



REPUTATION 2020

TEN TRENDS DRIVING
REPUTATION MANAGEMENT



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WHAT SHOULD YOU BE READY FOR IN 5 YEARS?

Professor Cees Van Riel and researcher Marijke Baumann identified ten trends that will drive reputation management in 2020. Co-Founder and Vice Chairman of Reputation Institute, Van Riel is also Professor of Corporate Communication at Erasmus University Rotterdam's School of Business. Baumann is the Head of Applied Research at Erasmus University Rotterdam's School of Business.

Van Riel and Baumann spoke with chief communications officers (CCOs), high potential business executives, corporate communication directors and graduate students in a series of focus groups conducted across the globe.

Trend 1 Know Who You Are First, And Stick To It



Authenticity comes from deep in the soul of an organization. It can't be faked, it can't be dreamt up by marketers and it can't be spun into a story.

Organizations must develop an authentic narrative based on their core purpose. Once they have arrived at it, they must stick to it.

The key to success is ensuring stakeholders identify with and buy into the message. Stakeholders will be more willing to identify with an organization if they perceive that the organization has a purpose that makes sense. That's where authenticity comes in.

Ten Trends: Driving Reputation Management in 2020



Know Who You Are First,
And Stick To It



The Big Data Revolution
Will Have Consequences



Reputation Management
Will Be A Long Journey



The CCO Will Lead
Reputation Management
In 2020



Employees Will Be Your
Reputation Ambassadors



Reputation Management
Will Increase The Value
Of The Business



Stakeholders Will
Increase In Numbers And
Influence



Personalized Messaging
Will Be The Norm



Industry Reputations Will
More Closely Affect
Individual Companies



Social Relevance Will Help
Companies, Products And
Services Stand Out From
The Crowd

Firms can gain competitive distinction if they are able to create an emotional bond with stakeholders who sympathize with the idea behind the purpose.

Aligning stakeholders around the narrative is critical.

“ From the Focus Groups

The members of the focus groups had varying points of view, including the following thoughts:

“There is a need to be transparent and authentic. Yet this is backward engineering and therefore difficult to do.”

“Focusing on who we are is key. Having an appealing purpose is key in managing employees to promote their firm to external audiences.”

“Authenticity is a necessity.”

“Having an appealing narrative is one thing. Creating continuous support for it is a bigger challenge.”

Internally, creating supportive behaviors that align with the core purpose requires a combination of soft and hard approaches. The soft approaches showcase the ideals behind the purpose in a narrative that is expressed in appealing communication. Hard approaches are applied through crystal clear reward systems that let people know what is expected in the company and what is not.

In essence, reputation management is straightforward: It is about decreasing the gap between what you really are and how people perceive you. To ensure success, reputation management practitioners shouldn't make it more complicated.

So, with reputation management defined, let's start with some basic guidelines.

First, to understand the degree of authenticity that is at its core, every company should answer a simple question:

Why do we do what we do in the way we do it?

A company should respond to that question honestly and without rushing through the answer.

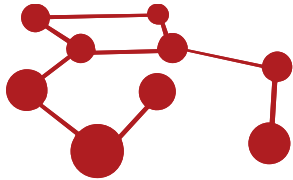
If the answer the company gives to that question has at its core an overarching promise, it should stick to that promise. That might come easily, or it might be a hard transition that requires a combination of soft- and hard-wired communication initiatives.

A company might need new organizational structures, new operational systems, new reward systems, or training opportunities. In addition, soft approaches, such as a tight focus on the communication approaches and reinforcing the new narrative, might be needed.

Above all, as an organization looks inward, the key to success in employee communication will be having an adequate answer to one basic question: What's in it for me? The employee is obviously a critical link, and firms that don't have a good answer to that question will soon face considerable challenges—from inside and outside the organization.

Trend 2

The Big Data Revolution Will Have Consequences



By 2020, big data will dominate the way companies manage their reputation.

