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# IPSOS MORI'S REPUTATION COUNCIL INSIGHT AND IDEAS

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Council Feedback, April 2009

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# Contents

**4 Introduction**

**5 Headlines**

**6 What does the business world look like now?**

**9 What challenges does this 'not so new' world bring?**

**14 Wider Reputation Management Issues**

# Introduction

Ipsos MORI's Reputation Centre has assembled some of Europe's most senior corporate communicators to form the Reputation Council. As one of its members you bring unparalleled levels of communications expertise and through our regular feedback sessions provide us with insight on a wide range of reputation issues within both the corporate environment and the wider world.

The over-arching mission behind the Council is to highlight the importance of reputation management as an agent for positive change - both commercially and socially. The premise is that people and organisations are more likely to perform better when the issue of reputation lies at the heart of the day-to-day decisions they make.

This report draws together our findings from the first Reputation Council survey and examines if global economic conditions have affected the importance of reputation and stakeholders' expectations of organisations. We also share your views on who leads the field in reputation management and reputation challenges facing the EU and the finance sector.

We would like to thank all our members for the time they have taken to participate in the Council. We hope that this report provides you with an interesting and useful insight into the issues affecting your specialist area of expertise. We will be arranging an exclusive event later in the year which will give you the opportunity to meet with other members – we hope you will be able to join us.

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# Headlines

- **The world is in a severe recession, but this does not lessen the importance of reputation. Strong reputations will help companies through this crisis.**
- **Trust is key to building reputation and relationships with the people who matter; employees, partners, suppliers, investors and the like.**
- **The crisis in the finance sector is severe, but should not have a substantial impact on the way other sectors are perceived.**
- **An organisation's relationship with society remains important - corporate responsibility and managing environmental impacts are as vital as ever.**
- **However, there are challenges ahead. You predict:**
  - **greater pressures on budgets, with a focus on the 'must haves';**
  - **a renewed focus on internal communications;**
  - **a continuing need to embed company values into the business and...**
  - **... a greater interest in the value of reputation.**

# Summary

## What does the business world look like now?

Over the last year we have seen unprecedented change in the corporate world; the collapse of the sub prime mortgage market, falling global demand in manufacturing, massive stockmarket falls and declining economic confidence have left everyone wondering how businesses should best operate now.

The economic crisis has placed a question mark in some people's minds as to whether issues such as sustainability, transparency and social responsibility will retain importance at the leadership top table or will be the victim of budget-cutting. The message from you and your fellow experts is that this is not the time to be cutting back in the area of reputation.

While the elusive litmus test of reputation management and the financial bottom line remains undiscovered, members are clear that a positive and well managed reputation benefits an organisation in a range of areas including business strategy, competitiveness, organisational culture and accessibility to key influencers.

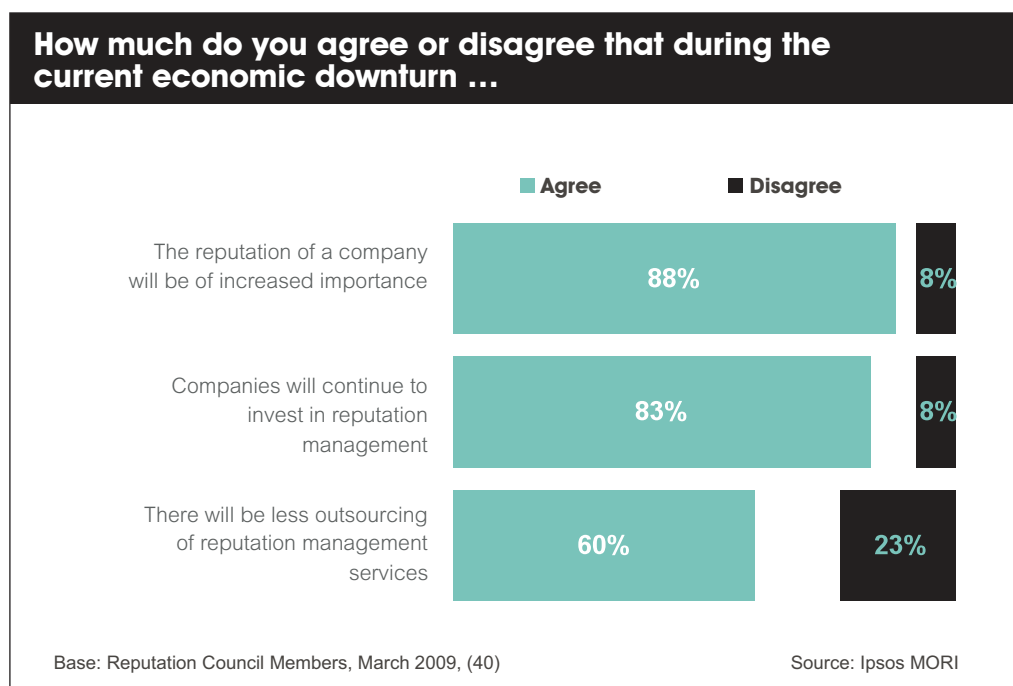
***“It underpins the sustainability of the company’s business model over the long term, and it is an important factor for talent management and employee motivation.”***

