

Corporate Reputation

How strategic community initiatives can build and sustain corporate reputation

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A company's reputation is built over time and is a valuable asset. This paper is the first of a series from Business in the Community Ireland which examines aspects of corporate reputation. In this paper we look at how strategic community initiatives with a focused communications plan can contribute to building and sustaining corporate reputation.

Introduction

Is reputation important?

PR News Online, June 5, 2009 stated 'The risk-saturated business environment presents a proliferating array of challenges to senior management teams. To overcome these challenges, business leaders are homing in on the most critical drivers of success: talent management, change management and the strength of the organization's brand and reputation, which ranked first, second and third, respectively, in the 12th annual PricewaterhouseCoopers Global CEO Survey¹.

Given that reputation is important, how are companies doing?

According to the Edelman Trust Barometer², 62% of global "upper income, highly educated" respondents in 20 countries, including Ireland, trust businesses less in 2009 than 2008. Ireland scored the highest, with 83% of respondents trusting companies less this year. As trust is a key factor in a company's licence to operate this is a serious concern for Irish business. Customers are demanding higher accountability and transparency while governments are heightening scrutiny. By a margin of 4:1, Edelman found that the informed public³ in Ireland agreed that the government should impose stricter regulations and greater control over business across all industries. Companies increasingly need to prove their goodwill and defend their local presence.

Many companies assert their commitment to corporate responsibility, both social and environmental, and would possibly expect this to translate to a perception of trustworthiness in the general populace. However, the 2009 Survey Report of Consumer Attitudes in Ireland towards Corporate Responsibility⁴ by Business in the Community Ireland and Ipsos MORI found that almost 80% of respondents could not name a company which treats staff well, gives good customer service and is mindful of its impact on the environment. This suggests a gap between the companies' values and the public's perception of those companies.

We can conclude that reputation is a top business priority and is important to consumers. Companies, however, are not doing enough to build and sustain that reputation. They may, for instance, fail to communicate effectively about their corporate responsibility initiatives which could contribute to improving their reputation.

What is Corporate Reputation?

Reputation is an umbrella term that covers image (how we are seen) and identity (how we see ourselves). It is the cumulative impressions of internal and external stakeholders: customers, employees, suppliers, investors and the local community. Reputation is based on history or wide experience over time, whereas image may be based on no experience or the latest perception.

Reputation is what you recognise about a company which will set the parameters for what kind of business you will do with it. It is essential in deciding whether or not to do business with that company .

There are several dimensions to corporate reputation. They vary slightly according to different research papers ^{5,6} but are broadly similar, align roughly with various stakeholder interests and comprise:

1. Emotional Appeal
2. Products and Services/Innovation
3. Financial Performance
4. Social Responsibility/Citizenship
5. Workplace Environment
6. Vision and Leadership

The Reputation Institute⁶ believes that companies that are strong in one of the dimensions but weak in others are vulnerable to attack, because they neglect the interests of some of their most important stakeholders.

The Value of Social Responsibility in Reputation

While financial performance and product innovation are clearly critical reputational factors, this paper will focus on social responsibility and citizenship which play a significant part in the reputation management of leading companies such as BT. Janet Blake, head of global CSR for BT, spoke at the Inaugural Corporate Responsibility Summit in Sydney in 2006 about the challenges faced and successes achieved in building the CSR agenda within a multinational corporation. “We know that our CSR performance accounts for over 25 per cent of the brand and reputation drivers of customer satisfaction. Our analysis shows that a 10 per cent improvement in the public’s perception of our CSR activities means a 1 per cent increase in customer satisfaction. Customers most concerned about CSR issues are 90 per cent more loyal to BT... Our strong commitment to social responsibility underpins our employer brand and has shown direct benefits in attracting, motivating and retaining good people to work for us. In a recent survey we found that 63 per cent of employees felt more proud to work for BT as a direct result of our CSR activities. Of our recent graduate recruits, 30 per cent identified our social responsibility as a reason to join BT – up from previous years.”

