The Reputation Council

A "political model" of communications

The buck stops where: Who owns reputation? Rules of engagement: How stakeholders differ



Building a long-term

reputation in a

short-term world

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2014 The Reputation Council 2014

Latest findings from the ninth sitting of The Reputation Council

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Graphics Flo Woolgar Barrington Welcome to the latest briefing from the Reputation Council. Our ninth sitting has brought together 141 senior communicators based in 22 different countries, with industry experts from Africa and the Middle East taking part for the first time.

The role of the corporate communicator is tougher than ever thanks to the growing complexity of the issues businesses face and the unrelenting tidal wave of information which needs to be navigated. At the same time, the internal resources available to communicators are sometimes static, or even shrinking.

This edition focuses on the challenges involved in building a strong reputation in these testing circumstances, and explores some of the options communicators have at their disposal in the reputation toolbox.

We consider the benefits – and potential pitfalls – of adopting a "political model" of communications. An issues based approach to communications can enable companies to have more meaningful conversations with their stakeholders.

We examine what Reputation Council members see as the barriers to and enablers of engagement with different stakeholder groups. While each stakeholder group throws up its own particular challenges, there is a great deal of commonality in the most effective tools of engagement with each group. Country of origin, one of the other topics covered in this briefing, can have a role to play in a company's reputation toolbox. This can sometimes be unwelcome – when a company is under scrutiny for perceived misbehaviour, its country of origin can come to the fore.

It is clear that there are no easy answers to the challenge of building a long term reputation in a short term world. While the fundamentals of a strong reputation remain unchanged, the world in which communicators have to operate continues to be transformed.

While each company has to find its own way, there is much that communicators can learn from each other. As one of our Reputation Council members put it when discussing who owns reputation in their organisation: *"we are definitely on a journey – this is not solved yet."*

As ever, please do get in touch if you would like to discuss any of the topics explored in this briefing, or would like to find out more about what we do

Milorad Ajder

Matt Williams

North America

Latin America

- Financial services remains the sector most likely to be facing reputational challenges, although there has been a slight decline in nominations since last year
- Retail and FMCG are more likely to be selected this year compared to last year
- The mobile, media, engineering and construction industries have the least nominations

- The pharmaceutical industry takes over from energy as the sector most likely to be regarded as facing reputational challenges
- Financial services and energy see a fall in nominations this year

Africa and the Middle East

- The media industry comes top as the sector with the greatest reputational challenges to tackle, according to Council members interviewed in Africa and the Middle East
- The energy, telecoms, retail and pharmaceutical industries rank above financial services in terms of facing reputational challenges

Q: Which two or three industries do you feel face the greatest challenges in terms of their reputation at the moment?

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Base size: Grand total (141), Europe (54), Latin America (14), North America (21),Russia (15), Africa and the Middle East (10), Asia Pacific (27). Fieldwork dates: May toJuly 2014. Please note small base sizes so caution should be exercised when making comparison

Asia-Pacific

- Council members again regard the financial services sector as encountering the greatest reputational challenges at the moment, although we see a decline compared to last year
- The energy industry ranks second, having increased since last year

Europe

Russia

- Financial services is still the sector most likely to be seen confronting reputational challenges, although there has been a decline since last year
- The energy sector has seen an increase in nominations
- The construction industry and the financial services sector are considered to be facing the greatest challenges reputationally at present
- Views of the reputation of the financial services sector have remained steady, while the construction industry is less likely to be seen to be facing reputational challenges this year



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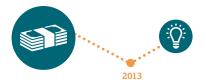
Asia-Pacific



Europe



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Grand Total

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Base size: Grand total (141), Europe (54), Latin America (14), North America (21),Russia (15), Africa and the Middle East (10), Asia Pacific (27). Fieldwork dates: May toJuly 2014. Please note small base sizes so caution should be exercised when making comparison The financial services sector remains top when considering which industries face the greatest reputational challenges, particularly in Western countries. However there has been a decline in nominations for this sector since 2013, while the energy sector has seen an increase.

66 Financial services is gradually coming back, largely due to increased transparency and access to information. **99**

In some regions, we even see financial services drop from first place to be overtaken by another sector, usually the energy sector. In Africa, the Middle East and Latin America, the pharmaceutical industry, along with the energy and telecoms sectors are thought to be facing greater challenges than the financial services sector this year. While the general consensus is that the financial services sector will eventually recover, albeit gradually, some members believe that the energy sector will in the future face even greater challenges as issues such as renewable energy and nuclear power become more salient. The energy sector is particularly thought to face challenges in Africa and the Middle East due to political issues and corruption scandals.

66 Conventional energy [is a] tougher challenge in future. Renewable energy will be more difficult. Fossil fuel will be bombarded. 99

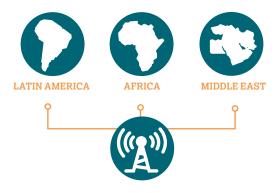
Others are more optimistic that the energy sector will claw back its previous position:

46 Energy will bounce back... [there were] a few political problems that obviously are being solved.**99**



The challenges faced by both financial services and energy are seen by some to be closely linked to the economy and political influences. According to one Reputation Council member:

46 Until the economy sufficiently repairs itself and the benefits of that are being felt by people in the high street and in their pockets....until that benefit starts being felt, people will be concerned about what they are paying for their energy.**99**



Telecoms organisations are expected to face high levels of reputational challenges according to Reputation Council members in Latin America, where government surveillance activity became public in late 2013. In Africa and the Middle East, and more generally globally, telecoms companies are seen to be confronting reputational challenges because of their relationship with the state.



However others take a more positive view of the pharmaceutical sector.

