STRONG PRIOR REPUTATION: A HELP OR A HINDRANCE IN REPUTATIONAL CRISSES?

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University of Kansas
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About the researcher

- 25 years in industry
- Currently: Program director for integrated marketing communications graduate program and member of journalism school teaching faculty at University of Kansas
- Research interests: Corporate behavior, corporate values, crisis communications
VW: A poster child for strong prior reputation
Prior reputation: The gold standard in crisis recovery

- Prior reputation is a key determinant of a company’s ability to recover from any crisis.
- If prior reputation was strong, this provides a “buffer effect” in times of crisis.

Research question for this pilot project:

1] Can we see evidence that strong prior rep companies had their reputation rebound and recover after a crisis and, if so, how quickly did that happen?

2] Is it possible that these companies have “farther to fall” in the eyes of stakeholders?
Crises examined: A few examples

2010 accelerator defect

2015 “Race Together” PR crisis

2013 customer data breach
Instruments surveyed

- RepTrak 100 from Reputation Institute
- Harris Reputation Quotient
- Both instruments assign a reputation score based on:
  Citizenship, CSR performance, employer ranking,
  likelihood to purchase, likelihood to recommend, etc.
Harris Poll

Consumers rate perceptions across 20 attributes, classified into six dimensions of corporate reputation:

- **Social Responsibility**
  - Supports Good Causes
  - Environmental Responsibility
  - Community Responsibility

- **Vision & Leadership**
  - Market Opportunities
  - Excellent Leadership
  - Clear Vision for the Future

- **Financial Performance**
  - Outperforms Competitors
  - Record of Profitability
  - Low Risk Investment
  - Growth Prospects

- **Products & Services**
  - High Quality
  - Innovative
  - Value for Money
  - Stands Behind

- **Emotional Appeal**
  - Feel Good About
  - Admire & Respect
  - Trust

- **Workplace Environment**
  - Rewards Employees Fairly
  - Good Place to Work
  - Good Employees

80+ Excellent
75-79 Very good
70-74 Good
65-69 Fair
55-64 Poor
50-54 Very poor
<50 Critical

**RQ Score**

\[ \text{RQ Score} = \frac{\text{Sum of ratings on the 20 attributes}}{\text{(the total number of attributes answered X 7)}} \times 100 \]

Maximum RQ = 100.
Does reputation impact consumer behavior?

The Seekers
American public continues to investigate corporate behavior before buying

Agreement with: More so than in the past, I pro-actively try to learn more about the companies I hear about or do business with

<table>
<thead>
<tr>
<th>Year</th>
<th>Seekers</th>
<th>Bystanders</th>
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<tbody>
<tr>
<td>2014</td>
<td>56%</td>
<td>44%</td>
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<tr>
<td>2013</td>
<td>56%</td>
<td>44%</td>
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<tr>
<td>2012</td>
<td>50%</td>
<td>49%</td>
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Base: General Public (2014, n=24,432; 2013, n=14,512; 2012, n=12,961) Q108R8: Now, please tell us whether you agree or disagree to each of the following statements:
### HARRIS POLL REPUTATION QUOTIENT SURVEY

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<tbody>
<tr>
<td>Sony (Dec 2014)</td>
<td>78.66</td>
<td>80.44</td>
<td>79.22</td>
<td>78.29</td>
<td>79.77</td>
<td>79.93</td>
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<td>Starbucks (April 15)</td>
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<td>72.05</td>
<td>72.97</td>
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<td>75.12</td>
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<td>74.07</td>
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<td>General Motors (Feb 2014)</td>
<td>53.6</td>
<td>60.12</td>
<td>65.31</td>
<td>64.44</td>
<td>67.77</td>
<td>63.89</td>
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<td>67.84</td>
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<td>78.21</td>
<td>68.25</td>
<td>73.53</td>
<td>75.59</td>
<td>76.81</td>
<td>74.01</td>
<td>71.5</td>
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<td>VW (Sept 2015)</td>
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<td>54.75</td>
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<td>Target (Nov 2013)*</td>
<td>72.36</td>
<td>74.91</td>
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<td>74.82</td>
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**Scale:** 80+, Excellent; 75-79, Very Good; 70-74, Good; 65-69, Fair; 55-64, Poor; 50-54, Very poor; <50, Critical

**Companies rebounding/exceeding prior measured level**

| Netflix, GM, Toyota, VW*, BP* (62.5%) |

**Average number of years to rebound/exceed**

2.6
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### REPUTATION INSTITUTE'S REPTRAK 100

*(number in parentheses is ranking...blank field indicates unranked in that report year)*

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Observations / Future research

- Results mixed but don’t conclusively show a rapid rebound to pre-crisis levels
  - 50% of Harris companies and 37.5% of RepTrak companies don’t recover

- For recovering companies, prior reputation’s positive effect seems questionable (at least within first two years post-crisis)

- More historical data needed to determine a “farther fall”

Future research:
- Does type of company matter / composition of customers?
- Does the response strategy of the company matter?
- What about the effect of a stakeholder base that is more empowered and demands transparency more than ever?