Big data is a hot topic today, and is well on its way to being more than just a buzzword. However, even with all the discussion, very few people know much about it. Nonetheless, big data will have huge consequences for reputation management.



From the Focus Groups

Big data caused a significant reaction in the focus groups. These thoughts are samples of the discussions:

“Big data will increase accountability.”

“Big Data means security, ethical use and privacy issues.”

“Firms need people who understand how to extract information from Big Data and actually get information that is relevant.”

“A new C-Suite member is coming up: the Chief Knowledge Officer.”

So, just what is big data? It’s all about the “3 Vs”: high volume, high velocity, and high variety. In 2020 algorithms, analyzing enormous, longitudinal reputation and financial databases, will predict when and how movements in reputation will impact the financial performance. This will increase the importance of reputation management, but it will also raise the bar for communication

professionals as their contributions to the success of their firm will be assessed more critical in the near future. By 2020, reputation data will be integrated into all enterprise data (market research, financial data, social trends, etc.). As a result, reputation data will no longer be the monopoly of Corporate Communication, but will shift to a new department. Communication departments will need technical staff (in addition to creative staff) to enable their department to benefit from big data learnings.

Reputation managers will face endless questions from non-governmental organizations (NGOs), journalists and politicians about the consequences of working with big data. All will need to be prepared for those questions, and understand the role big data plays (and will play) in their firm.

Trend 3

Reputation Management Will Be A Long Journey



Reputation management is not a project or an initiative. It is a long journey that requires organizational and personal patience.

It is not something you can tick off on a goal sheet at the end of a quarter or year.

In fact, nothing could be further from the truth. There are several reasons that the importance of reputation management will continue to grow in the coming years.

At the core of this development is a need for executive management to expand beyond financial metrics to define corporate success. The World Bank has taken the lead in this area, and has recommended the use of soft Key Performance Indicators (KPIs) to help determine executive compensation. Why? Their research shows it results in better-managed organizations.

The research proves that organizations driven only by short-term, monthly or quarterly financial indicators make different decisions than those that also include softer KPIs like reputation, customer satisfaction, and carbon footprint.

Those indicators, and others like them, are focused on the long term, and organizations that think of the long term make different, and usually better decisions.

By 2020, softer KPIs will become a key criteria in executive and corporate evaluation and compensation processes. In fact, many companies have already developed and implemented these non-financial KPIs, and in the past three years, firms implementing such KPIs have grown exponentially. Going forward, reputation will increasingly become one of these key non-financial KPIs. Outside board members, concerned about potential actions by executive management that could be seen as unethical company behavior, have also spurred this on. As a consequence, reputation management will evolve from a 'nice to have' to a 'must have' by 2020. For reputation managers, it also implies that reputation management will expand outside the Corporate Communications department, and take a place closer to the heart of the company. Accordingly, more specialists inside the firm will be needed to build and maintain a positive reputation.

“ From the Focus Groups

There was broad agreement in the focus group that building a professional reputation management function can't happen overnight.

"It is an ongoing journey. It is the responsibility of the entire company, not just a department. Yet, cooperation is difficult."

"Processes can be slow, specifically because sophisticated knowledge about reputation management is limited."

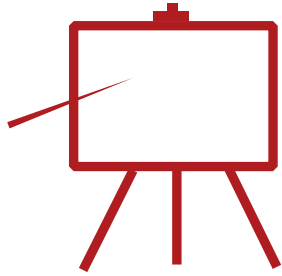
"There needs to be more teaching at universities to have this in the minds of future business people."

Like many things in business, there is one large obstacle—the short-term view of most businesses:

"Business priorities focus on the coming year, not on the long-term perspective. Therefore, it is difficult to have the organization focused on reputation management—as this is typically longitudinal-oriented."

Trend 4

The CCO Will Lead Reputation Management In 2020



There are two very different points of view on how organizations will manage their reputations in 2020. One side argues that communication directors will be in charge, whereas the other side believes that reputation management will be a C-suite responsibility.

