

Ludwig-Maximilians-Universität München – Institute for Market-based Management

Reputation Management

Brief description (April 2011)

Prof. Dr. Manfred Schwaiger
Institute for Market-based Management (IMM)

Kaulbachstraße 45/I
D-80539 München

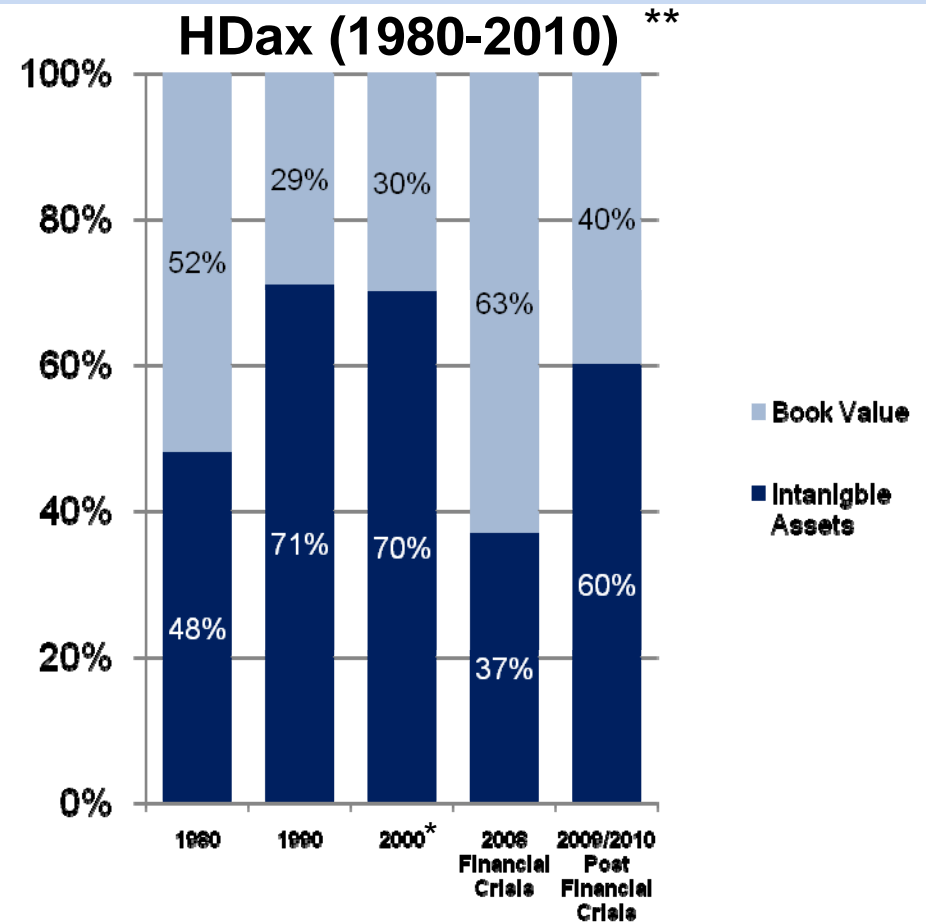
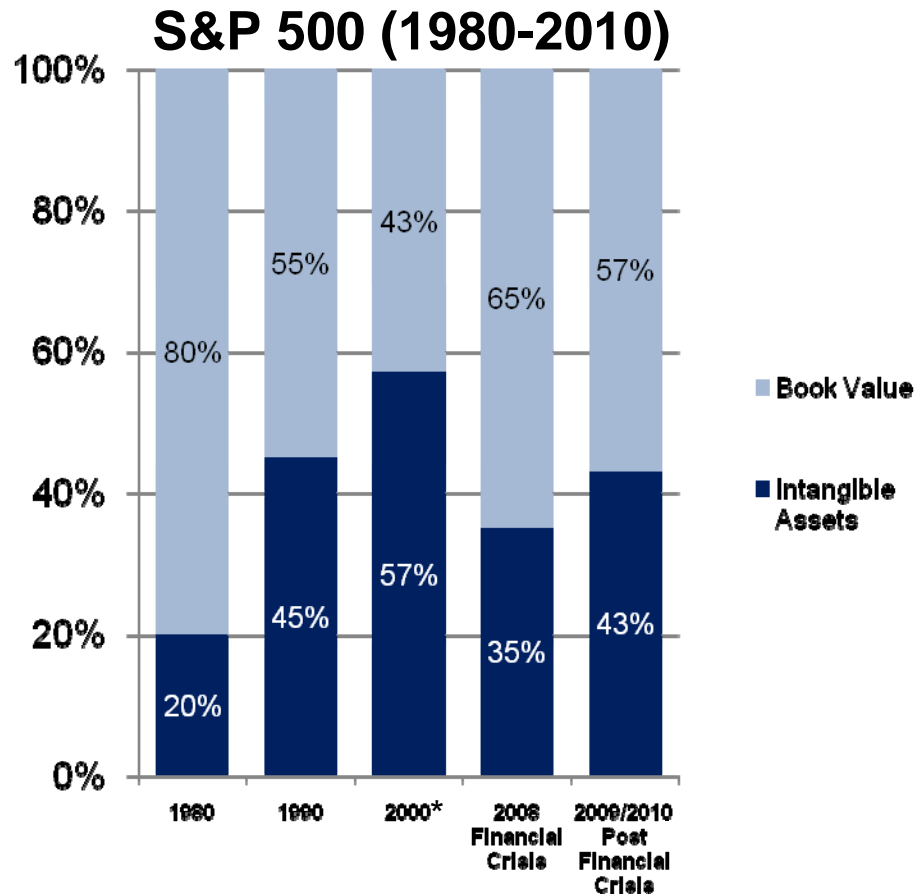
phone +49 89 2180-5640
Fax +49 89 2180-5651
e-mail schwaiger@lmu.de
www <http://www.imm.bwl.lmu.de>



1. Reputation as a Management Objective



A company's market value can hardly be derived from tangible assets...



Sources:

Ballow/Burgman/Roots/Molnar: "A New Paradigm for Managing Shareholder Value, July 2004, p. 7

Lev: Intangibles: Management, Measurement, and Reporting," Brookings Institution Press, 2001

Lev: Remarks on the Measurement, Valuation, and Reporting of Intangible Assets. Economic Policy Review, Sept. 2003

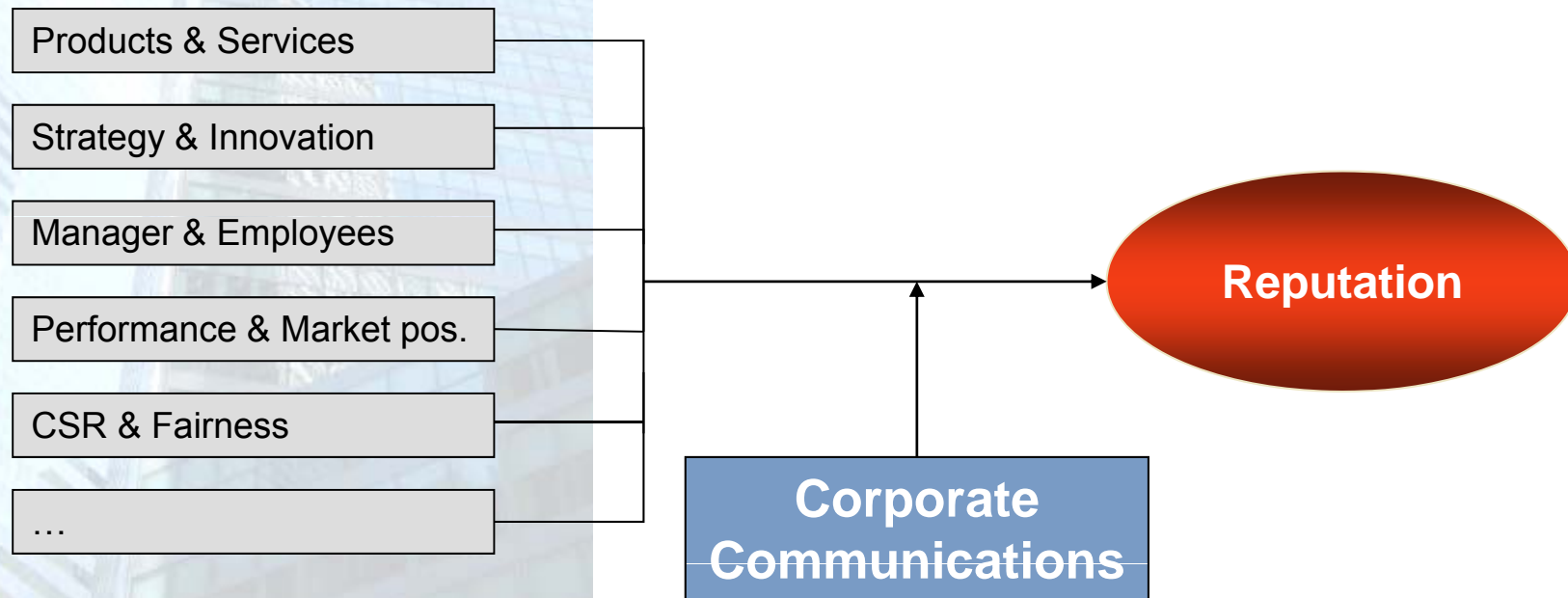
Thomson Reuters Datastream

* 2000-2007

** HDAX contains stocks of 110 largest, publicly listed corporations in Germany (DAX, MDAX, TecDAX)

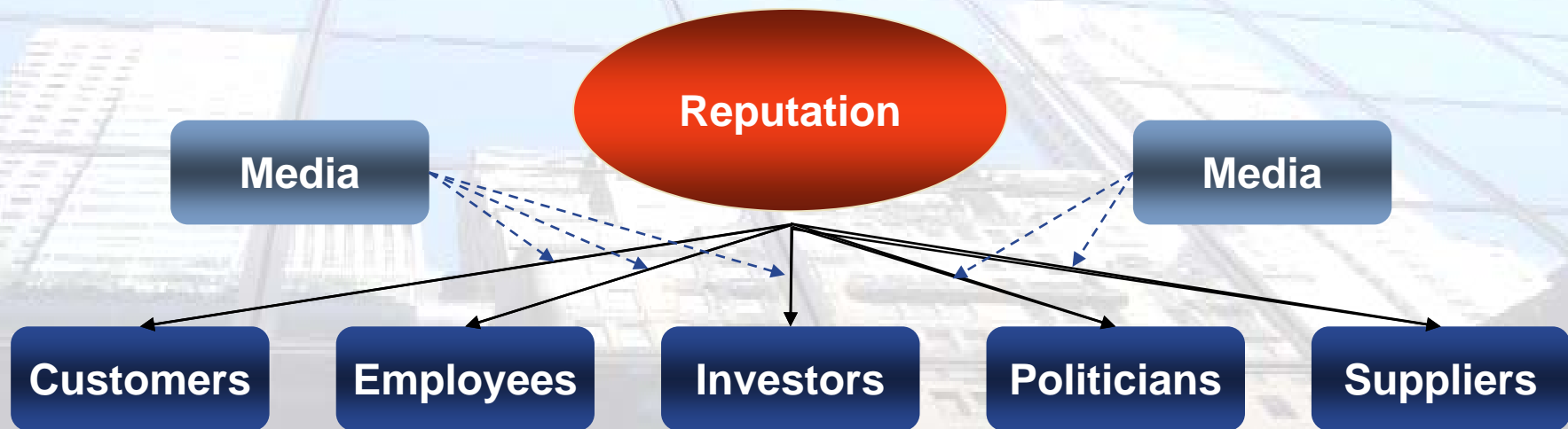
... the central intangible asset is a company's corporate reputation

Reputation: general evaluation of a company by its various stakeholders. Incorporates both, **cognitive and emotional components**. An assessment of reputation is based on **factual experiences** as well as on **perceptions** relying on communicated messages.