66 The current issues will go away because this is one of the strongest potential industries globally, and will only get stronger with the older population trend occurring.**99**



Retail and FMCG have the fewest nominations by members globally. However some Reputation Council members query whether the FMCG sector, and in particular food and drink, will face greater reputational challenges further down the line because of issues such as obesity and diabetes.

46 Looking slightly longer term, the sector that should be really worried is food and drink. They are within a hair's breadth of becoming the next tobacco. We are on the tip of the scientific evidence of sugar causing diabetes and once we have that they have some really serious challenges ahead.**9**

Some Reputation Council members highlight the difficulties faced by all sectors:

66 For business in general it is going to be a very difficult three/four/five year period, any area that is unpopular with consumers will see a significant increased focus.

And as one Reputation Council member put it, many sectors need to take steps to repair trust.

46 There is a lot of breakdown of trust in a lot of industries and there is a lot of repair work that needs to be done about openness and transparency....how well industries do will determine whether they make it or not, in terms of sectors.**99**

46 [There have been] a lot of discussions around how the telecoms companies should provide data to the military services and I have seen this kind of conversation happening in a number of countrieshow states in different ways are monitoring people is an important topic and it has reputation ends for the companies that are involved, such as telecoms companies. **99**

However it is the media industry that is most likely to be considered the industry facing reputational damage among those interviewed in Africa and the Middle East.

46 I just think the issue with the media has mostly been caused by content. There has been a lot of controversy...recently... about radio... about what's being aired and what people are listening [to].**9**

The perceived rise in reputational challenges for the pharmaceutical industry, particularly in Africa, is linked to the advent of new remedies as well as the growing politicisation of the sector.

46 Regulated industries are going to continue to feel that science based regulations are ebbing and much more politicised and much more based on consumer views of things.**99**

2. The buck stops where: Who owns reputation?



Key Points

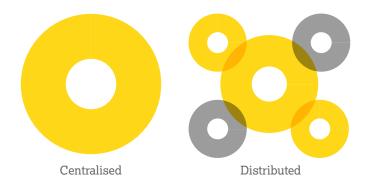
Most Reputation Council members are working within a centralised model of reputation management. In around half of cases, reputation is owned by the corporate affairs/communications function, while for a quarter formal responsibility for reputation sits with a top business leader such as the CEO

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Around a quarter take a distributed approach to reputation management, with the reputation function shared across multiple departments

These two models of reputation management – centralised and distributed – have their pros and cons and their suitability depends upon a company's structure and culture The reputations of companies rest as much on what they *do* and how they *act* as what they *say.* As one Reputation Council member notes "there are fairly clichéd statements about everybody being responsible for the reputation of a company." But how does this actually work in practice? We asked our Reputation Council members how reputation management is structured in their organisations and who has overall responsibility for their company's reputation.

Broadly speaking, there are two different models in use – **distributed** or **centralised** reputation management. Around a quarter of Reputation Council members share the reputation function across multiple departments (generally including a communications or corporate affairs department), but the majority of companies centralise responsibility for reputation.



The distributed approach generally entails a group that sits together and heads various departments. The most common functions involved are communications/corporate affairs, marketing, investor relations, and human resources. In many of these cases, there is a strategy that is set either by the business as a whole or by the group which then is executed by the component parts.

46 We don't have a reputation management function, it is a distributed responsibility across the board. Ultimately the Board owns the reputation of the company but in terms of the day to day activities around it, it is a shared responsibility between various departments, between corporate communications, in marketing, which deals more directly with the clients, the public affairs side will deal with the external stakeholders and not to forget human resources because a lot of our reputation today is what our employees say about us.**99**

66 At the enterprise level, we have a team in the US looking after the global brand in terms of PR, media relations and marketing. There is a separate team that looks after [...] government relations.**??**

66 Reputation strategy is set by the executive team then there is a working group/cross functional, including members from marketing, legal, and corporate affairs.**99**

A centralised approach is more common though, and usually the communications/ corporate affairs function leads. Just over half of Reputation Council members say that communications/corporate affairs drives the strategy and has overall responsibility, although the rest of the business has an important role to play. 66 Our team is the centre for excellence around this and leads reputation within the business – our job is to set the strategy and provide insights but it can't been carried by one unit – it's everyone's job. We have to make the case to the rest of the business, every function, that it matters to your stakeholders – otherwise it remains a corporate issue. You get much better movement if corporate reputation is seen as mainstream – open it up, make it easy to understand. ?)

46 I am the one who is responsible for working on reputation from a strategic perspective, as communications officer. But I also want the business leaders to be ambassadors for corporate reputation.**99**

In some cases, the communications/corporate affairs person with responsibility for reputation is also a member of the executive committee. This helps push the strategic management of reputation higher up the organisation, but the responsibility continues to reside in a communications oriented function.

66 My KPI is reputation, as the Director of Corporate Affairs. I report to the CEO.**99**

44 Our company takes reputation very seriously. As Corporate Affairs Director, I am on the Executive Committee, which is really important because that is how highly the company regards it. Although I have responsibility for communications and corporate affairs, it is seen that our reputation on everything we do goes throughout all of the directors in whatever they do operationally, or in all the other areas we operate in.**99**



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CONNECTION

Rh(DiPAMP) catalyst 100% **46** We have a leadership team that is very focused on that, we sit on all the function and business leadership teams so we are represented at all of the interactions where business decisions are being made. **99**

46 The Head of Corporate Affairs late lastyear was named to the Executive Committee.

While reputation in many companies is being elevated to the level of key business leaders, others are still struggling to show the importance of active reputation management.

