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**Research
Paper**

Reputation

Measurement and Management

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Introduction

Corporate reputation has been recognised as a highly important and valuable intangible asset of companies. Reputation also is being talked about by organisations, not for profit groups and even government agencies and, indeed, it is clear that such groups do have a reputation.

There is considerable debate and confusion, however, between reputation and the widely recognised concept of brand.

To some extent, the difference is not significant. Either way, both brand and reputation need to be carefully managed, protected and maximised. However, some potential differences are insightful as they indicate where and how we should measure reputation and how it should be managed.

Reputation and Brand

The argument that brand encompasses corporate reputation mainly comes from brand managers and advertising agencies which see themselves as ‘custodians of the brand’. To some extent, this reflects a coloured view. In staking a claim to reputation management, it could be argued that brand managers are mounting a rear-guard action to retain or regain ground in the corporate and marketing communication mix.

Notwithstanding, the concept of ‘**360-degree brand**’ has considerable similarities with reputation, as it suggests that everything emanating from and existing in the environment surrounding a company or organisation collectively comprises its brand – ie. the experiences and opinions of customers, employees, business partners, government, media, and so on.

However, the more traditional concept of brand is connected closely with product marketing. Some of the key characteristics of brand and reputation that affect how we measure and manage each are as follows:

1. *Emotion versus Behaviour*

Brands have been shown to be largely an **emotional concept**, evidenced by the number of people who spend more to buy a brand product when a non-brand alternative of similar quality is available. Young males buy apparel of leading surfing brands even though they do not surf, or walk around in Ferrari T-shirts when they drive Toyotas. Women pay more for a handbag with a brand logo than an equivalent bag from a no-name manufacturer because it says something about them. Brands are identities that people relate to and often take up as artefacts of culture to create their identity.

While the difference between brand and reputation is not clear cut, **reputation is comprised mainly of perceptions based on experience and rational thinking**. That it not to say that reputation is more important than brand or that brand is frivolous. No hierarchy between the two sides of our brain – the *logos* (rational and reasoning) and the *pathos* (emotional and feeling) – is assumed. In some respects brand may be more important – particularly in marketing. A brand is like love. It includes knowledge and experience, but it contains an illogical element that surpasses the experience and actuality. That is the power of brands. We all know that wearing a Timberland shirt or Dior perfume does not make us rugged outdoorsmen or more romantic. But we feel that way; brands trigger a reaction beyond the physical reality of the product. Some say the difference is like love and respect. Brand loyalty is love; reputation is respect. This is also useful in suggesting that brand and reputation are not competing concepts, but complementary.

2. *Promotion versus Reality*

Because of this key difference in the nature of brand and reputation, the way each is built and maintained is different. **Brands can be and are often created through advertising and promotion**. Marlboro

was crafted as an image of a rugged American cowboy largely unrelated to the basic nature of the product – cigarettes. Even though cowboys smoked, in reality most probably smoked ‘roll your own’. Even more far-fetched, the world of Peter Stuyvesent involved images of clear mountain air and purity – not something that can be logically connected with smoking. Coca-Cola, Nike and Sunilk have manufactured not only products, but brands that surpass the intrinsic nature of the products involved – soft drink, shoes and shampoo. Luxury goods manufacturers such as Armani, Chanel, Dunhill and Bally have cleverly built brands that allow them to command premium prices with large profit margins above the cost of production of these goods involved.

This is not to argue that brands can be built and succeed without foundation. Quality and delivery on promises are important in marketing. But it is the additional intangible layer – the emotional value of a brand that is a key part of its value.

Reputation cannot be created by advertising or built by public relations. Reputation is primarily based on experiences and observation. Reputation is more to do with behaviour and reality than image and promotion.

