

Reputation Economy: no hiding from the watchful eye of public scrutiny

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Your organization's reputation not only helps you to sell more but also to acquire and retain talent as well as gain allies or investors for your brand's growth strategy. The same applies to Slovakia too – comparative research has shown that Slovaks are interested in business models, morals and ethics and the rate of social responsibility of companies they collaborate with. Moreover, social media enable Slovaks to share their opinions and attitudes. Subjective evaluation of companies and brands based on their reputation may have a significant impact on consumers' behavior.

Reputation is no doubt an essential factor influencing the performance, sustainability, market position and, last but not least, also the financial performance of businesses. Put very simply, the key objective of reputation management is to manage relations and attitudes of all stakeholders to make sure that their evaluation, behavior, and subsequently also actions, bring about an effect of support for your organization's activities.

The global financial crisis of 2008-2012 had a profound impact on the public perception of businesses and brands. The crisis led not only to a dramatic slump in global stock markets and securities but, above all, to a loss of trust in financial institutions as well as the moral and professional competence of the business

sector in general. Another key factor of influence is the rise of social media (combined with an increase in the penetration of the Internet, smartphones, and mobile devices) leading to a dramatic change in the way we digest and verify information that we now obtain not only from traditional media, but also from our friends, acquaintances, and various influencers (individuals with the ability, skill, and possibility to influence the opinion of others).

How reputation influences decision-making

A modern approach to public relations and management shifts its focus from the effort to ensure that the brand, products and services "look better" toward managing reputation. This can be characterized by supporting

transparent and responsible behavior and subsequent communication. Naturally, the objective is to strengthen the visibility and recognizability of such behavior in the eyes of your target audience also by way of your communication, thus earning its respect, trust and favor. But reputation is a factor that needs to be taken into account in various decision-making processes of a diverse set of stakeholders and audiences.

A study conducted by the Reputation Institute explored the relation between reputation and a positive decision (supporting the legitimate interests of an organization) in a diverse range of the organization's activities – product purchase, recommendation, the involvement of the organization in the local community, the interest of people to become employees of the company or to invest in the company. The study showed that respondents representing the general public would much more likely support a business with an excellent reputation than a company with an average or poor reputation, while higher percentage of support was demonstrated in shopping-related decision-making when compared to investing (Reputation Institute, 2016).

Reputation is a major factor in various decision-making processes of the respective stakeholders. Based on empirical evidence, and to gain better orientation, we could classify

these decisions as follows:

Purchasing decisions

These decisions are made particularly by customers and prospective customers in the B2B segment (corporate customers) as well as by B2C clients (end consumers). Customers decide about buying (or not buying) a product or a service – be it for the first time or repeatedly. Moreover, customers also decide about recommending (or not) these products and services and thus also their producer or provider to their friends and communities. Numerous studies have shown that a good reputation has a profound influence on purchasing and recommendation decisions.

Investment decisions

Reputation also has a significant influence on investment decisions – i.e. decisions of both individual and institutional investors regarding which company they would invest in. Besides the financial performance indicators, investors mainly take into consideration their trust in the predictions of the corporate management about their business' future performance. Reputation is an immensely important factor in this evaluation because any prediction that is not trusted by the market will naturally lack credibility as well. Reputation also has the power to exert a profound influence on any business' market capitalization.

Talent acquisition

Acquiring and retaining talent is gradually becoming one of the key factors of competitiveness, both locally and globally. Accordingly, the reputation of a company is of genuine importance – not only in terms of financial remuneration but also in other areas such as supporting talent development, working environment, work-life balance or diversity and geographic mobility of staff.

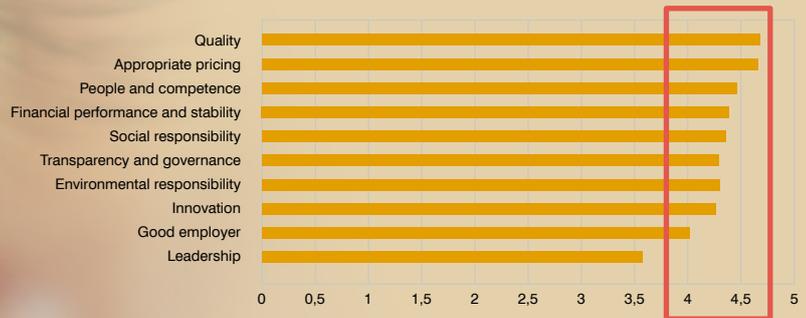
Fig. 1 Influence of reputation on stakeholders' decisions

Reputation Scores	Poor 0-39	Weak 40-59	Average 60-69	Strong 70-79	Excellent 80+
Would buy the products	9%	16%	35%	55%	84%
Would say something positive	8%	14%	30%	50%	83%
Would recommend the products	8%	13%	31%	52%	83%
Would trust to do the right thing	8%	12%	27%	44%	77%
Would welcome into the local community	9%	15%	31%	49%	78%
Would work for	11%	17%	31%	47%	73%
Would invest in	7%	11%	24%	39%	67%

