



Ipsos Global Reputation Centre

THE REPUTATION COUNCIL

LATEST FINDINGS FROM
THE ELEVENTH SITTING

**RECOVERING FROM A CRISIS –
THE TRAITS THAT MATTER MOST**

**RESPONDING TO THE REPUTATION
THREAT OF CYBERCRIME**

**THE TRANSPARENCY AGENDA –
TOO MUCH OF A GOOD THING?**

**IDENTIFYING AND MEASURING
REPUTATION RISK**

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METHODOLOGY

109 interviews conducted with Reputation Council members during April-August 2016

THE REPUTATION COUNCIL

WELCOME TO THE LATEST BRIEFING OF THE REPUTATION COUNCIL. OUR ELEVENTH SITTING HAS INVOLVED INTERVIEWS WITH 109 SENIOR COMMUNICATORS IN 14 DIFFERENT COUNTRIES, WITH ARTICLES WRITTEN BY IPSOS REPUTATION EXPERTS ACROSS THE GLOBE.

With external stakeholders shining an increasingly bright spotlight on corporate behaviour, the risks and rewards associated with reputation management have never been greater. The corporate landscape is littered with companies that thrived by providing successful products and services only to be laid low by an unforeseen crisis or event. And in many ways this is the paradox of corporate reputation – one of your most powerful business assets is so fragile and vulnerable that without the greatest care and attention it can turn rapidly from an asset to a liability.

In this edition we ask council members to describe the most important corporate traits required if an organisation is to stand a fair chance of recovering from a crisis. We also talk to members about whether they can credibly identify and measure the reputation risk their organisations face.

The emergence of cybercrime as a growing business threat is well documented – it's potential impact is compounded by the fact that it is no respecter of borders or boundaries. We examine this critical issue from the senior corporate communicator's perspective - how strongly does the issue register on the reputation radar and how should it be treated from a communications perspective?

There is little doubt that transparency is seen as a central plank in the reputation management process – open and candid engagement being two of its most important ingredients. But how do council members strike the right balance between openness and information overload or square the circle between the stakeholder desire for divulgence and releasing commercially sensitive information?

And finally we look into council members' use of social media – identifying the platforms they use the most and how they make social media work for their organisations.

We hope you enjoy this edition of the Reputation Council report and please don't hesitate to get in touch if you would like more information on any of the issues covered.

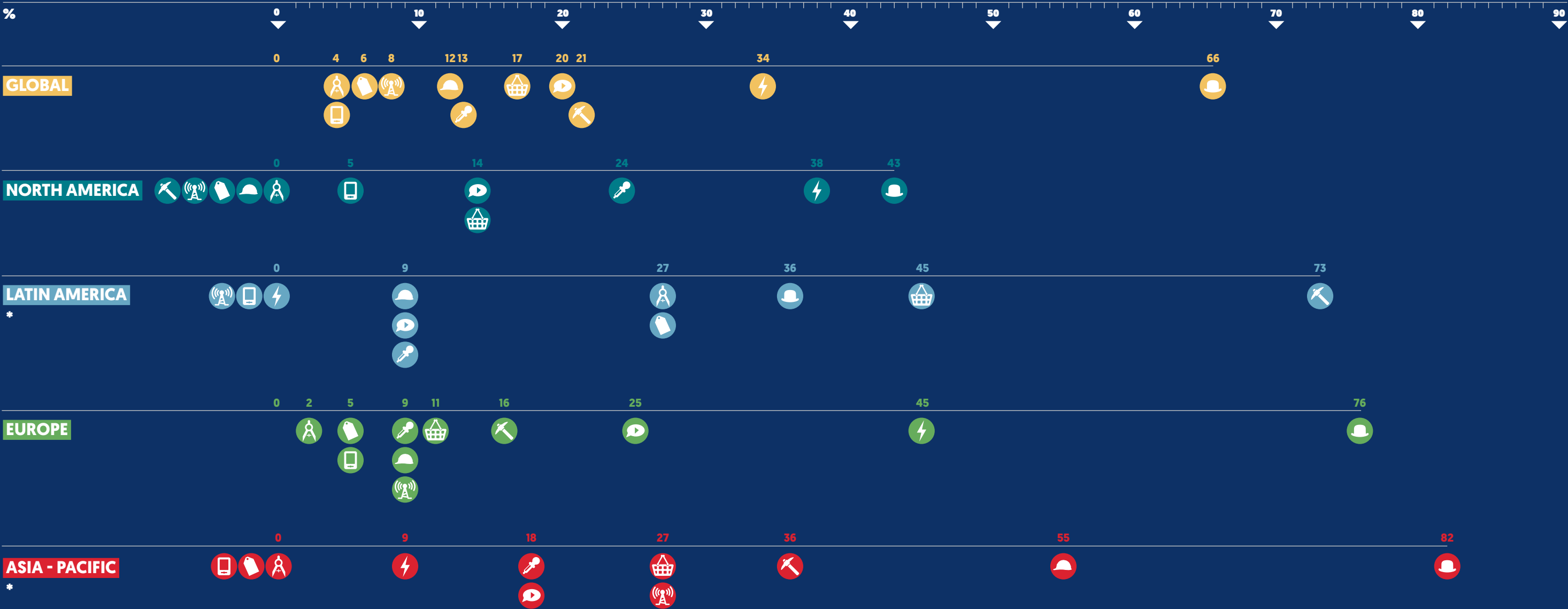

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1. GLOBAL PERSPECTIVES ON SECTOR REPUTATIONS

WHICH OF THE FOLLOWING INDUSTRIES ARE FACING THE GREATEST REPUTATION CHALLENGES AT THE MOMENT?



Base: All Reputation Council Members that answered the question - Global [99], North America [21], Latin America [11], Europe [55], APAC [11] *Low Base Size

**Please note there is one respondent from the MENA region included at the global level, but not as part of the regional analysis due to small base

NORTH AMERICA:

Once again, the financial services industry is widely seen as the sector facing the greatest reputational challenges. North American council members feel that the sector is yet to recover from the financial crisis and ask “can the retail banks survive as they are?”

The energy sector also comes under scrutiny this wave, seen as facing challenges on two fronts; low pricing and climate change. Pharmaceuticals receive a handful of mentions following the hearing by the Senate Special Committee on Aging looking into supposed “price gouging” by Valeant and a handful of other drugmakers. Council members say “the worst of the industry is at the forefront at the moment.”



LATIN AMERICA:

Mining is most likely to be nominated as the industry facing the greatest reputation challenge in Latin America this year. Council members cite the impact of this industry on the landscape and the communities in which it operates as problematic issues;

•• *The truth is that all this noise creates a reputational challenge and difficulty. I mean, on one side we need mining to survive as a region, on another side we want communities happy and clean, and on another side we have the environmental problem... we have to conciliate all of this.* ••



EUROPE:

Three-quarters of European council members nominate the financial services industry as the sector facing the greatest reputational challenge this year. While reference is made to the 2008 financial crisis [“they still haven’t got out of the dog house”], council members also mention the impact of the Panama Papers and a perceived lack of transparency by the industry.

A significant minority also mention the energy sector. Like the financial services industry, council members say that the energy sector suffers from a “challenge in understanding what it is they do...it is harder for an energy company or a bank to really demonstrate that compared to a retailer [where] there is a closeness to the customer.”



APAC:

The financial services industry also struggles in APAC; eight in ten council members nominate it as the sector facing the greatest reputational challenges this year. As in other regions, council members note that the industry has struggled to rebuild trust following the 2008 financial crisis [“there’s a lot of ‘banker bashing’, it’s the legacy of 2008”], but reference is also made to the regulatory challenges faced by the industry following recent scandals.

The construction industry also comes under scrutiny. Council members emphasise safety and compliance issues;

•• *[It is] an area under scrutiny at the moment and likely to remain so for a while but like all things, it will pass.* ••



2. RECOVERING FROM A CRISIS – THE TRAITS THAT MATTER MOST



KEY POINTS ▼

- ▲ **Quality of leadership is seen as the number one factor determining whether an organisation will recover well from a crisis**
- ▲ **Strong stakeholder relationships are essential to crisis recovery**
- ▲ **Trust in corporates is in short supply, making it increasingly difficult to rebound effectively from a crisis**

The science (and some would also say the art) of crisis management has come under increasing scrutiny since Johnson and Johnson's Tylenol crisis in 1982. The company was lauded by the general public and commentators alike for taking decisive and rapid action in recalling its Tylenol brand when seven fatalities in the Chicago area led to the discovery that someone had added cyanide to the product.