What will be the outcome? The final responsibility will lie with the CEO. Ideally though, reputation management will be a shared executive team responsibility, with the CCO in charge. Participants in the focus groups were very clear about that direction.

The people who really do the work will continue to be those within communications departments. In order to be successful, these communications professionals will need to continue to build their business and leadership abilities, and that skill development process has to begin immediately. Our interviews show a consistent view of the future of reputation management:

- The CCO will be at the helm for reputation, but that CCO will have to be a communicator who understands business and can lead.
- The CCO will have to coordinate the activities of a wide range of specialists, both inside and outside the communications department (including public affairs, governmental relations, and investor relations).
- Like public affairs, government relations and IR, the CCO will be required to build a closer relationship with the CFO.
- The increased role and importance of reputation will mean that the CCO will become the trusted advisor of the C-suite and the company's leading business managers. As a result, the CCO will be a highly qualified, highly respected leader both inside and outside the company.

Trend 5

Employees Will Be Your Reputation Ambassadors



All companies strive to have their employees act as ambassadors for the organization.

A company with thousands of employees can end up with thousands of goodwill ambassadors spreading the word. But an interesting demographic shift might complicate that in the near future.

The workforce born just after World War II is starting to retire. And the number of people coming into the workforce is not sufficient to replace them.

This scarcity of talent will create an unprecedented war for talent by 2020. To attract talent in such a competitive environment, companies will need to have an exceptional reputation.

But there is an even more pronounced challenge ahead that is connected to the same demographic shift.

Up until now, most companies would present their values to prospective employees in a take-it-or-leave-it fashion. As the generational shift accelerates, prospective employees will select places to work based on the overlap between what they consider to be essential according to their own value system and what they experience to be

reality at the company they intend to work for. The higher the fit between the norms and values of the individual employee and the firm, the easier it will be to evoke supportive behavior among employees in line with its strategy and purpose.

So, to recruit and retain the most talented employees in 2020, companies will need to start making preparations and changes today, because it will require a considerable change of course.

“ From the Focus Groups

All participants in our focus groups acknowledged that employees can become the most important ambassadors for a firm. However, that needs a different mentality from management. These are some quotes that typify the power of employees in 2020:

“We are not selecting them. They are selecting companies. Employees are not looking for a job; they are searching primarily for companies that fit with their personal values.”

“People are willing to work hard when they feel appreciated from within.”

“The biggest change is that employees will talk to society. The challenge is to steer that and not to see every presentation or document that goes out.”

“One way to impact employee’s focus points in communicating with external audiences is giving them an appealing corporate story.”

Trend 6 Reputation Management Will Increase The Value Of The Business



At companies around the globe, top managers have high expectations for reputation management and expect to see quantifiable results. Hard numbers

and verifiable information will give companies quantifiable insight into how certain actions influence reputation. As a result, reputation will become an essential part of every executive’s dashboard to help shed light on overall business performance.

To upgrade the communication function to C-level status, corporate communications executives will have to prove the financial value of investments in reputation management.

Effective use of big data will enable firms to understand and showcase the business value of reputation.

In 2020, reputation managers will have to know, “To what degree, and under which conditions, will reputation contribute to the success of an organization?” The answer will not be about reputation scores as much as it will be about the power of reputation to improve the performance of an organization.

As part of the 2020 research, Reputation Institute asked a group of companies in a specific industry how much they spent on recruitment.

“ From the Focus Groups

Expectations of top management regarding reputation management are high. However, they explicitly demand results:

“The financial outcomes of reputation management should be further developed.”

“With hard facts, economics will be able to use reputation as an indicator to predict the value of a company.”

“Hard facts will give companies insight into how actions that influence reputation accordingly impact their financial results.”

“Reputation will be in the dashboard as a KPI.”

The results show that effective reputation management, and the improved reputation that results, decreases transaction costs for recruitment. In addition, a stronger reputation makes it easier for a company to attract capital and gain government support. As a result, company profits increase.

