CISION

REPUTATION

AS A MANAGEABLE BUSINESS ASSET

Smart executives know the significance of a good reputation. Reputation is so important that Warren Buffett once stated at a 2005 Q&A session at the University of Nebraska, "We can afford to lose money - even a lot of money. But we can't afford to lose reputation - even a shred of reputation." Why? Because companies with good reputations enjoy significant advantages over other companies. For example, they earn customer loyalty. They attract and retain the best people. They command high prices for products and services while paying less to vendors who seek to work with them. And investors believe that companies with positive reputations will deliver growth and earnings with a lower cost of capital. Companies with bad reputations suffer and find it very difficult to recover. What is more, a 2020 survey by public relations firm Weber Shandwick across 22 markets worldwide among 2,227 executives in high revenue companies reveals that these global executives, on average, attribute 63% of their company's market value to their company's overall reputation. Factoring all of this into the equation, one must conclude that reputation is a critical component to business success.

Like any asset, smart organisations work hard to optimize their reputation. Let's begin with the fundamentals by focusing briefly on the meaning of *assets* within a financial context: *Asset valuation* is the method that determines a company's fair market or present value. Evaluated assets include those that are *tangible* and *intangible*. Each hold significance. A "tangible asset" is a material holding like cash, a building or equipment. An *intangible asset* is nonphysical and includes accounts receivable, patents and goodwill. Reputation is an element within the "intangible/goodwill" equation that contributes to positive business outcomes when effectively managed. Even if reputation may not have an assignable value, companies with a good reputation enjoy benefits over companies without; and executives too often overlook the attributable benefits of reputation or take them for granted.

What is Reputation and Why Does It Matter?

Rather than what we say about ourselves through branding, advertising and publicity, "reputation" is a perception we earn– for better or for worse– in the minds of our stakeholders. For internal purposes, "reputation" guides the company to meet or exceed the needs and expectations of its stakeholders by positively differentiating the enterprise through, for example, ethical behaviour, transparent and honest communication and spotless execution. To external stakeholders, "reputation" resides in people's perceptions as an organisation's ability to align with their needs, interests and priorities. Whether internal or externally focused, a good reputation positively affects customers, partners, investors, employees, regulators and communities and engenders supportive behaviour during good times and bad.

Conversely, as companies with good reputations thrive, companies with bad reputations suffer. Certain categories are more susceptible to "reputation risk" when compared to others so optimizing a positive reputation consistently can be challenging. For example, publicly held corporations and companies operating in highly controlled/ crisisprone industries may face greater scrutiny– especially when confronted by well organised opposition. Companies whose names you would recognise from the airlines, banking, pharmaceuticals, aviation and energy industries experienced negative reputation incidents in the past few years and, as a result, suffered tens of billions of dollars in market cap losses.

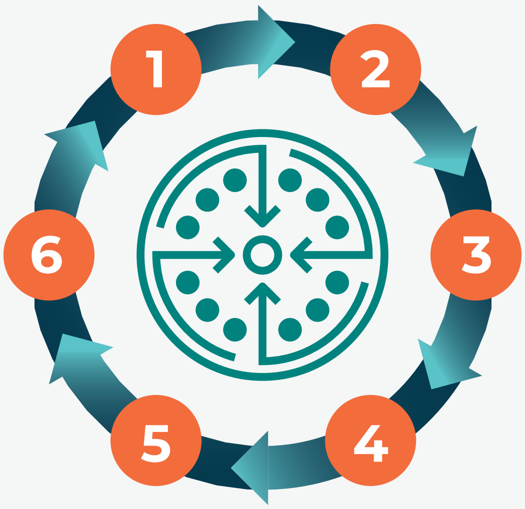
Any company carries reputational risk as a day-to-day reality as threats may arise from human error or natural causes. However, the reputation premise is complicated: It's easy to claim that organisations with poor reputations have the most to gain by repairing their standing but, ironically, organisations with the best reputations have the most to lose so they must focus their resources on maintaining their good standing. Each comes with challenges and deserves serious management attention and resource allocation.

Who Should be Responsible for Managing Reputation?

Essentially, everyone employed by the enterprise shares the responsibility for ensuring a good reputation. Finance is responsible for issuing invoices that are accurate and paying vendors according to the terms. Management is responsible for treating employees fairly and providing a safe workplace. Maintenance is responsible for disposing waste conscientiously. Salespeople are responsible for conducting business honestly and without hyperbole. Product development is responsible for producing high quality goods. And so on.

