

The art of managing corporate reputation



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IN today's world, corporate reputation management is one of the key business drivers for any organisation. No wonder managing reputation is taking the centre stage as one of the important strategic issues for the businesses. A study conducted in 2011 by US-based renowned research firm Ethics Resource Centre clearly shows that corporate reputation has a huge influence on consumers' buying decisions, investors' decisions to buy stocks, and regulators' consent in issuing operating licences and other permissions. It was also quite evident from the study that in order to attract the best talents, reputation plays a pivotal role.

According to Ernst and Young, investors believe that corporate reputation constitutes 30-50 percent of an organisation's market value. That's a mind-boggling number! A survey titled "The Company behind the Brand: In Reputation We Trust" was conducted in 2011 by Weber Shandwick and KRC Research in the US, the UK, Brazil and China to measure the rising interdependence of brand and corporate reputation. Consumers and senior busi-

ness executives were the respondents of the survey. Among various other findings, it came out quite strongly that 60 percent of the market value is attributable to the company reputation. Some 96 percent of the CEOs surveyed were under the impression that a strong corporate brand is just as important as strong product brands.

Against the backdrop of extremely complex business environment we need to clearly define corporate reputation, which is essentially the perception based on the past actions and future prospects and describes the firm's overall appeal to all its key constituents while comparing with the rivals.

Charles Fombrun, a former professor at the Stern School of Business, New York University, defines corporate reputation as the overall estimation in which an organisation is held by its internal and external stakeholders based on its past actions and probability of its future behaviour. According to Prof Tom Watson, corporate reputation is the sum of predictable behaviours, relationships and two-way communication undertaken by an organisation, as judged by its stakeholders over time.

Experts in this field identified following key elements of corporate reputation:

Ethical practices: It is extremely important for the organisations to act ethically in conducting their businesses. Probably ethics is the single most critical element to build reputation. Organisations that behave ethically are highly admired and respected by the key stakeholders – customers, regulators, suppliers and society at large.

Quality of the products and services:

CORPORATE REPUTATION

- » ETHICAL PRACTICES
- » QUALITY OF PRODUCTS AND SERVICES
- » FINANCIAL PERFORMANCE
- » RELIABILITY AND CONSISTENCY
- » LEADERSHIP AND MANAGEMENT
- » CUSTOMER FOCUS
- » SOCIAL RESPONSIBILITY
- » EMOTIONAL APPEAL

Companies known for offering products and services of good quality enjoy competitive edge in terms of reputation.

Financial performance: Businesses need to demonstrate consistent financial results to boost the confidence of the shareholders, investors, employees and even customers and thus contribute to portray a better reputation.

Reliability and consistency: Organisations need to consistently offer quality products and services to keep its reputation intact. The margin for error is minimum.

Any deviation or fluctuation from the promised quality makes the customers ner-

vous and shaky and consequently tarnishes the image of the company.

Leadership and management: Enterprises managed by a dedicated, dynamic and candid leadership are obviously admired by the business partners and enjoy better image.

Working environment: A conducive and employee-friendly working environment enhances corporate image in the minds of everyone associated with the business.

Customer focus: Companies that are extremely customer focus are likely to be ahead of their competitors as they are more committed to their customers which help them build loyalty and reputation as well.

Social responsibility: This area is close to the heart of everyone. The more an organisation engages itself into benevolent social responsibilities, the more it is likely to boost its reputation.

Emotional appeal: Organisations need to build their brands around a serious, deep purpose — an ultimate concern like fighting poverty, feeding the world, global warming, carbon emission, and empowerment, which would ultimately help them enrich reputation.

The consequence of reputation loss can be catastrophic. Loss of revenue, increased cost of capital due to market-value erosion, unwarranted cost for fixing the problems, potential fine or penalty imposed by the regulators, and loss of market share are some of the tangible outcomes of reputation loss. A few of the examples could be cited in this connection:

Volkswagen group ended up paying its fortune as a consequence of the diesel emissions scandals that broke in September 2015.

Its revenue dropped by 5 percent in the first half of 2016 and share price nosedived by around 40 percent between May 2015 and October 2016. It lost market share drastically in Europe. Eventually, the company had to lay off 30,000 employees!