66 We don't have the support of marketing and the whole business to show corporate reputation is front and centre; that's a massive gap. It can't just be driven by corporate affairs.**?**

46 Usually in the financial sector people are very business orientated and very numbers focused, and reputation is not something that really springs to mind immediately for banking executives, until very recently.**9**

By contrast, around a quarter of Reputation Council members are part of an organisation with a centralised reputation function that is headed by a top business leader (e.g. CEO or CFO). A reputation function that is centralised in this way generally reflects a view that reputation is of crucial importance and that the business as a whole is responsible for driving reputation. **46** It is overseen at board level on a quarterly basis, it is measured, it is tracked, it is monitored and the outputs of that are re-embedded into the business so that learning from our reputation analysis forms part of our decision making process. If our reputation is denuding in a specific area or more generally across the group, action is then predicated and informs part of the process to fix the problem.**99**

46 The CEO actually has a huge vested interest in this. But the responsibility is with the CEO and then divided between communications and branding, where communications mainly has the external and branding in practice has a lot of the internal. I would say in theory and practice actually. But the collaboration is so close that internally, people don't know what department is primarily in charge of this, because it is nearly perceived as a single unit.**99**

Where reputation is owned in a company is shaped by its structure, culture and history. The centralised and distributed models each have pros and cons, and in some respects these reflect the challenges inherent in reputation management. A more centralised approach can ensure greater consistency but this can come at the expense of nimbleness and responsiveness (something of particular importance in the social media age). Perhaps this is why the nuts and bolts of reputation management remain a work in progress for a number of companies. As one Reputation Council member said:

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We are centralising the strategy in our Global Corporate Affairs function. However, we are doing this with a view toward all business leaders and employees having responsibility for building reputation. We are definitely on a journey – this is not solved yet.

3 A "political model" of communications



Key Points

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"Political model" communications involve interlinked policy-based campaigns on issues of relevance to a company's core business

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The key advantage of this approach is that it gives companies more of a platform to engage with stakeholders – a licence to communicate

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While issues based communications give companies more opportunities to build trust with their stakeholders, this strategy runs the risk of reputational fallout if companies fail to deliver on their policy promises

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[We] need to really understand the issues that our customers are facing, the issues that by extension society is facing, and show our customers that we have a role to play in addressing those issues. **99** Political and corporate communicators face similar problems in getting their message across in a crowded market place, while facing the scrutiny of the 24 hour news cycle. In recent years, many corporations have moved away from "blanket" messaging to stakeholders and consumers and have instead communicated on specific issues in a more targeted manner that mimics how politicians structure election campaigns.

"Political model" communications typically involve a series of overlapping campaigns that articulate the company's stance and record on a group of interlinked policy issues. The company's communications plans are structured so all communications focus on one, or more, of the policy issues, as well as referencing the company.

The policy areas that major companies are selecting for this form of communications strategy are related to their core business in some way and tend to be of interest to both stakeholder and consumer groups. They generally fall into the following categories; social (such as responsible consumption or public health), environmental and corporate (employees, business ethics and supply chains).

There are also the expectations that stakeholders, regulators and the public have of the role business has to play in society. For instance a third (31%) of the British general public says that when making a decision about buying a product or service from a company, it is very important that it shows a high degree of social responsibility, with 81% saying this is very or fairly important¹.

1. Ipsos MORI Sustainable Business Monitor, 1,000 16+ GB adults interviewed face to face in August 2013

Identifying campaign issues

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We used political polling methodology quite early on to really understand a couple of different things. One was what are the things that we are already doing that we need to talk about that will move the trust needle with our customers, and the second thing was what could we do that would move the trust needle with our customers and how would both of those things influence their stated likelihood to visit us. Then we did some additional research, knowing then which the biggest hitters were, how do you most effectively communicate those. So very, very political in terms of its methodology, but it has worked and it has been really effective for us. **99**



The key advantage of more issues based forms of communication is that this gives major companies more reasons to communicate with stakeholders and the public. Or, to put it another way, companies are given a licence to communicate. This is potentially a huge advantage in a fragmented, competitive and challenging communications landscape.

44 There are certain issues which we, as market leader, have views on and we are running a number of thought leadership campaigns which provide us with a platform to interact with various stakeholders from policy makers and politicians through to customers and existing and potential employees.**9**

A company that is talking to stakeholders about several different policy areas, rather than just its own performance, has greater opportunities to establish its credibility and authority across a range of stakeholder groups. This in turn can increase a company's influence in and leadership of its sector.

46 If you are not doing this then you shouldn't be in a job managing reputation. The advantages are you can effect change within the wider market, which means you are more likely to be in a leadership position because you are clearly connected to the issues. Which means you are more likely to be successful as an organisation.**99**



CASE STUDY

Unilever is a good example of how the "political model" can work. It addresses issues that fall under the umbrella of sustainability, with brands linked to different policy areas. Stakeholders are more likely to want to hear about what Unilever is doing about these issues, rather than Unilever the corporate entity. By slanting their communications through the prism of issues, Unilever has more of a licence to communicate with its stakeholders and consumers, with more opportunities to get front and centre with them.

"Micro-targeting", where campaigners put specific messages in front of specific voters, is a growing trend in politics. A "political model" of communications also involves using multiple formats and communication channels to target different groups, allowing communicators to tailor their approach for maximum effect.

For example, if a FMCG company has been working in the area of childhood obesity, it could approach both politicians with an interest in FMCGs and retail to tell them about the company's performance and highlight its policy work, while politicians with an interest in childhood obesity and public health would get different communications highlighting what the company is doing in relation to that issue. Any politician who is interested in both areas would get a third set of communications. While there is nothing new about companies targeting their communications to different groups, this targeting is becoming increasingly sophisticated, and a campaign-based approach enables companies to segment their messages in a more granular way.