Since this time, the practice of crisis management has been discussed at length, yet examples of organisations that fail to prepare for, or respond well to, a crisis still occur. In light of this, we asked council members what the characteristics are of organisations that recover well from a crisis.



THE TRAITS AND BEHAVIOURS THAT COUNT

There is little doubt that for many council members the type of leadership Johnson and Johnson showed still sets the standard in terms of effective crisis management. When asked which traits were important in reputation recovery, 58% of members rated a high profile and strong leadership as a key factor. For many members a crisis is the ultimate test for an organisation and any response that does not place the CEO and leadership team front and centre will inevitably be deemed to lack substance:

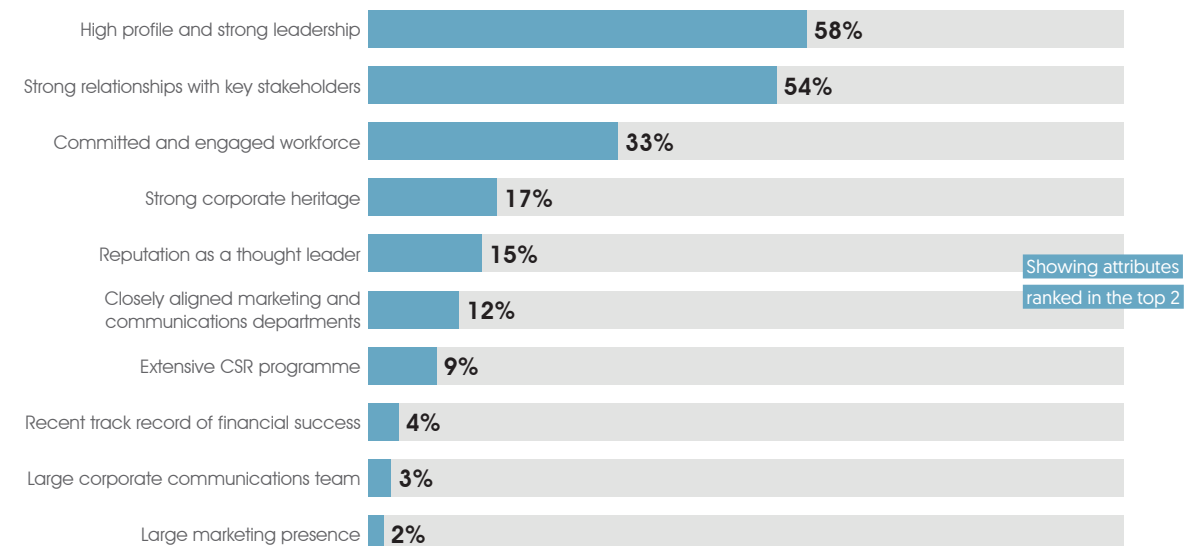
- *There is no way an organisation can cope with a crisis unless it has good leadership, it just doesn't happen, so it has to come from the top. If you are not driving reputation from the top then you are really going to struggle.* ●●

It was felt that another important dimension of leadership was setting the right tone of voice when dealing with the problems and impact of a crisis. In difficult situations audiences need to be assured that the company involved is not only on top of the problem but it also has to demonstrate its empathy with those directly involved:

- *An acceptance and realistic view from the leadership that they are going to have to communicate a lot and in a human non defensive way in a crisis is incredibly important.* ●●

“You need to make swift and good decisions and having a high profile leader and core leadership team is important to manage through – an engaged senior team willing to make tough decisions and presenting a public front is important.”

FROM THE FOLLOWING LIST, PLEASE CAN YOU TELL ME THE TOP TWO TRAITS THAT YOU THINK ARE MOST IMPORTANT IN DETERMINING WHETHER AN ORGANISATION WILL RECOVER WELL FROM A CRISIS?



Base: All Reputation Council members that answered question (92)

“In a crisis scenario or situation people look for strong leadership and they look for a leader that can both express sympathy or empathy, as appropriate, and demonstrate that they have a clear handle on what is going on.”

Reputation Council members also made a particular point regarding the importance of CEO support for the creation of comprehensive engagement programmes. In other words, leaders need to have the foresight to support the building of strong stakeholder relationships - not just in a crisis but as an ongoing business priority. Members are agreed that, when a crisis hits, a company can only draw on the good will of its stakeholders if it has already put in the engagement groundwork. The salutary point being that trying to kick start a dialogue with key audiences once a crisis has happened is far too late in the day:

- *If the organisation has no existing stakeholder relationships, then it makes it difficult to go to the people likely to comment to the media. Where stronger relationships exist, it is often possible to engage stakeholders directly and explain/resolve the situation rapidly.* ●●
 - *Strong leadership - it takes leadership to respond to a big blow - you have to take the first punch and then come back. It's all about how you recover and respond. Relationships - you have to have relationships in advance. You don't want your first interaction to be to ask a favour.* ●●
- Indeed, strong relationships with key stakeholders was seen to be the second most important component in responding to a crisis, with 54% of members citing it as a key issue. And importantly members were not just referring to external stakeholders – the value of a committed and engaged workforce was highlighted by a third of members:
- *I'm a huge believer that employees are the most critical advocates - they are a conduit between the business and stakeholders and they play an important role in rebuilding relationships.* ●●
 - *A solid, consistent and well planned program of corporate communications and stakeholder engagement is key. This includes internal as well as external communications to engage our employees. If our own employees act as our ambassadors, we are definitely more credible and better prepared to respond to crisis.* ●●

“Leadership - has to be seen as authentic, credible and relatable BEFORE the crisis so you can draw on it in a crisis. You cannot try to establish leadership when faced with a crisis. You need to be able to draw on a track record of trust and sincerity.”

“If your employees give up on you you're really done for. They're your champions. You can more easily recover when they stick with you and are representing the company well. If they're disengaged you're fighting the battle on two fronts.”

IS IT POSSIBLE TO PREDICT IF AN ORGANISATION WILL RECOVER FROM A CRISIS?

For many members there were a number of characteristics that could give an indication of an organisation's ability to recover from a crisis – not least the degree to which the sector in which a company operates is 'prone' to crisis events. The thinking being that companies operating in more contentious sectors face crisis situations on a more regular basis and have therefore had to develop sophisticated contingency planning processes:

“Now we can see and monitor the outcomes of past crises and look and see what has happened previously...what activities did we take that minimised the impact and what activities didn't assist in minimising so we would not pursue them again. Staying silent and not being present isn't a solution anymore, through social media consumers demand some kind of response and you do have to act.”

**“The strength of the brand.
A strong brand will enhance
the possibilities to recover.
Recovering from a crisis is
difficult for a less established
brand.”**

Another important factor mentioned was the reputational standing or corporate brand equity of an organisation prior to a crisis. Although the profile and goodwill a company retained was not a guarantee of recovery there was a feeling among many members that subject to effective crisis handling (openness, transparency, speed of response etc) it could be a valuable indicator of likelihood to recover:

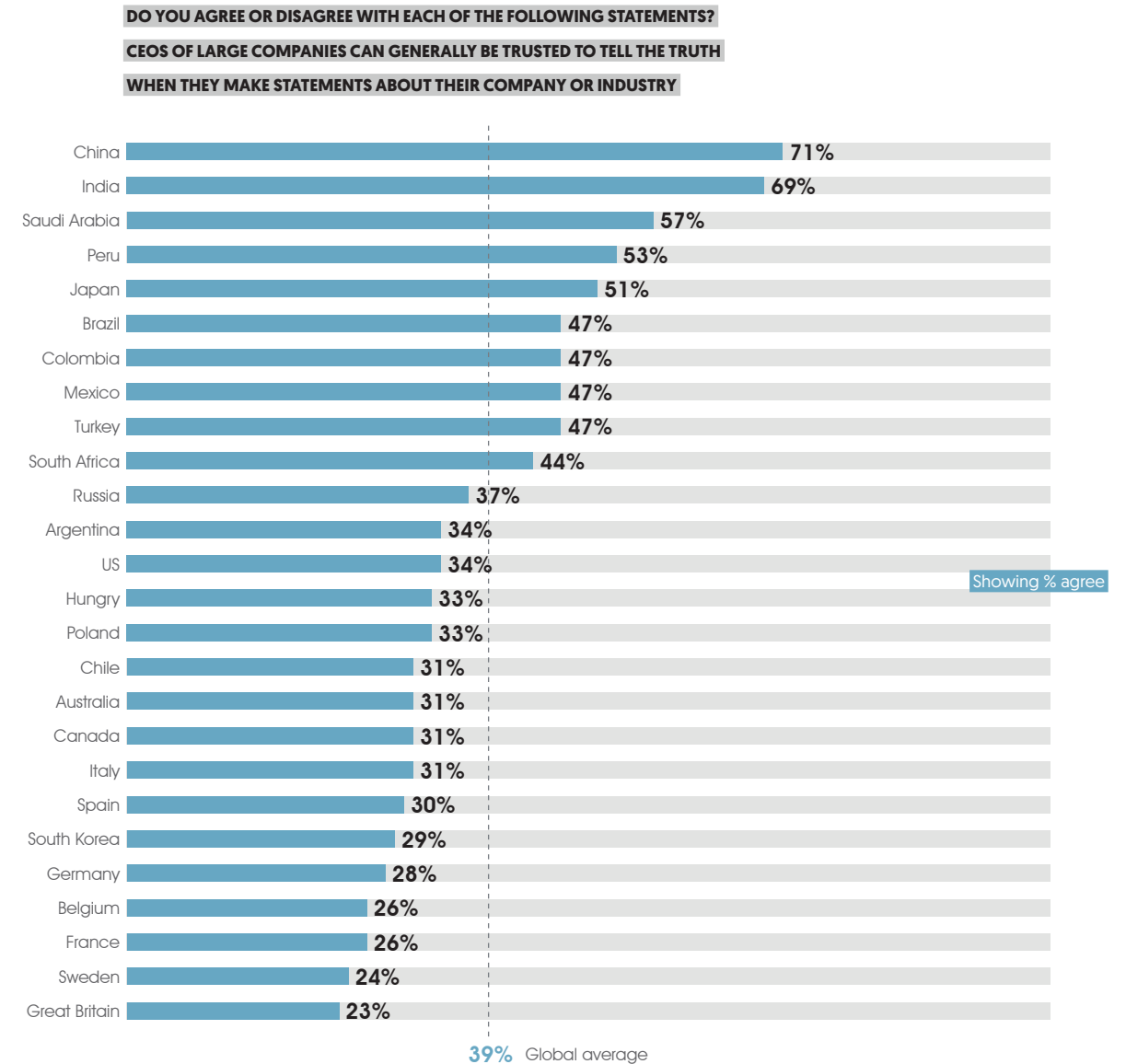
- *When you look at the equity that a brand has before it enters a crisis period, that really gives it the ability to see through a crisis and recover from it, but that of course is dependent on how it manages the crisis itself.* ••

A range of other factors were mentioned by members to gauge the degree to which an organisation could be anticipated to recover. They included the severity of a crisis, the degree to which it is seen as a one off (as opposed to a systemic problem relating to corporate behaviour) and its overall financial and operational strength.

FINAL THOUGHTS

Crisis can strike at any time but it is clear from council members that there are things that companies can do to mitigate the impact of negative events. However, there is an overriding theme that seems to capture the essence of an organisation's ability to be heard and to be seen as credible in its response and that's the level of trust it has nurtured among its stakeholders. Trust in a company is derived from a sense that it will consistently do the right thing (the anticipation of persistently positive behaviour) and according to members its presence is important because it translates into people being more likely to give you the benefit of the doubt or at least take the time to listen to your point of view. Indeed, it is notable that although the majority of literature around crisis recovery focuses on the organisation's response in the immediate aftermath of an event, to a large extent the ability to respond effectively will be determined by the work it has put in to building trust among stakeholders in the months and years preceding.

It is therefore sobering to consider that the latest findings from our Global Advisor survey of consumers from 26 countries around the world shows that only 39% trust CEOs to tell the truth. This lack of confidence in the corporate sector and its ability to deal openly with the outside world is a critical strategic issue for corporate communicators and CEOs everywhere.



Base: 18,531 online public across 26 countries worldwide – June 2016

Source: Ipsos Global Advisor

3. RESPONDING TO THE REPUTATION THREAT OF CYBERCRIME



KEY POINTS

- ▲ Cybercrime is now considered one of the greatest threats to an organisations reputation
- ▲ The majority of council members are taking substantial measures to respond to the threat of cybercrime, with actions centred around forward planning, internal coordination and transparency with stakeholders
- ▲ Despite the actions council members are taking to prepare, there is a recognition that cybercrime is a very difficult reputation risk to control, due to both the external nature of the threat and the ever-changing nature of the attacks themselves

Cybercrime is a growing, business-critical issue for many council members: four in ten (42%) now cite it as one of their main concerns, ranking joint top as the greatest risk to an organisation's reputation, alongside poor quality products and services:

- *Cyber criminality is the number one threat. It affects the trust that customers have built and impacts directly on your reputation in the long term.* ●●
- *It keeps me up at night. Whichever industry you are in, you are absolutely not untouched by cyber criminals.* ●●

Why is this? The 'digitisation of industry' means that blue-chip businesses are more dependent than ever before on fast-changing, interconnected technologies, with the vulnerabilities this creates. At the same time, members cite the 'size of the prize' as a powerful incentive for cyber criminals to test the defences of corporates.

These trends are affecting members from around the world – reflecting the fact that cybercrime is no respecter of boundaries or borders.

However, not all members are equally concerned about the threat posed by cybercrime. For some it remains, understandably, further down the risk register: members in B2B organisations tend to feel less concerned than their B2C peers:

- *It is a risk like any other risk and has to be managed accordingly, but in terms of our business it is not something that needs a significantly different plan to other potential problems.* ●●

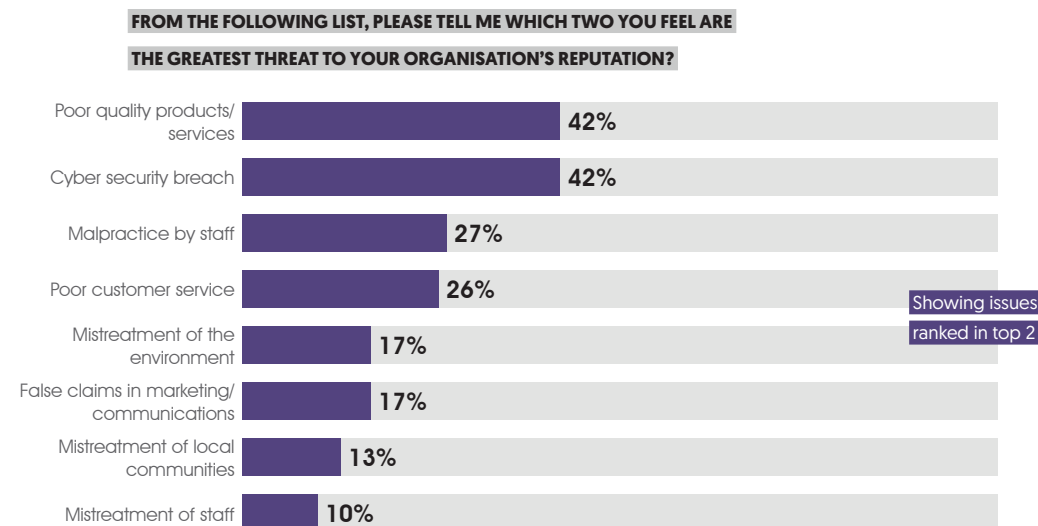
By contrast, businesses within the financial services, telecoms or health sectors, each of which store vast quantities of customer data, feel particularly exposed – as do those in critical infrastructure:

- *Every business is at risk for cybercrime but due to our profile and the ‘size of prize’ it is at the top of our list in terms of risks.* ●●

Views on what constitutes a cybercrime also vary between sectors. Some members face a daily barrage of comparatively low-level assaults, such as phishing [‘we are constantly bombarded by attacks’] while others frame the risk of cyberattacks in terms of denial of service or business continuity – a technology or systems ‘freeze’ which might impair or even stop commercial activity, at least temporarily.