Take Nike. Market research shows Nike to be one of the highest rated brands in the sports and leisure wear market – even number one in some sectors. Its powerful brand drives Nike sales worldwide to the tune of more than US\$15 billion a year (Annual Report, 2006). But in the late 1990s Nike became embroiled in a controversial political issue over use of ‘sweat shops’ in developing countries such as Indonesia and Thailand to manufacture its products. Market research showed the brand remained in high standing among target market consumers. But many Americans started boycotting stores selling Nike shoes and negative media headlines

appeared because of the company’s policies and behaviour in relation to labour. Brand proponents argue that the criticisms of the company were, in effect, criticisms of the brand, but consumers differentiated. Research showed that consumers were able to continue to recognise Nike as a leading brand but, at the same time, did not approve of the company’s corporate behaviour in developing countries. This suggests that reputation exists beyond or in parallel to brand identity.

3. *Customer versus Other Stakeholders*

A third key difference between brand and reputation is that **brand is primarily a property identified and seen as valuable among customers and consumers.** Reputation exists among consumers, but also is currency among a number of key non-customer groups which can have significant influence on the company’s or organisation’s operations. For instance, perceptions of a company or organisation among the following can substantially affect its operations:

- Shareholders;
- Government;
- Regulators;
- NGOs;
- Analysts;
- Business partners;
- Employees; and
- Key influencers and intermediaries.

While these groups are somewhat affected by brand image, they primarily base their interaction with a company or organisation on more substantial behavioural criteria. Regulators are concerned about whether a company is complying with the law; shareholders are interested in management vision and effectiveness; business partners judge a company on their personal business dealings; analysts look beyond PR and advertising to hard evidence about performance; and employees are concerned about how they are treated.

The Nature of Reputation

Not everyone agrees with these distinctions. For instance, James Norman and Linda Recupero (1999), writing as executives of PR firm, Shandwick, defined reputation as:

... the collective expectations (emotional and rational) that various audiences, specifically stakeholders – customers, investors, employees, analysts and suppliers – have of a corporation's products, services and activities surrounding its business, social and financial performance.

However, it is generally viewed that brands tends to mostly exist in a *productsphere*, a world largely created by advertising and promotion, while reputation is formed and exists in social, political and economic spheres as well among consumers.

Despite considerable debate and myriad books, conferences and articles, reputation is still poorly understood. In a White Paper published online, Director of Research for the Delahaye Group, James Beakey (1998) said "reputation is ... a very abstract construct that alone is very difficult to quantify". But companies and organisations need to be able to track and manage their reputation.

In approaching the measurement and management of reputation, as well as identifying its differences from brands, there are a number of other key criteria which need to be recognised, including:

1. **Reputation is perception.** It is what people think, not necessarily reality. It is what psychologists and researchers term *cognitive*. Just because your organisation tries to act responsibly does not mean people will think you are responsible.
2. **Not everyone's perceptions matters.** This may sound callous, but not everyone's perceptions have the power to impact a company or organisation. Many people have opinions about many companies and organisations. Some matter because an

organisation's future depends on them. But there are also individuals and groups which have little impact on an organisation. In terms of measuring and managing reputation, companies and organisations have to ask which groups matter and focus on these. This is no different to personal reputation. Each of us lives with the knowledge that we cannot please everyone all the time. We try to live harmoniously with those who are close and important to us. Broad-based reputation studies that tell a company its reputation across the whole community can be irrelevant.

Drawing together the previous two points, we can conclude that ***reputation is what the people who matter think.***

3. Furthermore, **not everything matters.** When we set out to identify or measure reputation, *we* should not decide the criteria to measure. Some companies and numerous consultants selling proprietary research systems propose that reputation should be measured in terms of five, six, seven, eight or more variables which they decide and have set up in their system.

For example, Shandwick International has marketed **Reputation Quotient** developed by **Harris Interactive** which proposes six 'key drivers' of reputation: (i) emotional appeal and credibility, (ii) social responsibility, (iii) product and service quality, (iv) workplace environment, (v) vision and leadership, and (vi) financial performance (Norman & Recupero, 1999).

Harris Interactive, in a more comprehensive outline of its methodology, claims 18 factors drive reputation, grouped under six "core pillars" (Thompson, 2000).

Although it does allow customised reputation indexing, the **Delahaye Reputation Index** begins by exploring criteria including 'corporate citizenship', 'innovation' and 'diversity of workforce' (Beakey, 1998).