46 It's just a more sophisticated way of targeting your audience so you don't have just vanilla communications campaigns; you have different campaigns for different audiences.**99**

As several members of the Reputation Council point out, more targeted issues based communications have practical advantages when it comes to objective setting and measuring success. If a communications campaign is broken down into smaller components aimed at clearly defined groups, then setting objectives and measuring success is easier. **46** It is very focused on specific business drivers and issues and so you can be quite targeted in how you manage it and how you measure and deliver against it, so it gives you focus.**99**

Trust is the key component for a strong corporate reputation, and it is something that is hard to generate and easy to lose. An issues based, or "political model", communications plan potentially provides multiple ways to generate trust. Classically trust was built by corporations delivering on the promises they make - a simple paradigm that is as true today as it was then. Corporations following narrow communications strategies are only able to make promises on a fairly specific set of criteria – and those are rooted in core business functions, sales, profit, quality of management and so on. Delivery on these core business metrics is vitally important for any company wishing to succeed but, from a trust point of view, it limits the areas in which a promise can be made and delivered upon. A company that is active and communicating in six different policy areas has six different forums in which to build trust, as well as being able to generate trust through its core business function.

This strategy is not without its pitfalls however; delivery against promises is still the basis on which trust is formed. Failing to meet your policy promises, as any politician will tell you, brings reputational risks. While a "political model" of communications is a potentially rewarding option to choose from the reputation toolbox, it requires careful consideration of what companies can, and cannot, achieve in their key areas of interest. Where are you coming from: Does country of origin matter?



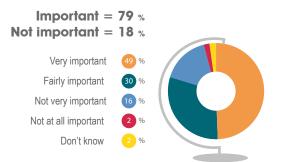
Key Points

- Most Reputation Council members believe that country of origin is important in shaping perceptions of a company
- Opinion is divided on the significance of nationality for consumers, whereas country of origin is seen to be relevant to stakeholders, particularly governments
- Nationality can be a positive in certain circumstances, but negative associations can come into play when companies are seen to misbehave or are involved in acquisitions
- It is important to understand what role positive or negative nationality can play in a company's reputation management, however global it sees itself as being

In an increasingly global world, to what extent is a company's country of origin a tool to be leveraged by corporate communicators and marketers – or is nationality now irrelevant?

Reputation Council members were asked how important a company's country of origin is in how it is perceived by stakeholders and consumers in the rest of the world. The consensus is that it *is* still important, with three quarters regarding it as important, and around a half saying it is 'very important'.

Q: How important is a company's country of origin to the way it is perceived by consumers/clients/stakeholders in the rest of the world?



Base: All Reputation Council members who answered this question (126). Fieldwork dates: May to July 2014

The importance of country of origin to *consumers* has long been the focus of debate among academics and marketers, with some arguing that it has become less relevant over time because of globalisation. In contrast, a recent report by FutureBrand¹ concluded that where products are made is increasingly important from a marketing perspective.

Many Reputation Council members agree with this point of view, particularly those in Asia Pacific, where western brands are seen to be more desirable than ever. Among members in the US, home grown is king and a strong sense of patriotism towards American products is believed to exist. Some Reputation Council members in South America similarly feel that foreign products are less well regarded by consumers.

On the other hand, many Reputation Council members, particularly in Europe, believe that country of origin is now far less relevant to consumers. While there are many good examples of brands which successfully utilise their country of origin in their marketing, from the consumer perspective, nationality is generally trumped by product/service performance and brand perceptions.

1. 'Made In' The value of Country of Origin for future brands. By Damien Moore-Evans, FutureBrand, Jan 2014

Some members argue that origin can no longer be used as a shorthand for quality, because in the modern world, everyone delivers quality as a minimum requirement. Indeed product quality related incidents in well-established markets can undermine the credibility of products from that entire nation. 'Made in the US' no longer necessarily consistently offers reassurance.

46 I don't see any difference now. It's always how the company performs. There are too many incidents that even countries like the States, Japan, Europe are having troubles, issues which bring them no advantage. **99**

The impact of country of origin on stakeholder perceptions has been subject to much less consideration. Reputation Council members generally believe that nationality is highly relevant to stakeholders.

Governments, in particular, are perceived to care more about nationality than consumers, especially where this impacts on their citizens. For example, Reputation Centre research over the years has shown that British MPs are particularly motivated by messaging related to employment and their constituents.

Some Council members feel strongly that their country of origin brings reputational advantages. For instance Norwegian members are vocal about the benefits of being seen as reliable and ethical because of the nationality of their company. This echoes the findings of other Reputation Centre research which has found that Nordic companies are closely associated with modern values and clean living.

46 The advantage is that as a company based in Norway, it is perceived as a Norwegian international corporation. We are viewed to have a set of values, for instance... we pay our employees on time, we keep our promises, we conduct our business in a proper manner. **99**

Being British is regarded as a short-hand for trust and reliability in some markets, which is seen to be particularly relevant in sectors such as finance. **46** There are some overseas markets where we definitely highlight our UK heritage, it is seen as a badge of honour, but it is also a badge of safety. If you are a big financial services company people are aware that as a UK insurer you are fairly heavily capitalised, you are fairly strictly regulated, you are going to behave, you are going to follow the rules, it helps build this wider reputation of trust.**99**

For other Reputation Council members, the perceived neutrality of the country of origin can be particularly useful in some regions.

44 For us, being Australian helps us in Asia. We don't have the colonial baggage attached to European companies, nor the geo-political baggage of US companies.**9**

While playing the national card can evoke positive associations, the more negative reputational aspects of a country need to be carefully considered.