Yet, while everyone shares responsibility for fostering a positive reputation, the focus tends to shine most brightly on public relations when problems occur. Even though PR may not be the cause of a negative incident, executives expect the department or agency to clean up the mess. Ideally, management and corporate communications align frequently to reinforce ethical behaviour, authentic communication and their positive effects across all stakeholder groups as a way to avoid reputation risk in the first place. And in the event of emerging issues that forecast a potential crisis, a good reputation helps to earn the benefit of the doubt if an adverse event actually occurs.

Professional communicators oversee a variety of communication functions including media relations, internal communications, investor relations, and executive counsel. Together, the Chief Executive Officer and the Chief Communications Officer are the stewards of corporate reputation. To manage the function properly, organisations must measure, analyse and evaluate reputation-shaping trends for continuous improvement. The process is cyclical rather than linear and with each rotation of the reputation management model, the process leads to further refinement; reputation improves as a result.



1. Assess the company's existing reputation within the current business landscape
2. Set objectives based on strengths and weaknesses versus competitors and opposition
3. Develop strategies for messaging and media (most compelling, most credible and most engaging)
4. Create and execute reputation-building campaigns
5. Evaluate reputation
6. Apply findings for continuous improvement

Stakeholders develop awareness, understanding and attitudes towards a company either *directly* or *indirectly*. *Direct* experiences include working at that company, investing in that company, living in the same community as that company or buying that company's products and services. Since those with direct experience are more likely to influence others, we must monitor and evaluate their attitudes and behaviours towards the business with which they're engaged. For the most part, the majority of people experience a company or brand *indirectly*, which is to say that we become familiar by what we *read* in journalistic and social media, what our friends say or what we glean from their marketing. Since indirect reputation-shaping experiences are more common –especially in the cases of B2B companies– we must monitor and evaluate these experiences to guide the enterprise forward.

How to Measure Reputation for Reputation Management

Typically, reputation research and evaluation for corporate communicators follow two paths, each of which reflect direct and indirect experiences: surveys and media content analysis.

Surveys assess what's on people's minds through the construction of salient questionnaires, proper execution of the survey instrument, thoughtful analysis of respondents' answers and a thorough expert evaluation. Researchers conduct the surveys online, by email, by mail, by phone or in-person. The emergence of automated surveys enables lower-cost and faster turnaround than ever before. The challenges are two-fold: one is that surveys "suffer" from the human element, which is to say, they require people to tap into memories and experiences that may not be recent. Most people can't remember what they watched on TV the night before. The second challenge is that surveys capture opinion in single moments in time. For example, concerns about a pandemic were non-existent in November 2019, but were affecting everyone either directly or indirectly within a few months. As such, the timing of the survey is paramount, as is the audience sampling, questionnaire design, data accuracy and statistical analysis.

Content analysis monitors, analyses and reports on news and social media trends. To add perspective, each year, the Edelman Trust Barometer conducts an online survey in 28 global markets in which 34,000+ respondents participate. In its most recent 2020 Global Report, the findings state, "In 2019, engagement with the news surged by 22 points; 40% of respondents not only consume news once a week or more, but they also routinely amplify it." Maybe that's why, at the same conference at which he shared his thoughts on the importance of reputation, Warren Buffett offered this assessment of the media's impact on reputational risk:

"I ask the managers to judge every action they take– not just by legal standards, though obviously that's the first test– but also by what I call the 'newspaper test.'"

If a manager expresses uncertainty, Buffett says he asks them how they "would feel about any given action if they know it was to be written up the next day in their local newspaper?"

He tells them that the article would be "written by a smart but pretty unfriendly reporter" and read by their family, friends and neighbours.

"It's pretty simple," he says. "If [the decision] passes that test, it's okay. If anything is too close to the lines, it's out."

Despite accusations of "fake news," the May 2020 edition of the Edelman Trust Barometer, reports that trust in traditional and owned media have surged to their highest levels since the study began in 2012 due, in part, to the perceived need for trusted voices related to the Covid-19 pandemic. What is more, trust in "business," and "NGOs" remains higher than trust in the media even though it's down from previous levels. Government lags as the least trusted of all institutions tracked in the study.

