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Issues in reputation and its management

Williams D. Kareem
Central Bank of Nigeria, wdkareem@cbn.gov.ng

ISSUES IN REPUTATION AND ITS MANAGEMENT

Williams D. Kareem
Corporate Communications Department
Central Bank of Nigeria, Abuja.

I. INTRODUCTION

Reputation has been, and will continue to play a very important role in the life of corporate bodies. Organisations, be it commercial, governmental or even non-profit will always need good reputation to maintain their corporate stability, stay competitive and also prosper. Good reputation is pivotal to acceptance and approval by organisations' diverse stakeholders, even when such organisations are operating in an adverse ethical environments (sometimes self-created), and would desire to sustain a positive reputation where possible.

In the opinion of Fombrun (1997), reputation is a "collective assessment of an organization's past actions and results that describes the organization's ability to deliver valued outcomes to multiple stakeholders."

In the corporate world, reputation is seen as a major element of an organisation's provenance alongside and included in financial performance and innovation. Reputation is therefore a 'collective representation' of images and perceptions, not a self-promoted message'. It involves relationships with all stakeholders ('constituencies') and it is gained, maintained and enhanced or detracted from over time (Watson, 2010).

Meanwhile, Fombrun (1996) argued a different case: that reputation is built in a planned manner by organisations, taking necessary notice of the environment in which they operate. Better regarded companies build their reputations by developing practices which integrate social and economic considerations into their competitive strategies. They not only do things right – they do the right things. In doing so, they act like good citizens. They initiate policies that reflect their core values; that consider the joint welfare of investors, customers and employees; that invoke concern for the development of local communities; and that ensure the quality and environmental soundness of their technologies, products and services.

From the foregoing, we could therefore agree with the submission that:

Reputation = Sum of Images = Performance + Behavior + Communication

This submission helps make it clear that performance and behavior, as well as communication, are critical components of reputation. In other words,

Reputation = Performance (P) + Behavior (B) + Communication ©

Also, Jubb (in CIMA, 2007) remarked that corporate reputation as a concept embodies the image and values of a company, and was therefore intimately linked with the concept of corporate responsibility.

It is pertinent to note that reputation is a fluid concept. A good one is earned through hard work yet can be quickly lost through misfortune or incompetence; a bad one can take a long time to lose especially if the cause is not fully appreciated by the hapless owner. (CIMA, 2007).

While linking the role of communication to reputation, Doorley et al (2007) opined that communication is the means by which an organization functions, and it is axiomatic that the better the communication, the more productive the organization. Professor Ruben, in Doorley et al (2007) also stated that communication is the lifeblood of human systems. It is the means through which leadership functions, the mechanism by which parts relate to one another, the process by which systems relate and adapt to their environments. In organizations, quality and effective multidirectional communication go hand in hand.

Reputation management in corporate communications offers a framework in which stakeholder expectations are managed through thorough internal and external communications programs (Ermen, 2004). Indeed, corporate reputation is central to the main agenda of the organization manned through a series of programs of corporate communication (Abdulla, 2011).

However, corporate bodies should avoid the 'Pushmi-Pullyu Syndrome' - A pattern of behavior whereby an organization performs or behaves in one way but expects the communications professionals to explain that performance away. While the communication objectives and strategies should always be in sync with the business objectives and strategies, they are distinct. Communication cannot make a bad product good, at least over the long run. It is pertinent, however, to note that the reputation of an organization cannot be managed by the communication department alone. It is a task every member of the organization is responsible for.

II. REPUTATION AND STAKEHOLDERS

A stakeholder is anyone affected by the organisation. Commonly grouped by interest group, some organisations have as many as 30-40 stakeholder groups; most have 12-15. It is of course possible to have a good reputation with one group and a poor one with another.

Reputation is the collective perception of a company or institution through its stakeholders. It is the result of an exchange of personal and conveyed experiences between the organization, its stakeholders and third parties over time. In this, stakeholders are all groups that can influence the success of an organization through their behavior – immediately or on the long run, directly or indirectly (Helm et al, 2011).

For a government department, there are many different stakeholders, each of whom will judge performances in relation to their own expectations. One of the most important is invariably the Treasury as that is where funding comes from. (Shafik, in CIMA 2007).

Central to building and defending a sound organizational reputation is the capability to be proactive and to recognize and evaluate potential and ongoing risks or issues. Legitimacy and transparency are at the heart of issues management, and whether the messages developed and delivered through corporate communications are credible to stakeholders. If reputation can be viewed as a form of assessment of a corporation's behavior and performance, then understanding and identifying risks and issues (that may at a later stage damage this valuable asset) must be an active part of any reputation management structure and process.