44 It is a double-edge sword, a halo sometimes because being Swiss we offer solid financial systems, the strength here of regulators and government and history, that is very strong and people value the Swiss-ness. But also there is the perception of money laundering tax haven numbered accounts, and we are trying to change that so it works both ways.**9**

The Ipsos MORI Reputation Centre has conducted numerous pieces of work on national identity and we know from experience that negative associations can be particularly hard to shake off. An apparently positive or neutral positioning can shift into a negative gear when things go wrong. Following the Deepwater Horizon disaster in 2010, American politicians very quickly made a point of referring to BP as British Petroleum, thereby distancing themselves from the problem. As one Reputation Council member explained, if there is a problem, a company's country of origin can become a real point of focus, whereas previously this was ignored.





66 We have seen it with Starbucks and Amazon....The combination of their behaviour plus their origin is fairly toxic."**9**

Country of origin can also be particularly salient in the context of acquisitions. In a world where global corporates continue to expand, the nationality of the buyer is rightly or wrongly often a consideration. The extent to which potential buyers are seen as a threat or a benefit to an organisation and the local community often drives media coverage and attitudes. But one Reputation Council member argued that companies are looking to invest in a country rather than devalue it.

46 There is much more understanding that most businesses are in it to invest in a market, not just to asset strip and move out. I personally wouldn't view the Chinese a bigger threat to British industry, versus the Americans.**99**

Whatever a company's heritage, Reputation Council members stress the importance of operating effectively in local markets. Fundamental to this is understanding the local culture, investing locally, and becoming part of the local community. Members argue that the best way to work successfully in different markets is to fully integrate, most notably by employing local people at all levels.

66 We are properly international, we have businesses in 157 different countries...In the past these countries would have been run by someone who had gone over from New York or gone over from London but that has changed. Our Chinese senior partner is Chinese, our Indian senior partner is Indian and so on and so forth. There are places where that is still in development, as the business and the economy develops....but we are very local in terms of the people that we recruit. **99**

Others talk more in terms of a balancing act, understanding local requirements while holding on to the essence of an organisation.

46 It is important to balance the legitimate, that you are an integral part of your local community, that you are led by local people, that you understand the local market, that you are

trying to help the people of that country rather than trying to inflict a foreign market upon them, whilst simultaneously recognising the value of having this heritage and our Britishness is a quintessential part of that. **99**

Many Reputation Council members argue from their personal experience that it is still common and valid to make stereotypical assumptions about companies based on their heritage.

46 The reality is that businesses are fundamentally different based on where they come from....The way decisions are made, the way companies are run, the focus on products and production, the development cycles, ultimately how people operate, the culture.**99**

But as companies expand, evolve and become more international, some multinationals are made up of individuals from many nations and backgrounds, creating truly global organisations. In these cases company culture arguably supersedes national identity.

Even if a company regards itself as global and having moved beyond its origins, there is one thing that is unavoidable when it comes to reputational issues around nationality – perception is everything. Whether cultural stereotypes are helpful or detrimental to a company, they will not necessarily be anchored in reality or easy to shake off.

46 With some stakeholder groups it is built on opinion and the awful thing about opinion that is normally driven by perception and isn't necessarily based on reality.**99**

While country of origin can matter a great deal to stakeholders, its impact depends on several factors. There is the degree to which a company is associated with a particular country and what sort of associations that country has. Context is key, as in some circumstances a positive can quickly switch to a negative. Communicators therefore need to consider carefully where country of origin fits in their reputational toolbox – or whether it is possible or desirable to ignore nationality altogether. **5** Building a long-term reputation in a short-term world



Key Points

Dealing with the speed and volume of modern communications is one of the biggest challenges Reputation Council members face

This can come at the expense of long term reputation building because it draws time and energy away from proactive communications and strategic activities

The fundamentals of reputation remain the same, with products and services regarded as having the most influence on reputation

However approaches and structures need to be reconsidered to enable companies to balance both the strategic and tactical demands of reputation management

66

I don't think it is possible for people to do both the reactive and the proactive. **99**

One of the biggest challenges Reputation Council members say they face is dealing with the deluge of information generated by different media. Given the volume of material and the lightning speed at which news can travel, it has become very tough to keep on top of everything.

66 At the moment the biggest challenges are really keeping track on the pace at which news and information flows. Just the ability of the news flow to change very very fast and for stories to gather momentum almost faster than organisations can track responses.**99**

46 Where originally an issue would get to the Daily Telegraph and be an issue here in this country, now we are seeing more and more the issue will be picked up in Hong Kong or elsewhere and before you know it a local issue can really grow into a bigger global issue. **99**

The need to react quickly can lend itself to a short term outlook, and there is a danger that responses lack underlying coherence or are inconsistent with overall corporate objectives.

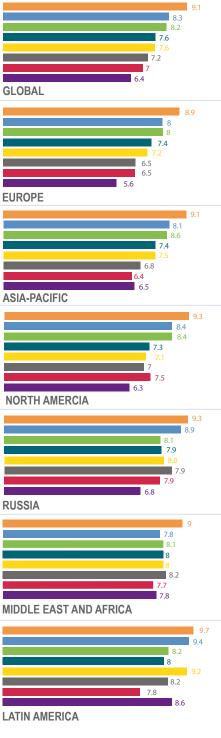
46 Before social media journalists rang you up at 10.00am, you knew you had until about 5.00pm to get back to them. You don't have that any more, if we are not careful we will find ourselves lurching from one thing to the next and we won't have anything that binds them together.**99**

Other factors exacerbating the challenges involved in sustaining a long term reputation are limited resources and the growing complexity of the issues businesses face. One Reputation Council member talked of "competing agendas which inject competing levels of mistrust into the system," adding that there is also the "media filter overlay which potentially adds more complexity and confusion."

46 The role is most definitely becoming harder and more complex, because things are quicker, budgets have become more limited, the pressure for immediate results is increasing, there is an increasing complexity of the issues that businesses in general are confronted with. **99**

Q: Please could you rate the following in terms of the influence that they have on a company's reputation?