Source: 2016 Global RepTrak 100



Reputation Attributes Work in Balance



Source: Michaela Benedigova Dissertation Thesis

Decisions on organizational development

Companies need a supportive business environment to thrive and prosper. This includes legislation and a regulatory framework facilitating growth and development in the sphere of taxes, licenses, and environment but also appropriate relations at the municipal level. The reputation of a business is an indicator of its "coalition potential" – meaning the level of its relations, past experience and the rate of credibility and trust, which are all reflected in the quality of interaction and support provided by various stakeholders. To use a simplified example, for a politician in an executive role, it can be quite difficult to make and implement a decision benefitting a company with a poor reputation in the respective community since this step represents a high political risk. This makes reputation quite clearly a factor influencing the ability of any business to grow, expand and also maintain a favorable business environment and legislation, both locally as well as internationally.

Evaluation of reputation in Slovakia

It may seem that influencing the opinion of every single individual on a number of aspects of your company or brand is impossible. Indeed, the process is truly complex, but it still can be acted on by distributing the numerous factors into categories that are easier to manage individually. One of useful strategies that can be applied is Fromburn's methodology of seven dimensions (Products and Services, Innovation, Workplace, Governance, Citizenship, Leadership and Performance). According to the most recent Global RepTrak 2015 survey, we can observe that all seven dimensions matter equally and we cannot single out one or two that would prevail over the rest.

A similar comparative survey was conducted in Slovakia on a representative sample. The results confirmed that Slovak consumers

in general do not stray away from global trends. The impact of the respective dimensions is relatively even although we should not perceive them in isolation – e.g. if the products or services are perceived as having poor quality and customer experience is mostly unfavorable, sound financial performance alone will not suffice to drive the organization's reputation upwards. The attributes of your company's or brand's reputation exert mutually balanced influence on purchasing decisions and on people's willingness to recommend your product or service.

The research also confirmed another trend observed across all international surveys: Besides the actual benefit provided by the product or service and reasonable pricing, Slovak consumers also take into account other aspects of reputation – innovation, professionalism of the staff, quality of customer service, behavior and activities of the management, governance, transparency, ethics, corporate citizenship and environmental responsibility. Attributes such as "Good Employer" and "Respected and Strong Leader Heading the Organization" also exert some influence, albeit a bit smaller than the rest. Research also confirmed that organizations that wish to achieve excellent reputation must achieve high evaluation scores in terms of meeting the customers' expectations across all reputational attributes.

People are actively interested in the information related to companies with which they maintain a certain kind of relationship. Also, they tend to spontaneously and actively share their own experience, opinions and attitudes – or even those of other people, provided that they can identify with them. To put it in a nutshell, people are simply curious and want to find out Who and What – what models, principles, people

and values stand behind the companies and brands they use.

Brand management through the prism of reputation

Knowing the stakeholders' expectations and maintaining a continual dialogue built on the principles of ethics, transparency and authenticity is the future imperative for all managers. Reputational research at the level of the respective attributes and segmented target stakeholder groups' relations to individual brands provide managers with valuable insights into how to adopt specific and goal-oriented decisions.

Every single important decision at the level of your organization is typically evaluated from the perspective of its economic and legal impact. We, however, rarely see that this very decision is also evaluated responsibly for its potential impact on reputation. This is true despite the fact that the Reputation Leaders Study conducted by the Reputation Institute showed that as many as 60% of corporate executives believe that reputation has influence on their organization's financial performance – be it customer retention, turnover, market share, reduction of recruitment costs, etc. The survey also asked the respondents about the perceived barriers to effective implementation of reputation management. The answers particularly stressed insufficient implementation of processes which comprehensively include reputation in the planning and management model, insufficient realization of the need to meet the expectations of every important target group and internal barriers in the organizational structure, when the responsibility for reputation is not shared along all the horizontal lines of business management (Reputation Institute, 2015).

The past functional division of communication responsibilities in the organizational structure,

under which the Brand Manager was responsible for brand communication and the Corporate Communications Manager was in charge of the remaining external communication and reputation, is therefore no longer justified.

Marketers of the future should not only bear responsibility but also exert some degree of management influence across all the attributes of reputation. Figuratively, we could say that they should influence and be responsible not only for the brand's "oufit" but also for its "conscience and morals" – i.e. its ethical, social and value profile.

Each employee influences his or her employer's reputation by how they act, behave and what they say about the company's products and services. Naturally, this influence is even stronger in the functional structures of the organization, which come into direct contact with the external environment – employees of customer service centers and call centers or front office staff. It is in these organizational structures in particular, where businesses need to remember that these are the people with direct influence and responsibility for the company reputation and that they need to be prepared and trained in terms of work processes, standards, established principles and values.

In today's era of soaring internet penetration and engagement of literally every single segment of the population in all sorts of online conversations via numerous social media, no organization or brand will be able to hide from the watchful eye of public scrutiny. However, we believe this phenomenon is actually highly beneficial for the favorable development of the business environment and society as a whole, since higher expectations of the public will sooner or later result in a gradual reconstruction of the corporate management toward much more balanced business models representing all legitimate stakeholder interests.