

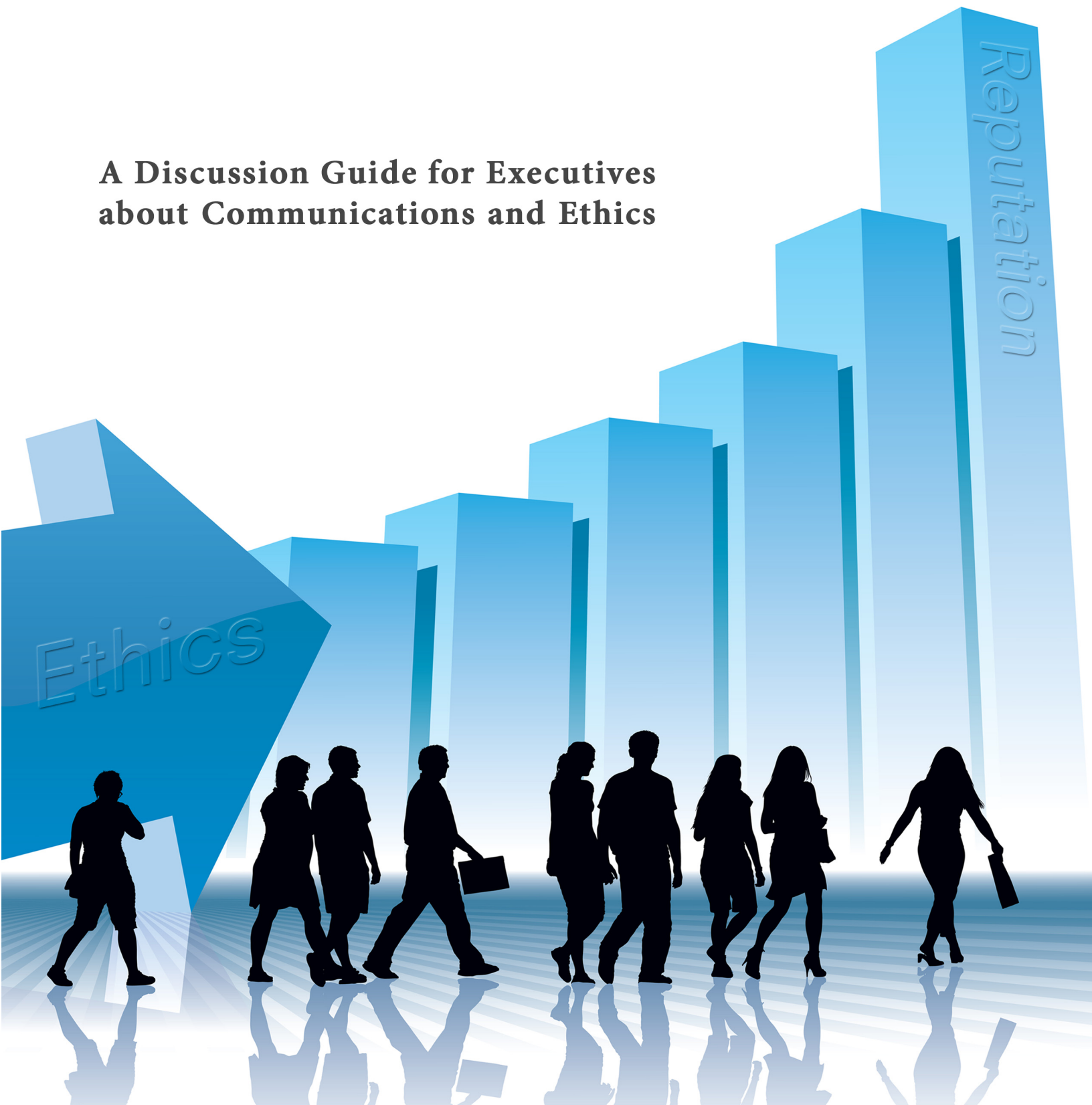
ERC

ETHICS
RESOURCE
CENTER

BUILDING A CORPORATE REPUTATION OF

INTEGRITY

**A Discussion Guide for Executives
about Communications and Ethics**



ETHICS RESOURCE CENTER

THIS PUBLICATION IS A PRODUCT OF THE ERC FELLOWS PROGRAM

ABOUT THE ETHICS RESOURCE CENTER

The Ethics Resource Center (ERC) is America's oldest nonprofit organization devoted to independent research and the advancement of high ethical standards and practices in public and private institutions. Since 1922, ERC has been a resource for public and private institutions committed to a strong ethical culture. ERC's expertise informs the public dialogue on ethics and ethical behavior. ERC researchers analyze current and emerging issues and produce new ideas and benchmarks that matter — for the public trust.

ABOUT ERC FELLOWS

The ERC Fellows Program is a forum for chief ethics officers, senior ethics professionals, and scholars dedicated to improving ethics in the workplace. With representation from corporate, government, non-profit, and educational leaders, the Fellows design collaborative research to advance understanding of organizational ethics and to assist organizations in the development and implementation of internal ethics programs.

To learn more about the ERC Fellows Program, visit www.ethics.org/fellows.

Introduction

Among all of an organization's assets, a good reputation may be the most important. It is also the easiest to lose and the most challenging to maintain. Executives and outside experts alike say a good reputation adds value to the organization, helping it secure investment capital, attract talented employees, win customers, and provide a reservoir of good will to draw on when troubles arise. In an age when companies are increasingly expected to contribute to societal welfare in addition to making profits, some commentators have suggested a good reputation provides a company with the social license to operate.

Building and maintaining a good reputation requires persistence. In a sense, reputation is a perpetual work in progress. It demands constant attention from all parts of an organization to guard against reputational loss from ethical lapses, bad business decisions, or simple neglect. Benjamin Franklin may have said it best: "It takes many good deeds to build a good reputation and only one bad one to lose it."¹