As a result, it has become much tougher for companies to be proactive in their communications and set the agenda:

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8 9

44 The sheer weight of day-to-day communications demands across print, broadcast, online, customers, NGOs, politicians, you name it, is now so great and resource remains reasonably constrained, that you are constantly reacting and so the space to get out and be proactive, setting the agenda, driving a communications message becomes harder and harder.**9**

When considering the long term view, it is worth going back to the fundamentals of reputation. We asked Reputation Council members what factors they think have the most influence on a company's reputation.

A company's products and services – its core reason for being – are regarded as having the most influence on its reputation by Reputation Council members.

66 Never underestimate quality of products and services. You have to deliver the basics.**99**

Customer word of mouth and overall corporate behaviour come next in terms of influences on reputation. Staff and talent, quality of management, advertising and financial performance are given similar weight.

Clearly these different factors are interlinked. An interesting example of corporate behaviour impacting on the customer experience is the big spike in customer complaints at UK energy firms after the "Big Six" energy providers announced substantial price increases ahead of the cold winter months. It seems unlikely that service levels at all six companies deteriorated to such a degree at precisely the same time – a more plausible interpretation is that customers were venting their frustration at what they felt to be unacceptable corporate behaviour. CSR initiatives appear fairly low down the list of perceived influences on reputation (the notable exception is in Latin America, where CSR is the fourth most influential factor). We know from previous sittings of the Reputation Council that such activities are highly valued by companies. However, in relative terms, CSR takes more of a back seat when viewed alongside some of the other fundamentals of reputation.

There are examples of companies which have built a strong reputation without a clear CSR strategy by getting the basics of reputation right. Conversely, it is tricky to think of a company that has won over legions of dissatisfied customers with its peerless sustainability credentials.

The fundamentals of building a strong reputation have therefore not changed over the years, despite the world of communications being transformed beyond recognition. So how can communicators reconcile the long term requirements of effective reputation management with the short term demands they face?

46 How is the communicator really getting the long term message across whilst there is still an immediate attention for media for some short term activities, some short term things that come up?**9**

Some Reputation Council members argue that a different mindset is required. Communications need to be managed in a much more interactive way.

46 It is a much more interactive process... this concept of being able to manage or control messages and content is becoming increasingly old fashioned. More and more we are going to be curators of content and taking content from everywhere.**99** **66** There is getting to be a need or an opportunity to actually build and construct and more strategically develop that story, rather than just simply telling the story, writing the story. **9**

Others talk about seizing the opportunities offered by the new tools in the reputation toolbox.

66 The whole advent of digital is just making things easier. The trick is finding out where the right people are and where to get that information across and where that information is relevant. But compared to five years ago, things are a lot easier nowadays and they now join the conversation that they ever could before.**99**

For one Reputation Council member, the long term and the short term demands of reputation management are best served by splitting functions:

66 In many cases now I don't think it is possible for people to do both the reactive and the proactive, certainly in the bigger corporates, and so what you are finding is there is a reactive function and then there is a proactive strategic function, a sort of splitting out of the tactical and the strategic.**99**

However companies manage the competing demands of tactical and strategic reputation management, the stakes are higher than ever.

66

The whole process has accelerated and is moving very quickly...for those companies that get it there is a huge opportunity and those that don't it is a huge risk. **99**

6 Rules of engagement: How stakeholders differ



Key Points

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Stakeholder groups are not all the same and need to be approached in different, often tailored, ways.

Government is seen to be the hardest stakeholder group to engage with

But there are barriers to engagement for every stakeholder group. These are often specific to that particular stakeholder group

•

In contrast, the enablers of engagement apply across all stakeholder groups – consistency, clarity, responsiveness, relevance, persistence and offering something of value help build deep and lasting relationships with stakeholders Large companies, wherever they operate, have to engage with government, consumers, media, NGOs and think tanks in varying combinations and degrees. But are some of these stakeholder groups harder to connect with than others? We asked Reputation Council members for their views.

Across all regions, members agree that government is the most difficult group to target. With this group, more than any other, communicators have to compete with many others for the attention of a small pool of people.

But Reputation Council members identify challenges in engaging with all the major stakeholder groups. While how much of a difficulty a particular group poses will be shaped by the circumstances of each individual company, there are some general barriers which all organisations face. These barriers are often down to the fundamental nature of specific stakeholder groups.

We must remember that stakeholder groups may be organisations in and of themselves, with different cultures and outlooks. They bring their own agendas to discussions, which can either ease creation of common ground or make it more difficult. Companies need to carry out due diligence to understand the type of stakeholder they are engaging with.

66

Government people are more difficult to get to because you have to go through a network of civil servants to gain access to the right people in the right way. **99** 66

We are dealing with a lot of generalists in the media now, who tend to move around quite a lot, so the previous way of working and building up a relationship with someone is getting more and more difficult.

Challenges to effective stakeholder engagement



66 *Competition for [consumer] attention is intense.***9**

66

Both from the business side and the NGO there is a bit of work to be done to understand each other's work and requirements.

66

Academia is a difficult set of people to work with. **99**

Enablers

In contrast to the barriers, the building blocks of engagement with stakeholders are generally the same across different groups. These are the key enablers Reputation Council members highlight:

Relevance

Looking for ways to be relevant to stakeholders increases the chances of engaging with them.

"We are often much clearer around what we want to engage in and why we would go to a particular think tank or academic."

Persistence

Reputation building does not happen overnight and companies need to keep plugging away on their key objectives. Relationships with some stakeholders (for instance politicians and NGOs) can also require a substantial investment of time.

"You have to be patient but good results will come and the company's reputation will increase positively."

