

Reputation And Corporate Responsibility

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To deliver the continuous improvement in performance and profitability that is our fundamental goal, we have to show we are part of a process of sustainable development, beneficial to all

So says Lord Browne of BP¹, generally acknowledged as Britain's leading Chief Executive. He puts corporate responsibility and mutuality of benefit at the heart of his business – not an adjunct to commercial activity, but an integral part of it and a key to future prosperity.

The concept of social responsibility has already made its mark on business priorities and communications, and is set to carry on doing so. Concerns about Shell in its home countries of Britain and the Netherlands surround its behaviour in places far afield; consumer companies from Nestlé to Nike have come under enormous pressure for their marketing and employment practices in the developing world; after much heart-searching, Unilever has decided that it must become more visible and that all its products will carry some degree of corporate branding.

These pressures and actions stem from an increasing interest – across the gamut of stakeholders from consumers and employees to investors and legislators – in the values and standards of the companies behind their products and brands.

Not that companies' efforts to talk about their values are greeted with universal approval. If a squirrel is a rat with good PR, the sceptics certainly smell a rat in companies' claims about their social responsibility. "Greenwash", "spin", "worthless" – and most damning of all, "a PR exercise".

The sceptics are right to scrutinise and expose over-claiming. But their zeal should not discourage companies from attending to, and communicating, their role as corporate citizens. Rather the opposite. For all the profile of CSR these days, companies should arguably take it **more** seriously and integrate it further into their business vision and brand management.

That is the conclusion from MORI's findings across a range of stakeholders. They tell us that:

- Brands are about trust
- Trust is created - and destroyed - in a complex and changing way
- Corporate responsibility lies at the heart of the change
- This has important implications for communications strategy, and for brand management

Some interesting things are being said about brands these days:

Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers and employees are questioning whom they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line . . .

Business Week, August 2002

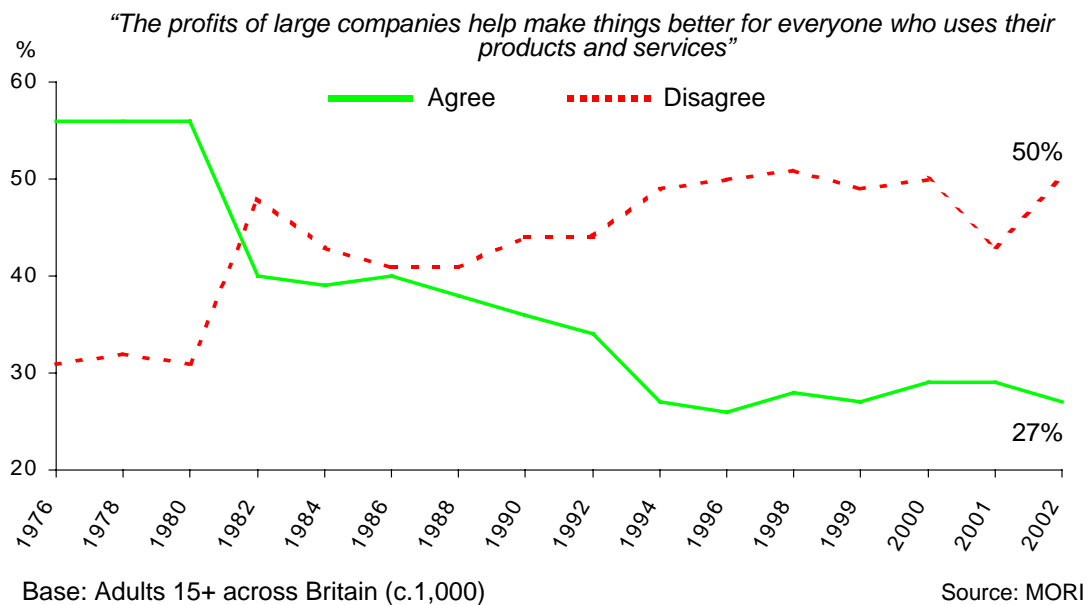
Big corporations have to behave differently if they want to build a reputation that enhances their brand, and makes them attractive not just to customers but to the best workers

Jeffrey Gartner, Yale School of Management²

Clearly, these commentators are not thinking of brands in the traditional marketing sense. Rather, the brand is a persona of the company, encompassing corporate qualities, values and promises. This is not woolly thinking, but an entirely logical response to the changing sentiment and expectations of the external – and internal – world.

