Measuring Corporate Reputation

Stewart Lewis

Templeton College

19 November 1999

Measuring Corporate Reputation

Stewart Lewis[1]

> *Their ethical stance is of the lowest grade possible. Back-stabbing, purely profit-motivated*
>
> Captain of Industry

> *They've expanded their range of services, but lost focus on customers*
>
> MP

> *It looks like the decline of the Roman Empire*
>
> Business Journalist

Is this the kind of reputation you want? Each of the three companies being described in those statements is a household name, a major British company. Each has a mission statement considerably at odds with what these key shareholders are saying about them. Incidentally, none of the three refers to this year's easy target Marks & Spencer.

So, where did they go wrong? First, a reputation problem isn't necessarily a failure of PR! Most 'PR disasters' are actually disasters of **reality**. If a company lets down its customers, poisons the environment or breaks faith with its employees, that's a reality challenge – put it right, or be prepared to live with the consequences. The company's response can make the situation better (Johnson & Johnson/Tylenol) or worse (Exxon Valdez) but these are not, at base, communication issues.

Reputation is an asset of immense value. Coca-Cola, Heinz, BMW, British Airways and others can charge a premium for their products; rightly, they are trying to put a valuation on that competitive advantage. But some of the words used to describe reputations are increasingly inappropriate – "solid", "sterling". The fact is that reputation is the product, at any particular moment, of a fermenting mix of behaviour, communication and expectation.

Let's focus for a minute on expectation. Many companies decide the messages they want to convey to a particular audience, then set about the task with single-minded determination. They may get those messages across, but are likely to be disappointed with the resultant disposition of the audience towards them. They've been addressing their own agenda, not the audience's – that's monologue, not dialogue.

[1] ©Stewart Lewis, Director, MORI, 95 Southwark Street, London, SE1 0HX,
Tel: 0171 928 5955; Fax: 0171 955 0068;
e-mail: stewart.lewis@mori.com

There are many reasons for segmenting opinion leader audiences in research, rather than lumping them together. One is that they have different expectations, different standards and issues by which they reach their judgement of a company:

Criteria for Judging Companies 1998-99

Q What are the most important factors you take into account when making a judgement about a company?

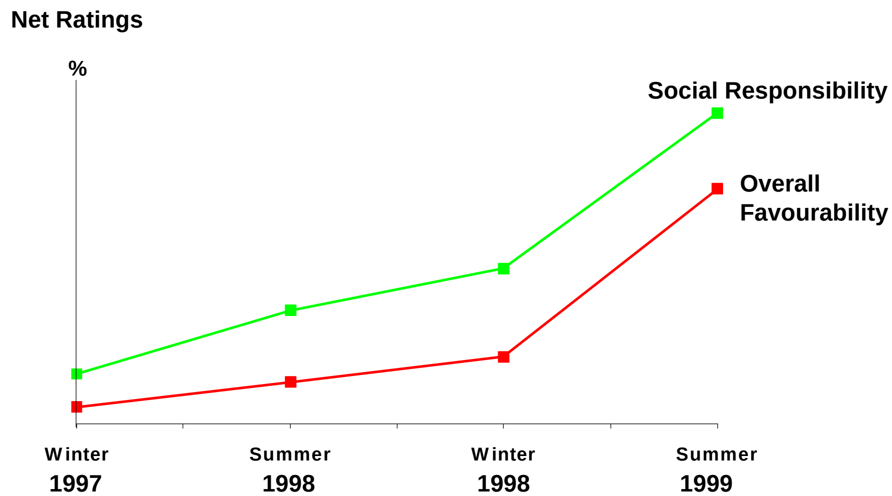
	General Public	MPs Lab	MPs Con	Business Press	City Investors
	%	%	%	%	%
Quality of products/ services	25	25	36	25	0
Customer service	21	27	15	13	0
Treatment of staff	20	71	38	22	0
Financial performance	15	12	46	72	69
Quality of management	12	5	19	63	89
Environmental responsibility	4	35	28	0	0
Social responsibility	2	22	15	13	0