Sources: Schwaiger/Cannon 2004, Sobol et al. 1992 ; Fombrun 1996; Gray/Ballmer 1998; Hall 1992; De Quevedo 2001 ; Tucker/Melewar 2005

Companies build competitive advantages and increase their market value by fostering reputation



- Trust in products and advertising
- Retention
- Higher purchase rates
- Price premium

- Win war for talents
→ Willingness to apply
- Salary premium
- Better retention
- Higher productivity

- Better access to capital markets
- Lower credit costs
- Increased willingness to buy and hold shares and stocks

- Advantages in negotiations
- Favorableness and support
- Reduced risk of litigation

- Lower procurement costs
- Higher commitment

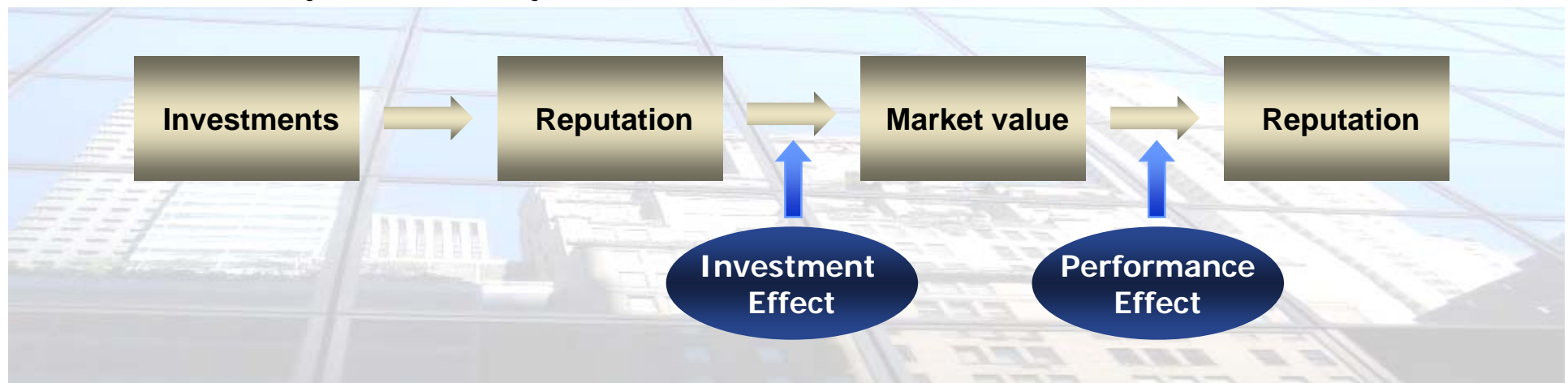
Sources: Fombrun/van Riel 1998; Goldberg/Hartwick 1990; Lafferty/Goldsmith 1999; Caminiti 1992; Preece et al. 1995; Klein/Leffler 1981; Milgrom/Roberts 1986; Dowling 1986; Eidson/Master 2000; Nakra 2000, Brown 1997; Cordeiro/Sambharya 1997; Deephouse 1997; Fombrun 1996; McMillan/Joshi 1997; Roberts/Dowling 1997; Srivastava et al. 1997

Reputation drives financial performance

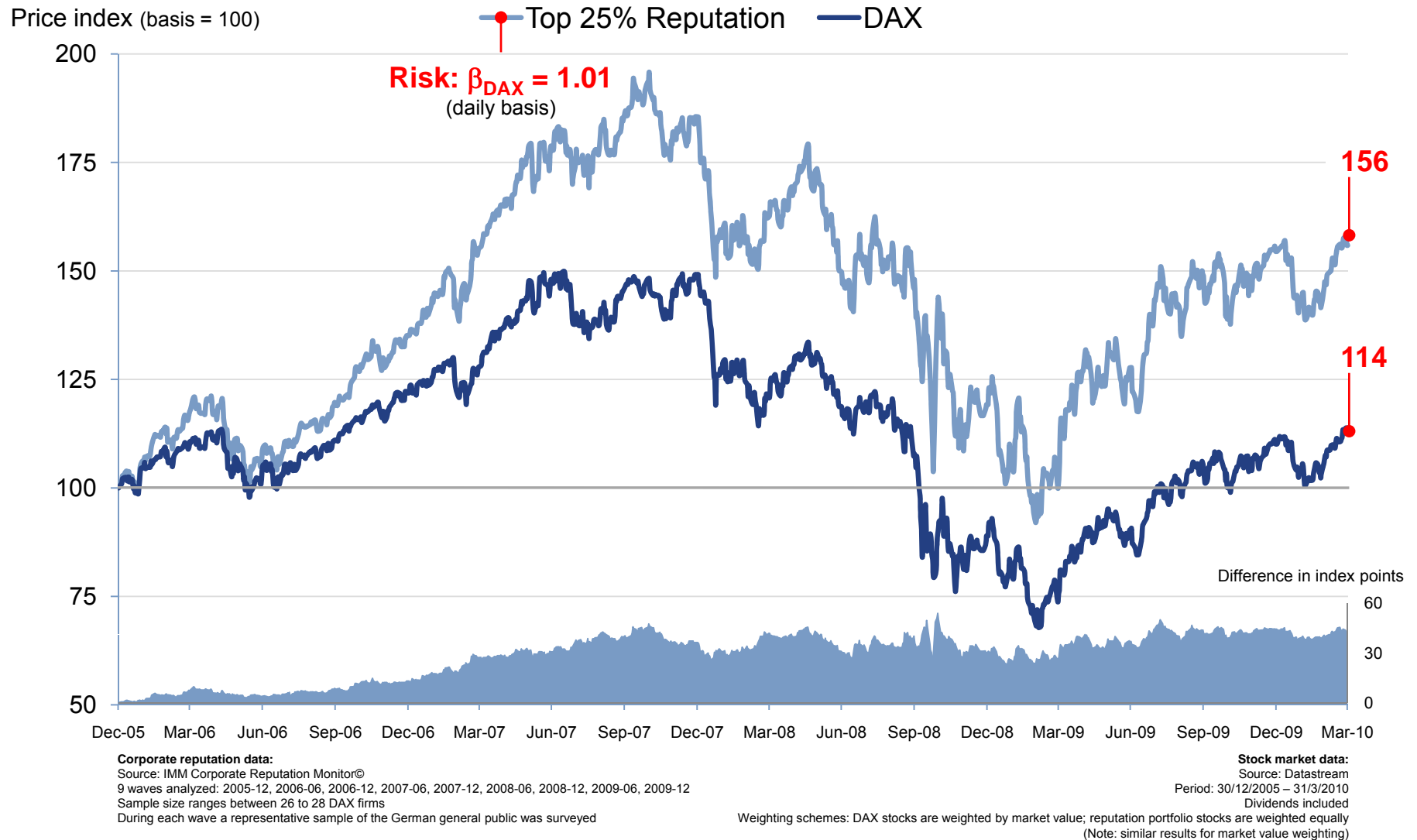
Regression analysis using reputation and stock data show:

- Investments in reputation-building activities over a longer period show a positive impact on the shareholder value (market value) (*“Investment Effect”*).
- The overall reputation depends on innovative and communicative capabilities as well as on finance based influence (*“Performance Effect”*).

Sources: Eberl/Schwaiger 2005; Roberts/Dowling 2002; Schwalbach 2000; Hildebrandt/Schwalbach 2000



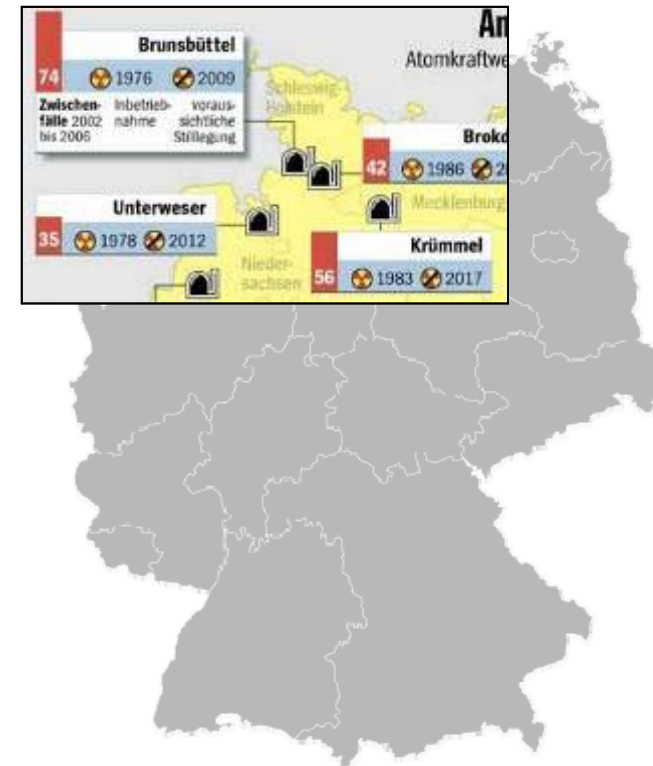
Reputation champions outperform the DAX-30 index



A lack of reputation can be fatal ...