Drawing on the work of ethics and communication professionals as well as the dialogue among the ERC Fellows at their July 2011 meeting, the following pages examine the key ethics questions for organizations, executives, and boards when considering how to build and protect reputation. They also discuss how ethics officers can assist with reputation management.

“It takes many good deeds to build a good reputation and only one bad one to lose it.”

– Benjamin Franklin

1. Weber Shandwick, "Safeguarding Reputation: Issue No. 3." http://www.webershandwick.com/resources/ws/flash/Safe_Rep_Triggers.pdf

BUILDING A CORPORATE REPUTATION OF INTEGRITY

A Discussion Guide for Executives about Communications and Ethics

Why Reputation Matters

A good reputation matters for a multitude of reasons, some measurable and some not.

Recent research tells us consumers prefer to deal with a company they trust and employees prefer to work at a company they are proud of.² Increasingly, too, investors believe trustworthy, ethical companies are a safer place to put their money.

Reputation is an important component of an organization's value. Corporate executives surveyed by Weber-Shandwick estimated that 63 percent of their companies' market value is due to reputation.³ Some analysts say a good reputation accounts for an even larger share of value for consumer product firms. Consumers cast verdicts on reputation with their pocketbooks, withholding business from companies they believe are ethically deficient and rewarding those with good reputations.

And, it doesn't take long for consumer judgments to spread. Edelman, the global PR firm, reports that a growing number of consumers will air their gripes or share their compliments directly with friends or, increasingly, on public Internet sites that can take opinions viral.

The results can be dramatic. Edelman's Trust Barometer® survey reports that nearly three-quarters of consumers say they will actively avoid doing business with a company they don't trust, while 85 percent will go out of their way to buy from a company they trust.⁴

Similarly, a survey by the British creative agency 23red found that 91 percent of consumers are influenced by company treatment of customers and communities when making a purchase. Six of ten said a company's environmental and employment policies also might affect their buying decisions.⁵

A good reputation also can serve as a firewall that limits damage when something goes wrong. When stakeholders think highly of an organization, it is more likely to receive the benefit of the doubt when addressing a controversy or crisis.

