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### Importance of Corporate Reputation

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## Importance of corporate reputation

**Q: What is corporate reputation and why should it matter to SMEs? What can SMEs do to build up a strong corporate reputation?**

**A:** Corporate reputation is the sum total of stakeholder perceptions of your company. These perceptions are based on what you do (or don't do), and what others say about what you do (or don't do).

Reputation influences the value of your company's equity, your ability to attract and retain talent, and your fundamental licence to operate (among other things). So it's no surprise that "damage to reputation and brand" consistently ranks near the top of companies' identified risks in the *Aon Global Risk Management Survey Report*. Thus, building, protecting and enhancing corporate reputation is one of the CEO's most important jobs.

In his book *Start With Why*, the author Simon Sinek described how some of the most successful and iconic organisations (for example Apple) and leaders (for example Martin Luther King Jr) in the world communicate – that is, from the inside out.

He codified this process of communication in the form of three concentric circles – it starts with "why" (that is, values and beliefs) at the centre, moves to "how", and ends finally with "what". He might just as well be speaking about corporate reputation, which also starts from the inside.

Your company's core values – what it stands for and believes in – are at the heart of corporate reputation. If your company doesn't have a strong set of values with which to guide its actions, then no amount of communication can create or sustain a strong corporate reputation. It is thus the CEO's job to ensure that everyone in the company understands these core values and aligns his or

her behaviour with them.

The understanding and embodiment of Singapore Airlines' core values by its cabin crew and ground staff is one of the reasons why SIA is one of the most respected airlines in the world. By strategically using internal communication and training, SIA has enabled its cabin crew and ground staff to consistently deliver on its brand promise of being "a great way to fly". SIA's experience shows that internal communication and training based on core values should be treated as the "first frontier" in the battle for the customer, as they can help transform employees into "walking embodiments" of the core values, and key touch points into opportunities for fulfilling the brand promise.

Furthermore, when these core values are expressed through employee behaviours and the stories employees tell one another, they attract stakeholders (for example potential employees and customers) who subscribe to the same value system. Nonetheless, values are

just empty talk if the management is not serious about infusing them into the company's culture, communicating about them, and investing resources in training so that employees embody and "live" them.

The way in which your external stakeholders view your company is linked to how your employees perceive the company – this is particularly true of customer-facing employees. Recent research indicates that when a company elevates its employees' perception of the company's reputation above that perceived by its customers, higher future sales may ensue.

According to corporate reputation specialist, Peter Firestein, companies can create "psychic income" by giv-

ing employees the opportunity to become involved in the community, especially if these opportunities allow them to apply the professional skills they have developed in the business. When the Asian tsunami hit in end-2004, DHL Asia Pacific mobilised its employees to participate in its disaster-response programme. These employees used their specialised knowledge of logistics to organise the effective handling, warehousing and loading of relief goods for onward transportation to disaster zones.

By allowing employees to participate in the disaster-response programme for up to three weeks, DHL Asia Pacific gave them the platform to live a core value (practising social responsibility) and apply their core capability (logistical expertise in moving things from one place to another) in a programme that saved lives. Employees' first-hand experience of this core value-in-action increased their morale and boosted internal perceptions of the company's reputation.

CSR represents an ideal "stage" on which to marry core values with employee engagement. Equally important, recent research shows that CSR can act as a form of reputation insurance. When a company that has been engaging in CSR (that meets stakeholder needs) encounters an adverse event, stakeholders are more likely to attribute the adverse event to bad luck rather than bad management – hence their stock prices drop less significantly than they otherwise would after an adverse event. Thus, these companies in effect enjoy reputation insurance.



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