

Chapter 17

Reputation Analysis



Ch17. Reputation Analysis

- Short Description
- Background
- Strategic Rationale & Implications
- Strengths & Advantages
- Weaknesses & Limitations
- Process for Applying Technique
- Summary
- Case Study:
- FAROUT



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Short Description

- Corporate Reputation Analysis (CRA) identifies a firm's, or industry's perceptual image among key stakeholders based on a given set of factors.
- The CRA process sets out to improve firms relations with stakeholders in the future, ultimately increasing the firm's profitability.



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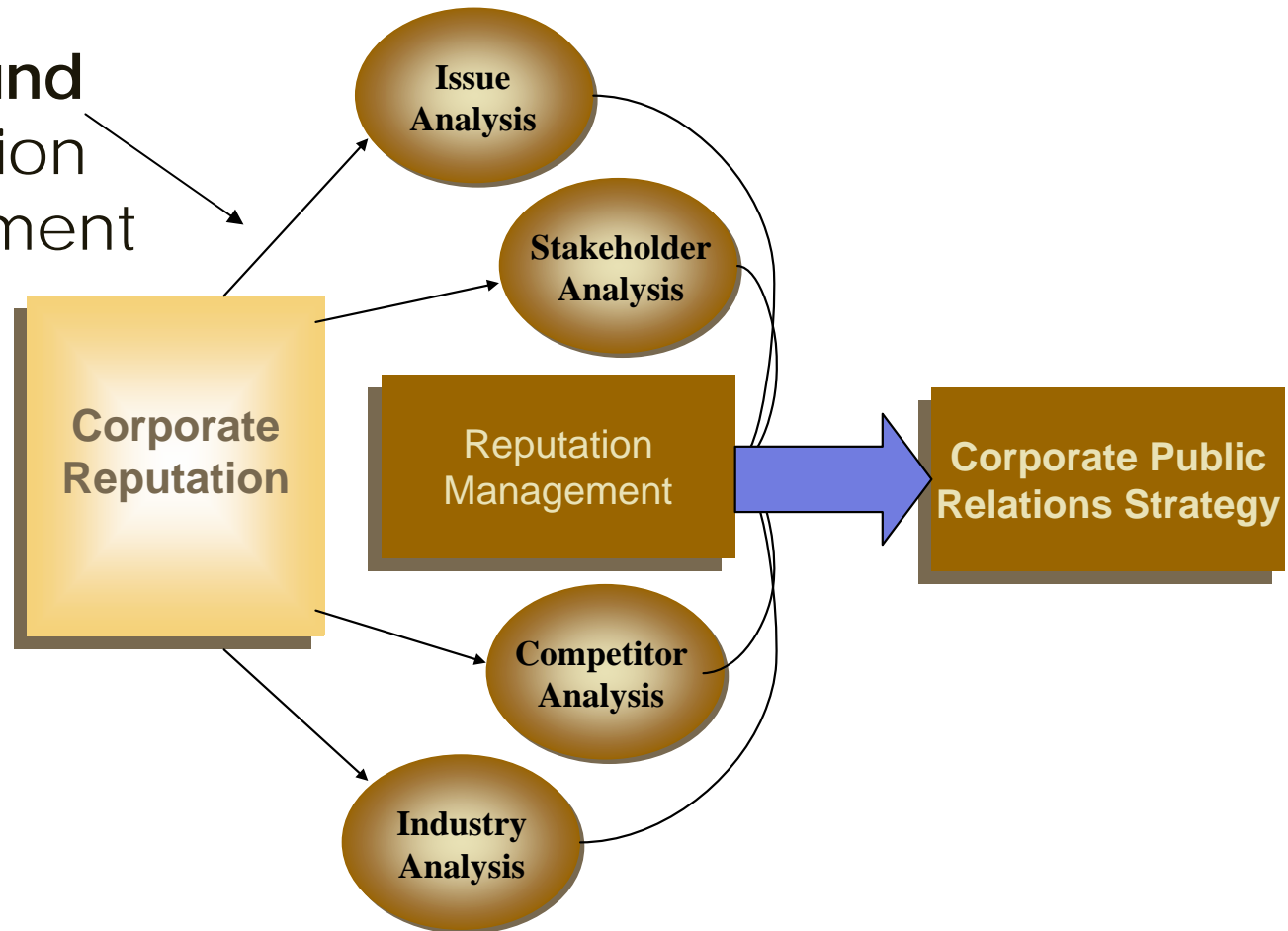
Background

- 1983: Fortune Magazine published list of America's Most Admired Companies.
- Eventually moved beyond media to consulting.
- 1999 movement towards standardization.
- The Reputation Institute's Reputation Quotient.
- Many firms continue to construct their own CRA processes, despite standardization efforts.
- In recent times, many firms have damaged their reputations through the behaviour of their senior executives.