BP suffered terribly after the incident of oil spill in the Gulf of Mexico in 2010 which claimed the lives of 11. Its shares crashed by 53 percent. It was fined record \$20.8 billion by the US government to cover damages caused by the disaster.

On the contrary, the benefits of corporate reputation are enormous: preferential treatment by the customers even in the situation when products or services of similar quality and price are available; ability to charge premium; greater support from the investors, regulators and other business partners at the time of crisis; better perceived value in the financial market place; and ability to attract and retain talents who are the main driving force of any organisations.

It is essential for the management and senior leaders of the organisations to be always alert and on their toes. Bad word-of-mouth, a lack of response to a crisis, and a lack of transparency can rapidly decimate the reputation of a company.

Warren Buffet eloquently articulated the importance of reputation: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you will do things differently."

The writer is chairman and managing director of BASF Bangladesh Ltd. The views expressed here are personal.

Facebook now says data breach affected 29m users, details impact

REUTERS

CYBER attackers stole data from 29 million Facebook accounts using an automated program that moved from one friend to the next, Facebook Inc announced on Friday, as the social media company said its largest-ever data theft hit fewer than the 50 million profiles it initially reported.

The company said it would message affected users over the coming days to tell them what type of information had been accessed in the attack.



REUTERS/FILE

Figurines are seen in front of the Facebook logo in this illustration.

The breach has left users more vulnerable to targeted phishing attacks and could deepen unease about posting to a service whose privacy, moderation and security practices have been called into question by a series of scandals, cybersecurity experts and financial analysts said.

The attackers took profile details such as birth dates, employers, education history, religious preference, types of devices used, pages followed and recent searches and location check-ins from 14 million users.

For the other 15 million users, the breach was restricted to name and contact details. In addition, attackers could see the posts and lists of friends and groups of about 400,000 users.

Lawmakers and investors have grown more concerned that Facebook is not doing enough to safeguard data.

The company's shares rose 0.25 percent on Friday as Wall Street rebounded after a six-day losing streak. The Nasdaq composite index gained 2.29 percent.

Facebook cut the number of affected users from its original estimate after investigators reviewed activity on accounts that may have been affected. Still, cyber security experts warned that attackers could use stolen information in targeted phishing scams.

"The bottom line is that all this data is still out there," said Corey Milligan, a senior researcher with cyber-security firm Armor Inc.

Facebook Vice President Guy Rosen told reporters that the US Federal Bureau of Investigation has asked the company to limit descriptions of the attackers due to an ongoing inquiry.

Rosen revealed that while the attackers'

intent has not been determined, they did not appear to be motivated by the upcoming US mid-term Congressional election on Nov. 6.

He said the attack affected a "broad" spectrum of users, but declined to break down the number affected by country.

Facebook said it was continuing to investigate whether the attackers took actions beyond stealing data, such as posting from accounts, but had not found additional misuse.

Hackers did not steal personal messages or financial data and did not use their

access to accounts to access users' accounts on other websites, Facebook said.

Rosen said the company would "do everything we can to earn users' trust."

The company previously warned that profits would suffer because of breach-related expenses.

The vulnerability the hackers exploited existed from July 2017 through late last month, when Facebook noticed an unusual increase in the use of its "view as" feature.

That feature allows users to check privacy settings by glimpsing what their profile looks like to others. But three errors in Facebook's software enabled someone accessing "view as" to post and browse from the Facebook account of the other user.

The attackers used the "view as" flaw with "a small handful" of accounts they controlled to capture data of their Facebook friends, then used a tool they developed to breach friends of friends and beyond, Rosen said.

Facebook patched the issue last month and asked 90 million users to log back into their accounts, many just as a precaution.

Security experts have said Facebook's initial breach disclosure arrived earlier than it likely would have prior to the enactment in May of the European Union's General Data Protection Regulation, which mandates notification within 72 hours of learning of a compromise.

Facebook's lead EU data regulator, the Irish data protection commissioner, last week opened an investigation into the breach. Authorities in other jurisdictions including the US states of Connecticut and New York are also looking into the attack.

Window of opportunity narrowing on global growth: IMF

AFP, Nusa Dua, Indonesia

THE window of opportunity to keep global growth on track is "narrowing" amid trade disputes and emerging markets crises, the IMF said Saturday, and cautioned against currency wars as a US-China spat threatens to boil over.