The weakness of measuring pre-determined criteria is that they may not be what key stakeholders judge your organisation on. How do we know that vision and leadership or corporate citizenship matter to groups who matter to us? Perhaps they don't care about these things. Maybe we are the only ones who do. Deciding internally what criteria determine reputation is putting the cart before the horse.

Drawing all three of these criteria together, we can develop an important formula:

Reputation is what the people who matter think about what THEY think matters.

This leads to a totally different approach to measuring reputation. Instead of measuring pre-determined attributes or values, measurement of reputation should involve three stages of research:

1. **Identifying the key stakeholders** who matter to your business or organisation;
2. **Identifying the key attributes** that matter to each stakeholder group – what is important to them and what they judge you on. This can be done in preliminary interviews or even a question in a reputation survey that asks stakeholders to rate the most important attributes in their view;
3. **Evaluating those key attributes** with emphasis on those that matter most to key stakeholders. For instance, attributes most highly rated can be weighted to ensure you are measuring the right thing.

The Reputation Molecule

A concept which helps explain reputation and assists stage one above is a molecule. Anyone who has learned basic chemistry may recall that molecules are made up of atoms which, in turn, are made up of protons, neutrons and

electrons. A molecule is a combination of elements. Not only is every type of molecule different, but molecules are constantly dynamic. Elements literally buzz around, interacting with each other and changing the electrical charge and energy of the molecule. One negatively charged element can affect other elements in the molecule.

The Reputation Molecule is comprised of multiple elements, such as customer relations and satisfaction; shareholder relations; business partner experiences; analyst views; media opinion; and so on as shown in Figure 1.



Figure 1. *The Reputation Molecule (Macnamara, J., 2005)*

Once this concept is understood, identifying and measuring reputation becomes easy, or at least easier. Rather than being some new function or environmental factor that management has to measure and manage, reputation is a molecule comprised of various elements. Most of those elements are already within our jurisdiction – albeit managed within different silos such as HR, PR, marketing, etc.

In a perversely simple way, reputation leads us back to a concept recognised as vitally important in marketing and corporate communication back in the 1980s – the need

for integration. While rarely put into practice well because of rivalries between advertising, PR, direct marketing and other communication disciplines, integrated communication emphasises the importance of (a) not reaching only one group such as customers, but reaching all stakeholders important to the organisation and (b) achieving a consistency of experiences and messaging and, ultimately, perceptions, within key groups.

Positive reputation coalesces as a consensus of perception when a company or organisation has established a consistently positive set of experiences and interactions with the key groups that matter to its operations. If some key groups have negative experiences and interactions, these will ‘bump into’ other elements in the Reputation Molecule and destabilise them.

Measuring reputation

Typically, reputation is measured through **interviews** or a **survey** among key stakeholders (the people who matter) and ideally gains ratings of your company or organisation on what they think matters. Furthermore, most researchers recommend that a reputation study include benchmarking against competitors or other organisations. If you find that your stakeholders rate you six out of 10 for environmental responsibility, what does that mean? It only becomes meaningful if you know how the same stakeholders rate your competitors, or what score they give to a Best Practice leader. Benchmarking gives you a basis for comparison.

Proprietary reputation indices and quotients, as referred to previously, are usually only trade names for interviews and surveys. But, in many cases, surveys and interviews in reputation studies are conducted among pre-determined groups of respondents asking questions about pre-determined lists of criteria that may or not be what stakeholders think are important.

A different approach involving innovation is recommended in this paper. The typical reputation study or ‘perception audit’ using a survey of key stakeholders identifies perceptions and opinion within a range of groups. But, strictly speaking, this identifies your reputation as it was yesterday – or last week or last month when the survey was done.

