

CORPORATE REPUTATION

The key questions answered

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WHY IS CORPORATE REPUTATION IMPORTANT?

We believe in helping clients to unlock the value stored in their reputation. Traditionally, many companies believed that the value of a good corporate reputation was only realised in the event of a crisis. This is referred to as reputation equity: benefit of the doubt that you build up as a bank of goodwill in case there is ever a situation in which the company's credibility is called into question i.e. in a crisis.

This is a valuable and strategic use of reputational equity. But there is also a very real present value in reputation that varies by stakeholder audience, including:

- **Regulators:** giving you a seat at the table when stakeholders are making decisions about your organisation, legislators' inclination to help or hinder you
- **NGOs:** propensity to work with or against you
- **Consumers:** greater marketing efficiency, consumers' desire to buy your products and/or unlocking the value of reputation
- **Employees:** the ability to attract the best employees, employee pride in working for you, employee likelihood to execute the mission and values of the company
- **Media:** disposition to report positively or negatively about you, willingness to hear/present your side of the story
- **Investors:** confidence to invest in you, willingness to ride out downturns

Along with cross-stakeholder benefits, in terms of:

- The credibility of your communications
- People's willingness to hear your side of the story.

WHAT IS THE RETURN ON INVESTMENT (ROI) FROM REPUTATION ACTIVITIES? (I.E. HOW DOES HAVING A GREAT REPUTATION SAVE COMPANIES MONEY?)

All of the instances of unlocking value above apply to ROI. What that means to clients is that reputation impacts activities or attitudes that in turn impact the bottom line and reputation must be accounted for if these activities/attitudes are to have their full effect.

For instance, consumers are more likely to believe advertising and try products from companies with a good reputation. Building a good reputation means that companies

have to spend less money on advertising and marketing because they have established a baseline of credibility. The savings on advertising/marketing can be represented as marketing efficiency which in turn increases profits. All of the "unlocking value" attributes identified in the previous section are activities or attitudes that impact company performance though the path to "bottom line" is more direct for some than others.

WHAT IS THE DIFFERENCE BETWEEN BRAND AND REPUTATION?

Reputation focuses on the **corporate entity** rather than the product brands, although we will sometimes look at **equity flow** between the corporation and its product brands, especially for companies like J&J and P&G.

Reputation tends to measure **corporate attributes**, e.g. we would never measure “tastes great” in a reputation study. While our measures do include some core product attributes (since those are vital to perceptions of any business), we also measure perceptions around how companies are managed, and how they act in society.

Finally, the stakeholders in reputation research tend to be different from consumers. We do measure consumers very broadly, but also measure government elites, business partners, employees, influencers, etc.

But brand versus reputation questions can even come up at the corporate level:

- Corporate identity is the way in which a company presents itself to the outside world. It manifests itself across a variety of touchpoints including visual identity, office and retail environments, advertising, PR, livery etc. and at its heart lies the concept of unified messages that define the organisation's purpose and values in a consistent way.

At the core of **corporate identity** lies the concept of the corporate brand and we see this as the explicit promise the company makes to its various stakeholders. For example: high-quality products and services for customers, rewarding careers for employees and capital growth and dividends for investors. All of these promises are underpinned by cross cutting principles relating to responsible corporate behaviour/sustainability etc.

- **Corporate image** is closely related to identity – it is the impression a company makes in the minds of its audiences through the promotion of its corporate identity (using the communications and marketing mix). It is in essence the ideal version of how a company would like to be seen.
- **Corporate reputation** is the outcome that occurs when stakeholders compare the elements such as identity and image with the reality of a businesses' behaviour and capabilities. Reputation equity is created when the corporate promise matches or exceeds the expectations it creates. However, where the company is promising more than it can deliver its reputation suffers. There are of course other factors that impact reputation such as the standing of the industry or sector in which a company operates.

A strategic approach is required to ensure the effective monitoring and management of these elements – answers tend not to be provided by an off the shelf tool. A consultancy approach is required including an initial exploration, followed by the creation of an outline corporate brand management framework and finally after refinement – implementation.

In addition to measuring overall reputation and its drivers, we also measure issues facing the industry as a whole. Industry issue salience plays a big role in how companies manage their reputations or react to crises. We use a combination of driver performance (credibility) and issue salience to determine what actions/messages are optimal or what reactions are warranted.

WHAT IS THE REPUTATION PYRAMID AND HOW DO WE USE IT?