These are figures that executives within an organization can easily understand. Effective reputation management contributes to better corporate performance.

Trend 7 Stakeholders Will Increase In Numbers And Influence



Stakeholder management will greatly increase in importance by

2020. Traditionally, stakeholders have been categorized into four groups: employees, customers, shareholders and regulators. That era is in the past. Moving forward, the number of stakeholders will expand greatly, and the role of influencers will increase in strength. Companies will no longer be able to exclusively focus on those few groups that demand the most attention. They will have to reach out to the myriad of stakeholders, more frequently, and eventually, evolve this into a continuous practice.

Outreach will expand beyond employees, customers, shareholders and regulators to include groups like NGOs, local authorities and financial institutions. These groups may work independently or join forces where there is an overlap in interests. The power of social media will significantly increase and amplify the voice, and therefore the power of these groups and individuals.

This changing stakeholder landscape will become extremely complex, and require significant proactive focus. Stakeholders will sometimes have significant interest overlaps and will often make for strange bedfellows. Combined, these groups of stakeholders will have the power, the brainpower, the

contacts, the network, and even the media relationships to fight the battles they wage.

“ From the Focus Groups

People agreed that stakeholder management will strongly increase in importance by 2020. Participants in the focus groups noted the following observations:

“The role of influencers will be stronger, although the influencer group will be larger.”

“Companies now focus on the one that is asking for most attention. That will change and more equality in reaching out to all stakeholders will become daily practice.”

However, someone else said...

*“You have to focus on groups that in the future **can have a stake** and **will have a stake** in your business.”*

By 2020, we'll increasingly see disparate groups join forces to drive change, whether from different geographies, political ideologies, or socioeconomic levels.

This development presents a completely new reputational challenge. Reputation used to be a one-to-one relationship. It has now evolved into a network and networked relationship. Successful companies will have to understand the complexity of the networks and the dynamics in which these separate, yet cooperative groups operate.

Trend 8

Personalized Messaging Will Be The Norm



Regulatory requirements and external pressures from governments

and NGOs force many firms to produce high volumes of information—whether in print, on the web, via social channels or on email. In reality, very few people read any of it. The information is essentially an insurance policy against any action from regulators or governments.

By 2020, we will see a more personalized experience taking hold.

Firms will be required to create messaging that is more individual. There will be less of a focus on mass media, and advertising will become less effective. Companies will have to proactively know where each critical conversation about their firm and industry is occurring, and where they can and should step in. What is the key outcome? Instead of reactively chasing the conversation, companies will need to become more of a proactive conductor of it.

More information does not mean better information. However, the exponential growth of information, combined with the ease of information access for an increasing number of stakeholder groups, means that companies will have to be prepared to

inform stakeholders about everything they do or intend to do. The most effective way to inform them will be by developing authentic messages, in a personalized format, for each unique stakeholder group.

“ From the Focus Groups

The focus group members pointed out some tricky issues facing companies:

“More individual approach will be seen in messaging strategy of firms (less mass media).”

“Advertising will become less effective.”

“You have to know where the conversation is happening, and where the firm can step in.”

“Messaging will be done more in a collaborative way. Instead of chasing the conversation, companies must and will be a conduit of the conversation.”

While you might love your iPhone or Galaxy phone, you don’t care for the firm you have the ongoing relationship with—the carrier. Carriers face a steep climb to please their customers, and it is a consistent, global, industry-wide problem.

Our research examined a variety of industries in an attempt to answer this difficult question, and it shows that certain industries, and the firms within them, have consistently high reputations (i.e., car companies, computer firms, food companies), some are stuck with average reputations (i.e., airlines, chemical companies, transport firms), and others have consistently low reputations (i.e., banks, tobacco companies, telecom companies).

To look ahead to 2020, we selected one industry from each level: the food industry in the high category, the chemical industry in the middle, and the banking industry in the low category.