For employees, too, trust and ethics matter.

According to a 2010 survey by Deloitte, nearly half of workers who plan to seek out a new job say they have been motivated by a loss of trust in their employer. Some 46 percent also complain about a lack of transparency in internal communications and four of ten say they have been treated unethically.⁶

2. Pruzan, Peter, "Corporate Reputation: Image and Identity," Corporate Reputation Review, Copenhagen University <http://reputationinstitute.com/crr/V04/Pruzan.pdf>, 2001.

3. Weber-Shandwick, "Safeguarding Reputation: Strategies to Recover Reputation," Issue No. 1, http://webershandwick.com/resources/ws/flash/Safe_Rep_Reputation.pdf, March 2007

4. Edelman 2011 Trust Barometer®, "Trust Has Tangible Benefits," (video), <http://www.youtube.com/watch?v=viXTQBBY258>, January 2011

5. <http://www.marketingweek.co.uk/sectors/sustainability/consumers-rate-a-brand%E2%80%99s-ethics-before-buying-study-finds/3028851.article>

6. Deloitte, "Trust in the Workplace: 2010 Ethics & Workplace Survey," http://www.deloitte.com/view/en_US/us/About/Ethics-Independence/8aa3cb51ed812210VgnVCM100000ba42f00aRCRD.htm, July 2010

Observes Micho Spring, Chair of Weber Shandwick's Global Corporate Practice:

“Leaders understand that responsible companies attract the best talent, earn valuable trust, and generate more positive word of mouth.”⁷

The Challenges

Above all else, reputation is about building trust that an organization lives up to a set of core values, acts with integrity, takes responsibility for its mistakes by fixing them quickly, provides quality goods and services, treats employees well, and returns fair value to its shareholders. Increasingly, business organizations also are expected to also provide some societal value beyond the goods and services they offer. Plainly, building reputation involves many diverse challenges.

Expectations about corporate behavior will vary from stakeholder to stakeholder, and also from company to company. Transparency and talking truth about products are expected of all organizations. But company-specific expectations vary depending on the line of business.

Pharmaceutical companies, for example, are held to certain standards for safety and their drug testing regimens, energy companies must demonstrate care for the environment, and financial services companies may be ranked by how fully they disclose risks.

CHALLENGE: BRANDS

For some companies, the challenge of reputation management is compounded by a multiplicity of brands whose quality and image also must be maintained. Auto companies produce multiple nameplates; food and consumer goods companies also offer a wide range of products; and a problem with any individual brand can damage the parent company's reputation.

Brand is not the same as reputation, but the two are tightly linked. Reputation strategists often liken brand to a promise and say reputation is what you earn by keeping the promise (or what you lose by breaking it). A respected brand can burnish a company's reputation. But when a brand sours, reputation suffers. Thus, individuals or departments responsible for brand management must consider the potential impact on reputation in every decision about promoting the company's brand(s).

7. Weber Shandwick, “Safeguarding Reputation: Corporate Responsibility Aids Reputation Recovery,” Issue 2, http://webershandwick.com/resources/ws/flash/Safe_Rep_Corp_Res.pdf, March 2007

BUILDING A CORPORATE REPUTATION OF INTEGRITY

A Discussion Guide for Executives about Communications and Ethics

CHALLENGE: THE INFORMATION REVOLUTION AND SOCIAL MEDIA

The information revolution has greatly complicated reputation management by providing a ready platform for critics.

In the past, most public debate occurred in the mainstream media – the evening television news broadcast or a daily newspaper, each available just once a day and less accessible to critics who must persuade reporters that what they have to say merits attention. Today, blogs, tweets, YouTube, and social media means a wide audience is always available to anybody who wants to seize the opportunity – without first passing muster with a reporter or editor.