We simply feel differently about business than we did a generation ago. For illustration, one might look at successful corporate ads of the early Eighties – say, BP's *Britain at its Best* campaign. Brilliant and effective in its time, it now grates; somehow its messages (BP is successful, BP is British) leave a gap in our expectations. "Yes, but what about . . .?" says our inner voice.

We can pin down the change more tangibly with the aid of long-term trends in public attitudes. In the late seventies, the British public by two-to-one agreed that the profits of large companies benefited their customers. Now, the public by two-to-one disagrees.



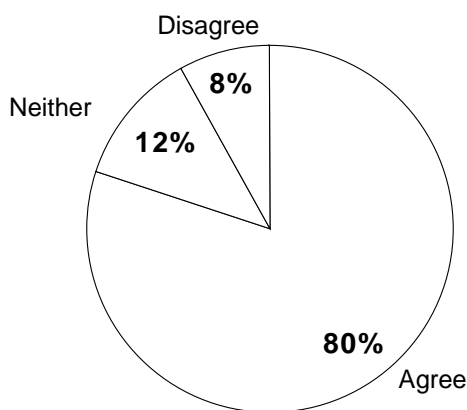
That particular basis of trust between business and consumers no longer exists. While it would be highly desirable to reverse the trend, there is perhaps greater scope for business to build a new basis of trust : that of corporate responsibility.

The recent scandals of Enron, WorldCom and the like have turned a spotlight on corporate governance – which has jumped in priority for City investors, for instance. But it is also part of a broader shift of focus onto business responsibility, underlining the challenge for companies to persuade us they care as much about their other responsibilities as about their immediate commercial ones.

It has been suggested that corporate governance issues are of concern only to the “chattering classes”, and that the broad public is uninterested in such things. That hypothesis does not survive the test of public opinion. In July 2002, three-quarters of the British public recalled seeing or reading about the corporate scandals of previous months surrounding Enron and WorldCom. Does it matter? Half of those who recalled the publicity say it diminished their trust in large companies – a quarter say it made them trust companies **much** less.

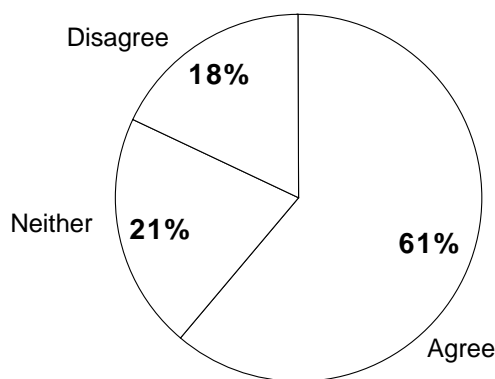
So the task of confidence-building will not be easy. Four-fifths of the public believe that large companies have a moral responsibility to society – a view with which many industrialists would probably concur. But the majority of the public also believe that large companies “don’t really care” about the long-term environmental and social impact of their actions. In other words, the public feels a dissonance with business – in their perception, business lacks interest in exactly those issues of increasing interest and priority to the public.

“Large companies have a moral responsibility to society”



Base: 1,875 adults 15+ across Britain, July 2002

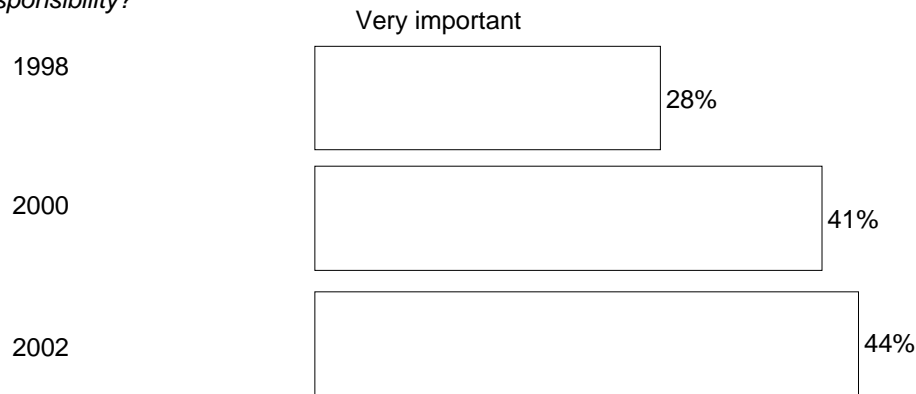
“Large companies don’t really care about the long-term environmental and social impact of their actions”