A more strategic approach recognises that reputation is influenced by and reflected in four key factors:

- **Opinion and perceptions – what key people think** – of the organisation, specifically what key stakeholders such as customers, employees, analysts, regulators, media, etc, think and how they feel about the organisation. This is undoubtedly the most important element of reputation. However, reputation is also significantly influenced by:
- **Discourse – what influential people say** – such as leading financial and industry analysts, government officials, NGOs, institutions, and so on. *Discourse* from influential sources is important as it both reflects and creates perceptions;
- **Awareness** is also a key factor, as high quality perceptions are of little benefit if they exist in only a small proportion of stakeholders or if many stakeholders are not aware of what you do and what products or services you market. Reputation, to be an asset and sustaining, ideally should exist widely (ie. the extent as well as the quality of reputation is important);
- **Public profile** – fourthly, research shows strong correlation between high profile and reputation (positive or negative)¹. If an organisation does not have a public profile, its reputation is usually limited or confined to niche markets.

¹ John Gilfeather & Tina Carroll (2005), International Public Relations Research Conference, Florida, USA.

These four criteria are able to be measured as follows:

1. Opinion and perceptions can be identified through **qualitative survey or interview questions**;
2. Awareness of the organisation and/or of its services, products, strategy, values, etc, can be identified in **quantitative survey or interview questions**;
3. Profile can be identified through **quantitative media analysis** measuring volume of coverage x audience reach; and
4. Discourse can be identified through **qualitative media analysis** examining key sources, messages and tone of comments in key media coverage.

CARMA Reputation Matrix™

CARMA International has developed the CARMA Reputation Matrix™ which measures these four criteria and then ‘quadrangulates’ the four data sets, converted to a uniform scale (eg. 10 or 100), to provide a comprehensive overview of reputation that is more informative and more reliable than any single metric.

As well as being more accurate than single metric reputation measurements, the CARMA Reputation Matrix™ provides **strategic information on the formative influences on reputation and likely future reputation**.

Positioning on the CARMA Reputation Matrix™ is plotted by intersecting lines drawn from the four data points on the four sides of the matrix. (See Diagrams 1 and 2)

Lines drawn from the ratings on the four sides of the matrix may not intersect at a single point – usually they form a square or rectangle when four data points are used. The size of the square or rectangle reflecting reputation will vary, depending on the variation in the data sets.

A small tight square or rectangle means there is consensus and consistency between public profile, discourse (what people are saying), awareness and opinion about the organisation.

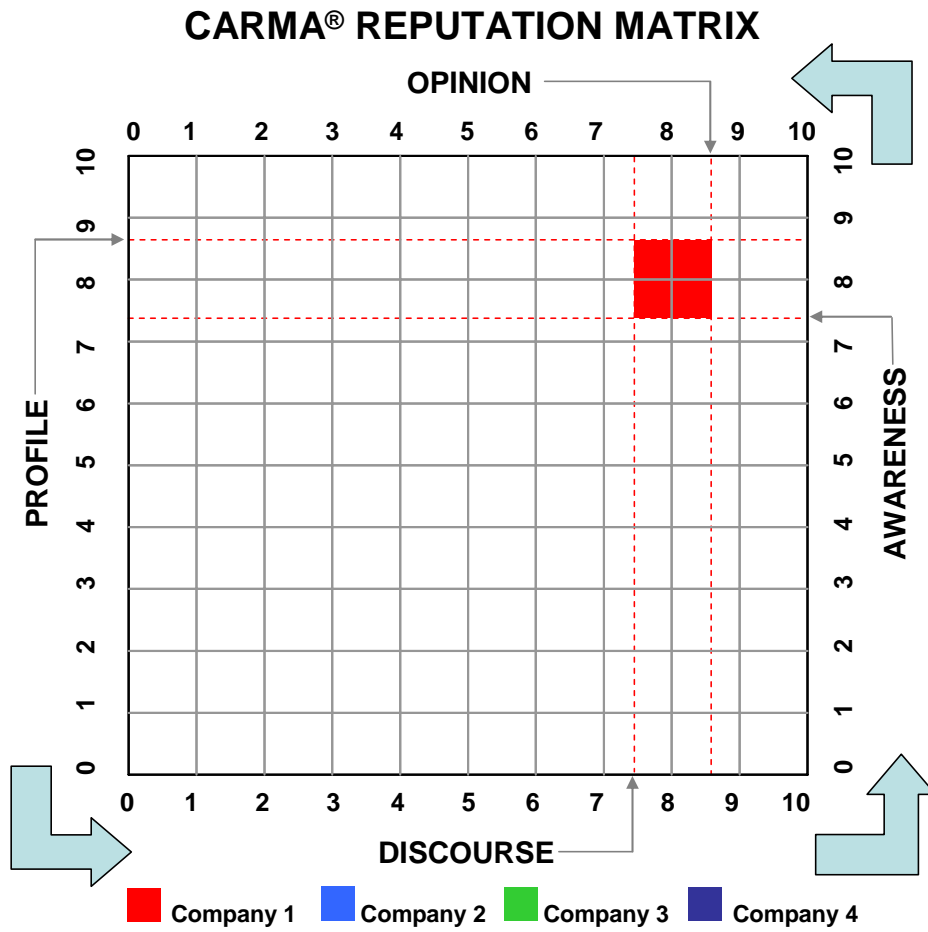
A large square or rectangle representing an organisation’s reputation indicates that it is imprecise, varying and perhaps in a state of change.