Reputation could be described as a function of trust. Figure 1 explains the nature and implications of stakeholders' reactions to loss of trust:

Figure 1 - Stakeholder reactions to the loss of trust

Level	Stakeholder Reaction	Characterised by	Trust Damage
5	Outrage	Fraud, embezzlement, illegal activity	Trust completely lost, not recoverable
4	Disgust	Incompetence, poor management decisions.	Trust severely damaged; never fully recoverable
3	Concern	Accident or safety issue, for example product recall.	Trust diminished; recoverable at heavy price
2	Surprise	Poor judgement or control, for example supply chain problems.	Trust dented; Recoverable with good PR
1	Disappointment	Inconsistent behaviour, for example gap between policy and reality.	Trust questioned; but speedily recovered

Source: The Chartered Institute of Management Accountants (CIMA), 2007.

I. REPUTATION AS AN ASSET/CAPITAL

While reputation could be referred to as an asset, it is not a fixed asset and not also depreciable. However, it could be described as an intangible asset but valuing it could be controversial. Hence, for reputation, the label 'asset' is more emotive than financial, like its opposite 'liability' which indicates that there is a problem.

Balance sheets are for figures, not people or ideas. People are not assets because you cannot own them, you can only rent them. Ideas are not assets because the people who generate them cannot be owned and because you cannot keep ideas bottled up for very long. Consequently, since reputation cannot be classed as an asset for balance sheet purposes; a good reputation should be seen to be an asset to an organisation.

Meanwhile, Tilly (in CIMA, 2007) noted that the reputation of CIMA is an asset to the institute because it is vital to the success of any membership organisation in recruiting and retaining members. Both members and employers recognise the standard set by CIMA and its assurance of quality and integrity.
Just as people develop social capital that helps them build relationships and careers, corporations and other organizations develop reputational capital that helps them build relationships and grow their organizations.
A good reputation has both intangible and tangible benefits. It is important for stakeholders, from customers to employees to consumer advocates, to feel good about an organization, and it is important to build a good reputation to sustain an organization through the tough times. But a reputation is worth much more than that. Companies with the better reputations attract more and better candidates for employ-

ment, pay less for supplies, gain essentially free press coverage that is worth as much if not more than advertising, and accrue other benefits that actually contribute to profits.
Reputation adds value to the actual worth of a company - that is, market capitalization (the number of shares outstanding times the price per share) is often greater than just the book value or liquidation value of assets. The reputation component of market capitalization, reputational capital, is a concept closely related to "goodwill," and it is worth many billions of dollars in many large corporations. It has a value in not-for-profits, government, and universities as well. For instance, a good reputation helps a university attract students and donors.

II. DAMAGE TO REPUTATION

Damage to reputation is almost impossible to cost before an event and always easier after it. This is partly because the magnitude is dependent on so many variables. The three main ones are the prior state of reputation, the nature of the threat and the way the situation is handled.

Damage is not just about financial cost, immediate or deferred, but is about what it leaves in the way of diminished trust. The extent of damage to reputation caused by an event or crisis will depend on how easily trust can be recovered. Buffet (in CIMA 2007) rightly noted that it takes 20 years to build a reputation and five minutes to ruin it. He advised that if we consider this critically, we are bound to do things differently.

Damage to reputation and its recovery depends on the culture of the organization. If the particular problem is endemic then it will take a long time to resolve, whereas if the problem is an isolated event recovery will be easy and damage slight. For any company, large or small, reputation damage could come from a public safety incident or accident, but the real damage would depend on how much that revealed about the safety culture in place prior to the accident.

Slynn (in CIMA 2007) observed that with professional firms, the selection process for partners is in itself a quality control process designed to protect the firm's reputation. Each and every partner bears some responsibility for reputation risk. Damage would be anything that destroys the external trust in the integrity of the firm. Clients pay for 'sound judgement' and any example of poor judgement could cause some reputation damage.

III. CAN REPUTATION BE MEASURED?

In the opinion of Fombrun (1997) reputational capital is the difference, averaged over time, between market capitalization and the liquidation value of assets. Many chief financial officers disagree with that formula, believing that the difference overstates the value of reputational capital. But even those CFOs agree that much of that difference is reputational capital. The more common approach to measuring reputation is to take comparative measures against similar organizations. The annual Fortune magazine survey of the World's Most Admired Companies is among the most widely known and respected by both industry leaders and academics. But it surveys only three constituencies: senior executives, (outside) board members, and securities analysts. A more comprehensive approach would include surveying all the major constituencies, including employees, customers, and the press.