***“By managing our reputation appropriately, we are undoubtedly increasing our chances of winning business.”***

***“I think really it makes a company much more dynamic, much more in touch, have much stronger relationships and be much more externally focused on the important relationships it needs...”***

***“I think it opens doors for us to maybe tables and places that we have not been invited to before...people want us to be part of discussions of solutions and policy outcomes.”***

The majority of you say that company reputation will be of increased importance during the current economic downturn and other evidence supports your view. Encouragingly your bosses agree, CEOs interviewed as part of Ipsos MORI's Captains of Industry survey<sup>1</sup> believe that a company's reputation for honesty and integrity is of continued importance. Corporate behaviour is also still key for consumers. Our Global @dvisor research<sup>2</sup> demonstrates that the majority of online consumer citizens across 22 countries say that social responsibility is important in their purchasing considerations, and this data was collected when we were well into the credit crunch.



At the core of a company's reputation is trust; trust to *do* the right thing and in the light of recent global events trust to act in a sustainable way. This is sustainable in its broadest sense; it is demonstrating financial stability, it is making decisions for the long-term and it is recognising the impact of your industry and managing that impact effectively. By being a sustainable business people want to invest in you, work with you and for you, and, in turn, this breeds success.

1 Ipsos MORI's Captains of Industry study Nov-Dec 2008, c. 100 CEO, FD, MD of leading UK businesses

2 Global @dvisor, c. 22,000 online consumer citizens, November 2008

***“In a volatile market trust is absolutely key for any company.”***

***“In our organisation, we see a direct relationship between trust in the brand and the performance of the business, so we see a direct correlation between trust and sales.”***

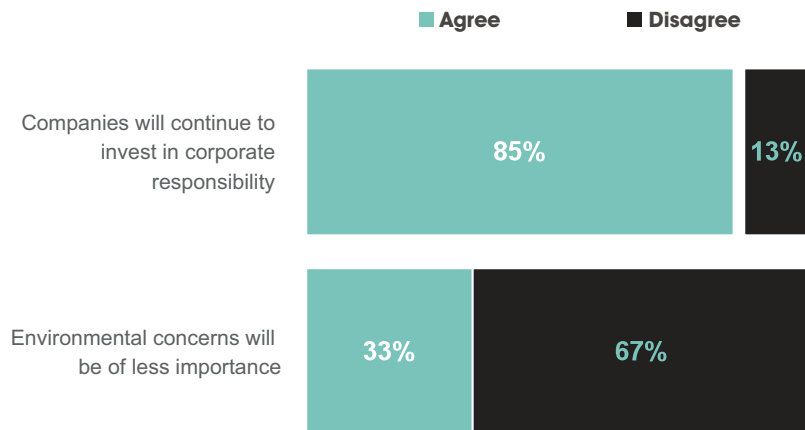
As Council members you feel that it is only the financial sector that has suffered from a complete loss of trust, but the fallout demonstrates the need for openness and honesty. While there are some clear areas where the financial sector could improve its practices for example in relation to salaries and bonus payments, you believe that taking responsibility for the crisis is absolutely key to its recovery.

The crisis has clearly impacted on stakeholders' expectations of finance sector, but to what extent has the economic downturn affected stakeholder expectations more generally? You feel that there will simply be a renewed focus on trust, openness and clarity. In turn this will lead to a realignment, rather than a change in priorities, balancing the issues that matter most to your stakeholders.

It is clear, that in your view, the current economic conditions should not detract from issues of corporate responsibility - where it is particularly relevant to demonstrate that organisations operate in a sustainable manner. It is not the time to ignore the issues which are relevant to your sector be they healthy eating, responsible drinking or limiting CO2 emissions. In fact, the environment is one particular issue which Council members do not want to see slipping off the agenda. You are not concerned that your own companies will reduce investment in this area, but with the media focus on the economy there is a fear that consumers will see it as less important and switch away from 'green' products.