However, there is also a widespread acknowledgement that damage to a company’s reputation can be at least as serious as any more immediate financial hit:

- *I think that most companies need to focus on preventing and preparing for reputational crisis. Can cybercrimes pose a reputational crisis? Indeed.* ●●



Base: All Reputation Council members that answered question (96)

While a number of council members admit to not, yet, being sufficiently knowledgeable about the subject, they do lose sleep over the potential impact of cybercrime on their hard-won trust among customers, partners and the wider ‘ecosystem’. They are well aware that loss of trust has consequences for their commercial success or even licence to operate.

Does this constantly evolving, ‘asymmetric’ threat mean a new role for the corporate communicator? Yes and no. Council members stress that the fundamentals are more important than ever:

- **Preparedness:** many members talk about a central role for communicators in crisis preparedness, and robust incident management when breaches do occur. Military terminology such as regular contingency planning, war-gaming, table-top exercises, and scenario enactment reveal the seriousness with which the threat is now viewed.
- **Proactivity:** members are clear that the best approach to cybercrime – as with any threat – is prevention, rather than cure. Ignorance is not seen as a defence. Some council members are deploying tools such as social listening to monitor and map risks. Early warning systems – particularly from employees – are also important.
- **Coordination:** close ties between communications, information security, legal and other internal teams are seen as crucial. The CIO and the CCO have to work together. Some members sit on cybercrime taskforces or steering committees. Others talk about this now being a Board-level issue.
- **Education:** members also see a role for the communicator in educating employees (and even customers or clients) about their role in preventing cybercrime:
- *It is also reminding people of their accountability around disclosure of information, access to confidential data and of course the consequence of the increasing digitisation of everything.* ●●

“Preparation, preparation, preparation. We do simulations and we have a playbook.”

“When we were hacked, we were quite open with communicating upfront straightaway with our customers that it happened, we were very transparent.”

At the same time, members concede that they have some work to do themselves, in order to understand and deal with this new threat:

- *When the IT guy calls me there is a good chance he will tell me something that I don't really understand.* ●●
- **Transparency:** a number of members stress that stakeholders (not just customers) have a right to be kept informed about the degree of risk to their own interests – not solely in the event of a crisis, but in a timely process which either reassures them, or enables them to take remedial or defensive action. This is not scaremongering, but the foundation of an open and trusting relationship:
- *We would have plans for what we communicate in any scenario, just to keep communication channels open, but there is a need to reassure customers, as much as you can, in terms of their data being safe and all the rest of it. You can only do that if you are sure that is true.* ●●

In many ways these are the tried-and-tested practices of good corporate communications. But members also identify a couple of ways in which cybercrime represents a new order of reputation risk.

Firstly, the threat is typically of external origin and therefore very difficult to quantify, qualify or control. By comparison, most of the other risks which can affect a company's reputation (malpractice, product defects, poor customer service, failings in governance or CR commitments) are 'endogenous' and therefore more susceptible to control and prevention – or at least forewarning. Not so cybercrime.

A second particularity – and danger – of the cyber threat is that it is recognised but not necessarily understood: the risk keeps morphing and responses or protective measures often come after the attack. In this sense, those charged with corporate responses are always playing catch-up to ever-more sophisticated cyber criminals, whose motives are often opaque.

“We're in a black hole of not knowing what we don't know. It's a new frontier.”

Both these factors make it especially difficult to inoculate or quarantine a company's reputation from the cybercrime virus.

Overall, though, council members are well aware of the unique threat posed by cybercrime – reputationally, as well as commercially. To protect the priceless asset of trust, they are having to be more vigilant, connected and prepared than ever before:

- *We're very well positioned to handle it, but you can never say never, and you never know exactly where people will find a weakness or opportunity to exploit.* ●●



4. BUILDING A REPUTATION ON WHERE YOU ARE FROM

Certain companies – industry sub-sectors, even – are strongly identified with where they are from. The defining characteristics of a brand's domestic market can play an important role in shaping its image, with the ability to instil highly coveted values such as reliability, ingenuity and style:

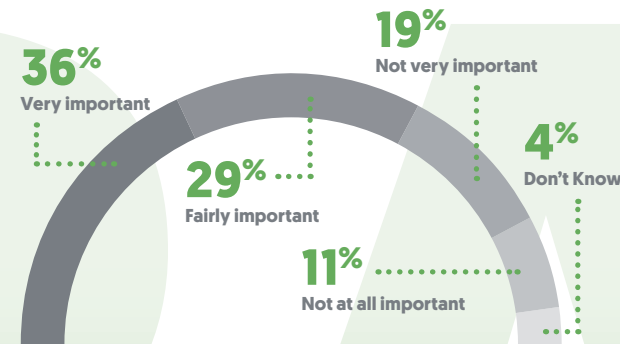
- Germany for its engineering. It just represents a brand of high quality engineering which you associate with German characteristics. ●●
- Where you get benefit from being an American brand is all the good American things around thought leadership in general. ●●

However, for some brands, their country of origin plays little to no role in defining their image. This occurs for a number of reasons such as national/regional characteristics not supporting the image a brand wants to convey or feeling that within a global market, domestic market characteristics no longer resonate with the same effect:

- To be a successful brand you might have a heritage but national stereotypes these days are not as well thought of as they were 20 years ago. For most organisations there comes a point where you have to be a citizen of the world rather than a corporation of your homeland. ●●
- I think a lot of companies are detaching themselves from the national groups that they briefly had because they want to present themselves as literally multi-national but appeal to everybody. Too strong an identification with a national culture can be a turn-off and companies generally want to avoid that. ●●

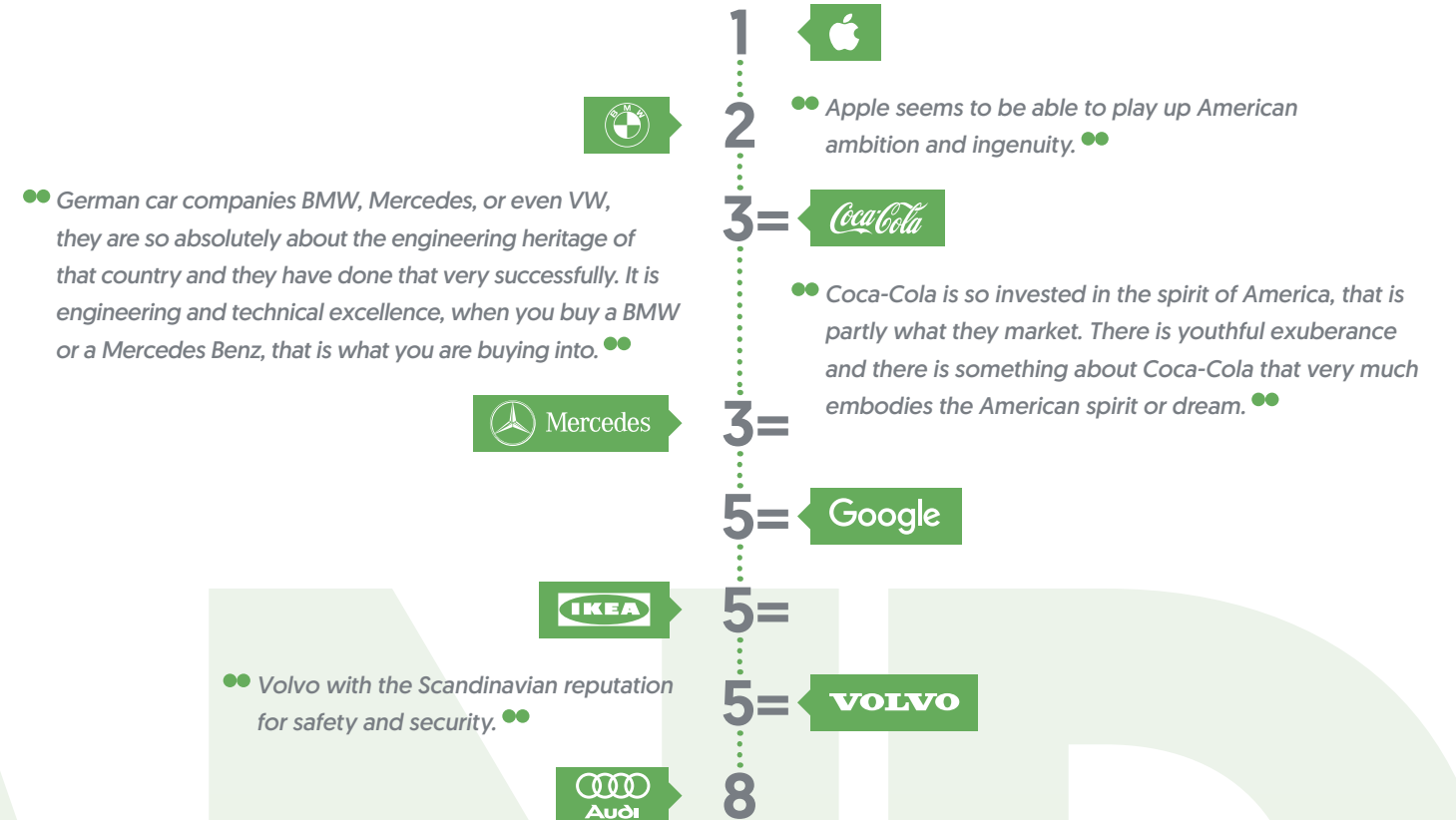
Addressing this topic, around two thirds [65%] of council members feel that national characteristics are important to their organisation's reputation. Therefore, despite the desire of some brands to be seen as borderless, in the majority of cases nationality does play a role. Indeed, the list on page 23, containing the brands that council members see as being particularly effective at leveraging the characteristics of their domestic market, contains some of the world's most successful companies.