Source: MORI

The extent of that increasing interest is clear from a question MORI has asked consumers for a number of years : in their behaviour and decisions as consumers, how important is the social responsibility of the company whose products and services are on offer. The proportion of consumers who say it is **very** important to them has getting on for doubled in the period 1998 – 2002:

Q When forming a decision about buying a product or service from a particular company or organisation, how important is it that it shows a high degree of social responsibility?



Base: c. 1,000 GB adults 16+ July-August

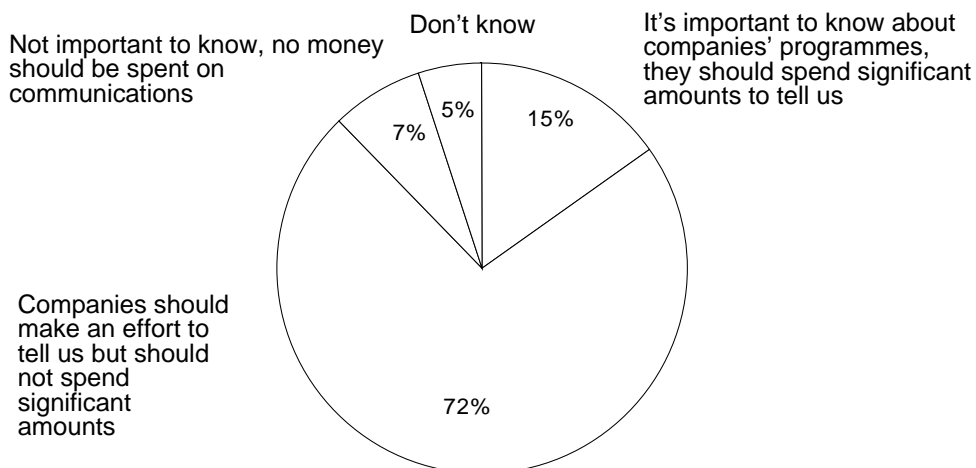
Source: MORI

The evidence of its impact on sales is mixed, but this shift in consumer mindset and self-image is dramatic. An issue which moves so powerfully up the consumer agenda will, given opportunity and knowledge, increasingly show itself in behaviour. Any business with a broad consumer base that does not see significance in the trend is being brave - or foolhardy - indeed.

The rise of corporate citizenship within the consumer agenda presents a challenge – and of course an opportunity. For business as a whole, it represents a new chance to re-engage with the public – to talk about business’s role, and beyond that about the joint responsibilities of business and consumers to address environmental and social issues. For an individual business, it offers an opportunity for competitive edge; to become a company with whom consumers are happier and more comfortable doing business.

Another unusual facet of corporate citizenship is that the public is not only content to hear from companies about it, but positively demands the information. Even given the tough trade-off that money spent on communications may dilute the social budget itself, few of the public do not want companies to spend on communication, and a substantial proportion want that spending to be significant.

Q Which of these statements best describes your view of the balance between programmes and communications?