***“I've got a concern that things like being environmentally friendly will become deemed as a fashion, as opposed to a requirement, but I think it will cut out the wheat from the chaff of companies that have really got a good sense of integrity and responsibility.”***

## How much do you agree or disagree that during the current economic downturn ...



Base: Reputation Council Members, March 2009, (40)

Source: Ipsos MORI

The only other area where you feel that stakeholder expectations may be raised is in relation to staff. With many companies facing the prospect of making redundancies treatment of staff is expected to be further up the agenda than in the past.

Overall, you feel that the business world has not really changed. There might be a slightly different focus in some areas, but for corporate communications experts the purpose remains absolutely the same - building trust and building the business.

# What challenges does this ‘not so new’ world bring?

**This ‘not so new’ world will undoubtedly bring some challenges. While the general consensus is that reputation is still one of the cornerstones of an organisation’s success, the focus on what you do and how you do it may change.**

## Tightening the purse strings

One obvious challenge is how to do more with less; you all say you will face increasing budget pressures over the coming months. Reassessing priorities will be key to ensure that activities are relevant, focused and effective; you were all likely to focus more tightly on the ‘must haves’ rather than the ‘nice to haves’. More specifically many of you mention a reduction in activities such as sponsorship, corporate events and corporate philanthropy.

*“We will continue to make the same amount of effort with less money; we’ll just find new and more imaginative ways of doing it.”*

*“I think people will want to still see companies playing a role as corporate citizens and supporting activity that goes beyond their immediate business requirements... but people will understand if companies scale back [on corporate philanthropy] and focus more on areas that are closer to their immediate business activity.”*

## Achieving employee buy-in

Given the importance of reputation a continuing challenge for communicators will be to ensure that all employees understand what the organisation stands for and how they can specifically contribute to the positive development of its reputation. In our discussions, internal behaviour was recognised as one of the biggest barriers.

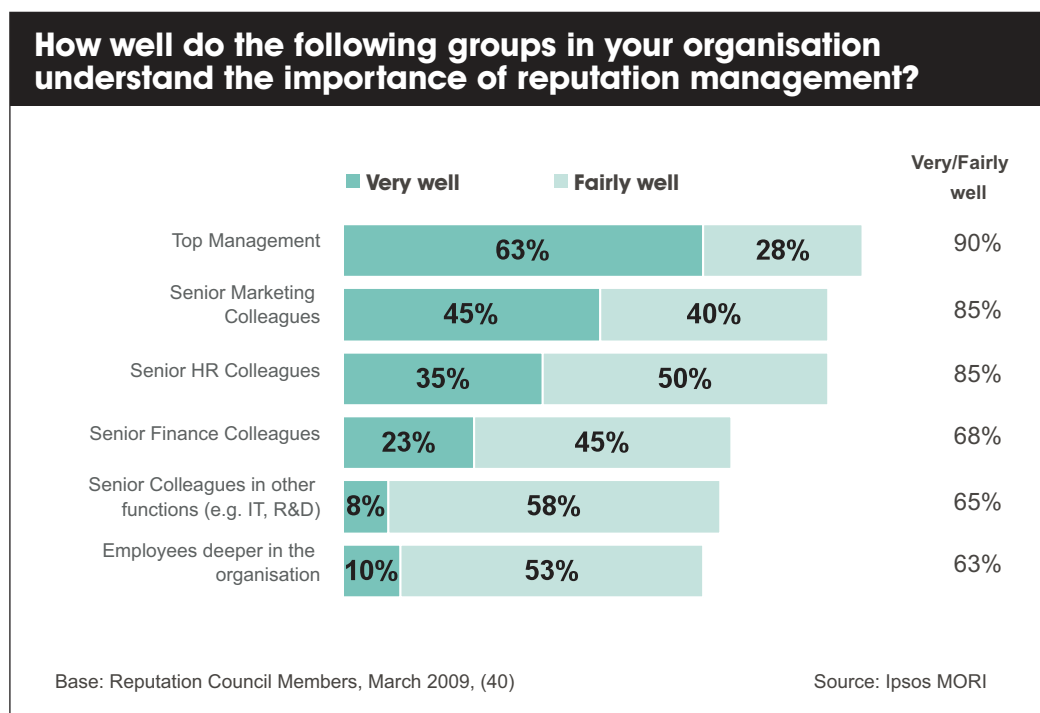
Council members agree that buy-in to reputation management is determined to a large degree by the example set by the leadership team. Whether leaders truly engage in reputation management or simply pay lip service to it will resonate throughout the organisation and influence wider employee behaviour.

