46

REPUTATION

Alice Hunt

Reputation has shot up the boardroom agenda and remains firmly in the minds of non-executive directors (NEDs) as scandal after scandal has besieged UK plc and beyond.

Reputation is inextricably linked with trust. It is also notoriously complex to define, something which many more progressive organisations seek to do in the development of their organisational purpose.

Measuring reputation is also fiendishly difficult, though by no means impossible. Finding a way to assess the health of an organisations' reputation will enable the board of directors and the executive team to establish a reputational bellwether that will inform strategic choices and help weigh the risk of a particular decision.

Reputation also falls into a frustrating category for board members and their executive teams of having somewhat intangible benefits when the going is good. As a result, the investment required to build and maintain reputation can sometimes slip down the agenda. This can be extremely short-sighted, particularly given events that have an adverse impact on reputation such as product recalls, executive scandal and misconduct, cyberattacks, and data breaches are all on the up.

At the same time, the value of reputation has increased considerably. Investors increasingly place a premium on the shares of companies that are recognised for maintaining a strong reputation.

Organisations which appropriately assess their appetite to invest in reputation and then adhere consistently to it, will be far more likely to survive adverse reputational impact and emerge from a crisis more resilient and with deeper stakeholder relationships (see chapter on stakeholder management and engagement).

Reputation management is an organisational discipline which sits at the very heart of the modern boardroom. Equipping yourself with the right curiosity, the right mechanisms to interrogate and understand reputation and the reputational implications of key decisions in executive and non-executive muscle which will only need to grow stronger.

“Reputation arrives on foot and departs on horseback.” It is, in other words, hard fought, and without appropriate safeguards it can be lost with breathtaking speed.

So what role do NEDs have in ensuring they are asking the right questions at the right time? Just as a board has an integral role in defining the strategy and purpose of an organisation, so too do they have a role to play in helping the organisation define their reputation:

- What does the organisation want to be famous for?
- What does the board want people to say about the organisation when you “aren’t in the room”?
- What does the board want the reputation of the organisation to be today and also over time? Will this change? How?
- How do the organisation’s purpose and reputation come together? If there are gaps, how does the executive team plan to bridge these?

Understanding reputational trends

- How might the organisation’s reputation change over time and why?
- What are some of the external factors and trends that might impact the organisation’s reputation?
- Do you as a board member have a real understanding of them? If not, what are you doing to ensure you have that knowledge?

- What processes does the organisation have to ensure they are constantly refreshing this knowledge and understanding?
- Are the insights, as in reputational insights that are brought to the board for information and discussion, genuinely helping the organisation and its board of directors see around corners?
- Who else is feeding into reputation insights and how?

Striking the right balance

- What's the right reputational stance for your organisation to take?
- What's the board and the executive team's appetite for investing in reputation, and are they able to sustain that investment?
- How does reputation relate to the organisation's risk appetite and risk management?
- How does reputation relate to value creation in the organisation?
- How does reputation relate to growth and return on capital levers for the organisation such as:
 - a. Growing your customer base?
 - b. Expanding your sustainable product offering?
 - c. Price increases?
 - d. Supply chain and operational efficiencies?
 - e. Talent attraction and retention?

Accountability and support

- What are the expectations of shareholders, rating agencies, customers, and employees with regard to reputation? Does the board have a clear understanding of these, and has the executive team got a plan to meet or indeed exceed these expectations?
- Who is the custodian of reputation and who is accountable for reputation in the organisation? Is this clear and do they know?
- How is this responsibility shared across the board, the executive team, and beyond?
- What has the organisation done to ensure its employees understand the reputation of the business and what their role is in maintaining it?
- Are you as a NED clear where the areas of strength and weaknesses are in your current reputation?

- What is the executive team doing to mitigate these weaknesses?
- Has the board created an expectation amongst the executive team members that creating a culture of positive assertiveness to ensure challenge on diversity and inclusion and environmental, social, and governance (ESG) criteria?
- What is the diversity and inclusion strategy for the organisation that will attune it to reputational issues that may arise from diversity or a lack of it?
- Is the executive team spending time on the things they can control or cannot control?

Measurement

- How is reputation measured? Is the executive team measuring what really matters?
- Does the board and the executive team fully understand the difference between purchase consideration drivers and more fundamental drivers of trust?
- What is the process for surfacing this measurement in the right places in the organisation – for example, in product design?
- What are other companies doing in your competitive set and what are the benefits they are driving from improvements in reputation?

Reputation escalation and management

- How are issues that are reputationally sensitive surfaced in the organisation? Is there a formal process?
- How does reputation sit with the whistle-blower policy?
- Are there crisis management exercises that are regularly held to test these processes and the individuals who are responsible and accountable for them?
- Are there clear roles and responsibilities for the board and executive team in the event of a crisis?

Reputation and brand

- Is there equilibrium between your brand and your corporate entity?

- How is the executive team ensuring that marketing activity is aligned to and sensitive to corporate reputation?
- Is the board clear about what the executive team has done to reflect reputation in the employer brand to ensure strong talent attraction?
- Is the employer brand aligned to reputation and is it something colleagues would recognise and that is written into every job description and recruiting touchpoint?

Repetition

Like so many areas of scrutiny, ensuring that these are questions you ask again and again will be key to ensuring the reputational health of an organisation is consistently and successfully managed.