We have a clear view of how reputation works. The basic reputation pyramid model has been used by many companies over many years. This simple model actually has a strong foundation in theory.

Research using a plethora of potential reputation metrics identified three attitudinal factors (familiarity exists outside this structure), and our standard pyramid metrics were the leading drivers of each factor.

- **Familiarity** – ensures that all respondents are rating companies they know. In order to have a strong reputation, a company must be known and recognised.
- **Favorability** – is an emotive measure of reputation. Favorability reflects how stakeholders feel about an organisation.

- **Trust** – is a cognitive measure of reputation. Trust reflects how stakeholders think about an organization. It is anticipation of persistently positive behaviour.
- **Advocacy** – is a conative measure of reputation. Advocacy reflects what stakeholders will do about the reputation of an organisation.

The levels of the pyramid do not necessarily ladder into one another. In fact, for some companies it is easier to get stakeholders to trust them than it is for stakeholders to feel favorably toward them. Advocacy in turn is not a subset of trust, it is an outcome of the attitudes behind favorability and trust. There are also cultural variations of how different groups rate companies within this context. As such, local judgement needs to come into play when deciding how to represent the aspects of the model.

A client who wishes to have an Index could index these three measures, though we prefer to rely on Trust as our “one number.” (see below)

Figure 1 Ipsos reputation model



SUPPORTIVE BEHAVIOUR (E.G. ADVOCACY)

Likelihood to advocate/criticize

TRUST

Overall trust metric, plus dimensions of trust

EMOTIONAL ATTACHMENT

The extent to which people associate a variety of brand attributes, values or personality traits with an organisation

FAVOURABILITY

Baseline sentiment or 'warmth'

FAMILIARITY

The extent to which people know about an organisation

The layers are interlinked – if stakeholders are more familiar with an organisation, they are in turn more likely to feel favourably disposed towards, trust, and speak highly of that organisation.

WHY DO WE USE 'TRUST' AS A MEASURE OF OVERALL REPUTATION?

In our view, if you are building trust you are building reputation. Trust is intuitively the ideal for which companies aim and is the foundation of our approach to reputation.

This is evident in the mission statements of some of the world's most respected companies:

- P&G: "We respect our P&G Colleagues, customers and consumers and treat them as we want to be treated. We have confidence in each other's capabilities and intentions. We believe that people work best when there is a foundation of trust."
- Apple: "We share our vision, processes and results openly - because we believe transparency keeps us accountable to ourselves and the world, while allowing others to learn and benefit from our experience."
- Ford: "We believe that freedom of movement drives human progress, which is why we aspire to be the world's most trusted company, designing smart vehicles for a smart world."
- L'Oreal: "Our principles are Integrity, Respect, Courage and Transparency. Integrity because acting with integrity is vital to building and maintaining trust and good relationships."
- Sanofi: "We strongly believe that Ethics and Transparency are real drivers of value creation, essential and undisputed to preserve and strengthen the trust of patients, stakeholders and communities."
- Airbnb: "On any given night, two million people stay in homes on Airbnb in 81,000 cities all over the world. There are nearly five million listings in 191 countries to choose from - that's more than the top five hotel chains combined. What makes all of that possible? Trust."

Companies seek to build trust with their consumers, suppliers, employees and other stakeholders, just as individuals seek to build trust in their daily relationships with family, friends, and colleagues. Why? It's simple – when you trust someone you are more likely to believe what they say, you will seek out their advice, you will value their experience and judgment, and ultimately, you will give them your confidence and your business.

Please note that while we prefer to use Trust as our overall measure of reputation, **client needs sometimes dictate a different approach.** There is no reason to be doctrinaire about using trust when a client's position would dictate using a different measure. For instance, companies that are at the beginning of their corporate reputation building journey may prefer to monitor familiarity and favorability as precedents to building trust. A company that is embroiled in a regulatory fight may be more concerned about building advocacy.