However even where leaders are setting a good example and are committed to reputation management there can still be a disconnect with employees deeper in the organisation. This is often because they cannot see the connection between their own actions and the promise the company is making to the outside world. Members were clearly concerned that this could occur where discussions around reputation and reputation management were entrenched at senior management level and not present throughout the organisation.

***“I think it is about getting people to understand that reputation is owned by everybody within the organisation. Reputation cannot just be owned by the senior management team. And that means getting it high up on senior management’s list.”***

***“Whilst lots of people at a senior level are focused on reputation management, there are people within our business units that just don’t get the fact that what they do is important to the company’s reputation.”***

Engaging all levels of management in looking after the company's reputation is essential. Feedback from yourselves suggests that those in senior marketing and HR roles have an acute understanding of the importance of reputation management – perhaps seeing first hand the benefits of being able to recruit and retain high quality staff and increasing marketing efficiencies based on the strength of a good reputation. In contrast you believe colleagues deeper within the organisation are not thought to understand these issues, suggesting that even within the most reputable European organisations this challenge still remains.



## Internal communications

Many of you have internal communications as one of your areas of responsibility and with economic conditions affecting all businesses in some shape or form, communications with employees are vital. Our discussions with you show that there are two aspects to consider. The first is managing communications around cost efficiencies, which could be as far-reaching as redundancies or pay cuts. The other is how to motivate staff more generally through these challenging times. All of you recognise the importance of your staff: they are a vital cog in the business wheel and to survive this downturn companies need staff to remain focused, creative and committed if your organisations are to succeed.

***“I think the biggest stakeholder audience challenge is going to be internal actually, in terms of retaining key people, motivating our staff, conveying a series of what would be difficult bad news announcements about pay, about budgets, about lay-offs, restructuring, so I think there’ll be a whole series of quite painful dialogues with employees.”***

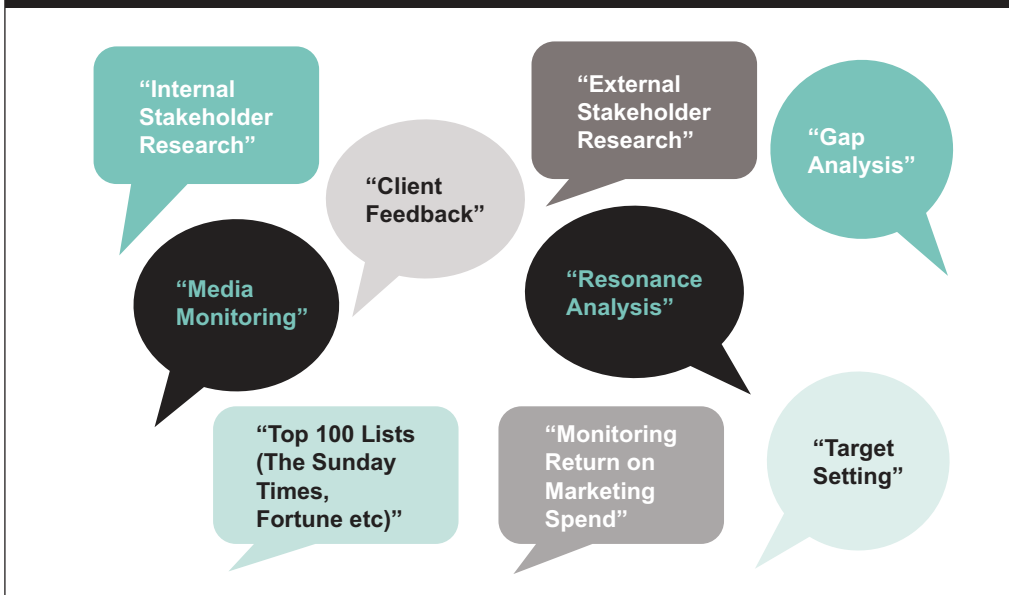
## Defending the value of reputation

A challenge which is not necessarily new to our council members but one which is unlikely to disappear, is the question of the value of reputation management and its impact on the bottom line. Undoubtedly you all have faced questions at some time or another from senior management teams about its value, but you also currently believe that some external stakeholders and employees still see reputation management as superficial PR.