- June 28, 2007: Fire in the transformer building in a nuclear power plant in Germany, malfunction of the power grid → shutdown of both reactors
- July 16, 2007: Head of the nuclear energy division and Head of Corporate Communications have to resign
- July 27, 2007: commission of independent experts is installed by Vattenfall (among them the former BMW's Head of Corporate Communications (budget: 7,5 Mio. \$)
- „The shutdown of the plants has burdened the profit by \$ 85 Mio.“
(Vattenfall Europe, interim report Nov. 2007).



Source: Spiegel

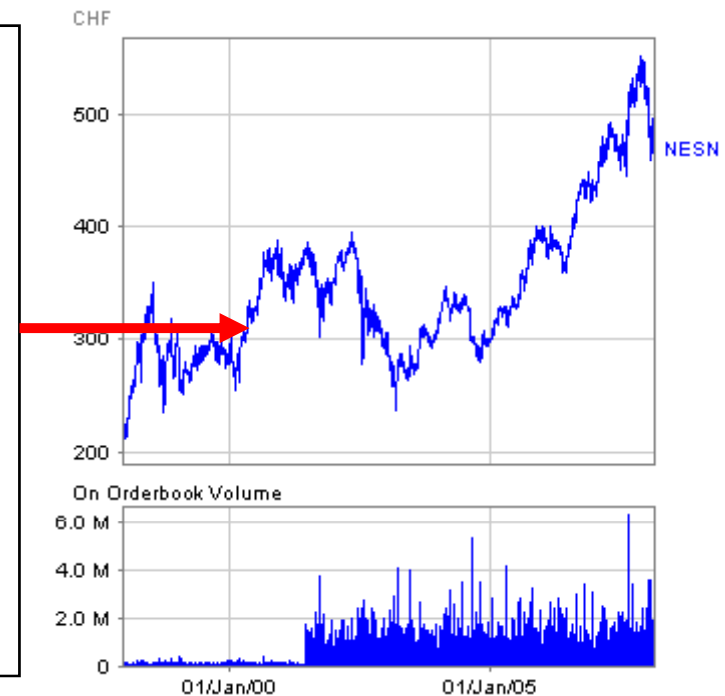
The other end of the scale: Nestlé



SWEETS WITH A BITTER TASTE

Passing the blame along the chocolate chain
Some say slavery doesn't exist. Others acknowledge it does, and say the low price of cocoa is the culprit.
Sumana Chatterjee and Sudarsan Raghavan **INQUIRER**
STAFF WRITERS

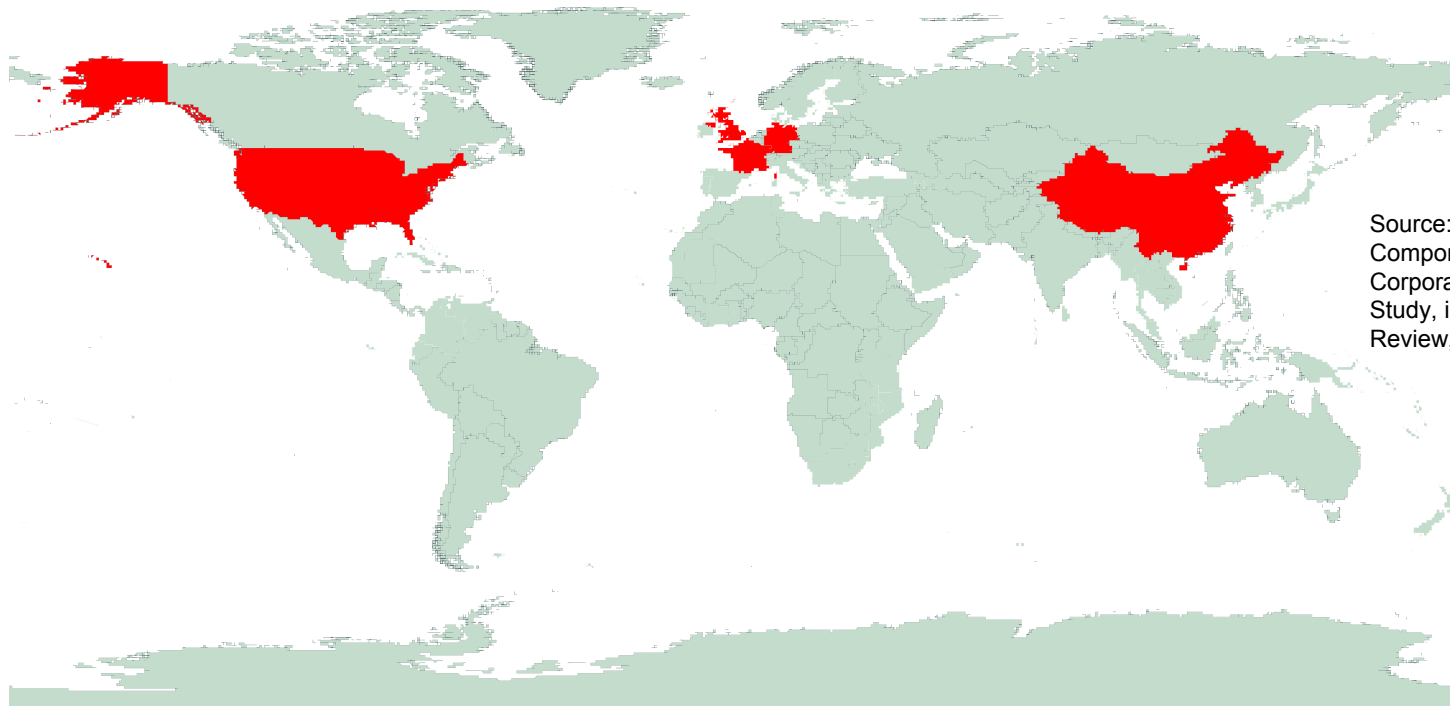
In 2000, media reported on alleged child slavery on cocoa plantations in Cote d'Ivoire



2. Our Approach of Corporate Reputation Management



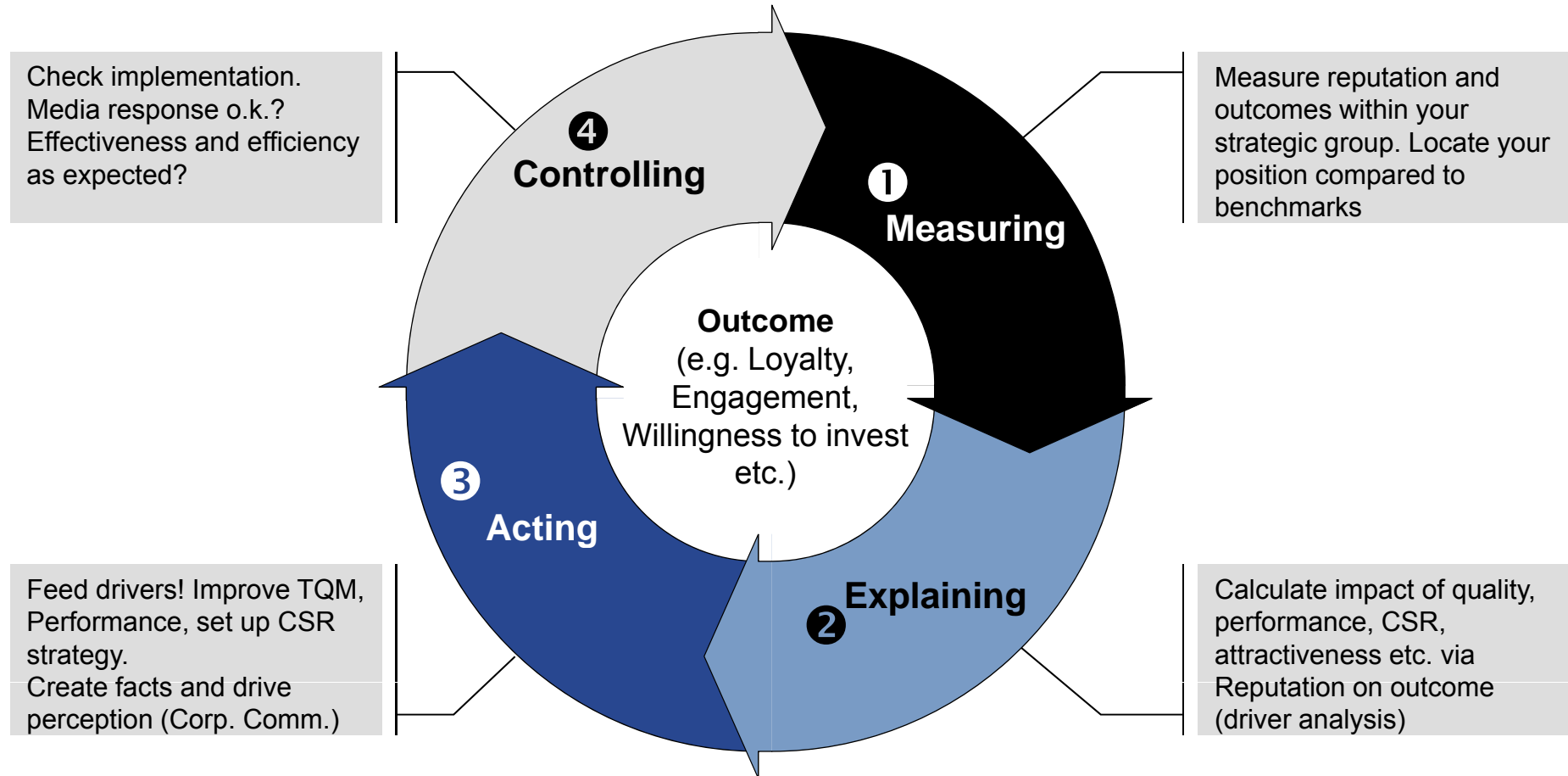
Our reputation model is based on a multinational study and has been adopted by several blue chip companies



Source: Schwaiger, M. (2004):
Components and Parameters of
Corporate Reputation – an Empirical
Study, in: Schmalenbach Business
Review, Vol. 56, S. 46-71



Reputation is not a goal in itself. It has to be linked to important outcomes and enable their management!