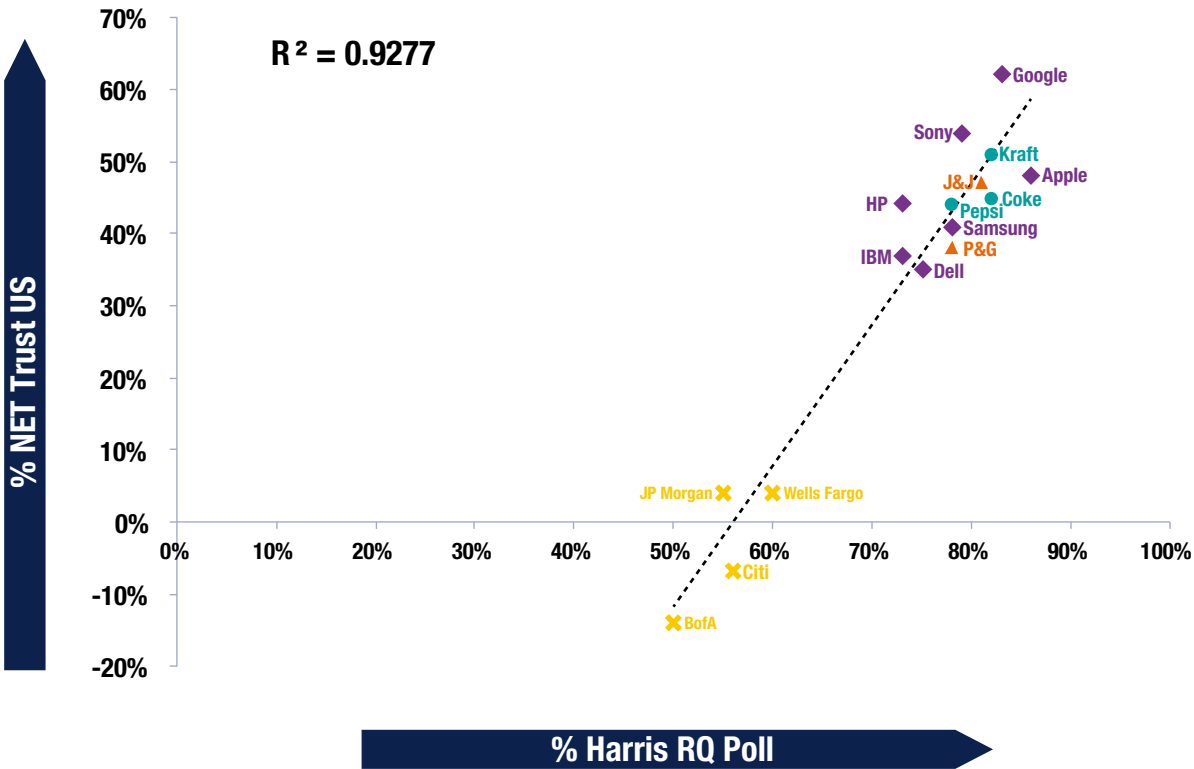
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Using Trust Scores to Understand Reputation vs. an Index

At Ipsos we believe the best way to understand your company's reputation is also the simplest – if you are building trust, then you are building reputation. In research this is called “parsimony” – the simplest approach is the best approach. We do NOT believe that a ‘black box’ (or index) helps to understand reputation. Our experience with clients indicates that a pure measure is generally preferable to a composite measure like an index. While indices may look good and give management the impression of a “one number” rating that encapsulates their reputation – in order to determine what to actually do as a result of the score, companies have to unravel the index and determine which of the components are driving it. A composite measure or index also can end up being challenged due to choices on what is or is not included.

Our research has shown that looking at trust is just as effective as looking at an index for “one score” purposes. (Again, please note that “one score” is not always appropriate and depends on client context. Reputation is a complex set of attitudes. However, our experience indicates that trust is generally a better “one score” measure than other parts of the reputation pyramid.) The chart below shows the trust score from an Ipsos study compared with the index score from one of the publically released reputation indices. Although the raw scores are not identical, it is readily apparent that trust alone is highly correlated with a company's placement on an index and their relative position in the marketplace. The amount of variance explained by this simple model is nearly 93% which means that if you know the proportion of people who trust you; 93% of the time you can predict the black box index score.

Figure 2 Harris RQ Poll and IPSOS US Trust Across Sectors



WHY IS MEASURING STAKEHOLDERS IMPORTANT? WHAT KINDS OF STAKEHOLDERS DO WE MEASURE?

Research is about asking the right questions of the right people. In the context of corporate reputation, it is critically important to identify the right audience(s), which we define as the stakeholder groups whose views can really make a difference to the reputation and performance of the organisation.

At its most basic level, stakeholders are people who matter to your organisation. Typically, these might include customers, investors, employees, government, NGOs, media, suppliers, local communities, and other audiences. In the end, it is these people who pass judgment on the reputation of your organisation and who determine its success or failure.