Unfortunately, the holy Grail of ROI is still beyond reach, but our discussions with you illustrate that it is possible to provide evidence of the value of reputation and you are currently using a plethora of different methods to demonstrate this. For example, media monitoring and measures of return on specific marketing spend, as well as opinion research among stakeholders modelling the drivers of reputation. For others it is more informal, gathering feedback directly from clients and stakeholders.

***“The simple answer is it is difficult ... so we try and track our reputation, we haven’t yet developed a robust enough model that would actually point to the real financial benefit, that’s by proxy.”***

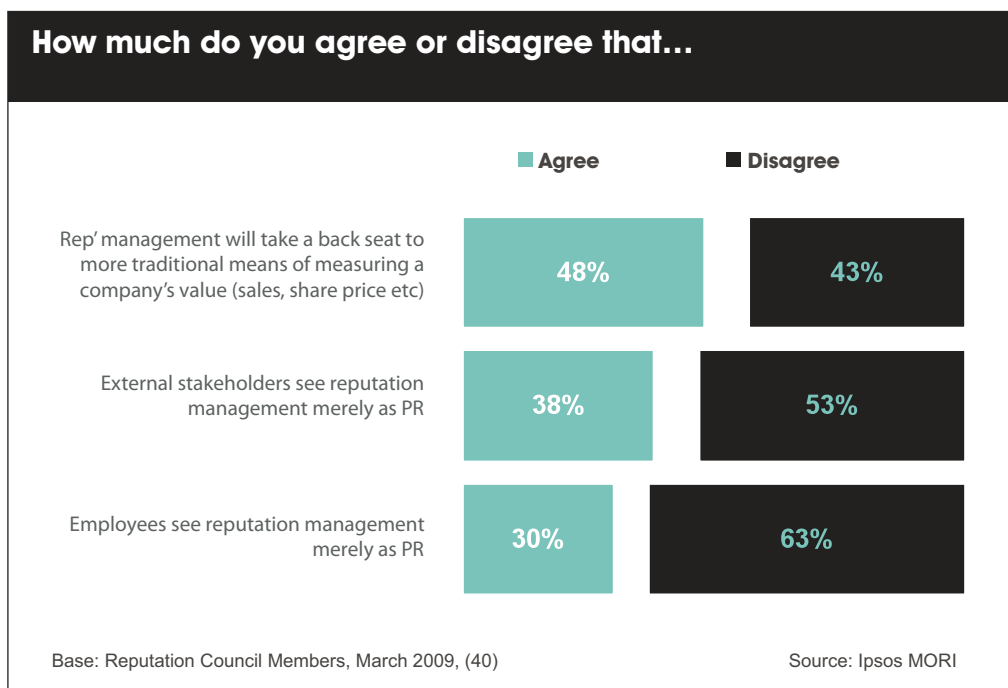
### The types of measurements that companies are currently utilising include:



Council members are divided on the issue of whether reputation management will suffer in influence as senior management focus more on traditional measures of company value, such as share price and sales.

In terms of convincing external stakeholders and employees of the value of reputation it is more a case of engaging them with the organisation's corporate culture. Strong reputations are not an add-on to a company's portfolio, they are built from the inside out and begin with employees living the values of the organisation they are part of. The premise being that truly held beliefs that are visible and credible in an organisation will be recognised by external stakeholders as they come in contact with it. By demonstrating that reputation is hardwired into the business and is part of an organisation's culture you can more easily quash the doubts that reputation management is superficial PR.

***“Reputation management is not in isolation. It's part of the way that we do business, so reputation is linked very much to our business success.”***



# Wider Reputation Management Issues

**Our discussions with you also covered some wider reputation management issues: what specific challenges the EU faces, how the financial sector can rebuild its reputation and which companies are leaders in reputation management. Below we summarise your discussions on these issues.**

## Reputation challenges for the EU

In your view, the EU faces two major challenges; improving its credibility and demonstrating its effectiveness. You believe that clarity of purpose is currently lacking, especially amongst the general public who see it as something of a gravy train. You also feel that the EU needs to show greater unity - particularly to prevent protectionism - and show that it can be effective and take a leading role in proposing solutions.

***“They need to connect more with the average citizens of the European Union. They need to state or restate to the people of Europe what their role really is and how they can improve people’s lives.”***

***“Certainly the man in the street finds it much more difficult now to understand what it’s for, and why we should be pleased to be part of it.”***

## Rebuilding the reputation of the financial sector

The reputation of the financial sector has been severely damaged and you believe its whole culture needs to change for perceptions to improve. There is demand for greater openness and transparency and an end to the short-term gain/high risk strategies that have contributed to the global credit crunch. Your view is that banking needs to go back to living in the 'real world' lending sensibly and remunerating its staff appropriately. Many of you feel they need to own up to their mistakes before the sector can move on and start to rebuild its reputation.