1: Tool Setup (Measuring, Integration of Studies)
Driver analyses per stakeholder group
then steady state

ca. 4 Month
ca. 2 Month

Rule of thumb: 12-14 Month

First Step: Measuring reputation

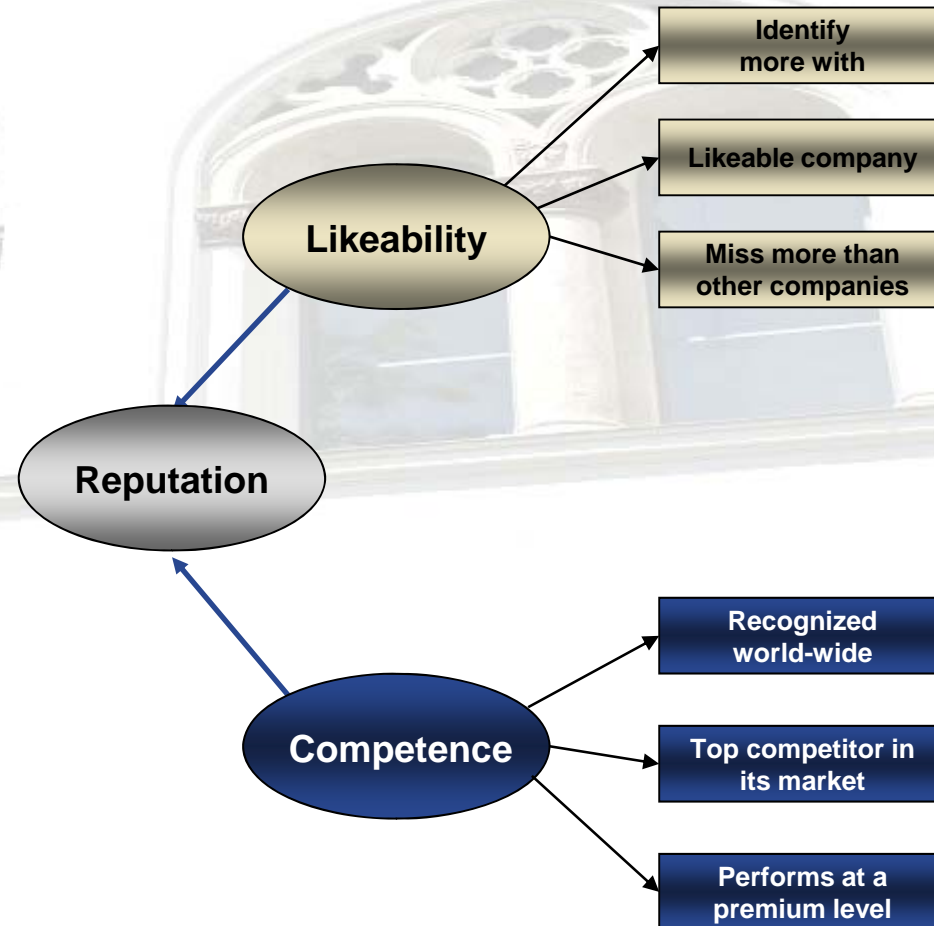
Design of the study

General public: CATI
Opinion leader: CAPI
Recruitment Market: Online

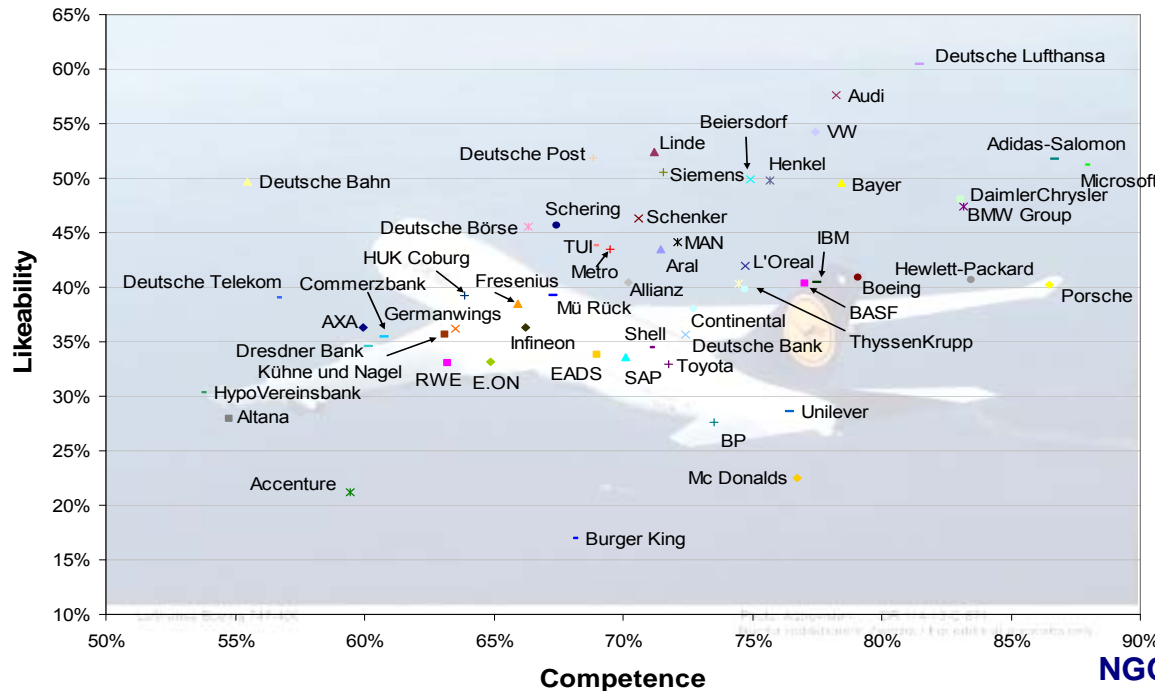
Data collection:
TNS Infratest

About 2.000 / 300 / 2000
interviews, 50-60 companies

Companies selected for
evaluation have to be known
at least by name

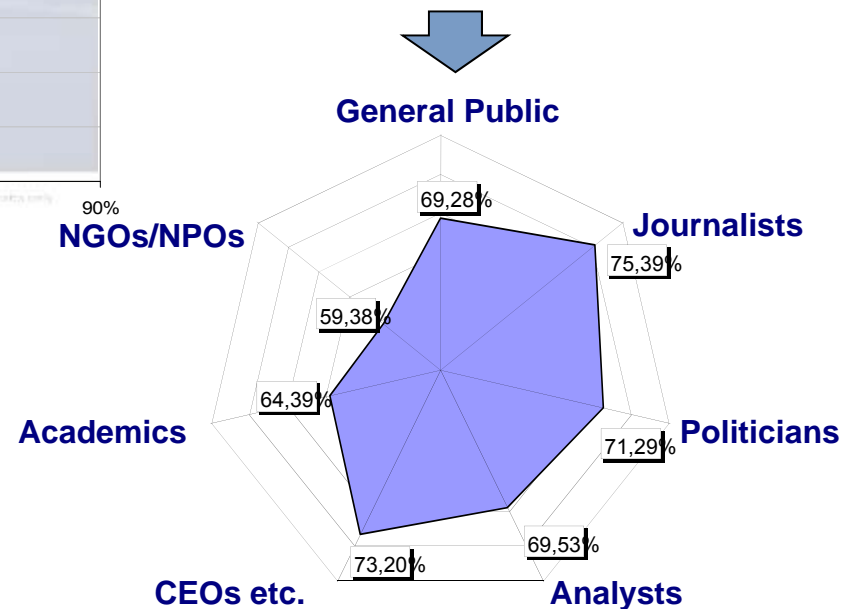


Measurement results: Reputation Portfolio and Target Group Monitor



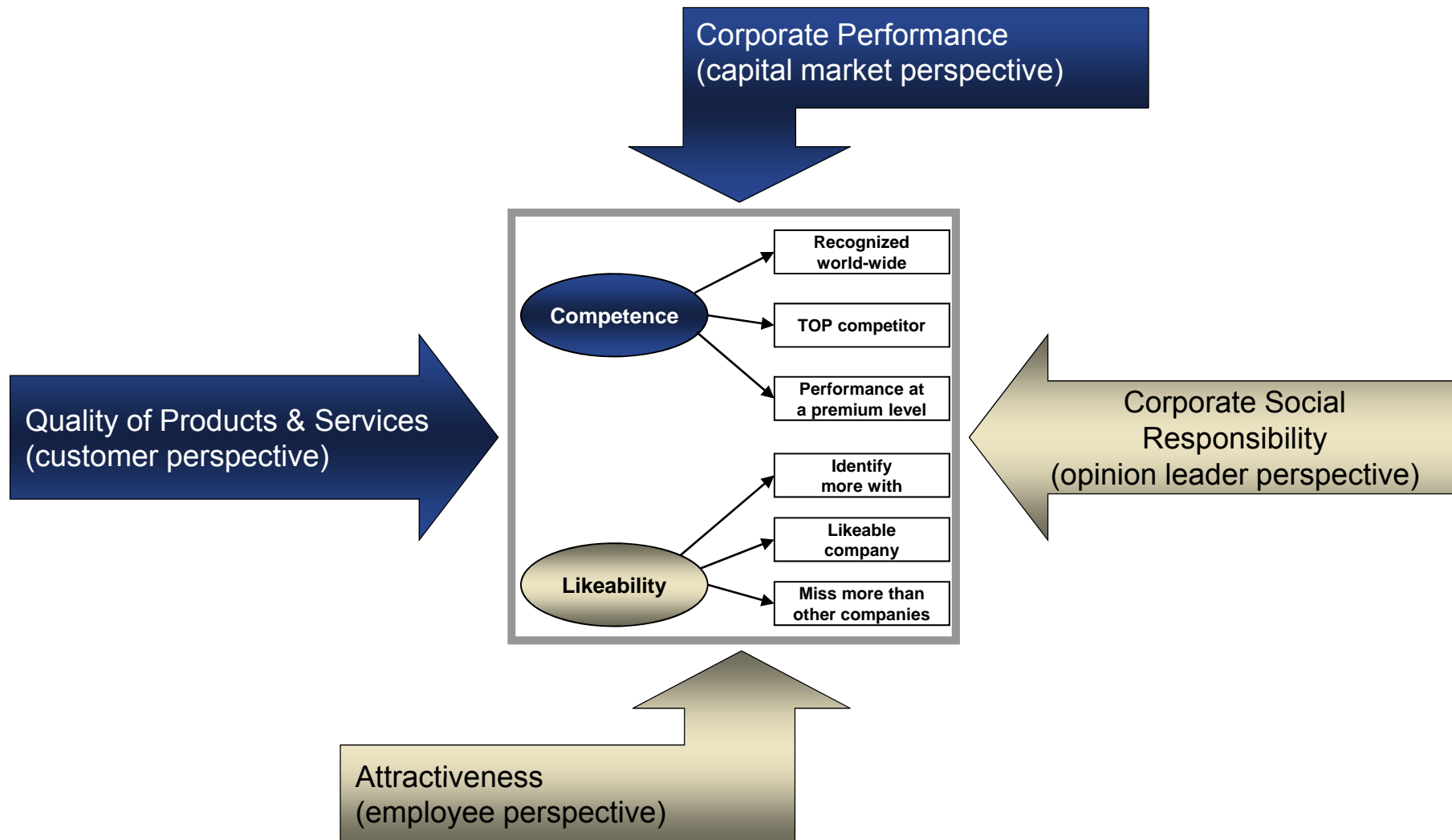
Reputation Monitor:
Perception of Likeability and Competence of one
selected stakeholder group
(currently: ~60 companies)