Clarity

Consistency

Consistency is seen to be key in building trust and establishing strong relationships with stakeholders. The company which contradicts itself will be quickly found out.

"You can't target your message and chop and change what you are going to say, you have to be very very consistent these days, and that is a significant challenge." Clarity is an essential and ingredient in engagement ma because stakeholders as need to be able to quickly whi and easily grasp what a wan company is all about.

"The clarity of the message about the company is the real headache...it is a really complicated corporate structure and therefore the corporate messages can get complicated as well." Responsiveness is about listening to stakeholders and understanding what matters to them – as well as engaging with them when and where they want.

Responsiveness

"We have to be prepared to talk to anybody at any time of day that they want to come and talk to us about an issue of their choosing."

Offering something of value

This is arguably the most important enabler of engagement. What is of value will differ from stakeholder to stakeholder but typically falls into the following categories:

- Sharing knowledge/expertise
- Providing interesting/useful content
- Acting on feedback
- Contributing positively on issues which matter to them
- Collaborating on shared goals or issues of concern

"They are open to collaboration. Health is a big problem; everyone must work together."

Ultimately, engagement with all groups is driven by the ability to provide a compelling narrative and to demonstrate how a company's goals and actions are in the interests of stakeholders. Strong and lasting relationships are at the heart of a resilient reputation.

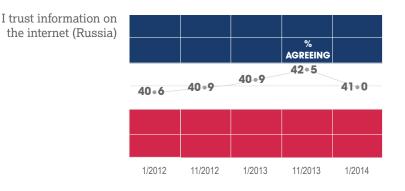
7. Spotlight on Russia: Digital media

In Russia, as everywhere else, corporate communicators have to operate in a digital world. There are two divergent trends developing in the digital space.

On the one hand, we see openness and availability of information – the opportunity of rapid posts about almost anything has brought about an "information flood." Businesses are contributing to this, splashing their content on the internet and over social networks.



On the other hand, this flood is bringing about an opposing trend. There are visible signs of fatigue with content overload. Russians are trying to protect themselves from excess information – they read emails littered with promotional mailings less, clean friends lists, and filter irrelevant content. Russians are also losing confidence in the internet. According to our regular research, trust in information on the internet among online users has started to show signs of falling in 2014.



Source: Synovate Comcon. RusIndex 2012-2014 Base: Russians 10+, weekly online-users, cities 100K+

Turning to the internal perspective, our Reputation Council members from Russia say their organisations are more likely to use intranets than social networks to communicate with employees. Intranets have been in use for the past decade or so and are a familiar and convenient tool for Russian companies. While social networks provide more opportunities for interactivity, the difference is not so appreciable to encourage companies to adopt these new tools. Key barriers are:

- No clear understanding of what business process the new channel could back.
- Social networks not being integrated with other corporate services.

There were a couple of cases where a company's intranet coexists with social networks. However, employees continued to use the much more familiar intranet. Social networks are regarded as much more valuable as a tool to attract new talent, particularly through professional social networks and portals aimed at "staff in general."

The key principles

Russian Reputation Council members point to some simple principles for communicating successfully in the digital space both externally and internally:

• Listen to and hear your audience

The digital environment gives people the opportunity to be heard – and to become a participant, able to solve their own or mutual issues with companies.

• Provide relevant information

The information should be valuable for the customer or employee, for instance helping them by simplifying things.

• Be concise

The information flood means that attention spans are short. Communicating clearly and compactly is a chance to be heard.

Just as someone drowning reaches for a lifebuoy, online audiences are drawn by information and interaction of real value. Companies in Russia, as elsewhere, should focus on building relationships with their customers and stakeholders to help them keep afloat in the flood.

Name	Company	Title
Hugh Davies	3	Director of Corporate Affairs
Atle Kigen	Aker	Head of Corporate Communication
John McLaren	Akzo Nobel	Corporate Director, Communications
Egor Saphrygin	AlfaStrakhovanie Group	Marketing Director
Mike Scott	Alstom	Director of Communications
Hassan Foda	Americana Group	Regional Marketing Director
Paul Edwards	ANZ	Group General Manager, Corporate Communications
Edward Butler	Audi Taiwan	Marketing Director
Marie Sigsworth	Aviva	Group Corporate Responsibility Director
Clare Harbord	BAA	Corporate Affairs Director
Patrick Kerr	Balfour Beatty	Director of Corporate Communications
Bob Lee Tak Luen	Bank Consortium Trust	Chief Financial Officer
Karyn Munsie	Bank Of Queensland	Corporate Affairs, Investor Relations & Government Relations
Angela Gracheva	Bank URALSIB	Head of PR
Eduardo Cervantes	Bimbo Group	Global Corporate Relations, Corporate Affairs
Matthew Knowles	Boeing	Communications Director, UK & Ireland
David Bickerton	BP	Communications Director
Michael Prescott	BT	Group Director of Communications
Svetlana Gorbacheva	CAF Russia	Head of Marketing and Communications
Dave Stangis	Campbell Soup Co	Vice President - Public Affairs and Corporate Responsibility
Arjan Toor	Cigna	Chief Marketing Officer
Reginald Hamdani	Cigna	Chief Marketing Officer
Krista Scaldwell	Coca-Cola	Vice President Public Affairs and Communications
Julian Hunt	Coca-Cola Enterprises	Vice President Public Affairs and Communications
Javier Rodriguez Merino	Coca-Cola North America	Global Senior Marketing Director
Kristene Reynolds	Coca-Cola South Pacific	Public Affairs and Communications Director
Anders Edholm	Confederation of Swedish Enterprise	Head of Strategic Campaigning
Kathryn Hodges	CUB	Government & Industry Relations Manager