HOW IMPORTANT ARE NATIONAL CHARACTERISTICS TO YOUR BRAND?



Base: All Reputation Council Members that answered question (80)

BRANDS THAT MAKE BEST USE OF DOMESTIC MARKET CHARACTERISTICS (RANKED IN ORDER OF MENTIONS)



This list highlights that when a high performing brand is closely aligned with the characteristics of its domestic market, it creates a very potent combination. These brands all have a very clear image, where their reputation is supported by not just their own performance but the heritage of the domestic market with which they are identified. In such cases, the domestic market provides an extra level of credibility and insulation from set-backs, helping these brands achieve enduring success.

5. IDENTIFYING AND MEASURING REPUTATION RISK



KEY POINTS

- ▲ Reputation risk is gaining in organisational importance and for most council member organisations, is considered an essential element in any enterprise risk management system
- ▲ Unlike identifying technical or operational risks which can be formulaic and process driven, the approach to identifying reputation risk is more often bespoke and reliant on high level 'soft skills' from experienced professionals
- ▲ Quantifying reputation risk is difficult and the merits of doing so are far from universally established

Given the speed with which reputational crises can now escalate, the ability of corporate communicators to understand the risks facing their organisation has never been more important. Despite the range of systems that companies now have in place for this task, council members emphasise that the scale of the challenge associated with assessing reputation risk is increasing. Greater transparency, higher volumes of messaging from all stakeholders and the unpredictable nature of viral stories all contribute to the task facing communicators. Insights from council members present a number of key lessons to help with this challenge:

INFORMATION IS KEY

Responding to the modern communications environment, council members emphasise that collating relevant information in a systematic way is essential to ensuring that emerging reputation threats are identified and managed:

- *Everyone is so busy and as comms people in general we tend to get bombarded with information from different sources, internal and external. So it is about how you collect and categorise that information.* ●●
- *It is very easy to get funnelled down into what is in front of you or on your desk...but it is our job to look outside and to bring the outside in, bring the intelligence into the business...that is the real value we add to a business.* ●●

There is also a consensus among council members that the task of managing reputation risk requires specialist skills and sensitivity when interpreting the information available, as well as close stakeholder management:

- *It's not very scientific but my team and I keep ears very close to the ground.* ●●
- *You really have to be tied into the stuff on the ground. Everything happens somewhere, it always starts somewhere and that means you just have to be good, it is not complicated, you just have to be good.* ●●

REPUTATION RISK AS PART OF ENTERPRISE RISK MANAGEMENT (ERM)

In dealing with reputation risk, some organisations overlay formal frameworks which help to evaluate the level of risk associated with specific issues. With the rise of ERM systems, Reputation Council members highlight the importance of these systems being expanded to include reputation risk. While certain issues may not be raised initially as having reputation impact, operational or technical risks can easily turn into reputation risks if not properly managed:

- *We have a corporate reputation risk assessment model that we have implemented in most of our markets.* ●●

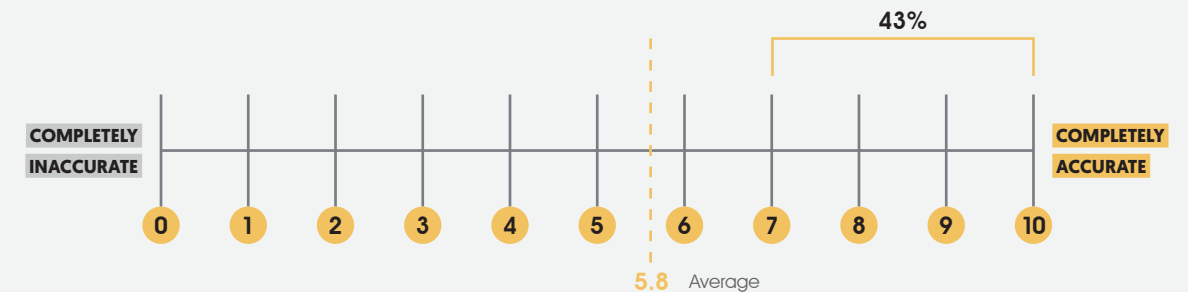
Further, the inputs that make up the pool of information these professionals rely upon to identify risk come from a myriad of teams and processes. These include:

- **Social listening and traditional media monitoring**
- **Opinion leader tracking**
- **Broad stakeholder engagement**
- **Engagement with policy makers**
- **Public affairs and government relations teams monitoring policy, tax and regulation developments**
- **Monitoring of NGO activity in other sectors**
- **Legislative landscape monitoring**
- **Competitive landscape monitoring**

SINGLE-NUMBER METRICS CAN BE DANGEROUS

For many council members the pursuit of a one-number solution to quantifying reputation risk is laden with challenges. This is indicated by the finding that only 43% of council members feel that it is possible to quantify reputation risk with a relatively high degree of accuracy.

ON A SCALE OF 0-10 PLEASE ESTIMATE HOW ACCURATELY YOU THINK THAT YOUR ORGANISATION CAN QUANTIFY THE REPUTATION RISK IT IS FACING IN THE NEXT 12 MONTHS? ZERO IS NO ACCURACY AT ALL AND 10 IS COMPLETE ACCURACY.



“We don’t ever try. It [boiling reputational risk down to a single number] is too hard and it is a bit meaningless as every reputation hit is different.”

Not only is the process described as ‘hard’ and ‘pretty impossible’ but, for some, also devoid of any real meaning.

Some council members highlighted the multifaceted and sometimes exponential nature of reputation damage:

- *The emergence and relevance of social media has changed the game. How can someone anticipate that the biggest crisis to face United Airlines would be created by a musician who had his guitar broken?* ●●
- *It is very difficult to put a true risk on the reputation consequences because they won’t just be financial, they won’t just be immediately financial. They could be long term financial, they could be consequences in terms of recruitment, they could be consequences in terms of future access. It is very difficult.* ●●

For these council members, context is everything and a number, pushed up to board level and tracked over time, is simply not able to communicate the strength of the potential risk and the priority that should go into reducing it:

“If something is a serious issue, I don’t need to demonstrate whether it is a £200m issue or a £500m issue, it is important by its nature. There may be some firms where quantification matters, but we should be able to go into the board and say ‘this is a problem’ and not have to take slides or a calculator with us.”

