboration.

7 Reputation systems, born of the need for internet users to gain trust in the individuals and organizations they transact with online, are now common. Digg, eBay, and Google, to name but three, are built around feedback from millions of customers to facilitate trust in social news, e-commerce, and web-based search, respectively.

8 A corporate image is the way in which an organization is perceived by external and internal parties. Put differently, it is the composite psychological impression, of what a corporate entity stands for, that springs up at the mention of a related product or service. (In addition to the psychological perspective, some argue that reputation may be based on the assumption that an organization will behave in a way consistent with social expectations of moral and ethical behaviors. Google's informal corporate motto, "Don't be evil," seems a case in point.) Over and above the latter, it is increasingly recognized to be governed by the visual, verbal, and behavioral elements that make up the organization. The rich concept of the corporate image is important: most people accept there is an a priori link between an individual's image of an organization and that person's behavior toward the organization. Corporate images can be good, bad, (un)deserved, (un) wanted, and out of date. Corporate reputations stand or fall by them, hence the efforts of some to shape unique identities and project a coherent and consistent set of images to their publics.

9 More simply, reputational capital is the brand an organization carries, the sum total of its good name, good works, and history. A reservoir of goodwill confers clear-cut advantages and privileges: we are loyal to and promote organizations we respect; we are willing to pay a premium for their products and services (believing they are more likely to satisfy our needs than those of lesser-known competitors); and we give them the benefit of the doubt in ambiguous circumstances. Naturally, reputational capital is an overriding concern of knowledge-based organizations: their most valuable assets are what economists term "credence goods," viz., products and services that (unlike "experience goods") are bought on faith. Hence, competition among knowledge-based organizations is at the level of reputation rather than price alone: such organizations actively signal their principal attributes to maximize social status.

10 These are a function of direct experience, what an organization claims and does, and what others say.

maintain, or recover reputation.

> *You can't build a reputation on what you are going to do.*
>
> —Henry Ford

To be sure, much of what passes as reputation management is public relations with a twist. An empirical study of corporate reputation management in 653 major German businesses sheds light on the state of affairs in the private sector in that country (and presumably elsewhere in the West).[11] From a 20% response rate, the study found that 8 times out of 10, responsibility for reputation management is vested in boards of directors and management; elsewhere, it is (as one might have thought) assigned to offices or departments serving corporate communications and marketing functions. Further, the sample showed a differentiated system of objectives. According to 76% of respondents, the primary objective of reputation management is to develop a positive image. This was immediately followed by heightening of customer satisfaction and loyalty (73%) and improvement of customer relationships (66%). Value was also placed on creating a positive corporate identity (60%), acquiring new customers (57%), and heightening employee motivation (57%) and satisfaction (53%). Predictably, the mix of measures used to achieve reputation objectives was both internal and external: the most important external measures were use of the internet for communication directed outwards (47%), the performance of audits and issuing of certificates of quality (47%), press releases (37%), and company brochures (34%); the most important internal measures were use of the intranet for internal communication and information (44%), encouragement of suggestions for improvement by employees (40%), and a wide range of advanced training and seminars to employees (24%). In a run-of-the-mill way, the controlling instruments favored were measurement of customer satisfaction (55%), classical monetary analysis of financial ratios (55%), and evaluation of customer complaints (48%).

If much of the foregoing is redolent of public relations, self-avowedly full-fledged approaches to corporate reputation management are distinctly risk-based.[12] Andrew Griffin,[13] for instance, holds that an organization's reputation is the result of how it manages issues, crises, and corporate social responsibility.[14] (In 1999, Peter Schwartz and Blair Gibb wrote an early exposé of the need to reperceive corporate social responsibility in the context of globalization. Good companies must go beyond merely being good, they argued; they must have integrity and a strategy aligned with it.)[15] In the 21st century, however, such compartmentalized logic cannot attend to the dynamism of risk in knowledge-based economies: there, it cannot be contained and demands active, "on the go" management. Much as the topic of corporate governance, this makes corporate reputation management (including latter day public relations and reputation risk management) increasingly and inextricably interdependent with other fundamentals of day-to-day management.

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[11] Klaus-Peter Wiedmann and Holger Buxel. 2005. Corporate Reputation Management in Germany: Results of an Empirical Study. *Corporate Reputation Review*. (8) 2. pp. 145–163.