Given the importance of traditional and social media and the degree to which they simultaneously shape and reflect public opinion throughout the day and every day, well-informed executives rigorously monitor and analyse traditional and social media trends to effectively manage corporate reputation. Media content analysis is a scientific form of reputation research that deconstructs content to its component parts and then reconstructs the data to uncover meaningful trends, useful insights and strategic guidance. Given the emergence of low-cost tools– some are even free– the question of reputation measurement and analysis is a matter of "unwillingness" rather than "inability." Notions that "research is too complicated" or "research is too expensive" are myths. The guiding principal? "Begin simply. Simply begin."

A content analysis report contains four forms of metrics:

Quantitative Analysis measures volume of coverage and the number of people reached (circulations and audience). In the example below, quantitative measures (story volume) indicate trends over time and versus competitors.

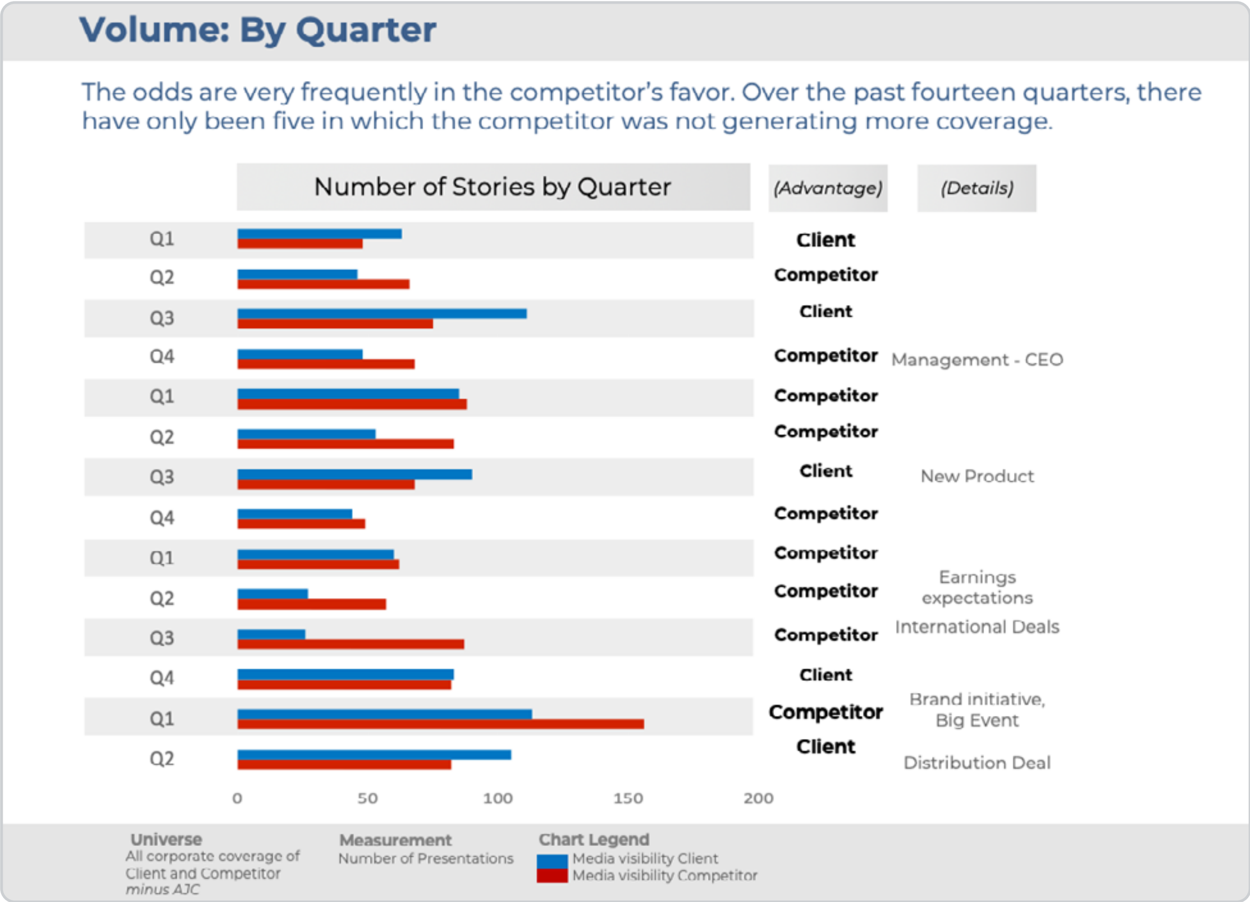


Illustration 1: Quantitative Analysis

Qualitative Analysis tracks intended and unintended messages, spokespeople, emerging issues, etc. In the example below, corporate reputation attributes are shown in terms of tone (positive, neutral and negative) as well as versus competitors. In this case, "client" generates a higher volume of more positive messages related to "positioning" than does the competitor. As such, this client owns an advantage over the competition that it should reinforce.