Council members also highlight the potential for an ill-performing single number to undermine the credibility of the whole department responsible for creating it:

●● *If it [a single number] does not pan out...then it has challenges for the function’s credibility with the business...that’s a challenge.* ●●

●● *I love metrics but there is always a risk of over thinking things and missing the point because you did too much counting and not enough human relationship stuff.* ●●

A MATRIX APPROACH CAN BE USEFUL

For others, developing a system to quantify reputation risk and tracking it over time, even if flawed, is essential if reputation risks are to be given the same credence as operational or technical risks. Indeed, this process of quantification allows for trend analysis and to at least begin to understand the relationship between reputation and share price (share price being at the heart of what many are trying to protect):

●● *It is quite a complicated but useful internal metric, so you can argue the toss as to whether it is valid, accurate, meaningful, but from an internal perspective it is quite helpful, if only because you have a benchmark. It is a dark science, I would say, from all those inputs to get a number or a score.* ●●

Common processes for quantifying reputation risk often involve arriving at an index which is a function of the magnitude of the risk and likelihood of occurrence, or developing a matrix based on the same two variables. This enables reputation professionals to identify those risks which are both high impact and highly likely, and do what is possible to mitigate impact, likelihood or both. This process is highly evolved and intricate in certain cases:

●● *We put anything we can imagine on that risk matrix and we assign different portions of our brain space, people and resources to the different risks. It is reasonably rare, not unheard of, but reasonably rare that something happens that is a material reputation event that wasn’t foreseen on that matrix.* ●●

RESPONDING TO REPUTATIONAL RISKS

Council members pointed to the importance of a whole organisation view to minimising reputation risk. Many underlined the need for senior executives being involved in decisions relating to reputation. Equally, making staff at all levels aware of the impact their actions can have on reputation is key to reducing reputational risk derived from operational issues:

●● *You have to be able to react quickly, which in a big company is not necessarily that easy. You have to have a mechanism in place to escalate issues up the pile so they are appropriately addressed and the right teams know there is a potential issue.* ●●

“If finance does not pay vendors on time or HR does not pay salaries on time, it will all impact reputation.”

Reputation managers speak frequently of creating systematic and well planned responses to potential crises. These responses are often tiered based on the level of threat the risk represents and will detail when to call for CEO and board involvement. A range of initiatives were used by Reputation Council members to achieve rapid identification and action on reputational threats:

- **Board level risk committees**
- **Organisation-wide risk registers covering internal and external risks**
- **Compliance functions having their ambit expanded to include reputation**
- **Dedicated risk management teams (looking at operational/ technical, financial and reputation risks)**
- **Employee engagement and media training**

Supporting all of the internal and external organisational processes around identifying and managing reputation risk is an acknowledgement from council members that often the most valuable lessons are learnt at other's expense - that is, learning from those who have weathered, or succumbed to, a crisis:

“Advanced planning to predict risk is hard to do but you can learn from other organisations who have been through crises and looking at the impact on their share price.”

6. THE TRANSPARENCY AGENDA – TOO MUCH OF A GOOD THING?



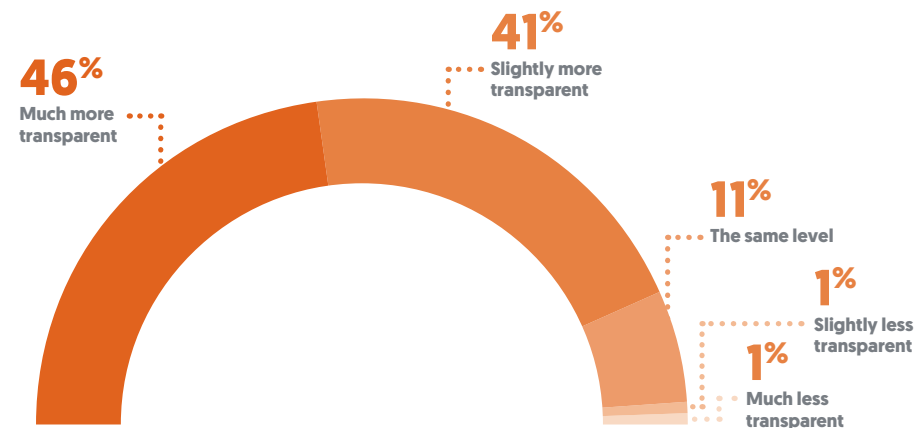
KEY POINTS ▼

- ▲ The vast majority of council member organisations are more transparent than they were three years ago
- ▲ Though initially driven by external pressures, it is now recognised that transparency is an opportunity to deepen engagement with stakeholders
- ▲ Achieving the right level of transparency is a fine balancing act, which must be driven by stakeholder need

In these days when information (and opinions) about businesses are available at the click of a button, companies are increasingly embracing openness and disclosure; not just to avoid censure, but also to build trust and goodwill. However, Reputation Council members are not aspiring to the “radical transparency” proposed by groups like Wikileaks. Rather than calling for a “world without secrets,” they believe that transparency should be focused on improving relationships with stakeholders.

The vast majority (87%) of Reputation Council members say that their company is more transparent than it was three years ago and nearly half (46%) that it is “much more” transparent. This trend has been driven both by regulatory pressure and by the spotlight of consumer demands:

TO WHAT EXTENT DO YOU FEEL THAT YOUR ORGANISATION IS MORE TRANSPARENT THAN IT WAS 3 YEARS AGO?



87%

of Reputation Council members say that their company is more transparent than it was three years ago

Base: All Reputation Council members that answered question (98)

“Proactively going out there and exposing internal working. Engaging with external stakeholders where you have nothing to hide. It is important to respect the concept of transparency and work towards that, within parameters.”

- *Our company is necessarily more transparent than 10 years ago. There are more questions about that than 10 years ago...this notion is now one of our basic concerns.* ●●

The expectation is that these pressures will only intensify in the future:

- *How transparent and available we are will shape how we communicate in the future, but it will also shape how people think we are behaving in the future, being open and honest and having a discussion. We are going to have to get better at it and are going to have to do more of it.* ●●

At the same time, members don't frame transparency solely in terms of disclosing information; for them, it's also about getting their company's message or story across, honestly and effectively:

- *There is more information in the public domain that people can see, hear, and find. We're doing a better job of telling our story and making information accessible.* ●●

For most Reputation Council members, this ideal falls short of radical transparency, instead constituting ‘the maximum transparency that is commercially possible’. In many interviews, council members draw the line at transparency that would give away company secrets or otherwise negatively impact the company's ability to do business.

- *It means being as transparent as humanly possible within the legal and regulatory confines...it's hard though because being overly transparent is as much a risk as lacking transparency. We need to strike the right balance between giving employees enough information to know what's happening and do their jobs but not so much that they're constantly worried.* ●●

In addition, drawing boundaries around transparency means making available information that is actually digestible and useful, rather than just deluging stakeholders with unhelpful (or even deliberately obfuscating) reams of information:

- *You can use transparency as an excuse to blind people and just publish so much data...if I publish five million pages I can be pretty confident that no one is actually going to read it and if they do they are not going to spot the problem. So if radical transparency means you publish everything, I think that in itself is not necessarily a good thing because what you need is to have appropriate transparency.* ●●
- *I don't know any organisation that is open - you have to strike a balance. Not everyone WANTS to know everything.* ●●

The transparency that Reputation Council members envision is focused on meeting the information needs of consumers and other stakeholders. This means opening up information in response to stakeholder concerns and in the interest of deepening relationships:

- *We are divulging much more detail in areas where stakeholder interest is high – tax payments and carbon risk. Investors are interested in these areas so we are being more transparent about our modelling.* ●●

**“We won’t share our strategies
- that would be stupid. But
within our means, with regards
to sustainability, reputation,
communications, we are really
very transparent.”**

- *A healthy level of transparency is what we work toward. A level of transparency that responds to the level of transparency requested by our stakeholders...communities, consumers, suppliers.* ●●

Increasing transparency in these areas can sometimes be painful – Reputation Council members are not simply taking the easier route. Rather, they are opening up where perceived interest is highest, even if doing so necessitates wrestling with some uncomfortable situations:

- *So from a consumer point of view we have made big strides in providing that information which we believe is important, even if it hasn't been a direct campaign or request from consumers. We recognise it is something people would like to have, in that way we are probably much more transparent than we have been in the past.* ●●

“Ingredients and supply chain are the two biggest areas of stakeholder demand for us. You have to come clean about what you can and cannot provide.”