Source: MORI

This is not to say that communications should be reactive and solely determined by the target audience's order of priority. But if communications fail to acknowledge the audience's priorities, they are not likely to win hearts and minds. One client has us track its reputation among MPs on 17 image dimensions. During the second half of 1998 it improved on 5 dimensions, went down on 3 and stayed the same on 9. During the first half of 1999 it was up on 5, down on 5, no change on 7. But overall favourability towards the company was down 2 points during the first period, and up 13 points during the second. The key was to make improvement, as it did in the first part of 1999, on **the things that matter most**.

In this case – as in many others – the thing that mattered most was corporate social responsibility. Especially among Labour MPs, it was the message which finally led to a breakthrough in favourability:

Social Responsibility and Favourability
- Labour MPs' View of a Major Company



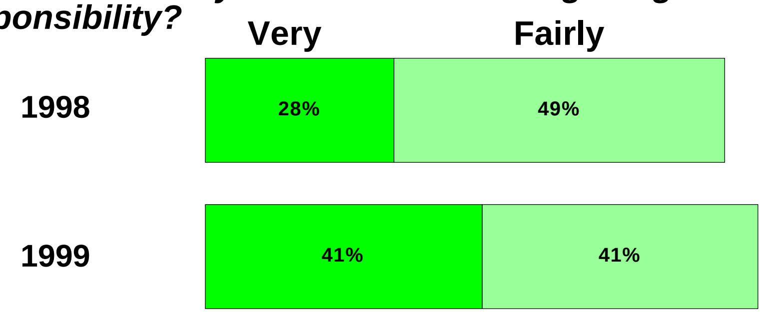
Source: MORI

Social responsibility is neither a fad nor an optional extra. The interest in it is reflective of a deeper change in the relationship between companies and their stakeholders, including consumers. Faith in the benefits of profits to consumers has halved since the Seventies; as a viable basis of a relationship, that faith has been replaced by a desire to see companies acting as active and responsible citizens. Healthy business requires a healthy community, and should be contributing to its creation and maintenance.

The public increasingly wants to know about the companies that stand behind the brands and products presented to them. And to use their consumer power to reward 'good' companies and punish 'bad' ones. This has major implications for branding, especially for a traditionally brand-oriented company such as Unilever. The pace of change continues to accelerate - 1999 shows a significant upping of the ante, with an increase from 28% to 41% of the British public saying that corporate responsibility is "very important" to them in making purchase decisions.

The Importance of CSR

Q When forming a decision about buying a product or service from a particular company or organisation, how important is it to you that it shows a high degree of social responsibility?



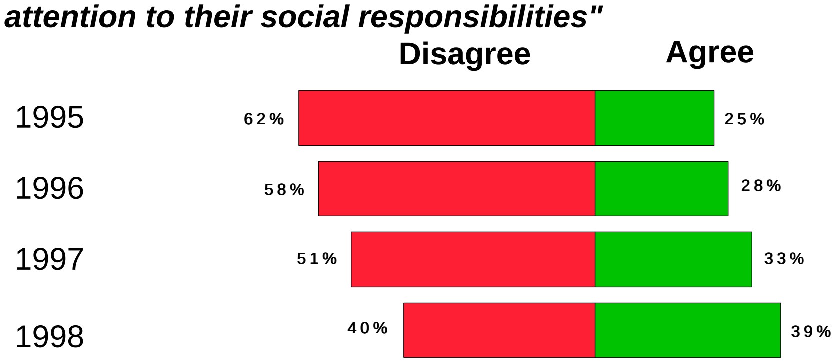
Base: 1,000 British adults, August 1999

Source: MORI

One final twist on corporate social responsibility. Like the environment a decade earlier, it provides an example of 'reverse opinion leading'. Captains of Industry, so-called opinion leaders, have had their concern about CSR dragged upwards by so-called followers in the general public. In 1995, Captains' agreement that *industry and commerce do not pay enough attention to their social responsibilities* stood at minus 37 points; by 1998 it had shifted to an even balance.