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Background

- Reputation management





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Strategic Rationale and Implications

- CRA seeks to identify and possibly enhance a firm's, or group of firms' image(s) among their stakeholders.
- Can also compare firm against competitors.
- Dowling (2006) suggests that the major sources of corporate reputation risk fall into six broad areas:
 - The industry in which a firm operates
 - Identifying strategies
 - The culture and daily operations of the firm
 - The comments and behaviour of senior executives
 - Managing stakeholder relationships
 - Response to a crisis.



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Strategic Rationale and Implications

- Managing a company's reputation on a continuous basis is referred to as reputation management.
- Usually done by PR department.
- The image a firm communicates can heavily influence the actions of key stakeholders.



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Strengths and Advantages

- **Universal**

- The process can be applied to any firm.
- CRA process can be customized to size of firm.
- Technique is simple.

- **Bottom Line**

- Good reputation can avoid customer attrition.
- Generate word-of-mouth advertising.
- Can trickle to share price.
- Also applies to employees.



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Strengths and Advantages

- **Competitive Differentiation**
 - Results can differentiate firm.
 - Must manage reputation continually.
 - Industry wide effect may be greater than the sum of individual firm efforts alone.
- **Qualitative**
 - Can provide practical information in terms of future strategic planning.
 - CRA taps into the perceptual image formed by the final message recipient.



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Weaknesses and Limitations

- **Practical uses**
 - Does not provide the hard figures needed for wider strategic planning.
 - At the board level, there are two weaknesses:
 - Board may be the last to receive early warning signals about reputation.
 - The information they receive is filtered through managers and/or external service providers.



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Weaknesses and Limitations

- **Reliability of Results**
 - Use of focus groups means results cannot be replicated.
 - Involves the use of private information.
- **Return on investment**
 - Difficult to guarantee specific returns from spending funds on PR activities.



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Process for Applying the Technique

- CRA can be simple or complex.
- Many different processes that can be used to effectively conduct CRA.
 - Reputation Quotient
 - Focused CRA
 - Media Ranking and Monitoring
 - Reputation Management



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Process for Applying the Technique

- Reputation Quotient
 - Invented in 1999 to **standardize CRA**.
 - Applies best industry competition evaluation.
 - Identifies 6 dimensions where firms may excel or fall behind:
 - Emotional appeal
 - Products and services
 - Vision and leadership
 - Workplace environment
 - Social responsibility
 - Financial Performance