In another example, all companies underperform on "products." If "products" are important to the company– which is undoubtedly true– the data indicates a need for the client to "fix" the shortfall and turn a shared weakness into a point of positive differentiation. In such studies, the level of granularity is much deeper so that prescriptive guidance related to specific product attributes should be amplified or repaired to achieve a dominant position.

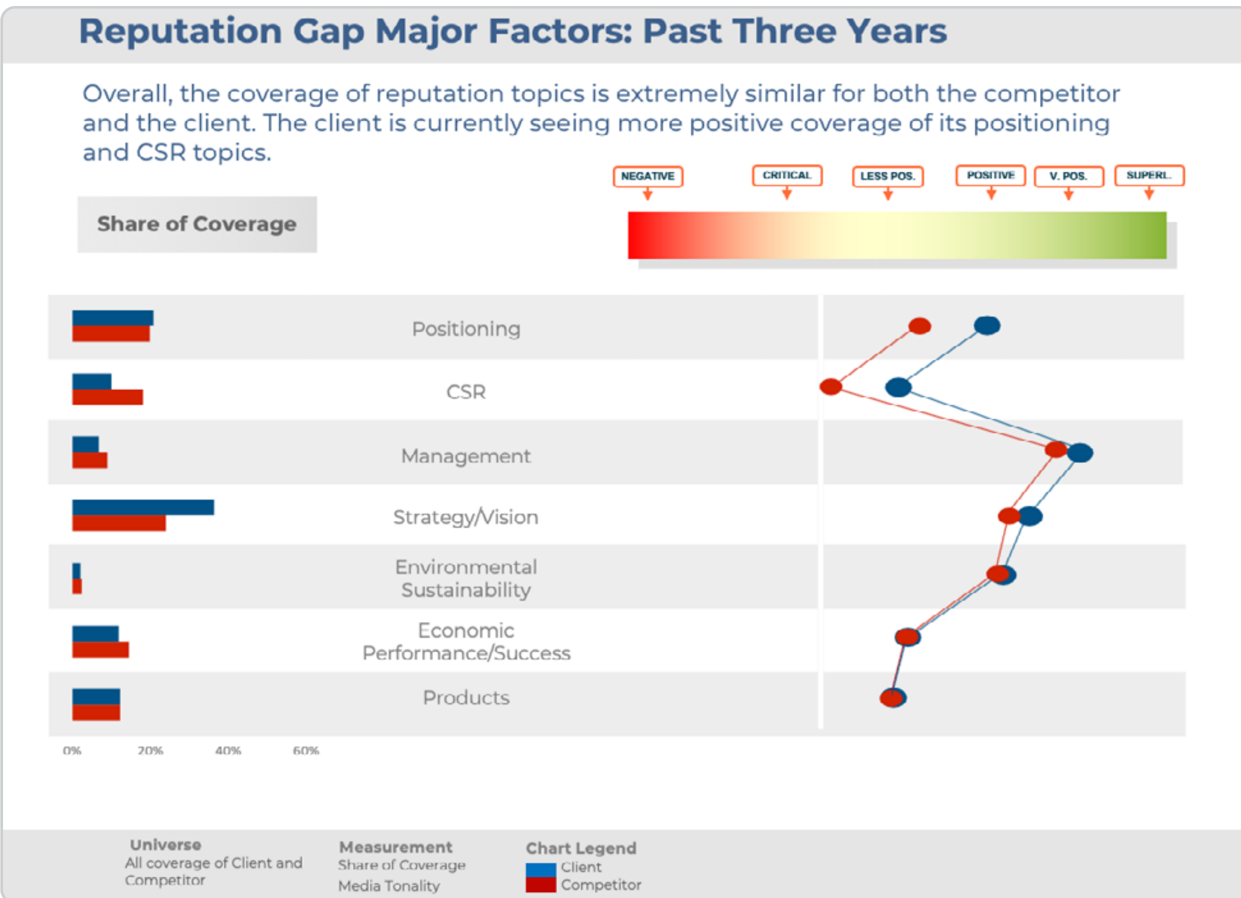


Illustration 2: Qualitative Analysis

At the highest levels, the overarching qualitative corporate reputation messages include such as those used by Korn Ferry in conducting Fortune Magazine's Most Admired Companies rankings:

1. Ability to attract and retain talented people
2. Quality of management
3. Social responsibility to the community and the environment
4. Innovativeness
5. Quality of products or services
6. Wise use of corporate assets
7. Financial soundness
8. Long-term investment value
9. Effectiveness in doing business globally

These all-encompassing themes contain hundreds– even thousands– of supporting attributes at more granular levels in the messaging hierarchy. For example, "quality of products or services" for Coca-Cola Company ("taste," "nutrition," "packaging," and "fun") differ greatly from those which apply to Apple ("design," "software speed and processing," "durability" and "compatibility", user-experience). What is more, each attribute may be presented in either a positive or a critical light. As such, a single news item may contain dozens or hundreds of supporting attributes, spokespeople, competitors, analysts and opinion-leaders, some of which are positive, neutral or negative but all of which reflect on a company's reputation.

Comparative Analysis tracks performance over time, against objectives and versus competitors; in this example, the client's intended positioning is "strategy/ vision." The client's performance versus their competition reveals that while the client delivers this message effectively, so does the competition. One conclusion would be to uncover and emphasize strategy and vision supporting themes on which it wins because the competition is absent. In addition, we see the competition wins on business performance that could be a positioning opportunity for the client if they have a credible and compelling story to tell.

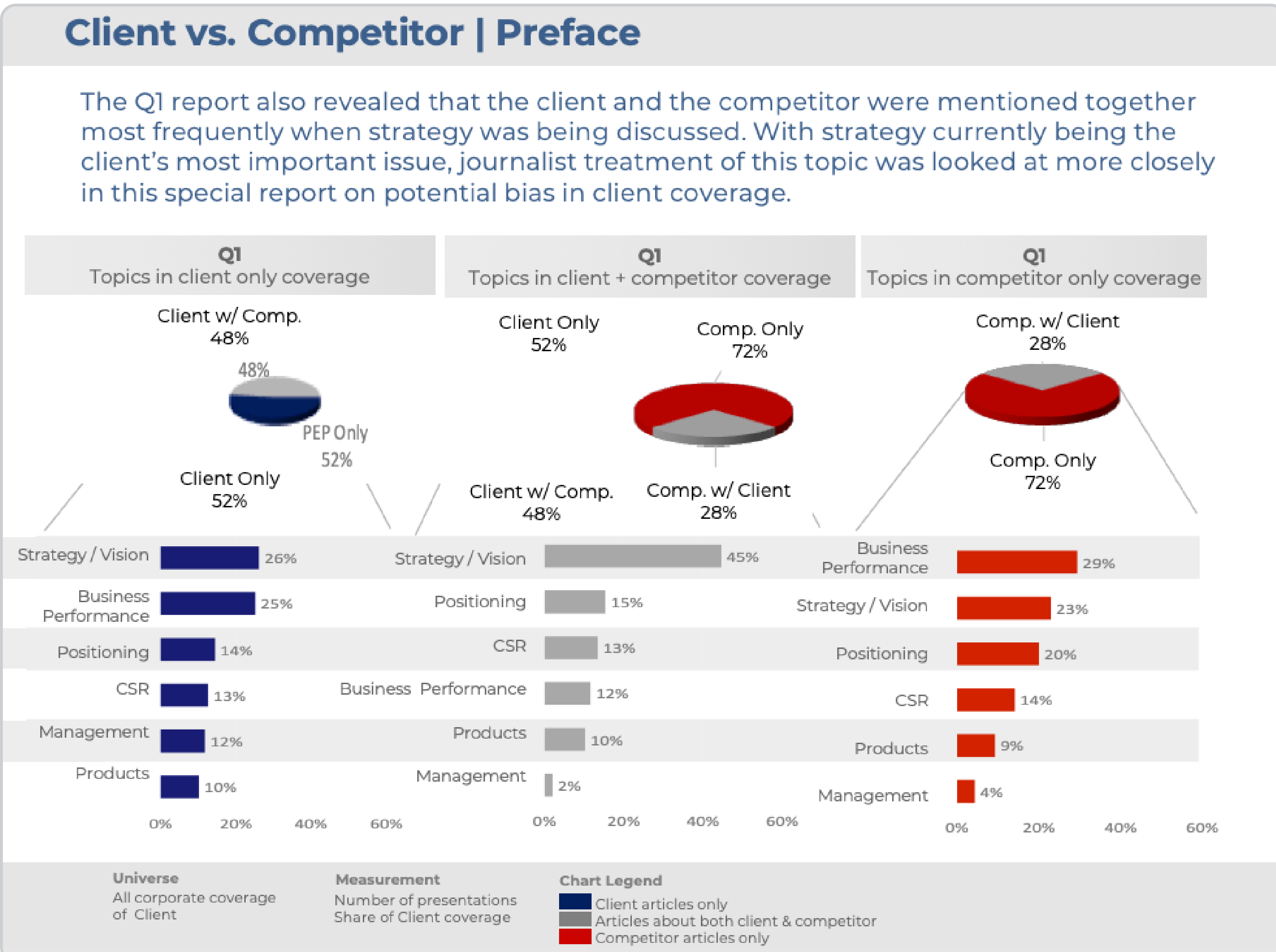
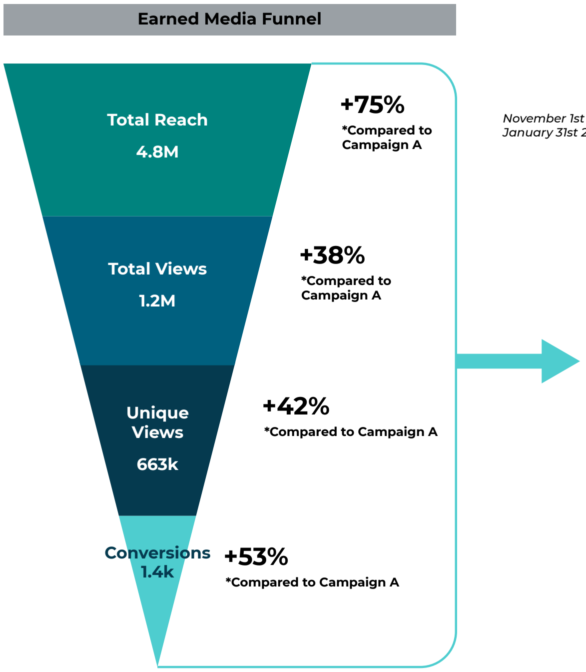