Base: 939 GB Adults 15+ July - August 2001

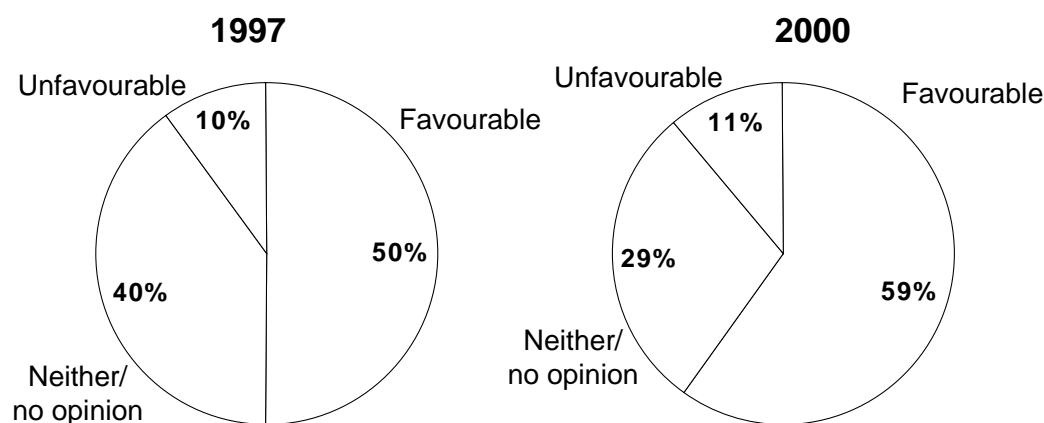
Source: MORI

In other words, consumers want to know about corporate citizenship – and to translate that knowledge into their behaviour.

If business is to engage the public in the twenty-first century, its communications must give social responsibility a bigger and more central role. This means, inevitably and correctly, breaking down some of the traditional demarcation between brand (owned by Marketing) and reputation (owned by Public Affairs). As consumers move to the top of Maslow’s Hierarchy of Needs and their actions are increasingly driven by self-realisation, it is natural that ethics and values will play a more prominent role in their consumer choices. Brands, if they are to retain their relevance, must shift their ground accordingly.

Shell picked up on this necessity following its wave of negative publicity surrounding Brent Spar and Nigeria. Given the nature of the criticisms and the increasing salience of the issues involved, it seemed Shell was destined for an inexorable decline in stakeholder favourability. However, a sustained and committed process of stakeholder engagement (the *Listening and Responding* programme), together with communications focusing on Shell’s practical commitment to sustainable development, have not only arrested the decline but turned the trend positive:

Q How favourable or unfavourable is your overall opinion or impression of Shell?



Base: All Special Publics across 23 countries (c. 2,000)

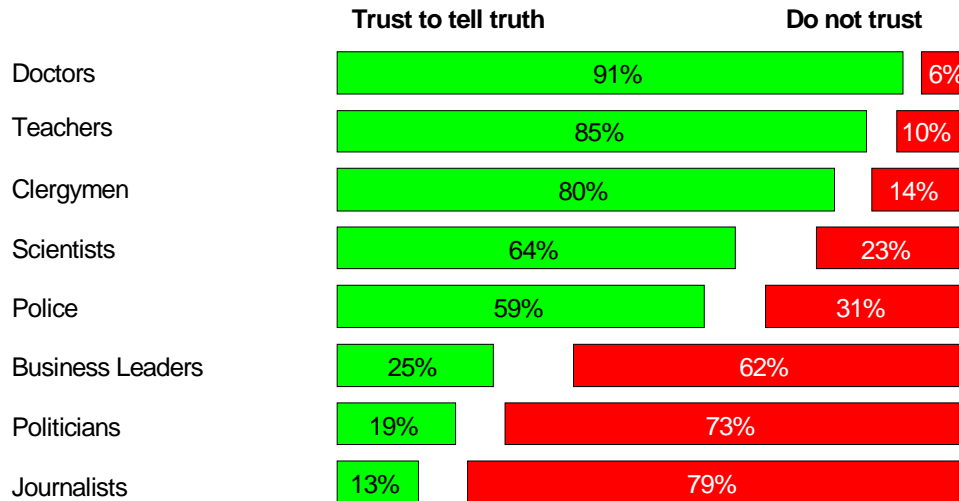
Source: MORI

Although the phrase ‘licence to operate’ has been over-used, it is clear that stakeholders’ comfort with what they see in companies will continue to impact on those companies’ ability to run their businesses successfully. As David Grayson and Adrian Hodges put it:

The capacity of business to do things in the first decades of the twenty-first century will have less to do with technological constraints and more to do with how far businesses can win popular support for the use of the new technologies³

We mentioned earlier the ideal of business being able to engage the public (directly on through NGOs) in constructive dialogue about joint responsibilities. For that to be possible, there will need to be a change in the trust accorded by the public to business leaders. Other than the traditionally-despised politicians and journalists, business leaders are the professional group least trusted to tell the truth:

Q Would you generally trust . . . to tell the truth, or not?