Because reputation management is increasingly an interdisciplinary task at companies/organisations there are often multiple internal stakeholder groups involved. Our stakeholder mapping workshops are designed to work across the organisation to reach agreement on the most important external stakeholder groups to include in the research.

WHAT ARE THE MAIN COMPONENTS OF OUR MODEL?

Our model has three main components as well as several components that can be inserted depending on our clients' business needs. The three main components of our model (Drivers, Issues, Actions) provide us with the data needed to triangulate strategies to increase reputation.

Figure 3 Internal/External Alignment: What you say and what you do - both inside and outside your organisation needs to be consistent.



WHAT IS TRIANGULATION?

Triangulation helps make sure that reputation building efforts not only test well, but that they are aligned with the attitudes driving the company's reputation and the issues that are impacting the company or industry.

The three components of triangulation are driver analysis, issue impact, and action fit.

Triangulation converts reputation from a passive storage of equity to an active force for increasing reputation.

Triangulation aligns reputation drivers and equity and political & social issues, with company actions. Winning actions are credible, address the social context and pull levers that increase trust.

Triangulation 1 – Drivers of Reputation

We work with our clients to determine a customized set of image attributes. We do not believe in a “one size fits all” approach. The image attributes generally fall into three broad areas:

- Core business (attitudes on quality, service, innovation, safety, etc);
- Company management (leadership, ethics, investment, etc), and;
- Corporate social responsibility (community, environment, etc).

Triangulation 2 – Issues Management

Companies do not operate in a vacuum, they need to understand the context imposed on them by their industry and by society. We work with our clients to understand regulatory threats and stakeholder priorities for action.

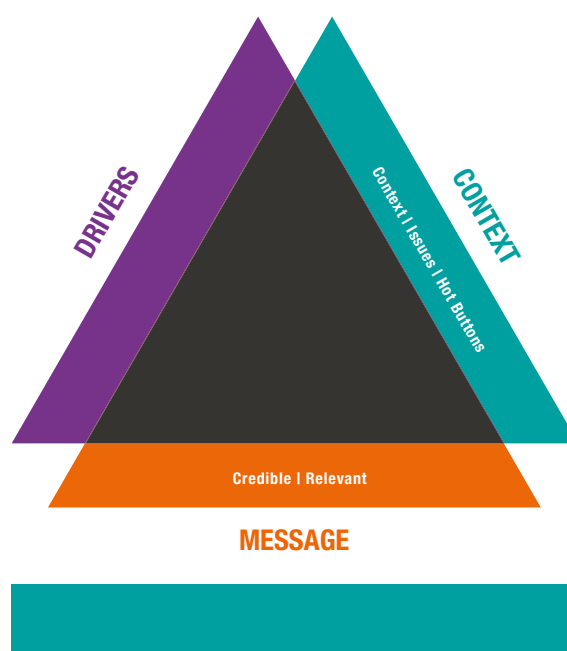
Triangulation 3 – Testing Actions/Initiatives/ Communications

Companies need to have a voice in shaping their reputation. If companies do not act and speak for themselves, others who are not aligned may speak for them. Our activation testing approach involves testing actions for believability and impact. In addition to testing each action, we will also ask respondents to rank the actions. This ranking of messages provides the best guide for future investment.

Putting It All Together

Our approach to reputation research allows us to gain a better understanding of which actions companies can use to pull the levers of reputation. By triangulating message performance (believability and impact) to the key drivers of an organisation's reputation and the external issue environment, activation plans can be undertaken with a greater certainty about the strategic direction of the actions. The important thing to remember is that an action or message that tests well on its own is not always the “best” message. An effective action/message must test well while also impacting the key drivers of reputation and addressing stakeholder concerns about the industry.

Figure 4 Triangulation model



HOW CAN WE HELP OUR CLIENTS IMPLEMENT THE RESEARCH FINDINGS?

Delivering the research findings is only half of our job. We must also help our clients to align and integrate actions to tackle strategic reputation issues. Alignment can help our clients make better business decisions. An “action planning” or “alignment” workshop can help the various internal stakeholder audiences grapple with the research findings and apply them to their everyday business. These alignment activities also bring us closer to our clients.

WHAT SERVICES/PRODUCTS DO WE OFFER CLIENTS IN CRISIS?

At Ipsos Corporate Reputation our goal is to help our clients avoid crises through forward-looking reputation research. However, even clients who track their reputation closely are often impacted by events outside of their control.