Name	Company	Title
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Tom Ormsby	De Beers Canada Corporation	Director, External & Corporate Affairs
Dmitriy Agishev	Deutsche Bank	Head of Communications
Caroline Rhodes	Diageo	Global Employee Engagement Director
James Crampton	Diageo	Director of Corporate Communications
Nick Johnson	Doosan Power Systems Ltd	Corporate Communications Director
Martin von Arronet	Electrolux	Vice President, Media Relations and Issues Management
Mary Walsh	Eurostar	Director of Communications
Abigail Rodgers	ExxonMobil	Global Brand Manager
Guy Parsonage	Fluid	CEO
Erik von Hofsten	Folksam Group	Vice President, Group Communications
Lauren More	Ford Motor Co of Canada Ltd	Vice President, Communications
Will Spiers	GE Healthcare	Head of Communications
Alfonso Monreal	General Motors (OnStar)	Director of Corporate Affairs, Communication and Government Relations
Sean O'Neill	Heineken	Chief Corporate Relations Officer
Juan Ordoñez	Herbalife	Vice President of Corporate Communications, Central and South America
lan Pascal	Hermes	Head of Marketing & Communications
Hans Daems	Hitachi	Group Public Affairs Officer
Chris Wermann	Home Retail Group	Director of Corporate Affairs
Bianca Olson	Houghton Mifflin Harcourt	Senior Vice President, Corporate Affairs
Médard Schoenmaeckers	HSBC	Global Head of Communications, Retail Banking & Wealth Management
Halvor Molland	Hydro	Vice President, Media Relations.
Jane Anderson	IAG	Group General Manager, Corporate Affairs
Thomas Osburg	Intel	Director for Strategic Innovation and Corporate Affairs
Holly Means	Johnson & Johnson	Vice President, Corporate Equity Strategy and Sponsorships
Sarah Colamarino	Johnson & Johnson	Vice President, Corporate Equity
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Julia Schembri	Kimberly-Clark	Communications Manager
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Name	Company	Title
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Mauricio Graciano	Mondeléz	Director of Corporate Affairs
Lena Hedlund	NCC AB, BA Housing	Head Sales & Marketing
Lita Mardjuni	Nestle Indonesia	Communications Director
Erik Bakker	Novo Nordisk	Director of Public Affairs
Nick Adams	Novo Nordisk	Vice President, Corporate Branding
Maria Regina S. Gavino	Omnicom Media Group	Director, Communications Planning
Maria Nazamutdinova	OZON	PR Manager
Leonardo García	Pacific Rubiales	Strategic Affairs Manager
Mauricio Soriano	Pernod Ricard	Vice President of Legal and Corporate Affairs
Isolde Beodicee Arzt	Philip Morris	Corporate Affairs Manager
Irina Zhukova	Philip Morris	Communications Director
Jenny Harris	Procter & Gamble	Associate Director, Consumer and Market Knowledge
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Miles Celic	Prudential plc	Director of Group Strategic Communications
Tim Fassam	Prudential plc	Head of Public Affairs, UK and Europe
Mike Davies	PWC	Director Global Communications
Julia Mansurova	QIWI	PR Manager
Kevin Nash	Quintiles Transnational Corp	Senior Director, Corporate Communications
Nick West	Raytheon	Communications Director
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Paul Abrahams	Reed Elsevier	Head of Corporate Communications
Roger Lowry	Royal Bank of Scotland	Head of Communications and Marketing
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Eugeny Kuznetsov	RVC	Director of Development and Communications
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Sarah Ducich	Sallie Mae	Senior Vice President, Public Policy
Karen Asoyan	Samsung	Head of PR & Events

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Siripanwadee Bua-In	Siam Cement Group	Corporate Branding and Regional Communication
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Melissa Gil	SingTel - Telecomms	Director, Consumer Intelligence
Juan Carlos Corvalán	Sodimac	Legal Affairs & Sustainability Manager
Kai Boschmann	SOS International	Group General Manager Marketing & Communications
Sergey Agibalov	Sportmaster	Managing Director
Simon Kopec	Starwood Hotel & Resorts	Global Brand Management Specialist
Michelle Taylor	Stockland	General Manager, Stakeholder Relations
Edvard Unsgaard	Swedish Export Credit Corporation (SEK)	Head of Communications
Henrik Olsson	Swedish Match	Director of Public Affairs
Sarah Hull	Syngenta	Head of Global Public Affairs
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David Nicholas	Telefónica	Global Director, Communications Strategy & Innovation
Daniel Perea	Terpel	Vice President, Legal & Corporate Affairs
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Brad Kitschke	Vodafone	Head of Public Policy
Juan Quiroga	Walmart	Institutional Relations - Public Affairs and Press
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Established in 2009, the Reputation Council brings together senior communicators from some of the most respected corporations in the world.

The Reputation Council's mission is to increase understanding of the issues and challenges facing communicators in the corporate environment, as well as capturing expert views on key trends, issues and events in the wider world. Each sitting of the Reputation Council provides a definitive guide to the latest thinking and practice in the corporate communications world.

This ninth sitting of the Reputation Council involved 141 senior communicators based in 22 different countries. The Council has a broader reach than ever before, with industry experts from Africa and the Middle East taking part for the first time.

To find out more about the Reputation Council and its work, please contact Milorad Ajder: *milorad.ajder@ipsos.com*

To view previous Reputation Council reports, please visit: www.ipsos-mori.com/ReputationCouncil

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About Ipsos Global Reputation Centre

The Ipsos Global Reputation Centre provides corporate clients and notfor-profit organizations with highly customised research that allows them to manage and build their reputation, plan, manage, and improve strategic and crisis communications, better understand their employees and audiences, and oversee stakeholder relations.