Target Group Monitor:
Reputation of a company in all
surveyed stakeholder groups



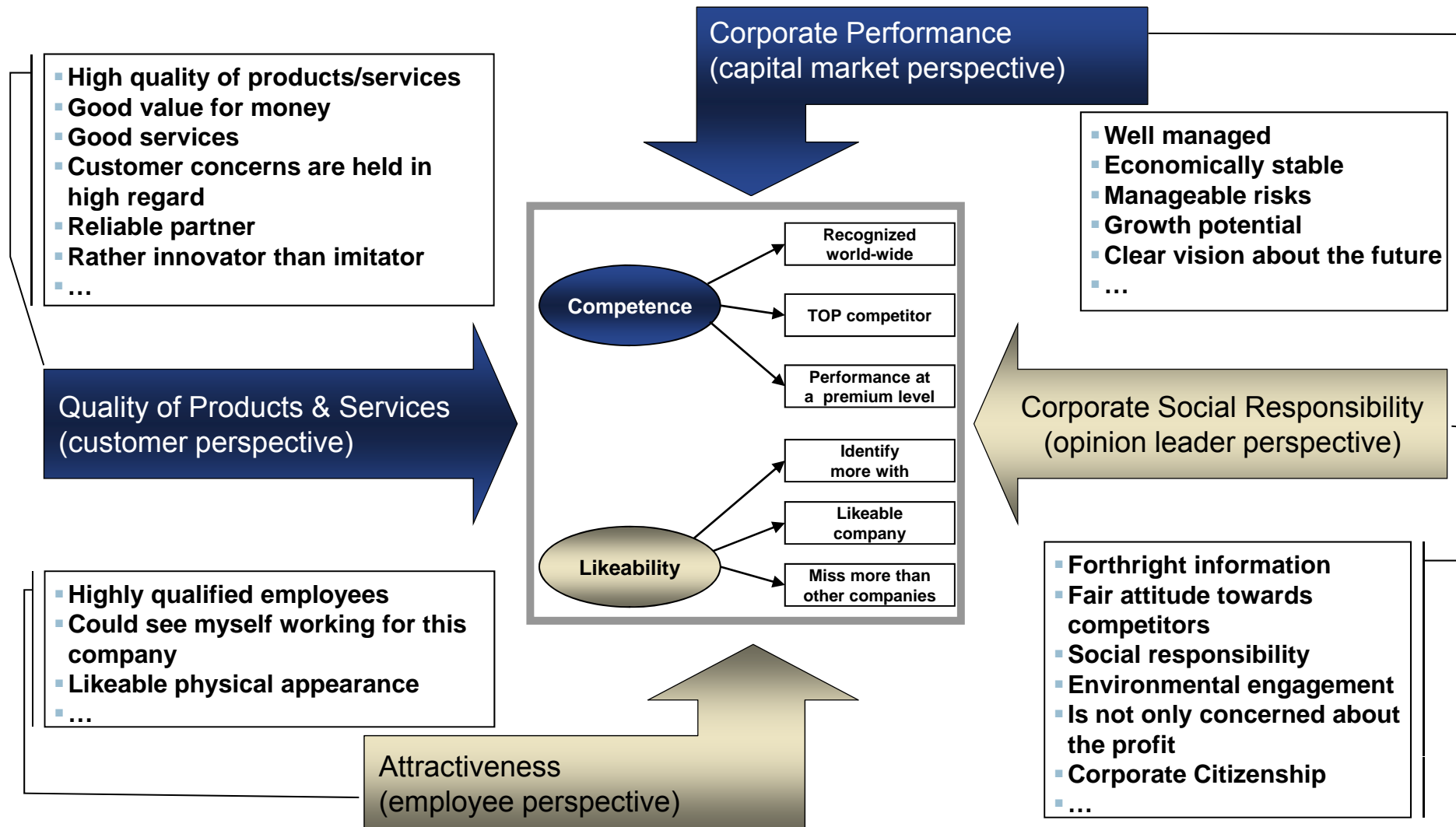
Second Step: Analyzing reputation drivers