Strategic Corporate Community Initiatives

The most widely admired companies maintain a strong focus on reputation that unites their employees and stakeholders behind a shared corporate vision.

Strategy

A well-designed and regularly reviewed corporate community initiative can make a valuable and measurable contribution to building and sustaining a good corporate reputation. The majority of leading companies invest in community programmes. It therefore makes sense to ensure that the business sees a return on that investment. This is often overlooked either by design, where companies feel they need to do the right thing without the need to measure the impact, or by oversight, where community initiatives are seen as something apart from business operations, not linked to KPIs or other business measures. Both approaches present a risk to the sustainability of the initiatives.

Sustainability is good for the reputation of the business and for the community groups who benefit from the partnership. A community initiative is not sustainable if it is seen as one person's pet project, if it is linked to specific members of the management team and is dependent on their personal involvement, or if it is not seen as a business goal and, as a consequence, is not reviewed in the way other investment decisions are and is not embedded in the business strategy.

An ad hoc community programme which is the first casualty in a downturn is probably worse than no community programme in its effect on corporate reputation. Ideally a business should commit to a programme that is supported across the management team as a contributor to the business goals. The Reputation Institute believes executives have to rethink their priorities and heed the messages of consumers. They need to listen closely to stakeholders' concerns, demonstrate authentic care for their communities, commit to a shared set of values with their employees and stand behind these even at a cost to short-term performance. They believe this is the only way to develop enduring sustainable, value-creating results and restore their corporate reputations.

Employees

An effective community initiative that aligns with the corporate vision and is supported internally by employees at all levels of the company and externally by the community stakeholders is a tangible way of building reputation.

The focus on employees as a key factor in corporate reputation is often overlooked. Rosa Chun⁶ in her paper on 'Corporate reputation: Meaning and measurement' defines reputation management as "managing what happens inside an organisation to influence external perception". A company's employees and their families are valuable ambassadors for the company; their engagement with the company can actively support its reputation.

Companies should review their Corporate Responsibility (CR) strategy to assess whether it is aligned with their business goals and whether it is effective in building their reputation with their internal and external stakeholders.

The importance of communication

Corporate community initiatives which align with business goals and deliver positive returns to the community can build corporate reputation by influencing the loyalty of employees, investors and customers, by demonstrating the vision and leadership of the company and by being a sign of social responsibility.

However these effects are lost if there is no communication plan in place or if the communication is not effective. The 2009 Business in the Community/Ipsos MORI survey⁴ found that 37% of people were able to mention one or more companies that support the community i.e. 63% were unable to mention any. Just under one quarter of respondents were able to name an organisation they considered to be an 'all-rounder' i.e. a company that provides excellent customer service, is a good employer and is mindful of its impact on the environment yet more than 8 in 10 people surveyed said that an organisation's commitment to social responsibility is important when buying a product or service.

What makes this even more astonishing is that virtually all leading companies are undertaking community initiatives. It would appear that while the programmes are well-intentioned and beneficial in many ways, they are not achieving the social impact that the level of investment would warrant. Alternatively it is the communication of the programme that is not effective. Whatever the cause, the result is that the impact of the CR programme is under-appreciated by employees and external groups.

Employers who are reluctant to communicate externally about their community initiatives should take note of the survey results. It is understandable that, at times when their reputation is under attack, they run the risk of their communication receiving a cynical reception. In more stable situations, however, it is advisable to have regular, objective communication, possibly validated by neutral third parties or external stakeholders⁹. The Edelman Trust Barometer² found that NGOs are the most trusted organizations in Ireland with 57% of informed publics³ trusting them compared with 41% trusting business and 35% trusting the media. A community programme that includes objective review of the impact on the community partners, together with a communication plan that includes comment by community stakeholders, will build trust and mitigate the risk of negative perception.

In cases where external communication is not appropriate, communication to employees is vital. In contrast to the low credibility of corporate information channels reported by Edelman² (17%), company employees are the most trusted source of information with 41% of respondents trusting them. Employees should not be overlooked as key ambassadors for a company; they can play an important role in building positive perceptions of the business. Where employees are involved in the company's community programme, it is important to have internal recognition of their



contribution and regular communication to the employee population of the social impact of their community work. In practice, it is commonly discovered through employee surveys that employees are unaware of their company's community programmes, are under the impression that not enough is being done and are unclear how they could participate.