Illustration 3: Comparative Analysis

Attributive Analysis: Is an emerging technology within earned media derived from digital marketing counterparts. The technology enables communicators to determine how many readers engaged with digital content and what they did as a result: Did they visit your website? Did they download information? Did they transact business? The following example illustrates that 1,400 members of the target audience (IT directors) visited the company website; an increase of 53% versus prior campaigns.

Traditional Media

Campaign Launch | March 9th – 20th, 2020



November 1st 2019
January 31st 2020

Total Volume (Earned)	Overall Reach	Total Views	Unique Views	Site Visits
8,243	4.8M	1.2M	663K	1.4K

IT Directors

KPI's	Results
Total Users	80,651
Home Page Visitors	30,582
Products Page	1,425
API Suite	1,010
OnDemand Clicks	941

At the same time the attribution analysis captures behavioural data, it also identifies users from their IP addresses to track demographics (age, gender, household size and income, as well as dozens of other criteria as well as firmographics (job title, company, industry, number of employees, revenue, etc.. In addition to targeting the "conventional media choices," the attribution analysis also surfaces "counterintuitive media choices" which may enable the communicator to reach the preferred audience more efficiently.

From Analytics to Prescriptive Guidance

Once completed and in the hands of experienced communications data scientists, the media analysis becomes the foundation to formulate reputation-building corporate communication strategy and tactics.

By reputation strategy, we mean *targeting* and *messaging*. The next two examples show a progression from the detailed media analysis of corporate reputation themes and the degree to which they contribute– or detract from– a company's overall corporate image. One might refer to this process as *message engineering*. If the company represented in the first analysis sought to improve its *management reputation* which is positive but contributes only 1% of the firm's overall media reputation, they need to ***elevate*** the media presence of their leadership. On the other hand, three reputation drivers contribute more prominently: quality, safety and cost. If these attributes are important to the target audience and if they reflect a positive positioning advantage over competitors, the directive would be to ***reinforce***. In the safety category, one sees that two supporting attributes appear in red which indicates negative or critical coverage. In this case, if safety is important and the company wants to raise safety awareness in the media even higher, they need to ***fix*** the lagging messages.