Diagram 2 shows how the reputation of Company 1 is plotted using the four measures. This example shows a small tight positional square as most measures are consistently high – profile is strong (7.4); opinion is very positive (8.7), awareness is slightly lower but still good (7.4) and discourse, although lower than opinion, is quite positive (7.5). Thus, the reputation of Company 1 is clearly within the top right quadrant of the Reputation Matrix™ with all metrics in that quadrant.

The CARMA Reputation Matrix™ in Diagram 3 shows Company 4 is positioned very differently. Company 4 has a high profile (8.1) and, currently, key stakeholders have a high opinion of the company (7.9). But, awareness (eg. of what the company stands for, its strategy, products, etc) is lower (6.5) and, very significantly, discourse (what key influential people such as analysts and media are saying about the company) is much lower (4.4). In fact, on the CARMA Favourability scale, 4.4 indicates negative discourse (5.0 is neutral or balanced).

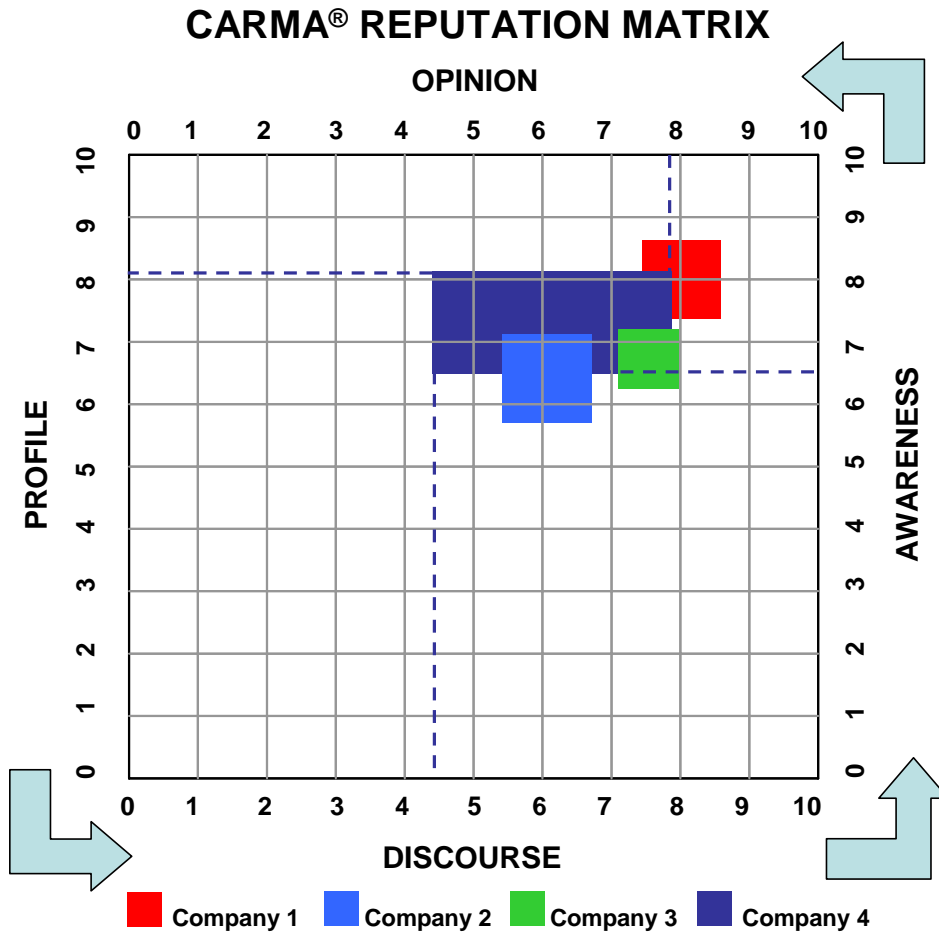
While the reputation of Company 1 is stable and even in the ascendancy (indicated by *quantitatively* and *qualitatively* high profile, discourse and awareness), the reputation of Company 4 is likely to decline unless negative discourse is countered and awareness of its strategy, products, etc among key stakeholders is increased.