Conclusion

Porter and Kramer in the Harvard Business Review⁷ found that 'organizations that make the right choices and build focused proactive and integrated social initiatives in concert with their core strategies will increasingly distance themselves from the pack'. The Appendix to this paper provides a guide to developing a strategic community initiative and communicating internally and externally as one way to build and sustain corporate reputation.

Appendix

Designing a community initiative that builds and sustains corporate reputation

1. Clarify and communicate the business priorities

Examples:

- Market share/leadership in your sector
- Recognition as an employer of choice
- Efficiency/productivity/reduced costs

2. Examine sources of information that measure your success in achieving these goals

Examples:

- Customer loyalty (satisfaction surveys, complaints, online forums)
- Employee engagement (surveys, focus groups, attrition, exit interviews)
- Reputation (media metrics, awards, web analytics, consumer surveys, safety record)

3. Identify the risks to your business and its reputation

Examples:

- Climate change
- Shortage of key skills
- Health & Safety
- Governance
- Supply chain
- Outsourcing
- Risks to your 'licence to operate' – natural, legal or social
- Customer issues – product recall, data loss, service disruption etc

4. Develop a strategic community programme that addresses specific risks and which supports specific business goals. The programme should be treated exactly as any other business goal with metrics to assess its effectiveness for the business and the community partners, regular review and reporting across the management team.

5. Ensure that actions **internally and externally** match your company values and CR vision.

External	Internal
Being a good neighbour in the locality	Being a good employer
Inspiring others e.g. host a 'Seeing is Believing' tours ⁸	Engaging employees (and measuring engagement)
Developing strategic community initiatives and measuring the social impact	Ensuring company values are shared (lived) across the organisation
Profiling your community initiative	



6. Communicate

The following is a selection of communication options and channels:

Internal:

Intranet e.g. A Corporate Responsibility page

eZine, company newsletter

Newsletter to employee families

Community links brochure at specific anniversaries e.g. 5-year celebration

Community posters in canteen

Event photos on notice-boards, in foyer, in retail locations

A community fair onsite⁹

Open days or family days onsite

A celebration and recognition event for volunteers e.g. during CR week in October

A branded community programme

External:

Regular information sessions with local community

Internet – information on pages relevant to investors, potential employees, external groups

Invitations to local communities to attend on-site open days

Support for community groups to communicate e.g. in local papers

Hosting neighbouring companies to review a community programme

Submissions for awards



References

- 1 2009 PricewaterhouseCoopers www.pwc.com/ceosurvey
- 2 2009 Edelman Trust Barometer, The Tenth Global Opinion Leaders Study, © Strategy One, www.edelman.com/trust/2009/
- 3 Informed publics are college-educated, in the top 25% of household income per age group in each country, and reported significant media consumption and engagement in business news and public policy
- 4 2009 Survey Report of Consumer Attitudes in Ireland towards Corporate Responsibility² by Business in the Community Ireland and Ipsos MORI
- 5 Reputation Institute is a private advisory and research firm specialising in Corporate Reputation Management. Website=<http://www.reputationinstitute.com/>
- 6 Rosa Chun (2005), "Corporate reputation: Meaning and measurement", International Journal of Management Reviews, Volume 7 Issue 2, June 2005
- 7 Michael E.Porter and Mark R.Kramer (2006), "Strategy & Society, The Link Between Competitive Advantage and Corporate Social Responsibility", Harvard Business Review
- 8 Seeing is Believing tours, facilitated by Business in the Community Ireland, enable business leaders to connect directly with stakeholders in the community to gain a better understanding of the opportunities and challenges that exist and to be inspired to use their business skills and resources in partnership with the community and voluntary sector
- 9 A community fair, which Business in the Community can organise on request, provides a forum for selected community partners to meet with company employees in order to match community opportunities with corporate volunteers.