[12] Hence, and undesirably as we shall see, reputation management is also referred to as reputation risk management. (The term "reputation risk" is commonly used to describe potential threats or actual damage to the standing of an organization from the point of view of what people value.)

[13] Andrew Griffin. 2009. *New Strategies for Reputation Management: Gaining Control of Issues, Crises, and Corporate Social Responsibility*. Kogan Page Limited.

[14] Corporate social responsibility, according to the European Commission, is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

[15] Peter Schwartz and Blair Gibb. 1999. *When Good Companies Do Bad Things*. John Wiley & Sons, Inc.

Developing Good Practice in Reputation Management

Issues Management	Crisis Management	Corporate Citizenship
• Do not treat issues management as secondary to crisis management. • Get the categorization system right. • Prioritize measures but do not forget the rest. • Do not kill issues management with convoluted systems. • Focus on competence. • Beware the institutionalized issue. • Keep issues management teams tight and empowered. • Control the agenda. • Beware of promises you cannot keep. • Think long term.	• Prepare your leaders. • Simplify the crisis manual. • Understand powers and limitations. • Focus on competence. • Watch team dynamics. • Communicate early and often. • Do not forget your own people. • Own the crisis. • Practice, practice, practice. • Show, do not just tell.	• Move away from the language of corporate social responsibility. • Always strive to be a good business. • Change the premise of the responsibility debate. • Focus on performance. • Merge "doing well" and "doing good." • Reclaim the language of corporate citizenship. • Resist attempts to turn good business into regulation. • Scrap the corporate social responsibility reports. • Always think of the real audience. • Spread good business throughout the organization.

Source: Compiled from Andrew Griffin. 2009. *New Strategies for Reputation Management: Gaining Control of Issues, Crises, and Corporate Social Responsibility*. Kogan Page Limited.

Managing Corporate Reputation 2.0

If strengths and weaknesses have always been relative, opportunities and threats in the globalized economy clearly only exist in terms of what knowledge is at hand about them.[16] From this modern perspective, the two main approaches to corporate reputation management can be seen for what they are, viz., static, asset-focused, and reactive (when they are not marginal). If, as Susan Scott and Geoff Walsham[17] recommend, we focus on potential we can shift attention from fixing the present–past to managing the present–future with reputable action. For this, they advise, high-performance organizations need to (i) reconceptualize reputation as a strategic boundary object—which offers a lens through which to analyze tensions between local values, reputation, and the inputs and outputs needed to uphold coherence across intersecting communities; (ii) clarify expectations and conduct ongoing reflective assessments—which help recognize the increased demands placed on strategic reputational boundary objects by changing trust relationships; and (iii) define their stakes—which, by shifting away from fixed notions of stakeholders, makes possible a social constructivist perspective of stake-making and stake-breaking.[18]

More prosaically, but certainly not less usefully, the Reputation Institute has also identified specific forward-looking good practices:

[16] The same applies to risk, which can be changed, magnified, dramatized, or minimized within knowledge and is therefore open to social definition and construction, in other words, to processes of chronic revision. See Ulrich Beck. 1992. *Risk Society: Towards a New Modernity*. Sage Publications.

[17] Susan Scott and Geoff Walsham. 2005. Reconceptualizing and Managing Reputation Risk in the Knowledge Economy: Toward Reputable Action. *Organization Science*. 16 (3). pp. 308–322.

[18] The longitudinal, contextual analysis this calls for reinforces the conceptual apparatus with which to scrutinize miscellaneous reputation risk claims.

(i) Adopt a common model for reputation management across organizational functions.
(ii) Understand what the seven reputation dimensions and attributes mean to different stakeholders.
(iii) Align corporate messaging and reputing activities with key drivers for their stakeholders.
(iv) Create employee alignment with their reputation platform.
(v) Create a cross-functional reputation committee to ensure coherent actions.
(vi) Monitor reputation with different stakeholders against relevant competitors.
(vii) Integrate reputation management into business processes.

Further Reading

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For further information

Contact Olivier Serrat, Head of the Knowledge Management Center, Regional and Sustainable Development Department, Asian Development Bank (oserrat@adb.org).

Knowledge Solutions

Asian Development Bank

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Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
knowledge@adb.org
www.adb.org/knowledgesolutions