The warning from the International Monetary Fund came at its annual meeting with the World Bank in Bali, after it cut its outlook for global GDP growth this week by 0.2 percentage points to 3.7 percent for 2018 and 2019.

And the Fund further cautioned that "everyone is going to suffer" from a trade-and-currency clash between the United States and China, the world's two biggest economies.

"Risks are increasingly skewed to the downside amid heightened trade tensions and ongoing geopolitical concerns, with tighter financial conditions particularly affecting many emerging market and developing countries," the IMF said in a communique. It added that historically high public debt was also among the red flags that "could further undermine confidence and growth prospects".

"With the window of opportunity narrowing, we will act promptly to advance policies and reforms to protect the expansion, mitigate risks, rebuild policy space, enhance resilience, and raise medium-term growth pros-

pects for the benefit of all," the statement said.

US Treasury Secretary Steven Mnuchin this week said he had told the head of China's central bank about his concerns over the weakness of its currency.

However, he declined to comment on whether Washington would declare Beijing a "currency manipulator" in a Treasury report due out next week.

That designation would be a first for China and would trigger a process that could lead to punitive steps after a series of talks.

The IMF appeared to take aim at the two powerhouse economies which are also locked in an increasingly bitter tit-for-tat tariff battle.

"We will refrain from competitive devaluations and will not target our exchange rates for competitive purposes," the communique said.

"We acknowledge that free, fair, and mutually beneficial goods and services trade and investment are key engines for growth and job creation."

Tensions have soared in recent months with US President Donald Trump's administration rolling out billions of dollars in tariffs against China in a bid to tackle its trade deficit and rein in what Washington views as unacceptable trade practices by the Asian giant.

Meanwhile, markets have been roiled by a plunge in some emerging market currencies -- including



AFP

Christine Lagarde, International Monetary Fund's managing director, addresses the media during a press conference at the International Monetary Fund and World Bank annual meetings in Indonesia yesterday.

in Turkey and Argentina -- as domestic financial crises and higher US interest rates lured return-hungry investors to the dollar.

The IMF statement also said it would push to improve the World Trade Organization and boost confidence in the global trading

system.

It added that it would continue to help countries deal with the social and economic costs of "pandemics, cyber risks, climate change and natural disasters, energy scarcity, conflicts, migration, and refugee and other humanitarian crises".

Jack Ma to open institute for tech entrepreneurs

REUTERS, Nusa Dua, Indonesia

JACK Ma, executive chairman of China's Alibaba Group Holding, said on Saturday he plans to open an institute to train thousands of tech entrepreneurs in Indonesia, where he is already an adviser to the government on e-commerce.

Ma did not say when the Jack Ma Institute of Entrepreneurs would launch, but said the aim was to train 1,000 tech leaders a year over the next 10 years.

"We're giving a lot of opportunities for young Indonesian people to learn," Ma told reporters after meeting Indonesian ministers on the sidelines of the International Monetary Fund and World Bank meetings being hosted by Indonesia.

The co-founder of Alibaba, China's biggest e-commerce firm, said it is important for Indonesia to invest in human capital because "only when people improve, when people's minds change, when people's skills improve, then we

can enter the digital period". Indonesia has a shortage of trained engineers in technology and the institute will also train

hundreds of developers and engineers on cloud computing to help make Indonesian businesses more digital-savvy.



REUTERS

World Bank President Jim Yong Kim (L) and Alibaba Group co-founder Jack Ma attend a seminar at International Monetary Fund and World Bank annual meetings in Indonesia on October 12.

The country is a key market for Alibaba, whose cloud computing arm Alibaba Cloud launched a data center in Indonesia in March.

Ma said his company would continue to invest "not only on e-commerce, but also cloud computing, logistics and...infrastructure" in Indonesia, while also helping local businesses to grow.

Indonesian Communications Minister Rudiantara told Reuters in September that Indonesia was partnering with Ma to look into ways to harness Alibaba's businesses to increase its exports, particularly to China.

McKinsey estimated in a report released on Aug. 30 that the value of Indonesia's e-commerce market will surge to at least \$55 billion (£42 billion) by 2022 from \$8 billion in 2017.

On Friday, Ma told a panel discussion at the IMF and World Bank meetings that "the internet is designed for developing countries", with "great opportunities in Africa" also.