4 dimensions cover the main stakeholder groups

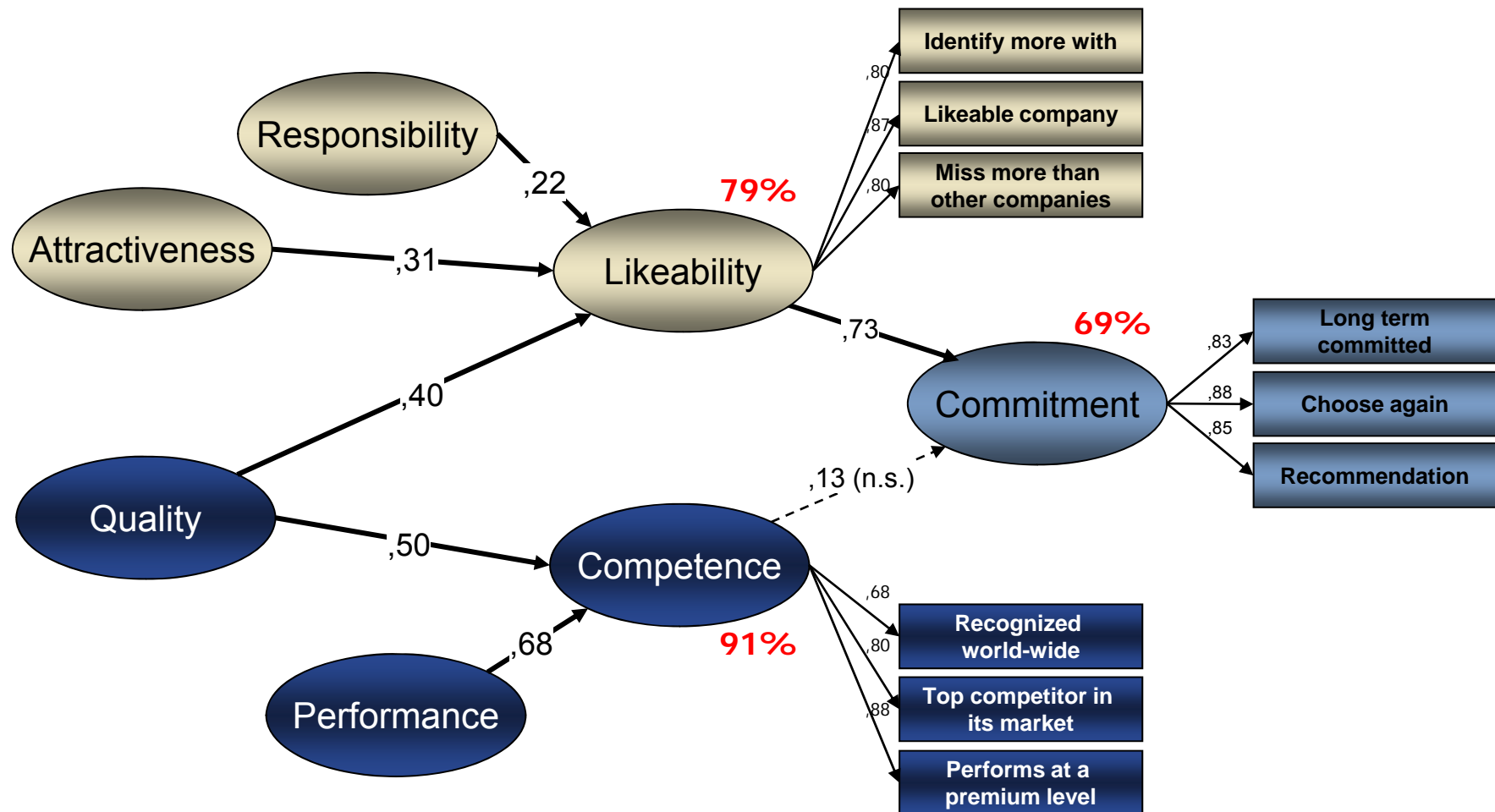


Second Step: Explaining reputation

For every dimension drivers are deposited

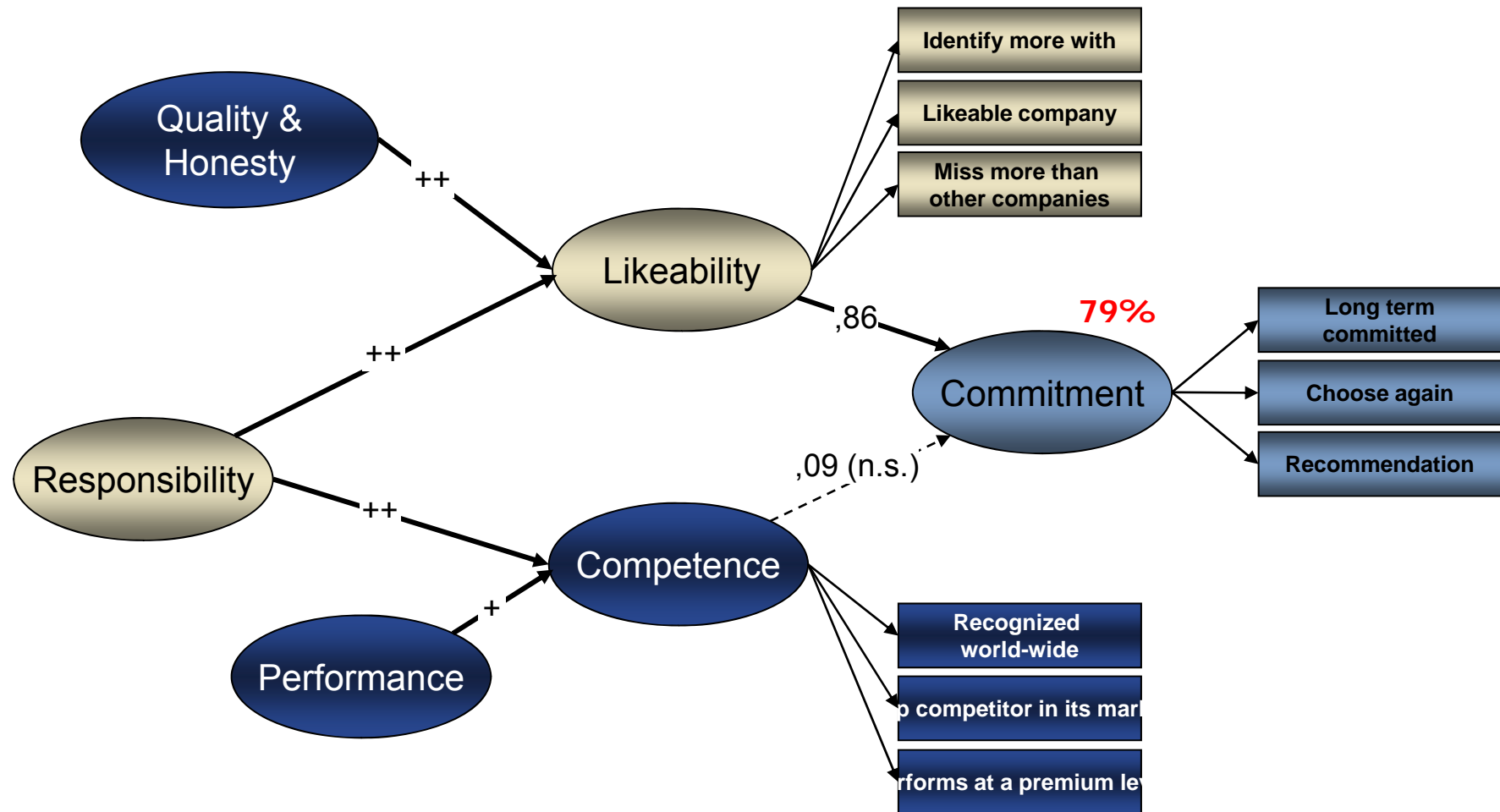


Linking reputation to customer retention proofs a significant effect of likeability (ex.: power suppliers' market)



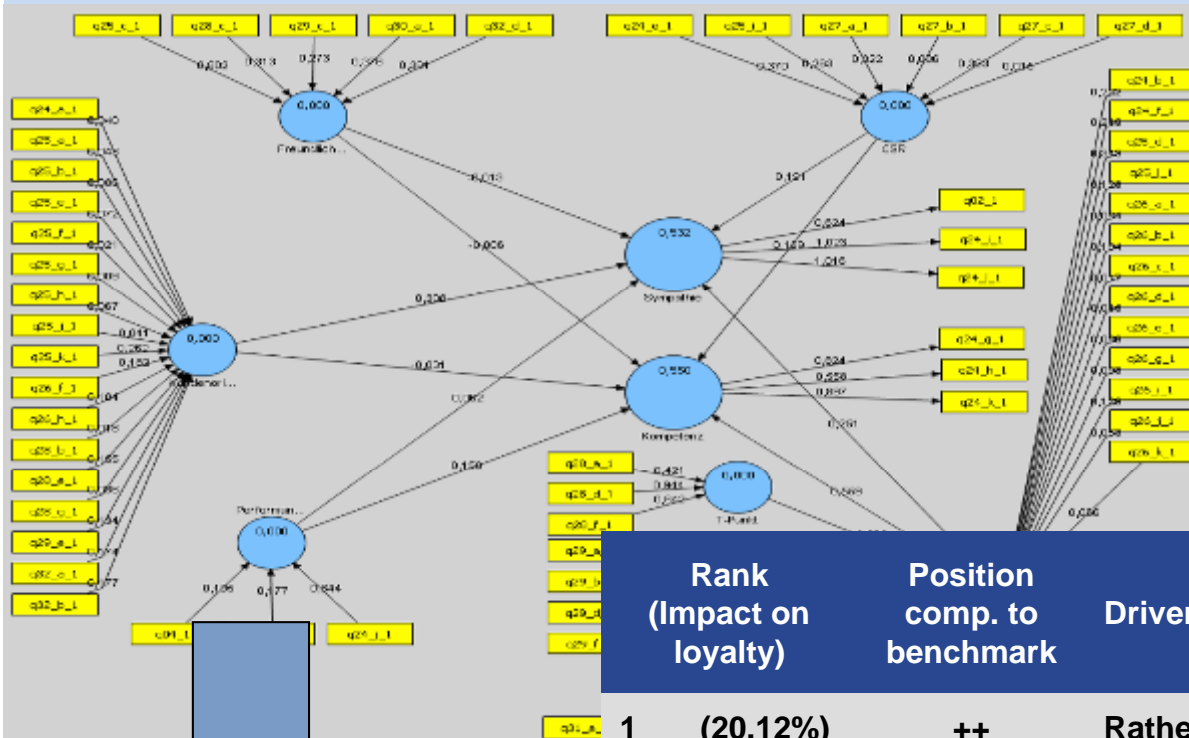
Source: Schwaiger/Zinnbauer (2003): „Unternehmensreputation: Treiber der Kundenbindung auch bei mittelständischen EVUs, „ in: Zeitschrift für Energiewirtschaft, 27. Jahrgang (2003), No. 4, S. 275-280

... and in the bank market



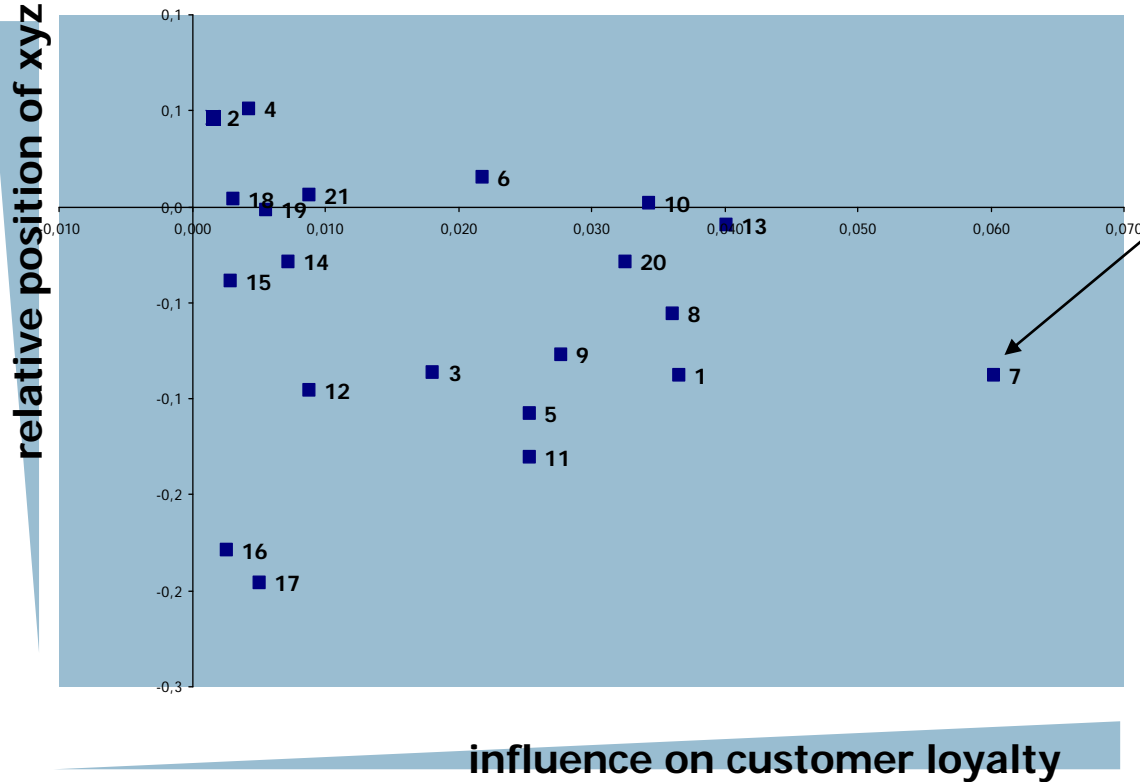
Source: Zinnbauer/Bakay/Schwaiger (2004): „Hohe Reputation stärkt bei Banken und Sparkassen die Kundenbindung,“
in: Betriebswirtschaftliche Blätter, Heft 06/2004, S. 271-274

PLS analysis allows calculating a “driver ranking”



	Rank (Impact on loyalty)	Position comp. to benchmark	Driver	Factor
1	(20.12%)	++	Rather innovator than imitator	Quality
2	(16.74%)	-	Well managed	Performance
3	(12.70%)	o	Customer centricity	Quality
4	(6.68%)	+	Physical appearance	Attractiveness
5	(6.22%)	--	Sincere information	CSR
6

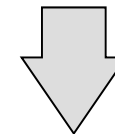
Third Step: Derive recommended actions from driver rankings and competitive positions...



For example:

indicator 7: „well managed“

Indicator has high influence on customer loyalty (via reputation) and is less developed than for the other benchmarks. This driver has to be worked on.