For all three industries, we analyzed the statements made by the various players over the last nine years, using three stakeholder groups—labor markets, opinion leaders, and the general public.

The initial findings reveal that, over the period we studied, the banking industry disseminated more than 50,000 messages. The food industry was next at 40,000 messages, and the chemical industry was relatively quiet at only 10,000 messages.

We then examined whether the disseminated messages were positive or negative in tone, and found that the banking

Trend 9 Industry Reputations Will More Closely Affect Individual Companies



Some industries are hated and others are loved. Why? What determines that? The retail industry is always toward the top of the list, as is the food and beverage industry. On the other hand, the telecommunications and banking industries consistently sit at the bottom of the list.

industry self-expresses in mainly negative terms. Conversely, in the chemical field, the industry has successfully pivoted away from negative messaging (e.g., chemical danger, chemical spills), and instead focuses on its contributions to society and a better life.

“ From the Focus Groups

Participants in our focus groups were not very positive about stimulating positive perceptions at the industry level.

“Reputation manager for the industry? It will not work, it is not authentic.”

“The CCO has to challenge the industry association, in order to change the industry reputation.”

“I have low expectations about the added value of industry associations.”

“The differences in reputation per industry are embedded in what firms in that industry do and have done.”

The survey also examined the spontaneous associations for the three industries. For banks, there were a few positive associations, but most respondents used highly negative words, such as “draconian,” “crooks” and “immoral.” In comparison, the chemical industry still has some negative associations, but they are less extreme. In general, the food industry is more balanced, with a combination of positive and negative terms. The food industry has an additional challenge because people make many more associations with it than they do with chemicals or banks. Simply put, people are more involved with food—they’re emotionally bonded with it.

In 2020, every firm will have to be even more aware of the consequences of industry reputation for their own firm, and understand that industry reputation is the result of decades of messaging. As a result, industry characteristics become fixed stereotypes in the mind of the stakeholder.

In 2020, companies will realize that the long-term impact of their actions and expressions can be highly negative, for both the industry and themselves. They will initiate investments with collective actions aimed at promoting a set of positive associations around the industry.

Companies that stick to an approach in which they distinguish themselves solely by stressing their uniqueness in comparison to the rest of the industry, and ignore the impact of dominant industry associations, will find that, in the end, an industry’s spontaneous associations—good or bad—will be attributed to them as well.

Trend 10 Societal Relevance Will Help Companies, Products And Services Stand Out



The most important reputation driver in 2020 will be the degree to which a firm can show its societal relevance. Societal relevance can be

expressed by the nature of a business. For example, hospitals are naturally seen as more socially relevant than airlines and auto companies.

Societal relevance can also be shown through the value of products and services for a large group of stakeholders. But stakeholder perceptions about societal relevance don't arise simply from having the right products. A company must explain societal relevance in clear communication as well. It's not about what the product itself does. Rather, it's what the product does for society and for individuals.

“ From the Focus Groups

The necessity to be societally relevant is seen as crucial by all participants in our focus groups:

“It is not about putting a buck into philanthropic activities. It is about change in the business.”

“It is not about CSR (corporate social responsibility), but about being socially relevant.”

“Nokia, for example, lost it because they were not relevant anymore to customers.”

“Perceptions about social relevance are not created only by having the right products. You have to explain it in clear communication.”

“A product has become least important. It is more about what the product does for you.”

all firms should aggressively communicate and promote those products that add to people's lives. Beyond the products a company sells, it should also proactively articulate the value the firm creates for society, including jobs provided, income created, and other economic and social benefits.

The recent news from Apple about its “app economy” received considerable coverage of one simple figure. The apps on the iPhone have helped create and support 1.03 million jobs.

Other companies should follow suit and proactively reveal the story of their contribution.

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All companies and industries, no matter what they do or create, need to increasingly speak about what they do for society. While that certainly might be easier for some industries and companies,



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