



ARE YOU BENEFITING FROM YOUR REPUTATION?

Mind the gap

By Professor Rosa Chun - November 2010

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Looking to increase your business' sales? Don't spend all your time thinking about how your customers view your company. Instead, do your best to ensure that your employee view of corporate reputation is positive. And not just positive, but better than your customer view of your corporate reputation. Research suggests that sales tend to rise when employees' views of the company exceed those held by customers, and that they stall when employee views fall below those of customers.

Reputation matters

A good external reputation is a source of competitive advantage. More reputable firms can charge premium prices; attract investors and employees; improve customer attitudes; lower a client's perceived risk; and create higher credibility. However, reputation is fragile – it can get stronger but also get damaged easily. *Samsung* has demonstrated how oneness and collective passion can top *Sony*, a premium Japanese brand. *Samsung* is now the industry leader in terms of both brand strength and financial performance. On the other side of the ledger, sudden damage to reputation can adversely affect performance, as happened when *Arthur Andersen* collapsed following allegations about its involvement in the *Enron* scandal. These were once regarded as reputable companies in various media rankings.

It's all about the gap

The key factor when it comes to sustainable reputation, then, is not just either its external or its internal reputation, but the nature and magnitude of the gap between the two. The internal reputation of a company is built on how employees perceive and feel about the company. This is important because these perceptions will in turn affect external stakeholders' behavior. Our field interviews with 4700 customers and employees from 63 business units shows that when a company's internal reputation perceived by employees falls below those held by the customers, their sales will fall. Companies with a good internal reputation are commensurately more likely to offer good service, while those with a poor internal reputation have less cheerful staff and lower service levels. Alongside this, customers have higher expectations of companies with positive reputations than they do of other businesses.

The gap arises when customers come into contact with employees whose (internal) view of their company's reputation is significantly different from the (external) view of the customer. A positive reputation gap occurs when employees are significantly more positive, and a negative reputation gap when they are significantly less positive. The results can have a significant effect on the bottom line: businesses with a clear positive reputation gap averaged year-on-year sales growth of more than 16 percentage points higher than those with a clear negative gap. In other words, businesses grow fastest when their employees think more highly of it than customers do.

The implications for business

The reputation gap has two major implications for a services business. First, the positive reputation gap (superior employee view) has a significant influence on future sales. This means that focusing entirely on projects designed to increase reputation among consumers, as marketing managers may do, can be short-sighted.

Second, it is time to question the received wisdom that emphasizes aligning consumer and employee perceptions of a brand. There are clearly advantages in making sure that customers' understanding of practical matters (such as product offerings and new policies) and the services that the company offers are in line with employees' knowledge. However, aligning how customers and employees feel about the company is not the optimal strategy for ensuring growth. It is better instead to keep employee perceptions consistently above those of customers.

Having been through the financial crisis and recession at the global scale, companies are seeking to improve reputation. "Rebuilding trust in the mind of public" is a popular slogan we hear today. My advice is to reconsider. Instead ask this question: "How much trust do your employees hold on your corporate brand?". If you don't have the absolute confidence in your own employee trust, do not start the campaign for public trust. The biggest threat to your reputation is not your competitors but lack of pride and poor self image. Rebuilding employee trust during a crisis can be achieved through open and engaging communication, clear vision and sense of empathy.

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