The result, according to Weber Shandwick reputation specialist Leslie Gaines-Ross, is asymmetrical warfare in which a single individual can go toe-to-toe with large organizations – and even control the debate by moving first and fast. As Gaines-Ross explains, corporate leaders “may be caught unawares by small-scale adversaries in command of a surprisingly potent new media and social network arsenal.”⁸

Organizations that once had the luxury of time in composing responses, must now mount defenses almost instantaneously to keep an allegation or complaint from taking on a life of its own. They also must be alert for critics within because an unhappy employee can use the Web to go public with complaints in a way not possible a decade ago.

At the same time, the smartest companies are learning to turn the Internet to their advantage, using online tools themselves to reach out directly to key audiences. Companies are learning to develop online platforms to shape their image and respond to critics on the organization’s terms.

“Leaders understand that responsible companies attract the best talent earn valuable trust and generate more positive word of mouth.”

– Micho Spring
Weber Shandwick’s U.S. Corporate Practice Chairman

8. Gaines-Ross, Leslie, “*Reputation Warfare*,” Harvard Business Review, December 2010

CHALLENGE: THE LIMITS OF PR

But these communications tools must be used with care. Growing public skepticism about institutions has imposed limits on how companies talk about themselves. Self-congratulation, for example, can be a turn off. Touting a commitment to ethics or highlighting social responsibility work can backfire in the same way that a bragging child or an egotistical work colleague can irritate. A needless boast also can be thrown back at a company when an ethical lapse occurs. Jason Browning, Head of Global Issues & Risk Communication for Novartis, told ERC Fellows that the key to communicating about ethics is “to align what we say with what we do” and suggested that communications outreach surrounding community-building initiatives should be designed to advance a project’s chance of success.

Organizations must navigate a careful balance. Communications is vital to building a reputation because key audiences need information about companies and their business. But too much zeal or messages with the wrong tone can be counterproductive.

BUILDING A CORPORATE REPUTATION OF INTEGRITY

A Discussion Guide for Executives about Communications and Ethics

Ethics/Compliance and Communications Officials: A Reputation Partnership

Given the importance of ethical behavior and integrity in building trust, ethics and compliance officers can play a vital role in sustaining an organization's reputation. But reputation management also requires a thoughtful communications program to inform key audiences about an organization's values and performance. The ERC Fellows believe the ethics and compliance and communications departments should be a natural alliance and it urges ethics officers to collaborate with communications colleagues on reputation management.

Below are some key questions for ethics officers (and their communications colleagues) as they consider how to help build and maintain their organization's reputation.

FIVE CRITICAL QUESTIONS FOR DISCUSSION

1. What level of importance do stakeholders assign integrity when they describe our company's reputation?

For corporate reputation, product quality is invariably ranked the most critical component of reputation. But acting with integrity is vitally important as well. The 2011 Edelman Trust Barometer⁹, shows "transparent and honest business practices" and "a company I can trust" in a virtual tie with product quality in public rankings of reputation factors.⁹ Even product quality is arguably about integrity because it's the surest way to honor a company's commitment to serve its customers well.

Other stakeholders, too, count on ethical behavior. Shareholders must trust company leadership to behave with integrity in developing business strategies, choosing partners, and developing an internal culture of ethical performance in whatever country or market it operates in. Business partners expect trustworthy partners who put an emphasis on quality and honor their business commitments. Third parties, including non-governmental organizations and government officials, also have their own specific expectations.

Citing data from her company's Trust Barometer⁹, Edelman's, Nancy Mensch Turett says consumers and other third parties will take positive actions on behalf of companies they trust and adds that in emerging markets in particular, business is often seen as a potential source of driving social good and economic growth.

9. Edelman 2011 Trust Barometer, op. cit.

2. What schemas do we need to break so customers and employees give our company high scores for integrity and ethics?

Corporate performance and ethical conduct are the substantive building blocks of reputation, but the public's verdict on a company's reputation is ultimately set by external audiences. After the business units have done their work, the communicators must provide the information that enables stakeholders to make sound judgments. That can require breaking old schemas in public thinking so that perceptions keep pace as a company's business evolves. For example, U.S. auto companies, once known for building the most powerful engines, are putting new emphasis on fuel efficiency and quality. Traditional phone companies and cable TV providers are repositioning themselves as telecommunications businesses providing wireless, phone, Internet and video services alike. Just as these businesses are seeking new opportunities in the market place, they also have new opportunities to break schemas that drive public perceptions about their integrity. Telling stories about company investment in ethics; highlighting employees who exemplify company standards are some ways that communications can break outdated assumptions about corporate integrity.