If media/public discussion is quantitatively high but qualitatively lower than opinion, it is likely to pull opinion down, or if profile and discourse are quantitatively and qualitatively higher, reputation is likely to improve.



Profile = Volume of media coverage in key media & audience reach measured by CARMA.
Discourse = Media discussion qualitatively measured by CARMA Favourability Rating.
Awareness = % aware of organization, products, strategy, etc measured by survey question.
Opinion = Mean aggregate opinion rating by key stakeholders measured by survey on 10 scale.

Figure 1. The CARMA Reputation Matrix™ showing the ‘plot’ of one company.



Profile = Volume of media coverage in key media & audience reach measured by CARMA.
Discourse = Media discussion qualitatively measured by CARMA Favourability Rating.
Awareness = % aware of organization, products, strategy, etc measured by survey question.
Opinion = Mean aggregate opinion rating by key stakeholders measured by survey on 10 scale.

Figure 2. The CARMA Reputation Matrix™ showing the ‘plots’ of four companies.

Managing reputation

By identifying not only the current state of perceptions and opinion about a company or organisation, but also discourse among key influencers, awareness among key stakeholders and profile in key media, the CARMA Reputation Matrix™ provides valuable strategic information. It provides a reputation *management* tool as well as a reputation *measurement* methodology.

It offers more precise measurement of reputation and strategic insights to manage reputation looking forward.

Presentation in a simple matrix format, a concept widely familiar among management, also makes The CARMA Reputation Matrix™ easy to understand.

Retired US PR academic, Jim Grunig (2000) says reputation is a downstream *outcome* and, as such, it cannot be managed. It is the result of many other things you do. He is correct. Be

wary of consultancies and conference programs that promise to help you manage reputation. It is impossible to manage the cognitive processes in people's heads. However, the things you do that create reputation can be managed.

The processes outlined in this paper are critically important research and management steps. Unless you know what matters, you will not know what to change to improve your reputation. You will not be in a position to **manage what matters**. You may be working hard to improve in an area that stakeholders think does not matter. Or you may be ignoring an area that they think is important.

And the gathering of data on discourse, awareness and profile provides a total picture to aid strategic planning and management of reputation in future as it gives insights into what is shaping reputation and the likely future direction of reputation.

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- * *Jim Macnamara is an internationally recognised authority on research for planning and measurement of communication with a 30-year career in media and public communication. After working as a journalist, as a consultant in leading PR firms and running his own consultancy for 13 years, in 1995 he established the Asia Pacific franchise of global media analysis firm, CARMA International which was acquired by Media Monitors in early 2006. Jim holds a BA in journalism, media studies and literary studies, an MA by research in media studies and a Doctor of Philosophy (PhD) in media research. He is the author of 11 books, as well as numerous professional and academic papers published internationally including in 'Journal of Communication Management' in the UK. As well as working as General Manager – Research for Media Monitors-CARMA Asia Pacific, he is an Adjunct Professor in Public Communication at the University of Technology Sydney.*