Message/Media Engineering for Continuous Improvement: Step One

1. Assess the relative contribution of each overall corporate and product theme in shaping the overall corporate or product reputation
2. Assess the relative contribution of more specific supporting themes in determining the current state
3. Identify strengths and weaknesses, threats and opportunities in shaping corporate and product reputation to achieve the desired outcomes for both corporate and product
4. Repeat for media, journalists and influencers

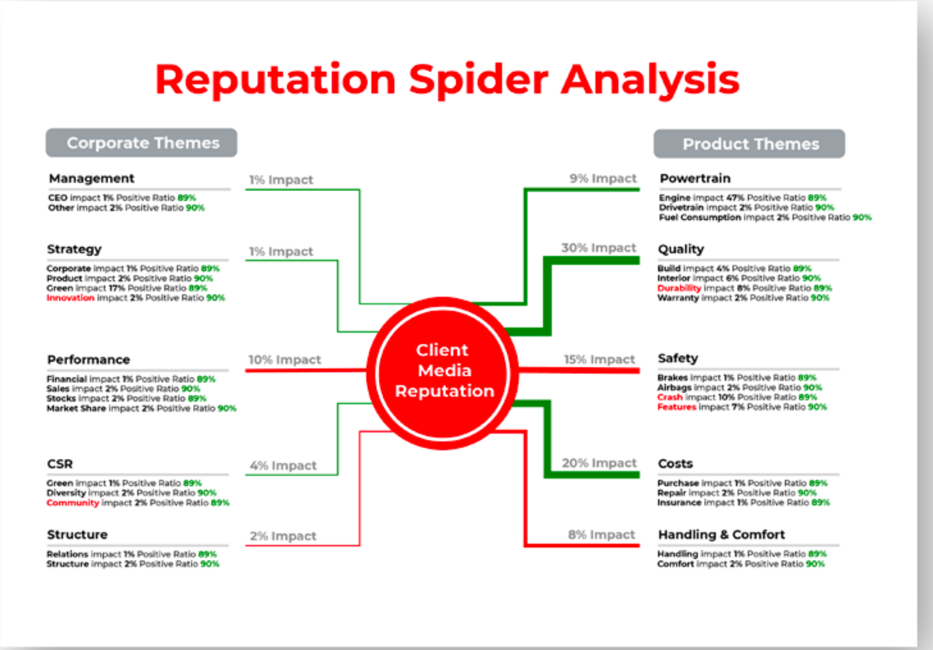


Illustration 5: Message Engineering Step One

In step two of the message engineering process, expert data scientists with the benefit of corporate reputation experience, determine through statistical modeling the degree to which each message must be improved– either by elevating tone or increasing positive visibility– to achieve the organisation's overall corporate reputation goal (or to simply "beat the competition").