A **schema** is an expectation – an assumption about the kinds of messages an audience will hear or the behaviors they will witness. When a message “breaks a schema” or challenges listeners to think in a different way, the message becomes memorable.

Internally, too, companies must break down old organizational schemas. From the C-suite to the mailroom, some employees may think ethics and compliance is only about meeting legal obligations or it is somebody else's job. In response to such attitudes, organizations must find ways to broaden employees' thinking so they accept a shared responsibility for the company's ethical performance.

Employees also can play a role in enhancing reputation by becoming communicators to help carry a company's message. Line employees with a personal story to tell are often more credible and compelling than senior executives in carrying a message to external audiences. Assigning this role to line employees may involve breaking existing schema about the way an organization communicates.

BUILDING A CORPORATE REPUTATION OF INTEGRITY

A Discussion Guide for Executives about Communications and Ethics

3. In what ways can ethics officers help the communications team tell the corporate story to key audiences?

Already tasked to take a big picture view of an organization's ethical conduct, the ethics and compliance officer is uniquely positioned to help the communications team enhance public perception of a firm's reputation. After all, the ethics and compliance function is a natural window to the activities that highlight a company's ethics. Participating in reputation management may involve breaking schema about ethics and compliance's role in the business so colleagues see ethics and compliance as a core strategic function that includes reputation protection.

In that spirit, ethics and compliance officers should establish a running dialogue with the communications team. Together, they can identify "news hooks" such as a new training initiative, new data or an incident where the company upheld its ethics standards. The ethics function can provide the communications team with stories that demonstrate the company's commitment to integrity. They can examine corporate investments in ethics to identify communications hooks, watch external developments that might have implications for ethics and reputation, and identify ethics and compliance employees who might be effective spokespeople. Selecting an ethics and compliance officer for such a prominent public role as a spokesperson can, by itself, send the subtle signal that ethics is a key organizational value.

Ethics and compliance officers also might reach out to key leaders in other core functions such as marketing and human resources, each of which faces ethics considerations in their work. The ethics and compliance team can ask for input on its activities and offer assistance when other functions need a second opinion or want input on an ethical or values issue. The overriding goal is to ensure ethics is a consideration in decision-making throughout the organization.

4. How can ethics/compliance draw from communications' expertise to help employees understand the importance of compliance?

In addition to sharing its expertise with communications and other internal departments, the ethics and compliance function can draw on others' knowledge to expand its own contributions to the organization.

For example, one primary responsibility of the ethics and compliance function is to communicate and uphold the values of the company. Many of the efforts of the ethics and compliance office involve communicating the importance of ethical conduct. The communications function can help ethics and compliance do a better job in internally messaging corporate standards and building an ethical culture. Ethics and compliance and communications functions can work together to help set a tone from the top and tell stories, both internally and externally, that show the connection between ethics and strong business operations. At a minimum, they can put in place mechanisms to enhance their collaboration and ensure they coordinate on an ongoing basis.

BUILDING A CORPORATE REPUTATION OF INTEGRITY

A Discussion Guide for Executives about Communications and Ethics

5. Does the company have a senior executive to champion ethical performance provide a powerful voice for integrity from the top of the organization?

Describing the challenge of corporate reputation, business strategist Peter Firestein says the essential first requirement is “for leaders to develop a finely tuned moral ear” and maintain a sense of proper behavior amid the heat of competition.¹⁰ The challenge of a “moral ear” and the overriding consensus that trust and ethical conduct are at the heart of reputation leads logically and directly to the ethics officer and the communications team.