When crisis strikes, we are ready with our Crisis Management Monitor (CMM) tool. We can be in the field quickly with the CMM to determine the size of the problem and its impact, as well as how to best communicate about the issue in order to lessen its size and impact.

DO WE HAVE A NORMS DATABASE?

Ipsos has a norms database that spans countries and audiences from around the world. The norms database is constantly expanding to better serve our clients.

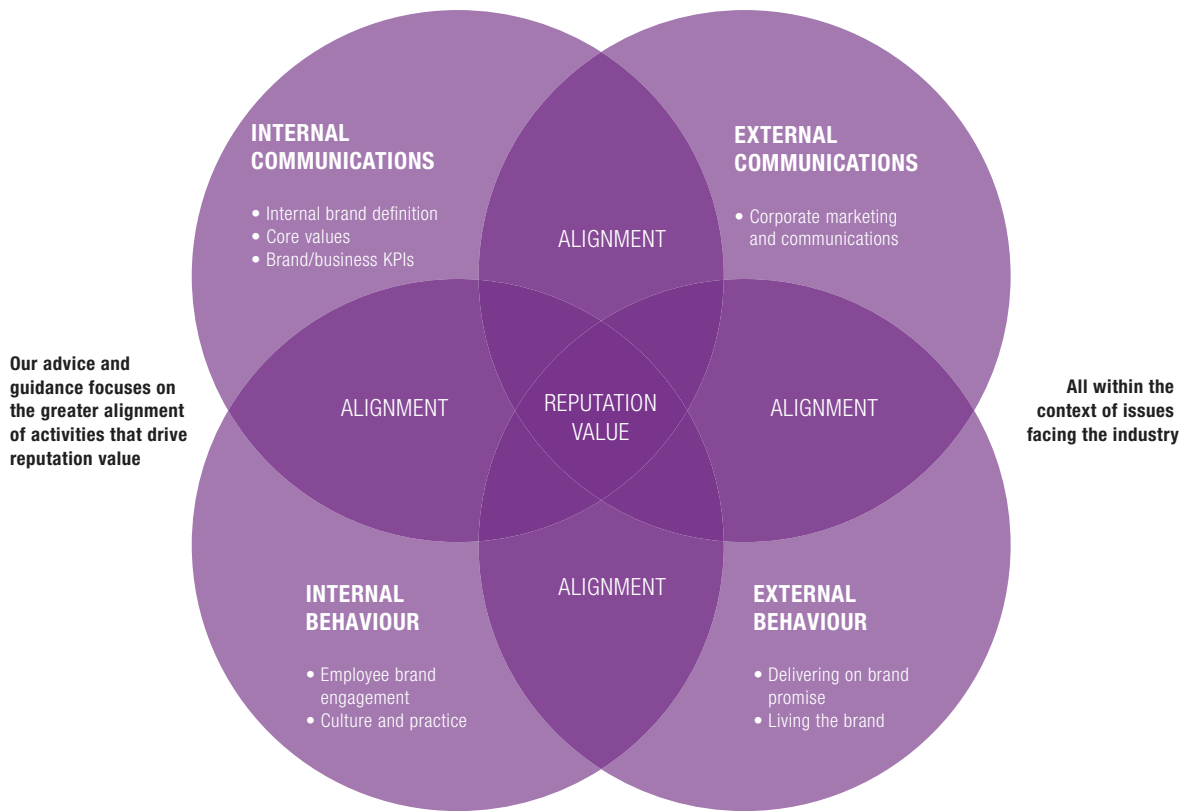
WHERE DOES CORPORATE RESPONSIBILITY (SUSTAINABILITY) FIT INTO THE REPUTATION MODEL?

In order to be efficient, Corporate Responsibility (CR) programs must have synergy with your driver attributes (those that directly relate to your business) and address the issues facing your company or industry (see the points made under “Triangulation”). Tailoring your CR activities and communications appropriately and matching them to your organisation’s key strengths helps to develop credibility and trust, and ultimately, your good reputation. Core strengths can be leveraged to off-set weaknesses that drive reputation down.

Beyond alignment of CR activities, companies should also understand the effectiveness of their activities. We marry our approach to corporate reputation and CR alignment with program evaluation to determine the overall effectiveness of corporate responsibility.



Figure 5 Internal/External Alignment: What you say and what you do - both inside and outside your organisation needs to be consistent.



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