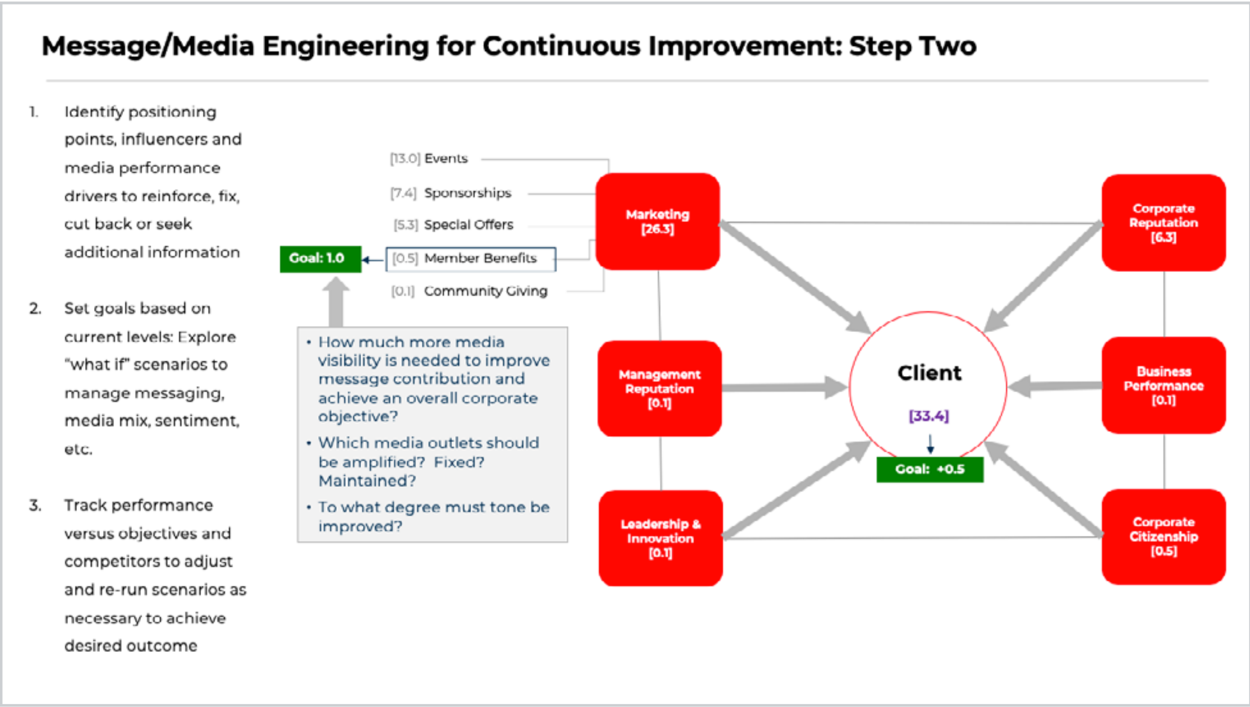


Illustration 6: Message Engineering Step Two

Corporate Social Responsibility and ESG

Managing a corporation has never been easy but, as it relates to corporate reputation, the challenge is greater than ever. The public now expects more from corporations than "shareholder value." More and more people around the world look to corporations to contribute to the betterment of the planet and all its inhabitants.

With the emergence of higher standards for ethically and socially responsible behaviour across all stakeholder groups, company leaders must account for their positions. The Sustainability Accounting Standards Board (SASB) is a non-profit organisation that sets sustainability accounting standards. Compared to its counterpart The Financial Accounting Standards Board (FASB which developed standards for financial statements, SASB created disclosure standards for the sustainability and ethical impact of investments between a company and its stakeholders. Operating in a variety of industry sectors in the UK, the emergence of Environmental, Social and Governance (ESG) has become a priority for socially conscientious brands.)

Corporate social responsibility or ESG is not a passing fad in the United Kingdom, USA or around the world. To illustrate this point, in a special report, international public relations firm Edelman asserts, "A resounding 84% of institutional investors believe that maximising shareholder returns should no longer be a company's primary goal." The report continues, "As more institutional investors seek investments aligned with their own ESG practices, business leaders must navigate this increasingly complex landscape to effectively demonstrate a multi-stakeholder commitment." These points reflect the opinions of 607 institutional investors, including financial analysts, chief investment officers and portfolio managers across six countries (U.S., Canada, U.K., Germany, the Netherlands and Japan), representing firms that collectively manage over $9 trillion in assets.

In the USA, the Business Roundtable, an organisation whose 181 CEO members lead many of the nation's largest corporations, many of whom do business in the UK, redefined the purpose of a business in 2019. They stated, "Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all." Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co. and Chairman of Business Roundtable asserted in the announcement, "Major employers are investing in their workers and communities because they know it is the only way to be successful over the long term. These modernised principles reflect the business community's unwavering commitment to continue to push for an economy that serves all Americans."

CONCLUSION

As long as corporations seek to attract and retain the best talent, command premium prices in the marketplace, optimize shareholder value, and enjoy "the benefit of doubt" in challenging situations, a positive corporate reputation will be a highly valued asset. While the advantages of a good reputation have been documented for decades, the current operating environment makes its achievement that much more challenging. Higher stakeholder standards, professionally organised activist opposition, distrust in conventional institutions and an increasingly partisan political atmosphere becomes even more complicated in a world of instantaneous 24/7 news cycles and "unmediated" social media. Reputation management is an existential proposition. In response, corporate leaders must recognize their responsibility to elevate the companies they lead, to serve all stakeholders and to commit themselves to actively managing their corporate reputation. Lives depend on it.

Mark Weiner is the Chief Insights Officer for Cision. He is a member of the Arthur Page Society and a Board Director for the Institute for Public Relations from whom he was awarded the Jack Felton Medal for Lifetime Achievement.

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