Base: 1,972 adults across Britain, Feb 2002

Source: MORI

This sorry state of affairs has several causes. One, inevitably, is the hard commercial decisions businesses have to take. While the public in principle accepts the idea that business must perform competitively in order to play the kind of social role they would like, some of the consequences are less palatable.

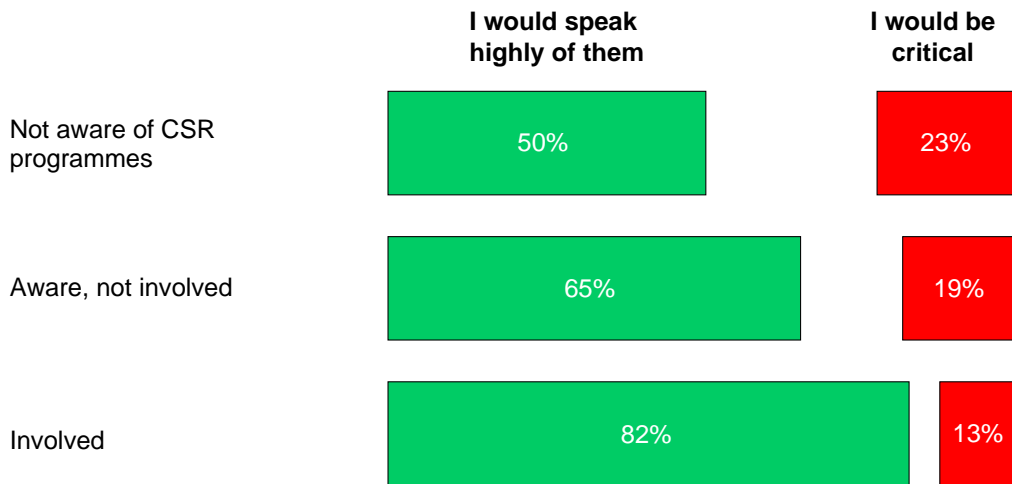
However, business has unquestionably missed opportunities to create trust – or at least to counteract the negatives. Every headline of pay rises for directors while their employees are squeezed, and of six-figure payoffs for executives who have failed their companies, registers with the public and reinforces the impression of distant, uncaring business leadership.

Business's lack of apparent concern – let alone priority – to issues of corporate citizenship is similarly cavalier. Many large companies are genuinely committed to fulfilling social responsibilities – but fail to communicate actively enough to convey it.

The most powerful influence on our image of a company is what we hear from someone who works for it. What are the most powerful influences on employees to speak highly of their companies? It turns out that one of them is the companies' perceived commitment to CSR/community investment initiatives. Looking at the views of employees across a range of companies, MORI's analysis shows that among those unaware of their company having such initiatives, 50% would speak highly of their company and 23% critically – a net balance of +27. The balance jumps to +46 among those aware of schemes but not personally involved – and to +69 among those actually involved.

Impact of CSR Programmes on Employees

Q Which comes closest to your opinion of your company as an employer?

