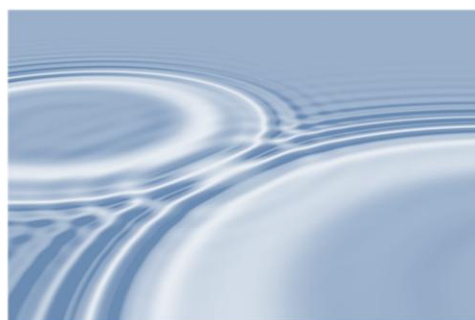


## **Managing Reputation**



**Strategies for getting known  
and keeping on top**

**December 2013**

## Introduction

Nurturing a good reputation is an important business activity, because customers in most markets have choices about who they do business with. Reputation sometimes overrides fact.

For instance, United Airlines failed to handle a routine customer service complaint in 2009 about a damaged \$3,500 guitar. They lost the opportunity to own the public dialog and had their reputation severely compromised through the disgruntled customer's digital media campaign. It's incidental that the damage could have occurred using any other airline, or that there may have been elements of reason in their response.

Gerald Ratner was the flamboyant CEO of the Ratners Group, a large and popular UK high street jeweller. At a private function, he momentarily let slip his disdain for a certain segment of customers when referring to the company's product lines as "total crap", causing the destruction of around \$800M of shareholder value and near-collapse of the enterprise. The quality assessment was technically accurate, but irrelevant and highly alienating.

A notable but rare exception is, Michael O'Leary, CEO of budget airline Ryanair. O'Leary actively cultivates a "bad" reputation (with customer service but certainly not safety), generating reams of free publicity with no apparent detriment to his business.

## Defining reputation

The Merriam Webster dictionary defines reputation as "the common opinion that people have about someone or something : the way in which people think of someone or something".

Reputation can be positive, neutral, negative or absent. It can be mixed or contextual, as the reputations of iconic world leaders often differ domestically and internationally. Reputation can be fair or otherwise and based on perception or hearsay as much as fact.

It can change over time, based on planned or unplanned actions, new discovery or shifting priorities. For instance, the public does not derive the current reputation of Ford from their actions and attitudes of the Pinto controversy of the 70s, but it might do for Toyota from their product recalls in 2009.

Usually, reputation takes a long time to build and a short time to destroy. Digital media and the emergence of corporate reputation strategies have begun to alter the dynamics of time.

Ever the wit, Oscar Wilde once said: "The nicest feeling in the world is to do a good deed anonymously and have somebody find out." This suggests that reputation building can be deliberate but it must not be an end in itself.

## Reputation and Brand - Similar but Different

According to [Hill+Knowton Strategies](#), the difference between brand and reputation is that brand is about products and services, whereas reputation is about actions. Their extensive data research showed a strong correlation between the two.

Brand is a short cut to trust and decision making, so organizations and people dedicate time and resources to building a brand presence to reduce the obstacles to customer engagement. Reputation and brand are strongly related but not identical. A powerful brand may counteract the loss of reputation due to an irresponsible corporate action, if it was perceived to be an isolated incident. Equally, having a stellar ethical reputation may not on its own translate to increased product line sales.

The following table lists [Interbrand's top 10 global brands](#), and the [Reputation Institutes most reputable 10 companies](#) from 2012.

	Interbrand best 2012 Global brands	Reputation Institute Global RepTrak™ 2012
1	Coca Cola (38)	BMW (12)
2	<b>Apple</b>	Sony (40)
3	IBM (19)	Disney (13)
4	<b>Google</b>	Daimler (11)
5	<b>Microsoft</b>	<b>Apple</b>
6	GE (66)	<b>Google</b>
7	McDonalds (N/P)	<b>Microsoft</b>
8	Intel (16)	VW (39)
9	Samsung (21)	Canon (30)
10	Toyota (37)	Lego (N/P)

The bracketed numbers show the position of the company in the other list. Apple, Google and Microsoft are alone in having consistent and high brand/reputation power. Perhaps this is because their products, philosophies and founders are more tightly integrated than longer-established organizations.

For small and mid-sized organizations, reputation and brand are more likely to be reported by industry-specific publications, word-of-mouth, on-line forums or local/regional business awards. The distinction between brand and reputation may be lost, muted or described in other terms.

## SME Reputation - Start with Branding

For SMEs, the main challenge is to establish a good reputation in the first place. For some people, personal reputation precedes them, and for high skill, specialized services, this is an important launch.