Another opinion on reputation as a capital is the Harris-Fombrun Reputation Quotient (by Harris Interactive in association with Charles Fombrun). It evaluates reputation among "multiple audiences," according to twenty attributes that are grouped into what are referred to as "dimensions of reputation": products and services; financial performance; workplace environment; social responsibility; vision and leadership; and emotional appeal. The results of that survey are widely covered by the press.

IV. THE TEN PRECEPTS OF REPUTATION MANAGEMENT

Today, Corporate Reputation Management (CRM) has become the most acceptable Public Relations practice in world-class organisations - the banking industry, the telecommunications industry, manufacturing sector, government establishments, tertiary educational institutions, the professions, security services, and indeed, the oil and gas industry, used for building and sustaining organisational reputation (Nkwocha, 2014). It is therefore very important to examine its precepts in order to achieve the desired organizational goals and objectives. The following have been identified by Doorley et al (2011) as precepts of reputation management:

1. Know and honor your organization's intrinsic identity. That dominant, or intrinsic, identity must be clear to the members of the organization. It is what the organization stands for, and it will often determine what the employees will do as a first resort, in good times and bad.

2. Know and honor your constituents. Do not presume to know the will of your constituents, and do not presume that good intentions alone are sufficient to protect against criticism that the organization is acting against the interests of its key constituents.

3. Build the safeguards strong and durable, for they are the infrastructure of a strong reputation. Strong, efficient safeguards, internal and external, are in an organization's best interests.

4. Beware of conflict of interest, for it can mortally wound your organization.

5. Beware of the "CEO Disease," because there is no treatment for it. It is the same malady the Greek gods said destroyed so many tragic figures, and it is called hubris. Chief executives command tremendous incomes, power, and prestige. Thousands of employees almost genuflect when they walk by, and powerful people from all sectors of society treat them with deference. It must be difficult not to fall into certain traps, such as wanting to be surrounded by employees who always agree with them. Ask anyone who has worked in corporate communication for a long time: There is a "CEO Disease" (and heads of governments, non-profits, and universities are not immune). One of the manifestations of hubris is the inability to see that a looming problem requires immediate attention. Many CEOs mishandle initial phases of a crisis out of either arrogance or willful blindness, caused by a misplaced sense of invincibility. The outcome is otherwise manageable crises that result, ultimately and after much hardship, in the CEO's ouster.

6. Beware of organizational myopia, for it will obscure the long-term view. Especially during times of crisis, organizations tend to focus on the short term. It is part of the corporate and organization condition, and not falling into that trap is one of the lessons of crisis management. Sometimes, organizations are given plenty of advance notice of issues looming large, but few heed the warning signs.

7. Be slow to forgive an action or inaction that hurts reputation.

8. Do not lie. People tell lies, most of which are small and harmless, and some of which may even be good things. Organizations are not always completely forthcoming with information, and indeed, that is sometimes a very good thing. However, lying is of course a slippery slope, eventually dragging the organization into a deep hole from which there is no extrication. Organizations can often get away with lying for a while, but that is all. Sometimes, efforts to mislead have significant adverse consequences like prosecution, conviction and even imprisonment.

9. Treat employees with fairness and consideration always.

10. Reputation is an asset and must be managed like other asset

11. Reputation is intangible, but it has great, tangible value (worth many billions of dollars in large corporations, for instance) It is therefore an asset. Failure to acknowledge reputation as an asset can be self-fulfilling. By ignoring reputation and factors that harm or help it, companies often behave and communicate in ways that cause harm to the reputation. Successful stewardship of reputation not only protects against the downside, but can affirmatively enhance the enterprise value of an organization. Because the component parts of reputation (performance/behavior and communication) can be managed, one should devise a strategy and plan to measure, audit, and manage it on an ongoing basis.

VII. CONCLUSION

Corporate bodies should always note that they do not have direct control over the perception of their stakeholders. However, they could influence perception as they assess the stakeholders and look out for auspicious moments when positive news could be used to mitigate the effects of unfavourable situations. Organisations should therefore seek to understand their stakeholders and how they could impact positively on their reputation.

In addition, while noting that reputation is a distinct concept, organisations should view it as an asset or capital and manage it, though the monetary value may not be readily or adequately determined.

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