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Ideas for Leaders #378

How to Measure and Manage Reputation



Key Concept

Reputation management is a complex task and the measurement of it particularly so, concerned as it is with diverse stakeholder groups and their respective, sometimes differing, evaluations of an organization. Getting the right level of engagement with stakeholders is a critical factor in a firm achieving its objectives, because from that engagement business recommendation and take-up will flow.

This research focuses on the pharmaceutical industry, although the model it uses is transferable to other industries and therefore offers potential to the wider corporate communication and marketing communities.

Idea Summary

How would you describe the impact of your organization's reputation on overall business performance? Trust may play a big part in building that reputation, but how closely are trust and reputation linked to better earnings? To what degree does your corporate reputation drive the behaviours (recommending, purchasing, investing etc) of your firm's main stakeholder groups?

These questions have formed the basis of a recent study which has at its heart the development of a 'reputation dimension' causal analytic model that reflects the links between corporate reputation, stakeholder trust and future behaviours. A survey involving more than 600 physicians and representatives of patient advocacy groups in key markets identified the most influential factors on the business performance of eight of the world's highest-grossing pharmaceutical companies.

The study's findings showed that the reputation dimension 'Quality of Products and Services' had a major influence on the trust and recommendation behaviour of both doctors and patient groups but that 'Innovativeness' was of major importance to doctors only, not patient groups. For the latter, the assessment of a pharmaceutical company as an 'Attractive Employer' was an important driver of recommendation. However, certain dimensions – 'Management Quality', 'Ethical Business Practice', 'Social Responsibility' and 'Transparency' – had little impact on either group. These latter dimensions would be likely to hold more interest for other stakeholder groups such as employees, investors, NGOs, health policy makers or regulatory authorities.

On the basis of these formative indicators, the model suggests that companies can identify specific business drivers relevant for the

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recommendation behaviours of stakeholder groups, and see why certain factors lead to one dimension being stronger than the other. For example, in the case of 'quality of products and services' the analysis shows that for doctors, the key drivers are drug safety, quality of product information, and continuous improvement of medicines. For patient groups, the drivers are ease of use of drugs, training on how to use them, and a good price/performance ratio. Not surprisingly, effectiveness of the medications is an equally important driver for both groups.

According to the model, the reputation of any stakeholder group of any organization can be captured by a maximum of *nine reputation dimensions*, as set out below:

- Quality of Products and Services
- Innovation
- Business Performance
- Ethical Business Practice
- Transparency
- Marketing and Sales Effectiveness
- Management Quality
- Employer Attractiveness
- Social Responsibility

The weight that different stakeholder groups attach to each of the dimensions will obviously depend on their specific interests and expectations for the company. For example, Richard Branson's reputation – which can be measured by the Management Quality dimension – is key to Virgin's overall reputation, but one dimension is not enough to build reputation. Virgin's reputation is also founded on other dimensions, not least its Quality of Products and Services or its Marketing and Sales Effectiveness.

Business Application

Reputation management is a complex strategic issue. The challenge for leaders is to regularly measure corporate reputation and understand which factors drive that reputation and ultimately lead to business success. The insights we learn from measuring our reputation can help direct subsequent activities in PR, media relations, and other stakeholder-specific activities so that the right kind of information is targeted towards the relevant groups.

Choosing the correct reputation dimensions for an individual company is key, and it is why, as study author [Markus Renner](#) says, "A 'one-size-fits-all' approach to measuring reputation does not make any sense." But by using this causal model (adapted to the industry you operate in) to calculate the status of reputation compared to peers (ranging from excellent to very poor), leaders can gain insights into what their key stakeholders expect from the company before they make a decision, i.e. whether they purchase, order or recommend your products and services.

Further Reading

- [Gute Reputation – gute Geschäfte](#). Markus Renner. *Pharma Marketing Journal* (April 2012). An English translation of the article can be obtained by emailing [Ideas for Leaders](#).
- [Generating Trust via Corporate Reputation. The Influence of Pharmaceutical Companies' Reputation on the Recommendation Behaviors of Physicians and Patient Organizations](#). Markus Renner. wvb Wissenschaftlicher Verlag Berlin (2011).

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