***“They’ve lost all trust amongst not only the business community but consumers in general. So for them it’s a long road back, and they have to build trust with those consumers and at the moment they’re not doing it.”***

***“They need to regain trust and be a lot more transparent and open, particularly with regards to the way they incentivise and reward themselves....to ensure that people believe that their interests are aligned with their customer’s.”***

## Leaders in reputation management

Taking the initiative and investing in key responsibility issues has made Marks & Spencer stand out from the crowd. Initiatives such as 'Plan A' are highly respected.

***“[Some other organisations] pretend that they care about the planet but in actual fact as soon as they get the opportunity to let legislation relax what they’re doing they’ll take it. Whereas M&S have been quite outright with their customers, they say ‘this is the requirement, this is what we’re doing’.”***

Other well-established retail companies such as Tesco, Sainsbury's, Wal-Mart, Waitrose, The Co-op and Boots are also recognised as taking reputation management seriously and having a deep level of customer care embedded into their brand principles.

Oil companies Shell, BP and Exxon Mobil, who over the years have perhaps needed to be proactive in embracing reputation management due to their areas of business, are also highly praised. You believe they have coped with and learned from problems and turned their reputations around in difficult times. Diageo and Nestlé are also mentioned as leaders in challenging sectors.

***“Some of the best work is done in the toughest sectors. If you look for a company that has lots of challenges and lots of issues but is still well thought of, that’s probably where somebody is doing a very good reputation management job.”***

Innovative companies, such as Apple and Google also attract respect. Reputation seems to be part of these businesses’ DNA, contributing to a belief that it is more sustainable.

A number of organisations in the automotive industry are also recognised for their approach to reputation - Toyota, Honda and BMW.

In essence, it is organisations which are willing to deal with their reputation challenges head-on, embrace the issues and hardwire reputation management into the business that you respect and admire.

## Reputation Council - Participants, March 2009

Company	Name	Title
Anglo American	Edward Bickham	Executive Vice President External Affairs
Anheuser-Busch InBev	Christopher Burghardt	VP Corporate Affairs Western Europe
Astra Zeneca	Judith Everett	Global Head of Brand & Corporate Communications
Aviva	Louella Eastman	Group CSR Director
BAE Systems	Sara Hirsch	Director of Communications and Strategy
Balfour Beatty	Tim Sharp	Corporate Communications Director
Bentley	James Rosenstein	Global Director External Affairs
BHP Billiton		
Boeing	Nick West	Communications Director
BP	David Bickerton	Communications Director
BT	Mike Love	Communications Director
Cadbury	Alex Cole	Director of Corporate Affairs
Ciba	Patrick Gorman	Head of Communications EMEA
Coca-Cola	Lauren Branston	Director Public Affairs & Communications
Credit Suisse	Charles Naylor	Chief Communications Officer
Diageo	Ian Wright	Corporate Relations Director
E.ON	Guy Esnouf	Head of Public Affairs
Electrolux	Anders Edholm	VP Media Relations & Issues Management
Eurostar	Simon Montague	Director of Communications
GSK	Duncan Learmouth	SVP Corporate Communications
Kellogg's	Chris Wermann	Corporate Communications Director
Logica	Carolyn Esser	Corporate Communications Director
McDonald's	Nick Hindle	Head of Corporate Affairs
Michelin	Patrick Lepercq	Corporate VP Public Affairs
Network Rail	Duncan Bonfield	Director of External Affairs
O2	Glenn Manoff	Director - Communications & Corporate Affairs
Qinetiq	Nicola Marsden	Group Communications Director
Reed Elsevier	Patrick Kerr	Director of Corporate Communications
SABMiller		
Shell	Bert Regeer	Head of Global Comms Planning & Operations
Standard Life	Rhona Cameron	Group Brand Director
Syngenta	Sarah Hull	Head of Global Public Affairs
Telefonica Europe	David Nicholas	Director of Communications
Tesco	David North	Director of Government Affairs
Unilever	George Gordon	Head of Public Relations
Unilever	Trevor Gorin	Global Media Relations Director
Visa Europe	Daphne Luchtenberg	Head of Reputation Management
Zurich	Mani Pillai	Group Media Director

Two Reputation Council members asked not to be identified



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