The two functions should seek access to the executive suite and to senior executives throughout the organization in order to identify effective ethics champions. They also can collaborate on substantive messaging about ethics and the strategies to deliver it.

ERC research consistently shows employees are more likely to act with integrity when an organization’s leaders are honestly and visibly committed to ethical performance. External audiences, too, tend to respond favorably when senior executives deliver a credible ethics message.

10. Firestein, Peter J., “*Building and Protecting Corporate Reputation*,” Strategy&Leadership, 2006

RECOMMENDED ACTION STEPS

In addition to the previously mentioned key questions, the ERC Fellows have identified several specific initiatives for ethics and compliance officers to consider, most likely in collaboration with the communications team or other internal functions.

■ CONDUCT AN ASSESSMENT OF STAKEHOLDER PERCEPTIONS.

As with a new service or product, the odds of success are generally better when based on an empirical foundation about audiences and how they think. So, too, with establishing a reputation of integrity. How important is integrity to our stakeholders as they think about our company? Establishing a benchmark of stakeholders' existing perceptions provides a valuable starting point for developing communications goals and strategies.

■ CONDUCT AN ASSESSMENT OF EMPLOYEE PERCEPTIONS. TO WHAT EXTENT ARE WE EARNING AND MAINTAINING OUR REPUTATION?

Knowing what employees think is invaluable. Line workers tend to know where problems exist, and they also understand a company's strengths from first hand experience. Employees can be a company's best advocate if they feel good about where they work and have confidence in its commitment to integrity. They also can be a company's worst enemy if they are dissatisfied in some way. Effective reputation management begins at home with the employees who know the company best.

■ CONDUCT TRAINING OF STAFF (COMMUNICATIONS TRAINING ETHICS AND VICE VERSA).

Breaking out of silos is key to making reputation and ethics a shared responsibility. One way to do that is to by understanding colleagues' responsibilities and the challenges they face. Pushing into new skill areas is another way to break down needless distinctions between internal functions. For example, ethics officers can be trained to act as company spokespeople in appropriate circumstances and also how to communicate most effectively to external and internal audiences alike.

Communications staff can be trained to understand the ethics and compliance department's programmatic activities and the basic concepts of how people can uphold corporate values.

■ IDENTIFY CHAMPIONS TO HELP SET A TONE FROM THE TOP.

ERC research consistently shows strong tone at the top is a key to ethical performance. Communications experts tell us reputation can be enhanced when CEOs and other senior executives are also effective and aggressive external advocates. Identifying senior leaders with the right skills to become effective messengers is a way to burnish reputation and also build a company's internal culture.

■ DEVELOP A STRATEGY FOR MESSAGING THAT BREAKS SCHEMAS.

As discussed previously, reputation building may require a change in the way key audiences think and achieving that goal is not likely to happen by itself. Rather, it will require the right messages and an effective strategy for delivering them. Working together, the ethics and compliance team and the communications function can identify schemas that need to change and develop strategies for changing them.

Each Organization is Unique

The ERC Fellows are well aware that each organization is unique. Some have stronger reputations than others. Those with solid reputations have a different set of challenges than those whose reputations need a boost. Their internal structures differ, as does the role of their ethics and compliance officers and their communications department. For some organizations, the questions outlined earlier and the recommendations may apply fully. For others, they must be tailored to fit the company. And, for still other organizations, they may have only limited application.

But we believe some points about reputation are universally true – that a good reputation is a vital asset, that reputation requires constant attention to build and maintain, that ethical performance is a key requirement for a good reputation, and that reputation management should be a core function for ethics and compliance officers. We believe this paper can help you and your company master the reputation challenge.

YOUR COMPANY'S ACTION STEPS

1	

2	

3	

4	

5	



www.ethics.org



www.facebook.com/ethicsresourcecenter

www.linkedin.com/company/ethics-resource-center

www.twitter.com/EthicsRC

2345 Crystal Drive ■ Suite 201 ■ Arlington, VA 22202
Telephone: 703.647.2185 ■ FAX: 703.647.2180 ■ Email: ethics@ethics.org