Overall, transparency is seen as more of a benefit than a burden. For communicators, it means that they can contextualise the issues faced by the company, in a way that helps them to have a more open and honest communication with stakeholders. Openness and honesty in turn provide reputational benefits that outweigh the burdens of curating information:

- *As a result of transparency we are doing a better job of telling our story. If we're not providing context, people will invent their own stories. Transparency has changed the conversations we have with stakeholders, including customers.* ●●

Evidence of openness and honesty is also increasingly important to a company's employer brand:

- *We generate internal knowledge to be prepared for coming questions even if those questions are uncomfortable...to be clear and direct, willingness to work with the communities. Radical transparency helps us also internally, we have an ethical code about relationship transparency, and it is our best weapon.* ●●

In the final analysis companies are being much more transparent than ever before. However, this is not transparency for transparency's sake. Rather, Reputation Council members are urging their organisations down this path in order to meet the information needs of stakeholders, in the interest of promoting open and honest engagement:

- *We have been quite successful in explaining the positive case for transparency. There is a natural resistance, particularly when you talk to financial people, to give too much information but we have really managed to get the positive case out.* ●●

“It means having the attitude that ‘I would rather get criticised because of what people know than because of what people don’t know’. I would rather get criticised because of what is true than what people think is true, because what people think is true is usually worse than what is true. What you have to do is establish the right degree of transparency, all things being considered, and then be consistent.”

7. HOW TO MAKE SOCIAL MEDIA WORK FOR YOUR ORGANISATION



KEY POINTS

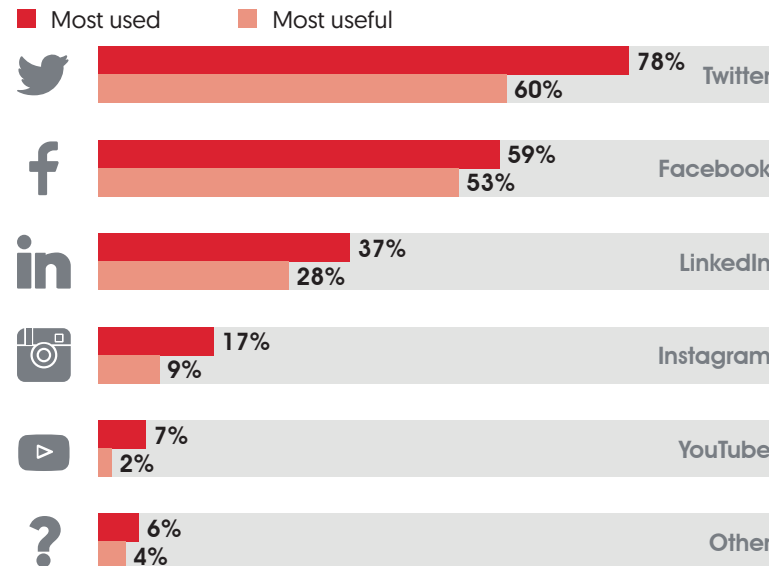
- ▲ Council members have clear strategies for how to use the various social media platforms available, with each fulfilling a different objective
- ▲ Twitter is the number one platform, largely due to its direct connection with influential stakeholders
- ▲ Council members feel it is important to have guidelines on how employees communicate on social media, but it requires a careful balancing act between encouragement and control

The use of social media in corporate communications has been a recurrent issue in the past editions of the Reputation Council. With social media now in a more mature state than when we last discussed it, we wanted to understand which platforms council members find the most useful and how they make social media work for their organisations.

WHICH PLATFORMS ARE BEST AND WHY?

Among the leading platforms, Twitter is the most used by a reasonable margin – a notable finding considering its much smaller market coverage than Facebook, which comes in second.

MOST USED/MOST USEFUL



Base: All Reputation Council members that answered question on 'most used' (92); 'most useful' (87)

To a large extent this is driven by the profile of Twitter users, with influential stakeholders viewing the site as their preferred tool for sharing and receiving information. Council members note how they are able to use Twitter to capitalise on this gathering of influencers, establishing a two-way flow of information between the organisation and some of its most important stakeholders. As a result, Twitter is seen as the most influential platform, requiring a more sophisticated strategic approach than other social media tools:

"I use it to amplify news, so news I have created myself through press releases or media interviews, I further share that...I follow people in the media and people in the media follow me, as well as industry analysts. It is a way of connecting with people and making them aware of what is going on without having to speak to them all the time."

Reputation Council members also frequently mention that Twitter is an important tool for identifying emerging trends and issues within the market:

●● *I use it particularly as eyes and ears on the market, so what's going on, tracking competitors, tracking journalists, just keeping up to date with the evolving breaking news. We don't use it too much as an outward communication tool, at the moment. Other than that it is used quite extensively from a customer service perspective, which does have a knock on impact on reputation but it is not driven by my team.* ●●

Council members that advocate the use of Facebook, view it as a platform for communicating with a larger audience than Twitter. The broader reach of Facebook and its versatility as a platform make it very effective for branding and engaging with customers:

●● *Facebook is the platform we use the most to tell the brand story, [we are] not necessarily advertising our products but are showing users that we care about them and that we're there for them.* ●●

●● *Facebook lets me establish a bi-directional channel with my public.* ●●

The other platforms that are used most frequently by council members are LinkedIn and Instagram. LinkedIn is described as a white collar platform, most often used for recruitment purposes and for employer branding. Some use it for internal communication as well. When LinkedIn is used to communicate externally, members highlight the advantages brought about by the professional nature of the audience and possibility to encourage a deeper debate compared to Twitter:

- *The nature of the audience, it is a more informed and influential audience. As a platform it seems to encourage more intelligent debate. We use it for posting, for creating dialogue, for having LinkedIn discussions and we have used our Chief Economist as a LinkedIn influencer. We have built a community around certain issues on LinkedIn.* ●●

Several members highlight that Instagram is now the fastest growing social media platform. However, as we have seen in previous years, it takes time before companies find the right way to communicate on new platforms and some council members note that they are still working out the best possible application of Instagram for their organisation. This is reflected in the finding that only 9% of council members find it to be among the most useful platforms. Nevertheless, when it is used well, council members highlight that it can be an effective way of engaging with stakeholders:

“Instagram is growing faster and people are looking for new content. It’s a better tool for engagement. It’s a very visual medium and it helps to tell a story more effectively.”

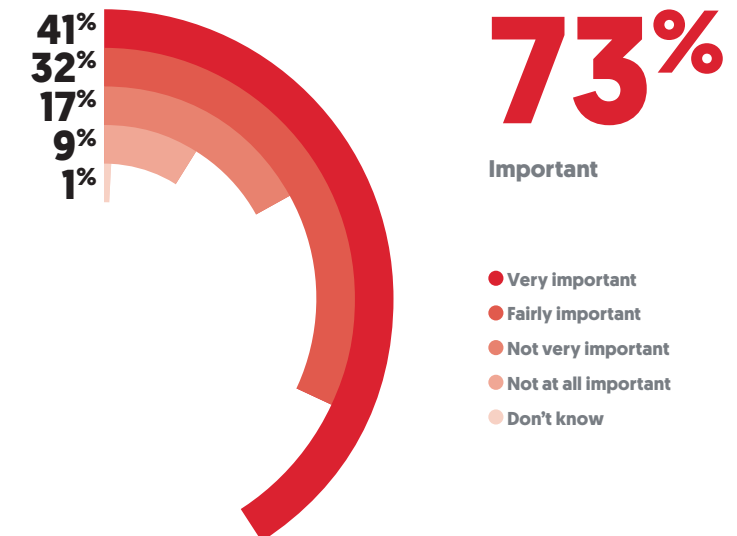
MANAGING STAFF ENGAGEMENT WITH SOCIAL MEDIA

As social media continues to grow as a method of communicating both professionally and personally, the opportunities and risks presented by the voice of company staff on social media have never been greater. On one hand, staff have the potential to advocate on behalf of their organisation through social media with greater credibility than almost all traditional forms of corporate communications; however, on the other hand, negative outbursts from staff on social media are seen to reveal some hidden truth about the character of their organisation, with the viral potential of such posts compounding the reputational risk.

In light of this, we asked council members whether they think it is important to place restrictions on the extent to which staff can talk about their organisation on social media.

TO WHAT EXTENT DO YOU THINK IT IS IMPORTANT TO PLACE RESTRICTIONS ON THE EXTENT

TO WHICH STAFF CAN TALK ABOUT THE ORGANISATION ON SOCIAL MEDIA?