For the majority of SMEs however, reputation needs to be built. Certainly, having a solid set of principles, practices and products is the correct start, but visibility is critical. With younger firms, brand and reputation are most tightly linked because the owner is the main person who defines and creates the value. That is why many small firms are keen to publish testimonials as quickly as possible to demonstrate brand value validity and increase market presence.

Keller<sup>i</sup> in a 2005 paper suggests that SMEs should concentrate on building just 1 or 2 brands, look for creative approaches, find well-integrated brand elements, use push and pull marketing, and leverage secondary associations as much as possible.

Krake<sup>ii</sup> in a book published in 2003, states that SMEs entrepreneurs should demonstrate consistency, link the brand to their character and develop a passion for the brand within the company.

In [a blog article for WPP](#), Tanita Sandhu makes the point that branding buzz words may be off-putting to small business owners but the rewards are worth the effort of learning. The 3 elements of branding best practice are to understand your customers values and expectations, develop a brand based on a deliverable promise and keep clarity in delivery.

Our own experience with SME owners is that reputation building is seen as one of the most important start-up activities, because it is directly related to market development and revenue. Successful strategies include targeted, proactive personal networking, devising and performing effective social media campaigns and public speaking or blog writing.

<sup>1</sup> Keller, K.L. (2003) Strategic Brand Management: Building, Measuring & Managing Brand Equity. 2nd Ed. Upper Saddle River, NJ: Prentice-Hall

<sup>1</sup> Krake, F.B.G.J.M. (2005) Successful Brand Management in SMEs: A new theory and practical hints. The Journal of Product and Brand Management, Vol 14, No 4, pp. 228-238.

## Managing Reputation

The [Reputation Institute](#), in their 2013 Annual Reputation Leaders Survey, see four pillars to company reputation management systems. This is summarized in the following table.

Business Rationale	Intelligence and Strategy	Management and Accountability	Integration
Authentic and consistent purpose and values are seen as critical for each stakeholder group. Independent reputation is valued by execs.	Systematic identification, measurement and prioritization of reputation factors. Strategic response, communicated with strong narrative.	Collaborative approach and execution both internal and external, using tools and processes. Executives are held accountable.	Transformational value-led programs devised to deliver reputation narratives.

It can be seen that these pillars are consistent with other corporate initiatives in that they are about authenticity, top-level sponsorship and an integrated, strategic approach.

The Institute sees the CEO as the natural Chief Reputation Officer, but not exclusively so. It believes the process of establishing an effective system is hard work but well worth the effort. One idea expressed is to make the marketing department a profit center, placing dollar value on reputation.

[This 2010 article](#) expresses Corporate Social Responsibility as the most effective insurance for reputation. Whilst CSR is shown to have no positive financial effect on a firm, many company's participate. The paper suggests that firms may be better advised to do no harm than to promote goodness for its own sake.

McKinsey also makes the case for a deliberate, integrated company approach to CSR and reputation management. [This paper](#) describes the need for stakeholder segmentation and need analysis. Whilst aimed at larger organizations, SMEs can also benefit from the principles and actions described.

## Online Reputation

In the past, information was less widely disseminated and remained readily accessible for much shorter periods due to the limitations of physical storage media. Now, information persists longer, multiplies and reaches far greater audiences. It is both a serious opportunity and threat for businesses, in terms of their reputation.

A recent [Forbes magazine interview](#) with Michael Fertik, founder of reputation.com, highlighted a number of factors to consider. Fertik identified an increasingly important "pull" economy, where branding and building positives matter as much as curing negatives. Fertik believes that prevention is better than cure, but given the complexity, solving reputation issues individually may be difficult. One simple suggestion was for a firm to use *Google Alerts* on its own name or brand to be current with any media event that needed to be managed.

There are a number of software tools that can be used to manage online reputations. [This guide](#) lists some of the more popular systems.

## Concluding remarks

Strategy is about creating unfair advantage, and one significant advantage a firm can build is its brand and its reputation. Some firms can even base their strategy on the weaknesses in the reputation of their competitors, using a variety of strategic models.

Reputation management is a planned activity that requires leadership from the top of the organization. For start-ups, getting known and brand building is one of the core purposes of the entrepreneur. For more established organization, it is about projecting the right aura and consistency by aligning stakeholders and corporate objectives.


There are no short cuts to building or nurturing a reputation without compromising authenticity, but there are tools and practices that can avoid unnecessary and time-consuming mistakes.

Now more than ever, with digital media an established part of marketing strategy, reputation management is set to become as important as quality did in the 90s.

## About hathway management consulting

We are a management consultancy specializing in business technology and strategy. Please feel free to contact us with any comments about this paper or other enquiries.

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