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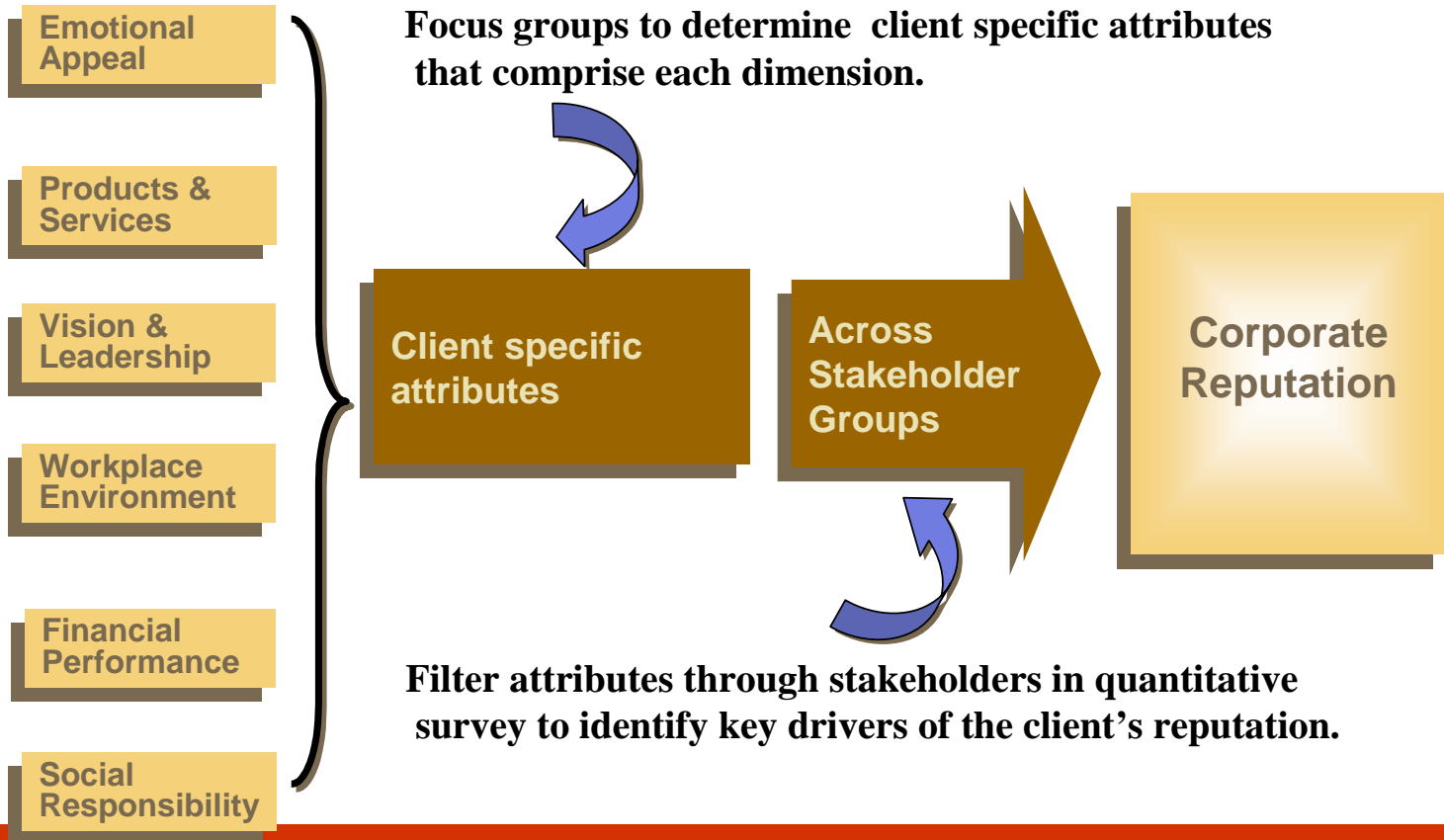
Process for Applying the Technique

Dimension	Attributes
Emotional appeal	<ul style="list-style-type: none">• I have a good feeling about the firm• I admire and respect the firm• I trust this firm
Products and services	<ul style="list-style-type: none">• Stands behind its products and services• Develops innovative products and services• Offers high quality products and services• Offers products and services that are good value for money
Vision and leadership	<ul style="list-style-type: none">• Has excellent leadership• Has a clear vision for its future• Recognises and takes advantage of market opportunities
Workplace environment	<ul style="list-style-type: none">• Is well managed• Looks like a good firm to work for• Looks like a firm that would have good employees
Social and environmental responsibility	<ul style="list-style-type: none">• Supports good causes• Is an environmentally responsible firm• Maintains high standards in the way it treats people
Financial performance	<ul style="list-style-type: none">• Has a strong record of profitability• Looks like a low risk investment• Tends to outperform its competitors• Looks like a firm with strong prospects for future growth

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Can also be represented as follows:

Core dimensions





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Process for Applying the Technique

- Focused CRA:
 - Better for firms using CRA for their own strategic planning.
 - First step is to identify which specific attributes to base the CRA upon.
 - Select a focus group to nominate key attributes.
 - Starting point: list of 26 items that are consistently used in CRA. *Carroll and McCombs (2003)*
 - Conduct survey where stakeholders rank chosen attributes and analyze results.

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Consistently used attributes in CRA

1. Quality of Products and Services	10. Strong and consistent profit performance	19. Maximizing customer satisfaction and loyalty
2. Financial Soundness	11. Being honest and ethical	20. Overall admiration
3. Ability to attract, develop and retain top talent	12. Best practices — markets	21. Overall awareness of company
4. Quality of Management	13. Business leadership	22. Overall leadership
5. Social responsibility	14. Companies that other try to emulate	23. Potential for growth
6. Innovativeness	15. Contribution to local economy	24. Quality of marketing
7. Long term investment value/future potential	16. Globalisation of business	25. Robust and human corporate culture
8. Ability to cope with changing economic environment	17. Innovativeness in responding to customers	26. Strong and well thought out strategy
9. Use of corporate assets	18. Long term financial vision	



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Process for Applying the Technique

- Media Ranking and Monitoring
 - Media rankings are compiled using feedback from heads of industry.
 - Can get a subscription to a media monitoring service.
 - Can be undertaken by firm alone.
 - Used to help direct future PR campaigns/strategy efforts.



