Trust and Reputation.
Are they the same?

by Andrew Clare

In the boardroom, the marketing director or CMO is usually tasked with building customer trust. But in the hierarchy of clout with the CEO, these executives often sit at the bottom of the list. It becomes a dichotomy of business, fed by business cultures that favour short-term profit over long-term principles. However, there are signs that this is changing. In various media and executive interviews, the recurring theme over the past two years is trust. And customer trust, specifically, is the key principle here.

Corporate scandals

Starting with the Enron-related accounting scandals, flowing into the backdating of stock options for executives, the HP pretexting scandal, and finally, the spate of publicized breaches of information security, C-level leaders know they’re now facing a crisis of trust. Their publics have less and less confidence in them.

Their customers trust them less, and even line employees often don’t trust the companies they work for. According to Stephen Covey’s book, The SPEED of Trust: The One Thing that Changes Everything, just 49 per cent of line employees have ‘trust and confidence’ in their company’s senior management, and fully 76 per cent of employees say that during a recent one-year period they have observed illegal or unethical behaviours at their companies.

Trust – moving forward

It’s clear that the issue of trust is very likely to be the next big thing in business. There are a number of levels at which ‘trust’ operates, ranging from basic familiarity all the way up through complete confidence. At the highest level, however, trust implies a willingness to expose one’s vulnerability to another in the confidence that it will not be exploited or abused, and that one’s own interests will be respected.

Customers will only remain loyal to companies they trust. And because their own reputation is on the line, customers can only be expected to recommend companies to their friends or colleagues if they trust them themselves.

Experience also has an important role in this aspect.

If you think about it, there are two components required of a company before a customer or stakeholder is likely to trust them – competence and intent. You have to be comfortable that a company’s intent is to act in your interest, and you have to have confidence that they are competent and capable of doing so. It does no good for an incompetent company to have good intentions - you’re still not going to trust them farther than you can watch them yourself. Similarly, you’ll only trust a highly competent company when you believe its intent is good, meaning that it will respect your interests and not take advantage of your vulnerability just because it can.

The subject of trust is being explored by a number of business researchers and writers, and all of them have a similar take on the issue. Trust must involve a combination of competence and intent.

Trust and Reputation

In his book, Covey lays out a multicomponent framework for earning personal and organizational trust. In his section on stakeholder trust, for example, he proposes that companies need to create ‘alignment’ trust with their employees, ‘reputational’ trust with the market, and ‘contribution’ trust with society.

Reputation - New Sensation

Reputation impacts performance. Reputation has always been one of the ‘soft’ benefits of customer strategy. In the past, if a company did right by its customers a positive reputation would follow.

Now things aren’t so simple. A hyperactive media, obsession with customer satisfaction scores, and a new emphasis on socio-environmental responsibility have made corporate reputation more important and tougher to predict. Many companies are developing metrics and new technologies to connect corporate reputation to performance.

Facts and Figures

A clear financial link to reputation can be tough to draw. Public relations firm Hill & Knowlton is trying.

It released its ‘Return on Reputation’ report that shows reputation is now perceived as having a direct correlation with financial performance. How do consumers measure reputation? According to the 282 global companies surveyed for the report, brand and marketing message (76 per cent), corporate culture and working environment (51 per cent), employee compensation and career opportunities (49 per cent), and social responsibility and community investment (22 per cent) all play an active role in reputation assessment.

Nearly half of all the Wall Street analysts surveyed by Hill & Knowlton separately, primarily take employee issues into account when evaluating reputation; poor management of employee opportunity has led nearly one in five analysts to make a negative recommendation about the company they’re evaluating to stockholders.

Sources: This article includes information from The Peppers and Rogers Group, Hill & Knowlton and The Trusted Advisor by David Maister.

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