Importance of Social Responsibility - Captains of Industry

"Industry and commerce do not pay enough attention to their social responsibilities"

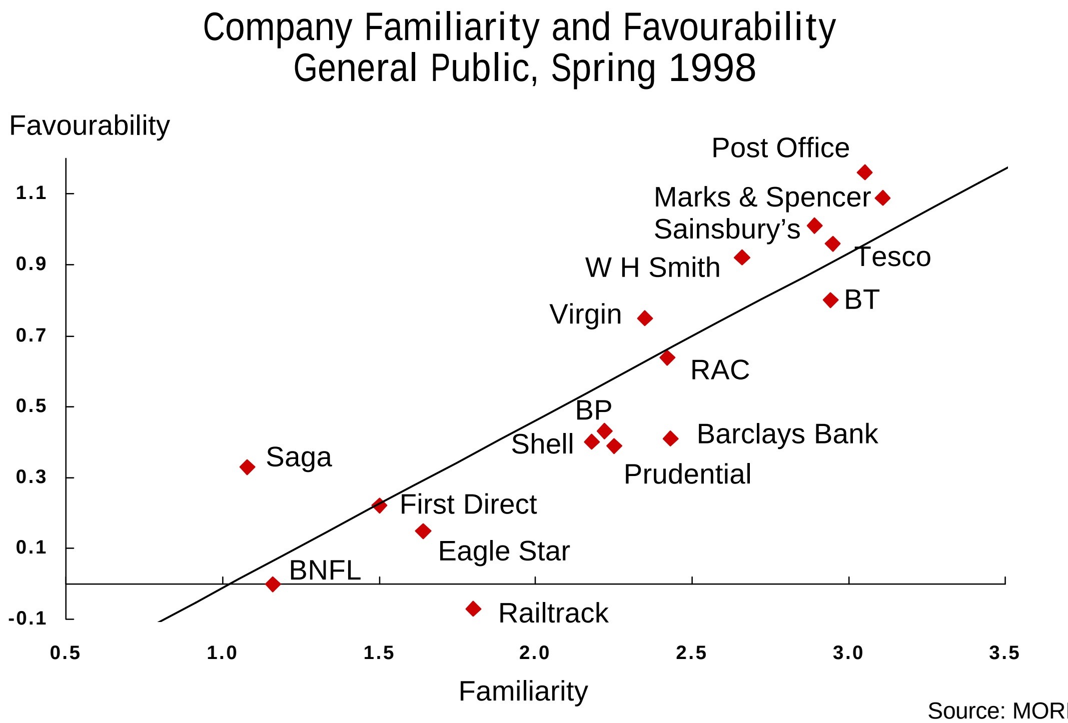


Base: c. 100 Captains of Industry, each Autumn

Source: MORI

So, it is vital for research to monitor the ever-shifting background of different audiences' needs and criteria for judging companies. When it comes to individual companies, three kinds of measure are needed: a summary reputation measure, appropriate specific image dimensions, and benchmark comparisons.