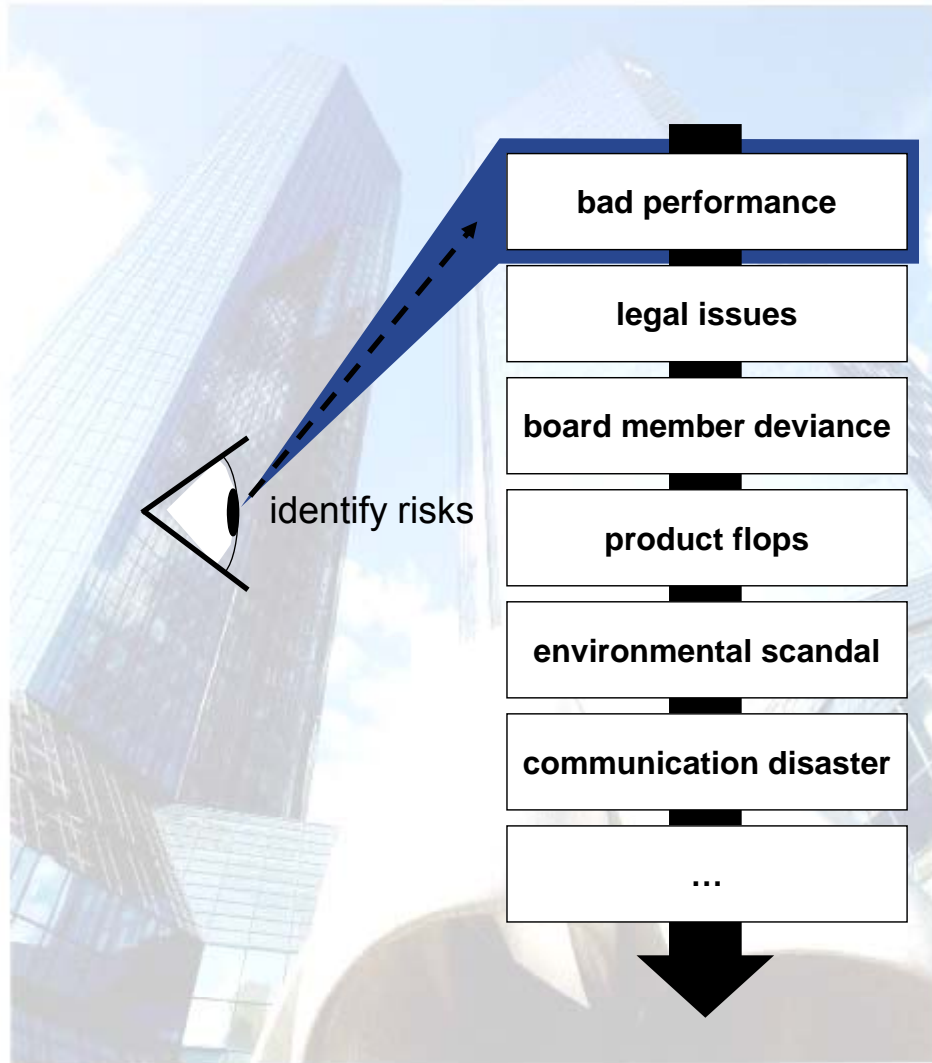


2006 Strategist of the year

Dimension 1 = impact on outcome

Dimension 2 = position in the strategic benchmark group

... analyze risks, develop strategic communication guidelines and implement them creatively



Unfortunately: That does not always work...



Fourth Step: Controlling Measures

pretest – media resonance analysis - posttest

Das Anzeigen aktiver Inhalte, die auf den Computer zugreifen können, wurde für diese Datei aus Sicherheitsgründen ein...

Reputation Tool - Demonstration

Institut für Marktorientierte Unternehmensführung der LMU München
www.imm.bwl.uni-muenchen.de

Nachfolgend können Sie den erwarteten Reputationseinfluss einzelner Maßnahmen beurteilen und mit dem Reputation Score bewerten, der sich zwischen 0 und 10 bewegt.

Und so gehen Sie vor: Bewerten Sie auf der Skala von 0 bis 10, wie stark die einzelnen Aussagen auf die betrachtete Maßnahme zutreffen. Nach Beantwortung aller Fragen berechnen sie mit Klick auf "Angaben auswerten" den Reputationsscore.

ACHTUNG: Die hier genannten Indikatoren sind lediglich beispielhaft dargestellt. Ebenso ist in diesem Beispiel noch keine sinnvolle Gewichtung der Reputationstreiber hinterlegt. Die Gewichte werden später aus der Treiberanalyse ermittelt.

Die Maßnahme...

...transportiert Zukunftsfähigkeit und Innovationsanspruch: (Details)

0 1 2 3 4 5 6 7 8 9 10

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

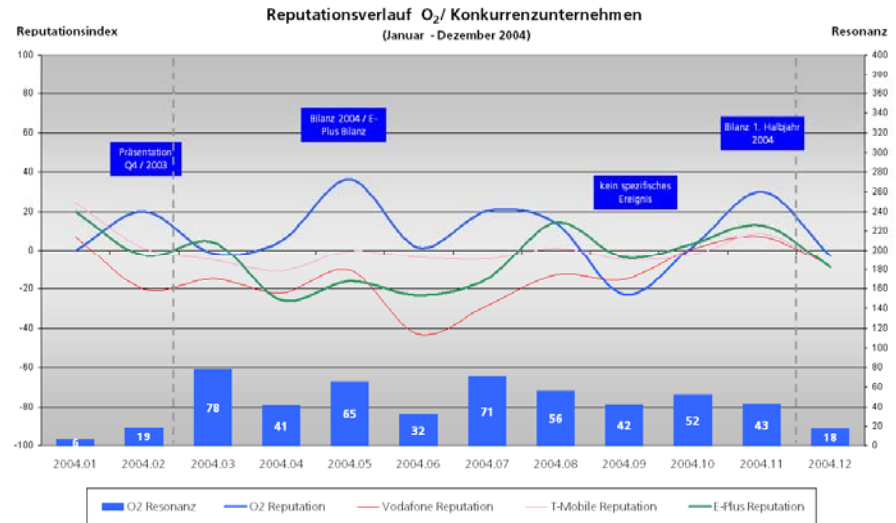
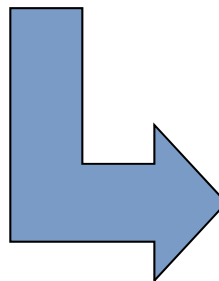
Bedeutung: ●●●●○

...prägt die Reputationsidentität durch deutliche Wettbewerbsabgrenzung: (Details)

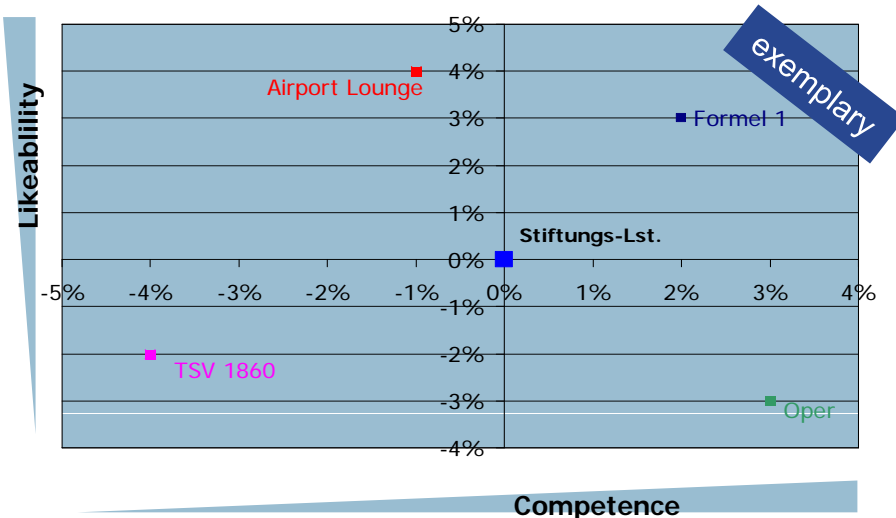
0 1 2 3 4 5 6 7 8 9 10

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Bedeutung: ●●●●○



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3. Reputation Management as a Steering Tool



The Concept

1. Consolidating:

Getting a common linchpin for all studies, capturing all relevant aspects of corporate reputation

2. Measuring & Managing

Determine Goals and potential drivers, identify levers of reputation in each relevant stakeholder group

3. Operations & Communications

derive suitable operative programs and communication measures

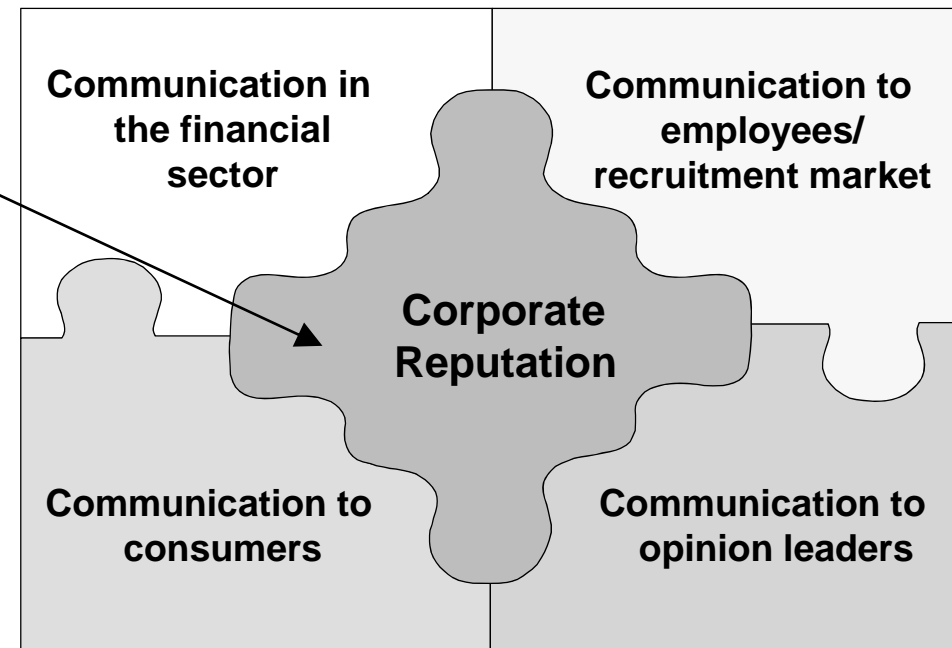
4. (Control) Tool

for measuring the effectiveness of single activities regarding corporate reputation