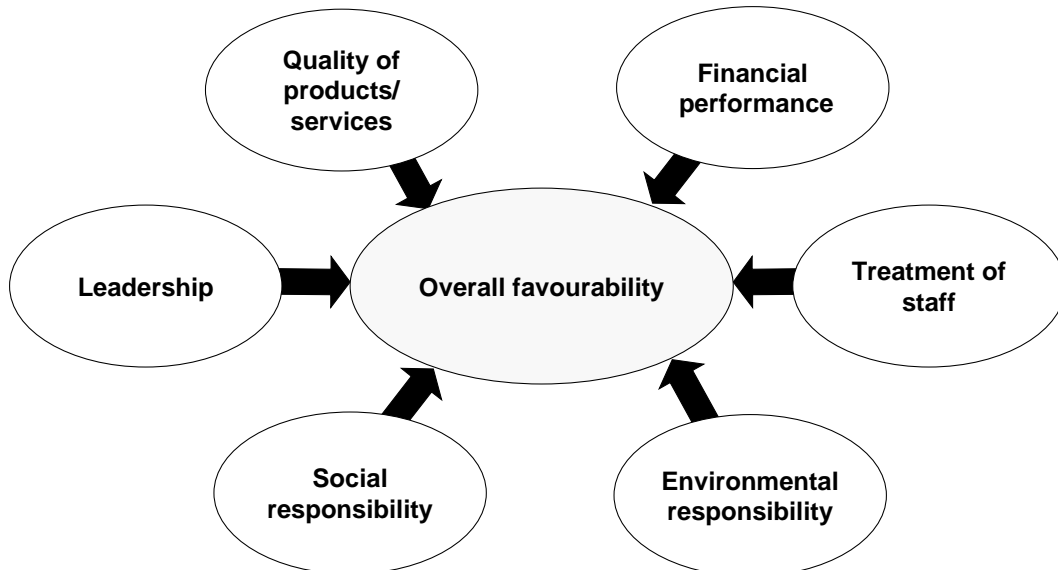


Base: c. 2,000 employees across six companies, March-May 2000

Source: MORI

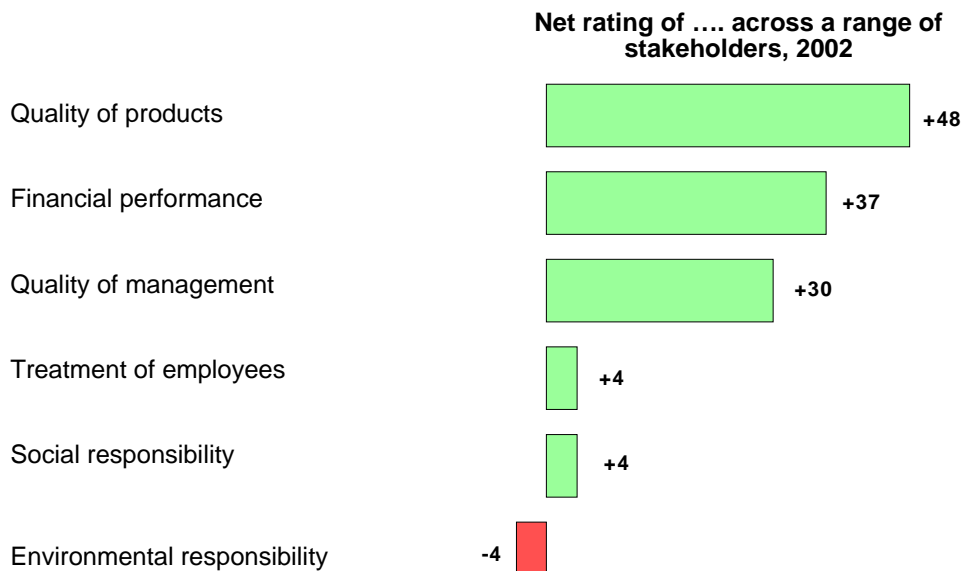
Social and environmental responsibility is not the be-all and end-all of reputation, of course. Rather, they are two of around six major facets of reputation, whose weight in determining overall favourability will vary by audience and by sector.

The Make-up of Reputation



Source: MORI

Nonetheless, social and environmental responsibility are special factors. In every stakeholder audience, from consumers to media, legislators and investors, they are an increasingly powerful driver of overall reputation and disposition. And they represent protection against some of the threats of the movement against global business. Corporations which have traditionally relied on their brands for public profile will tend to have an unbalanced reputation, strong on product and financial criteria but weak on citizenship:



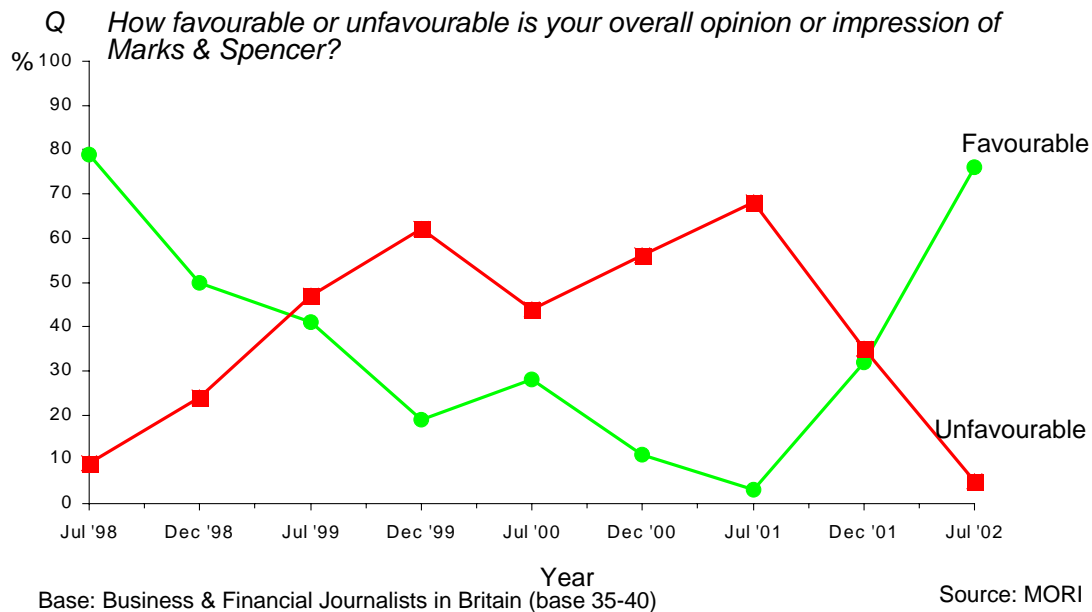
Source: MORI

Such a unbalanced image opens a company to association with the faceless stereotype of big business. The company shown above provokes comments such as:

I don't know what . . . wants to be. That might simply be a reflection of my lack of knowledge of them. I don't quite know what their mission in life is. Actually I do – to make lots of money – but how to do that? They seem to have a fairly abysmal record on welfare

I think it is one of those companies which, if you reflect on the growth of the anti-globalisation campaign . . . is in the frame for that and I think they really do have to try and get a social message across

Responsibility is of course only one facet of stakeholder responsiveness. It can give a lift, though, to other elements of the communications mix. For business journalists a few years ago, Marks & Spencer's success and attractiveness as a company was offset by its lack of respect for, and responsiveness to, their professional needs. As a result, they attacked the company with relish as its performance deteriorated. During the low period, though, M&S invested in improving its media relations. As its fortunes turned upwards, it enjoyed the harvest of its investment in the shape of outstandingly positive coverage, which in turn helped promote confidence in the company's recovery. Although M&S's profits are still well short of their 1998 level, journalists' favourability towards the company is fully restored.



Commitment to corporate responsibility – in private and in public – is not a woolly or superficial aim. It requires investment of time and energy, but it makes good business sense. A dispassionate reading of trends in stakeholder expectations makes the case clear and unavoidable.

As David Bernstein said twenty years ago:

Image is reality. It is the result of our actions.

If the image is false and our performance is good, it's our fault for being bad communicators. If the image is true and reflects our bad performance, it's our fault for being bad managers.

Unless we know our image we can neither communicate nor manage⁴

Stakeholders, including the public, want to see business behaving differently in reflection of a higher priority to corporate citizenship. Currently, business is only sporadically getting the message across that it **is** behaving more responsibly. An unusual feature of corporate responsibility is that in demanding change - and business being slow to meet needs - customers are actually setting and leading the business agenda.

Tony Blair said in 2001:

You don't have to be an expert to realise that sustainable development is going to become the greatest challenge we face this century⁵

For business, the message is manifestly true.

Footnotes

1. BP Annual Report 2001
2. Jeffrey Gartner, quoted in International Herald Tribune, 2 October 2000
3. David Grayson and Adrian Hodges, *Everybody's Business*. Dorling Kindersley, London 2001
4. David Bernstein, *Company Image and Reality*
5. Tony Blair at Chatham House, February 2001