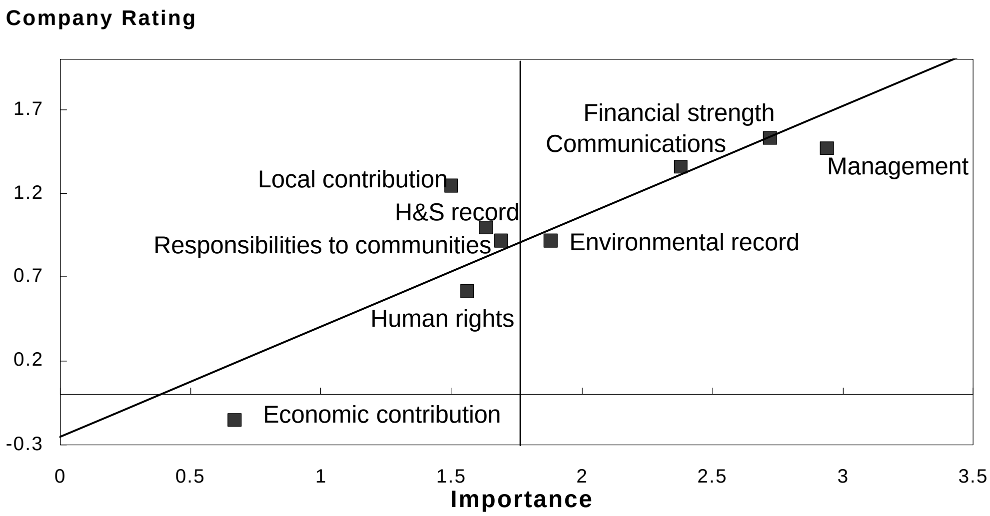
A well-known summary measure which has stood the test of time is the MORI familiarity/favourability index:



In company reputations, familiarity does not breed contempt. All other things being equal, the better known you are, the better disposed your target audience will be towards you. This applies to all audiences in all countries. A special word about familiarity: the question asks **how well do you know each company?** It is not factual knowledge – or at least not factual knowledge alone – that creates the sense of knowing a company. It is something more akin to *'I know what makes them tick'*, a sense of the organisation's heartbeat. This may help to explain why companies which frequently change the style and tone of their advertising rarely reach the heights of familiarity and favourability!

The specific image dimensions measured should reflect the audience's priorities as well as the company's. The relative salience of different attributes can be the key to understanding a company's overall position (and what it can do to improve it). The charts below show the reputation of a certain company among two groups, the financial community and Guardian readers. The company's perceived strengths and weaknesses are the same in both cases. But the two audiences' order of priorities is very different, meaning that its strengths are closely aligned to the audience's priorities in one case (a recipe for positive image) and poorly aligned in the other (a recipe for negative image).

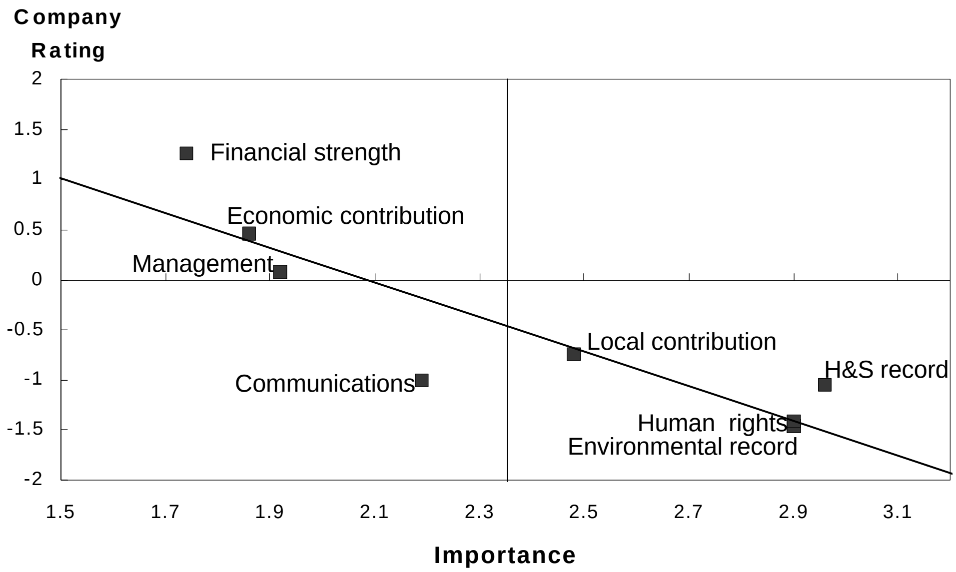
Specific Image - Financial Community



Base: Institutional Investors/Analysts, March 1998

Source: MORI

Specific Image - Guardian Readers



Base: Guardian readers, March 1998

Source: MORI

Much of my work these days is focussed on identifying the drivers of favourability – the factors that have greatest influence on that brew of thoughts and feelings which produces reputation. In communication terms, of course, these are the factors which potentially give our clients the biggest bang for their buck.