Base: All Reputation Council members that answered question (90)

Notably, almost three quarters (73%) of members feel that it is important to place restrictions on employees. However, when asked to explain why, the answers focus more on guidelines than on actual restrictions:

“As a general rule, we don’t have restrictions or formal rules, but suggestions.”

The main justifications for restrictions focus on legal and competition issues and outside of this relatively few council members believe that employees should be restricted:

- *There is a set of policies that we share. People don’t overshare with malicious intent. We just need to remind them of the policy in regards to competitive information...most accidental infringement of the policy is competitive information based.* ●●

Some members also underline the importance of building a culture where restrictions are not needed. Often the guidelines are not only to prevent negative impact but to generate positive impact through staff advocacy:

- *It is important to tell people what they can’t do, rather than what they can do and once you set the boundaries, let them get on with it. One of our four pillars is creating ambassadors out of our employees so harnessing the power of our employees as ambassadors which presupposes that we have to get them out on social media for us. So empowering them on social media is much much much more important than giving them restrictions.* ●●

Those who say they find it very important to place restrictions on staff, have often had some negative experiences, thus highlighting the challenges corporate communicators face. While all communicators would agree that staff advocacy is an important tool that they would like to harness, it can be challenging for employees to balance the dual roles of being a spokesperson of the company and being a normal citizen:

- *People don’t know what they should say and they get engaged in conversations and I have known examples where people have given away company secrets on social media to the value of hundreds of millions of dollars.* ●●

As social media continues to evolve, overcoming this challenge should be a priority area for many corporate communicators. Organisations that are able to untap the potential of online employee advocacy will gain access to a highly credible corporate voice with the ability to cut through the increasingly crowded communications landscape.

“For a long time we had a ‘please do not represent yourself as an employee’ edit. Two years ago we began changing and welcoming employees to share information about the company. Now we have a new hub asking people to share stories with their friends. We’re making it easier for people to share.”



8. REPUTATION COUNCIL PARTICIPANTS 2016

FULL NAME	COMPANY	ROLE
Laura Vallis	AB InBev	Corporate Affairs Director, UK and Ireland
David May	AIG	Corporate Chief Marketing Officer
Marie Hosking	Air New Zealand	Head of Communications
Gail Wasserman	American Express	Senior VP, Public Affairs
Hassan Foda	Americana Group	Senior Regional Marketing Director
Louise Eyres	ANZ	Group GM Marketing
Christian May	ASB Bank	General Manager, [Head of] Corporate Communications
Ann David	Aviva	Head of Corporate Affairs – Canada
Roberto Sada	AVON	Director Corporate Communication
Claire Divver	BAE Systems	Group Communications Director
Giles Croot	Balfour Beatty	Group Head of Communications & Investor Relations
Eduardo Bendala	Banco Santander	Head of Corporate Online Communications
Isabel Garcia-Sanchez Valiente	Banco Santander	Director of Brand and Corporate Research
Tom Hoskin	Barclays	Managing Director, Media Relations
Andrea Colville	Barclays	Vice President, Corporate Communications
Carlos Reyes	BBVA	Image & Communication Manager
Matt Bell	Berkeley Group	Group Head of External Affairs
Rachel Fellows	Bettys and Taylors of Harrogate	Group Communications Director
Tony Cudmore	BHP Billiton	Group Sustainability & Public Policy Officer
David Bickerton	BP	Director of Communications
Michael Prescott	BT	Director of Corporate Affairs
Dave Stangis	Campbell Soup Company	Vice President, Corporate Social Responsibility and Chief Sustainability Officer
Christine Thompson	Carlton & United Breweries	Government Relations Manager
Laurence Bourgeois	Cartier	Director of Marketing & Communication
Julia Sobrevilla	Coca-Cola	Director of Public Affairs and Corporate Communications, Peru and Bolivia
Mary Merrill	Coca-Cola	Senior Global Director, Sustainability Marketing
Cecilia Abati	Coca-Cola Andina	Control of Corporate Management & Sustainability
Julian Hunt	Coca-Cola European Partners	Head of Public Affairs and Communications

Full Name	Company	Role
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Kirsty King	Diageo	Head of Financial Communications
Caroline Rhodes	Diageo	Global Employee Engagement Director
Nick Johnson	Doosan Power Systems Ltd	Communications Director
Alejandro Prieto	Enersur / Engie	Manager, Corporate Affairs
Abigail Rodgers	ExxonMobil	Global Brand Manager
Erik von Hofsten	Folksam	VP, Group Communications
Lauren More	Ford Motor Company of Canada Ltd	VP, Communications
Will Spiers	GE Healthcare	Global External Affairs Director
Mike Scott	GE Power	Director of Communications
Cecilie Ditlev-Simonsen	Gjensidige	Executive Vice President, Brand Management, Communications and Marketing
Martha Kavangh	Glanbia	Head of Media Relations
Simon Steel	GSK	Director, Global External Communications
Katja Hall	HBSC	Group Head of Public Affairs
Clare Harbord	Heathrow Airport Ltd	Corporate Affairs Director
Sean O'Neill	Heineken	Chief Corporate Relations Officer
Carsten Tilger	Henkel	Head of Corporate Communications & Public Affairs, Corporate SVP
Hans Daems	Hitachi	Group Public Affairs Officer, EMEA
Bianca Olson	Houghton Mifflin Harcourt	SVP, Corporate Affairs
Jane Anderson	IAG	Group General Manager Corporate Affairs
Ola Fernvall	ICA Group	Head of Corporate Affairs
Jesús Echevarría	Inditex	Director of Communications
Kai Boschmann	International SOS	Chief Marketing and Communications Officer
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Steve Lombardo	Koch Industries	Chief Communications & Marketing Officer

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Leela Gantman	Lion Beer, Spirits and Wine Australia	External Relations Director
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Russell Dyer	Mondelez International	Vice President, Global Communications
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Gisela Rojo	Nestlé	Corporate Affairs & External Comuncations Manager
Juan Carlos Pardo Bejarano	Nestlé México	Director of Corporate Affairs
Blandine Castarede	Nexity	Director of Communication & Brand Strategy
Halvor Molland	Norsk Hydro ASA	Senior VP, Communications
Anne-Sissel Skånvik	Norwegian Air Shuttle	Chief Communications Officer
Dave Massey	O2	Head of Press & Reputation
Houston Spencer	Open Society Foundations	Director of Engagement
Jonathan Angliss	Pearson	SVP, International Public Affairs
Gian-Carlo Peressutti	PepsiCo	Senior Director, Global Communications
Timothy Fassam	Prudential Plc	Head of Public Affairs
Mike Davies	PWC	Global Director Communications
Nicola Marsden	QinetiQ	Director of Communications and Marketing
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Viveka Hirdman-Ryrberg	SEB	Head, Group Communications
Annie Sebelius	Skandia	Director of Communications
Simon Kopec	Starwood Hotels & Resorts	Global Brand Management
Bård Glad Pedersen	Statoil	Vice President, Media Relations
Michelle Taylor	Stockland	General Manager, Stakeholder Relations & Group Strategy
Abhinav Kumar	TATA Consulting Services	Chief Communications and Marketing Officer, Europe
Kari Janavitz	TE Connectivity	Vice President, Marketing
Glenn Mandelid	Telenor	Vice President, Head of Media Relations
Julian Regan-Mears	The De Beers Group of Companies	Head of External Communications
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Krushal Mehta	YES BANK	Head of Corporate Communications



9. ABOUT THE REPUTATION COUNCIL



Established in 2009, the Reputation Council brings together senior communicators from some of the most respected corporations in the world.

The Reputation Council's mission is to increase understanding of the issues and challenges facing communicators in the corporate environment, as well as capturing expert views on key trends, issues and events in the wider world. Each sitting of the Reputation Council provides a definitive guide to the latest thinking and practice in the corporate communications world. This eleventh sitting of the Reputation Council involved 109 senior communicators based in 14 different countries.

TO FIND OUT MORE ABOUT THE REPUTATION COUNCIL AND ITS WORK, PLEASE CONTACT:

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ABOUT IPSOS GLOBAL REPUTATION CENTRE

The Ipsos Global Reputation Centre provides corporate clients and not-for-profit organisations with highly customised research that allows them to manage and build their reputation, plan, manage, and improve strategic and crisis communications, better understand their employees and audiences, and oversee stakeholder relations.