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Process for Applying the Technique

- Reputation management
 - Five guiding factors are:
 - The principle of **distinctiveness** (competitive positioning)
 - The principle of **focus** (unity)
 - The principle of **consistency** (unity)
 - The principle of **identity** (ethics)
 - The principle of **transparency** (ethics)
 - Scope will depend on firm.



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Summary

- In summary, reputation management is an ongoing process and includes:
 - Measuring the reputation of the firm across key stakeholder groups.
 - Prioritising the reputation risks and developing protocols to handle these risks.
 - Equip and empower line managers to deal with these risks.
 - Create ways to listen and communicate with stakeholders on an ongoing basis.



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Case Study: Royal Dutch/Shell

- In 1995 Royal Dutch/Shell found its reputation in tatters after two publicity disasters.
- In 1996 Shell started review to explore two issues:
 - Shell wanted a better understanding of what the public expects from trans-national companies (like itself).
 - Shell wanted to understand what people thought of them. What was the standing and reputation of the firm?
- As a result of the review Shell took several steps to improve its reputation:
 - Redefined its corporate mission to prioritise social performance.
 - Improved its communications with the public.
 - Initiated a 12 member Social Accountability Committee.



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Case Study: Royal Dutch/Shell

- The 1998 *Profits or principles* report put forward a plan by Shell to incorporate social responsibility into its corporate strategy.
- It began to publish an annual *People, Planet & Profit* report to communicate its social responsibility agenda and actions.
- Shell's investigation into and management of its reputation resulted in its rehabilitation in the public view and an improvement in its profitability.
- It has also positioned the firm as socially responsible, differentiating it within the oil market, as a firm that is authentic and transparent in its communications.



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- **FAROUT Summary**

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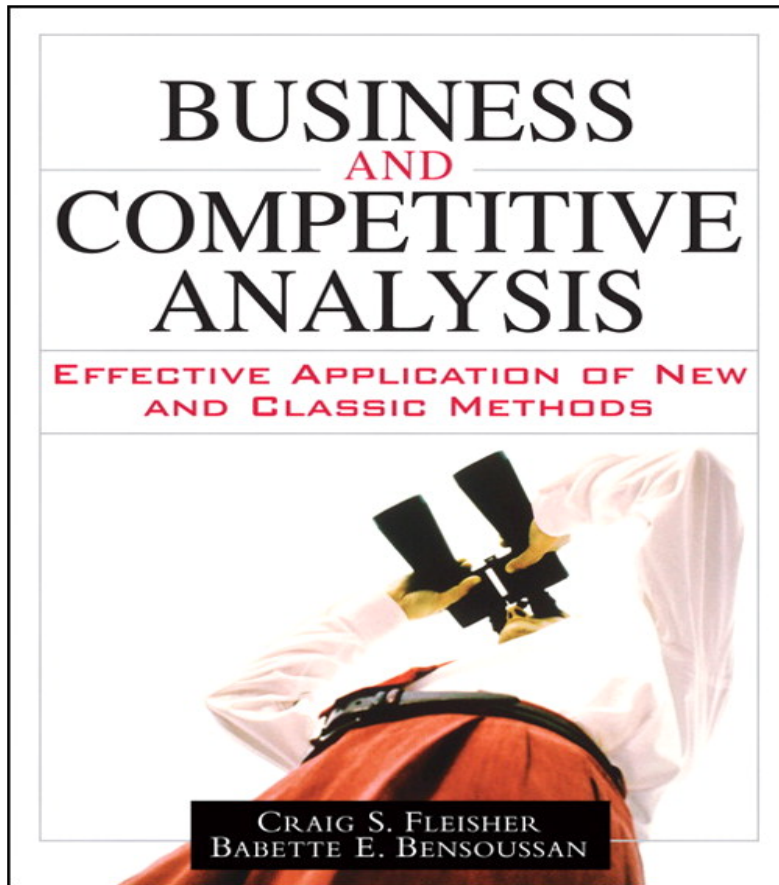


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Related Tools and Techniques

- Competitor Analysis
- Issue Analysis
- Stakeholder Analysis
- Competitive Positioning
- Industry Analysis
- SWOT Analysis
- Critical Success Factor Analysis
- Driving Force Analysis
- SERVO Analysis

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For More About **Reputation Analysis** and 23 Other Useful Analysis Methods, see:

Fleisher, Craig S. and Babette E. Bensoussan

Business and Competitive Analysis: Effective Application of New and Classic Methods

FT Press
FINANCIAL TIMES

Upper Saddle River, NJ
2007