In an interesting experiment in 1997, we looked at the correlation between specific attributes and companies' overall favourability among Members of Parliament. There is only a weak correlation – 14% - between a good perceived financial record and favourability. The correlation is higher between good treatment of staff and favourability – but only marginally higher, to my surprise. Being seen to have high quality management gives a 38% lift in favourability.

Overall – another surprise – there is only a small correlation between having an effective communication programme and overall favourability. Actually, a stronger correlation exists for most companies but the pattern is skewed by a couple of companies whose communications are respected, but whose business is not.

In contrast to these weak correlations, being highly rated on social and environmental responsibility resulted in an 82% correlation with favourability. Now there's a communication investment worth making!

Benchmarking is easier said than done. In a rapidly changing world, who are the right comparisons? A High Street bank might take comfort in enjoying a three-point favourability advantage over its traditional competitors – but what if it is twenty points behind Virgin, or thirty points behind Tesco? Hindsight is a wonderful thing, but foresight is even better. As far as possible – and accepting that the world won't quite work out as we plan – it's a good idea to include comparators who will be more important in the competitive picture two years down the road than they are now.

Communications make a difference – sometimes more than they perhaps should. MORI's studies of journalists reveal a close correlation between the rating of companies' press relations and overall favourability towards them. This is both illuminating and somewhat alarming; it tells us that coverage of a company in the business pages, for instance, is as strongly influenced by the company's communications effectiveness as by its business performance.

All the more reason to get press relations – and indeed investor relations, employee relations and customer relations – right. Journalists, including Britain's leading City Editors, tell us time and time again of poor practice among major companies. Some of their gripes are in areas of natural conflict such as openness about difficulties facing the company. Others, though, relate to the professionalism of the operation:

> *Most of the time when you phone up you get an answer-phone, believe it or not, rather than a real person. It is quite astonishing for a company of that size*

> *A press release says for further information contact Joe Bloggs, and then you ring up the company and you're told "I'm sorry he is on holiday in the Bahamas for two weeks, why are you ringing him now?" " Because your bloody press release said so"*

How do we measure the impact of wider communications? First, perhaps, by remembering what the communication is for. Campaign recall is often cited – implicitly or explicitly – as a key measure of success. But the **objective** of the campaign is unlikely to have been high recall. The campaign will have been designed to shift attitudes, feelings and/or behaviour, and its success can only be judged on those criteria. Recall is, at best, a means to an end.

We are often asked what makes for successful – or unsuccessful – corporate communications. In addition to the kind of factors discussed above, it is crucial to strike a tone and message that works for the current state of your company's reputation. We encapsulate this in a model of five building blocks, or generations, of corporate communications.

The first foundation is **awareness**. When the new company Invensys was formed in 1999 from the merger of Siebe and BTR, its first advertising campaign was rightly designed to create awareness, with a basic theme of **here's who we are**. On that foundation can be built a second tier, **involvement**. If stakeholders are to feel and act positively towards a company, it will be in reciprocation for that company making a contribution to their lives. So the message of the second building block is **here's what we can do for you**.

We used to believe that at this point a company could move on to persuasion. But the importance of corporate social responsibility has become so great that a third generation of message is now needed, about the company's contribution to the societies and communities its operates in. This can be called **connection**, and its message is **here's how we meet our responsibilities**.

Only when these three things are in place – awareness, involvement and connection – can corporate communications do what we'd all like to do, to persuade. The fourth generation is **persuasion**, with a message of **here's what we think**. If it is acceptable, the ultimate potential of communication is to inspire **action**: **here's what we want you to do**.

One of the most common failings of corporate communications is to jump into the mode of generation four (persuasion) without the foundation of generations one to three. The response is likely to be 'so what?'.

But if the building blocks are systemically put in place, the sky's the limit.