6 endogenous indicators for reputation

▷ 3 for likeability

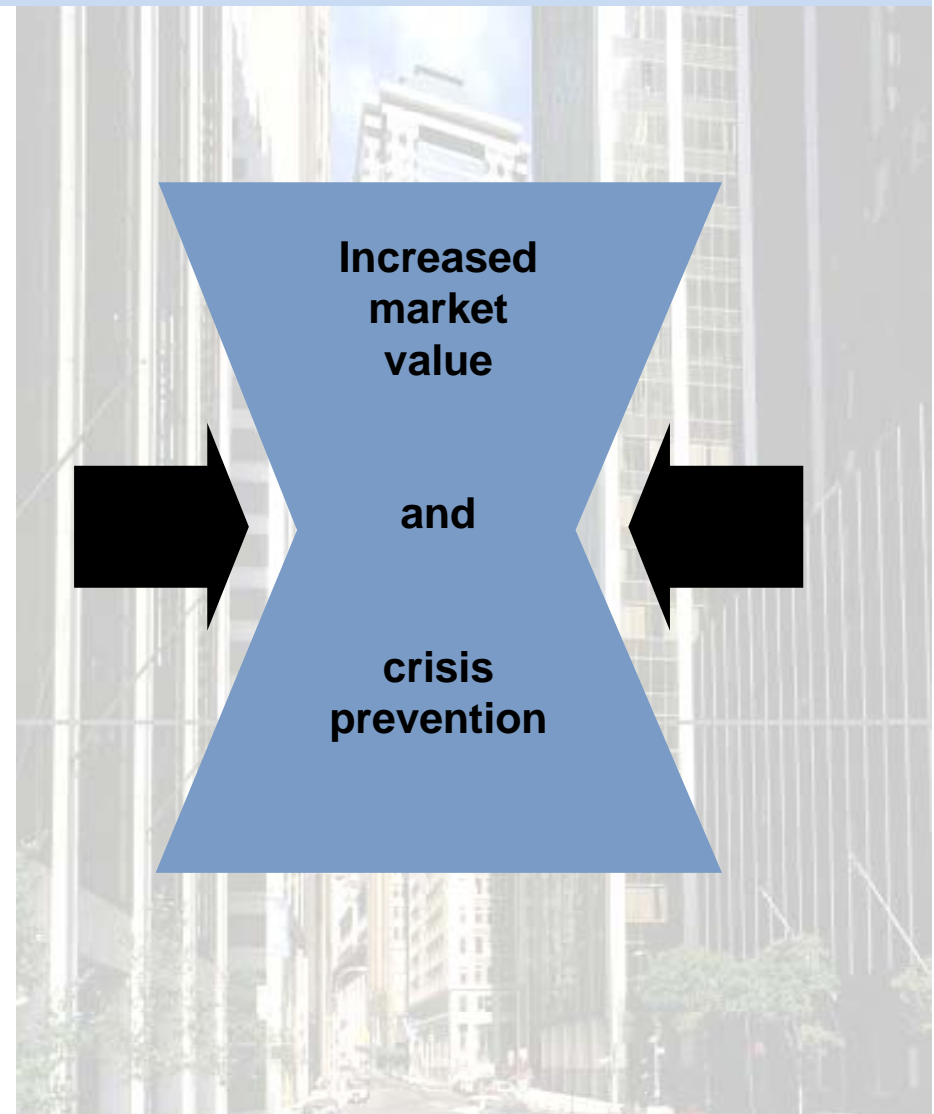
▷ 3 for competence



Summarizing: What are the benefits of reputation management for a firm?

Beneficial aspects

- + **Transparent** management and **steering concept** with proven impact on corporate performance
- + **Compatible tool** allows linking communications measures and using existing market research studies
- + Instrument to **control actions** in every section available with respect to effectiveness and (long-term) efficiency
- + The resulting impacts of the drivers allow the identification of a hierarchy of the messages → **prioritization of goals**



4. CVs + Project Examples



IMM Team



Prof. Dr. Manfred Schwaiger

University Professor of Management
Ludwig-Maximilians-Universität Munich

- **Responsibilities:**
Chair of the IMM, Dean (2003-2005), Dean of Studies (1999-2003 and since 2005), Head of the working group for the international study programme “European Master in Management”, Member of the executive committee of the German Academic Association for Business Research (VHB), member of the board of the Munich Experimental Laboratory for Economic and Social Sciences (MELESSA)
- **Curriculum vitae:**
Academic studies of Business Administration/Economics at Universität Augsburg with majors in Marketing and Operations Research, Ph.D. (Dr. rer. pol.) in 1992, post-doctoral thesis (Habilitation) in 1997
- **Fields of Research:**
Market-based Management, Market and Trends Research, Communications Management, Corporate Reputation, Competitive Advantage
- **Consulting Experience:**
Numerous projects with German Blue-Chip-Companies (concerning topics such as Customer Satisfaction and Customer Loyalty, Employee Motivation, Corporate Communications and Marketing Strategy)

IMM Team



Prof. Dr. Marko Sarstedt, MBR

- Assistant Professor for Quantitative Methods in Marketing and Management
- Academic studies of Business Administration at Universität Passau, Helsinki School of Economics and Business Administration and Ludwig-Maximilians-Universität München; Majors: Empirical Research and Corporate Planning, Information, Organization and Management, Statistics
- Ph.D. (Dr. oec. publ.) from the Institute for Market-based Management (IMM) / Ludwig-Maximilians-Universität München
- Junior Professor at the Ludwig-Maximilians-Universität München
- Fields of Research: Heterogeneity in Structural Equation Modeling (mainly PLS Path Modeling), Effects of Cultural Sponsorship, Reputation, Success Factors in Marketing, Data Quality and Scale Development
- Consulting Experience: Telco, Engineering

IMM Team



Dipl.-Kfm. Felix Kessel

- Research and Teaching Assistant
- Academic studies of Business Administration at Ludwig-Maximilians-Universität München; Majors: Market-based Management, Human Resource Management, Computer Sciences
- Field of Research: Green Marketing, Sustainability, Corporate Social Responsibility
- Consulting Experience: Engineering



Dipl.-Hdl. Markus Kick

- Research and Teaching Assistant
- Academic studies of Human Resource Education & Management at Ludwig-Maximilians-Universität München; Majors: Market-based Management, Statistics
- Field of Research: Reputation, Brand Impact on Health Insurance Choice Decisions

IMM Team



Dipl.-Kffr. Martina Littich, M.A.

- Research and Teaching Assistant
- Academic studies of Communication Science and Business Administration at Ludwig-Maximilians-Universität München and Universidad San Pablo CEU in Madrid; Majors: Applied Communication Research, Advertising Psychology; Market-based Management, Marketing
- Field of Research: Effects of Communication on Reputation/Stock Returns, Health Marketing
- Consulting Experience: Engineering



Dipl.-Kffr. Elena Michel

- Research and Teaching Assistant
- Academic studies of Business Administration at Ludwig-Maximilians-Universität München and Università di Bologna; Majors: Market-based Management, Marketing, Advertising Psychology
- Field of Research: Return on Marketing, Corporate Reputation and Stock Returns Risk, Corporate Reputation and Analyst Stock Recommendation
- Consulting Experience: Automotive

IMM Team



Dipl.-Kfm. Sascha Raithel, MBR

- Research and Teaching Assistant
- Academic studies of Business Administration at Universität Augsburg; Majors: Data Analysis and Statistics, Information Management and Market Research, Business Informatics
- Fields of Research: Marketing Performance Measurement, Marketing-Finance-Interface, Corporate Reputation
- Consulting Experience: Insurance, IT



Dipl.-Kfm. Matthias Schloderer, MBR

- Research and Teaching Assistant
- Academic studies of Business Research at Ludwig-Maximilians-Universität München and Technische Universität München; Majors: Marketing, Empirical Research and Planning, Market/Advertising Psychology
- Fields of Research: Corporate Reputation (Corporate Reputation Monitor[®] in the Opinion Leader Market, NPO Reputation, War for Talent), PLS Path Modeling, Effects of Cultural Sponsorship, Customer and Student Satisfaction
- Consulting Experience: Insurance, Telco, Aviation, Defense, Engineering

IMM Team



Dipl.-Hdl. Kathrin Stingl, MBR

- Research and Teaching Assistant
- Academic studies of Human Resource Education & Management at Ludwig-Maximilians-Universität München
- Fields of Research: Marketing in Higher Education, Student Expectations and Satisfaction
- Consulting Experience: Insurance



Dipl.-Kffr. Petra Wilczynski, MBR

- Research and Teaching Assistant
- Academic studies of Business Administration at Ludwig-Maximilians-Universität München; Majors: Market-based Management, International Markets, Advertising Psychology
- Fields of Research: Corporate Reputation, Measurement Theory and Quantitative Methods
- Consulting Experience: Insurance

IMM Team



Dipl. oec. Lorenz Zimmermann

- Research and Teaching Assistant
- Academic studies of Business Administration/Economics at Universität Hohenheim and University of Connecticut; Majors: Marketing, Managerial Accounting, Applied Social Research, Statistics
- Consulting Experience: Insurance, Automotive, Telco

Project example 1:

Situation

- Client is market leader in Germany, suffers from severe customer churn, CEO under pressure in media
- Media response mostly negative

Problem

- Comprehensive analysis of customers, employees, financial community and opinion leader markets in Germany (driver analysis)
- additional studies not desired, integration in existing ones

Support provided

- Identification of claims that show positive impact on reputation in all stakeholder groups
- Feed drivers that distinguish client from competitors

Exemplary results

- As opposed to competitors, innovation is not a main driver, but good management is.
- Draw benefits from physical appearance (better evaluated than competitors' appearance), refrain from specific sponsoring activities
- Understanding customer needs far more important than friendliness in service fields

Project example 2:

Situation

- Oligopoly market, client is one out of two global players and technology leader
- Media response mostly negative, CSR activities on trial

Problem

- Effective reputation management in Germany and France
- Check whether global or regional (communications-)strategy seems more effective

Support provided

- Custom-made Study (GER/F): CAP-interviews (TNS) with journalists, analysts, top managers and politicians
- Derive implications for operations and corporate communications

Exemplary results

- Advantages in perceived innovativeness and market leadership claims should be exploited by means of communications (skimming; no additional investments)
- Increase reliability, which is perceived below benchmarks (investment program)
- CSR activities show minor impact (savings possible!)

Project example 3:

Situation

- Client is regional energy supplier
- Commitment and trust are important in all stakeholder groups, but difficult to manage

Problem

- Identify drivers of reputation as antecedent of trust focusing on customer loyalty and derive suitable measures

Support provided

- Development of a loyalty model (SEM)
- Identification of loyalty drivers based on a regional CATI sample

Exemplary results

- Reputation model explains 70% of loyalty variance
- Only likeability component has significant impact
- CSR activities are effective and are perceived better than those of the benchmarks
- Lack of competence (compared to benchmarks) should be eliminated with respect to other stakeholder groups