COMMUNICATING IN A NEW WORLD

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Executive Summary

Reputation matters.

For executives and communications professionals with responsibility for protecting and strengthening an institution’s reputation, there are at least four major trends that are making the task harder: falling trust in institutions, rising stakeholder expectations of social contribution, shift in the balance of power toward stakeholders, and digital communication trends.

Executives including Chief Communications Officers need to grapple with these trends. Actions include direct engagement with stakeholders, greater consistency and transparency in messages, embedding authentic values, thoughtful use of spokespeople, and serious commitment on social issues.
THE POWER OF REPUTATION
“It takes 20 years to build a reputation, and five minutes to ruin it”

87% of executives polled said that a strong corporate brand is as important as strong product brands; 60% of a company’s market value is attributable to reputation

Reasons why a strong corporate brand is as important as product brand

- The corporate reputation ties all the brands together so they can share "one voice" - 48%
- Being transparent about who you are matters more than ever today - 49%
- People care about the companies behind the brand - 55%
- Product brands can benefit from the reputation of the parent company - 65%

FORCES SHAPING THE REPUTATION OF INSTITUTIONS
A set of powerful external forces are shaping the reputations of leading institutions

1. **Trust** has fallen in institutions and the executives who lead them

2. **Stakeholders have higher expectations** of the contribution that companies should make to society

3. **The balance of power** between institutions and stakeholders has shifted

4. **Digital trends** make it more difficult to manage an institution’s reputation
Trust in institutions is low

Informed publics, 35-64 years, UK/USGER/FR

SOURCE: Edelman 2014 Trust barometer

Willis
And trust is low in the executives who lead them.

**BUSINESS LEADERS**

- Make ethical and moral decisions: 20% (2013), 21% (2014)
- Tell the truth no matter how complex or unpopular it is: 18% (2013), 20% (2014)
- Solve social or societal issues: 19% (2013), 19% (2014)

**GOVERNMENT LEADERS**

- Make ethical and moral decisions: 14% (2013), 15% (2014)
- Tell the truth no matter how complex or unpopular it is: 12% (2013), 13% (2014)
- Solve social or societal issues: 15% (2013), 16% (2014)

SOURCE: Edelman 2014 Trust barometer
Executives themselves perceive low public trust in business

Percentage of senior executives answering "yes"

Has public commitment to free markets deteriorated? 72%

Has public trust in business deteriorated? 85%

SOURCE: McKinsey Quarterly 2009 survey
Stakeholders expect more from companies in terms of their contribution to society

Executives views on public expectations of business

- 72% increased as a result of the financial crisis
- 28% have not increased as a result of the financial crisis

% of consumers who describe the contribution of large corporations to the public good as "generally" or "somewhat" positive

- India: 78%
- China: 76%
- US: 40%
- Japan: 39%
- FR / GER / UK: 35%

SOURCE: McKinsey Sept 2009 executive survey (n=1179); 2006 McKinsey consumer survey (n=4063)
STAKEHOLDER EXPECTATIONS

**Stakeholders want companies to play a role in public policy**

Business has permission to play a role in regulation and debate

**Percentage agreeing**

The financial services industry should be a more active participant in the broader debate over the future of the [COUNTRY] banking system — 71%

The food and beverage industry should be a more active participant in the broader debate in [COUNTRY] over solutions to food and nutrition policy issues — 74%

The energy industry should be a more active participant in the broader debate in [COUNTRY] over energy policy — 74%

While policymakers are developing new regulations on businesses and industries, they should consult with multiple stakeholders — 79%

SOURCE: Edelman 2014 Trust barometer
Experts overwhelmingly believe companies should collaborate with multiple actors, including governments, to advance sustainability most effectively.

What is the most effective approach companies can take to advance sustainability?

- Do not collaborate with governments: 2%
- Work with governments through public-private partnerships: 10%
- Work with governments to establish regulation: 12%
- Work within multi-actor collaborations not explicitly including government: 20%
- Work within multi-actor collaborations explicitly including government: 56%

SOURCE: Collaborating for a sustainable future*, GlobeScan 2013
Emergence of powerful new stakeholders

Number of non-government organizations accredited by the United Nations

Numbers are approximate

The “informed” public trusts these new players

Trust in NGOs is rising – most markets at or above 60%. Most trusted institution in 20 of 27 markets surveyed by Edelman

SOURCE: Edelman 2014 Trust barometer
...and it supports greater regulation of the economy

Informed publics call for increased regulation by a significant margin

- Government regulation of food and beverage sector: 12% too much regulation, 48% not enough regulation
- Government regulation of energy sector: 17% too much regulation, 51% not enough regulation
- Government regulation of financial services: 16% too much regulation, 53% not enough regulation
- Government regulation of business: 27% too much regulation, 42% not enough regulation

SOURCE: Edelman 2014 Trust barometer
Digital trends make it more difficult to manage an institution’s reputation

Digital news surpasses radio and newspapers

SOURCE: Pew Research Center 2012 News Consumption Survey

US sample, 3,003 adults
Digital media is trusted

Trust in media sources

- Search engines: 65%
- Traditional media: 65%
- Hybrid media: 54%
- Social media: 47%
- Owned media: 45%

Informed publics, 35-64 years of age

SOURCE: Edelman 2014 Trust barometer
People go online to understand and verify business news

People go online for business news

- **Source used to confirm / validate information or breaking news about business**
  - Television: 19%
  - Newspapers: 20%
  - Online search: 36%

- **First source for breaking business news**
  - Television: 20%
  - Newspapers: 25%
  - Online search: 28%

- **First source for general business information**
  - Television: 21%
  - Newspapers: 26%
  - Online search: 30%

**SOURCE:** Edelman 2014 Trust barometer
Social networks guide purchasing decisions in B2B as well as B2C sectors.

Consumers and B2B decision-makers rely on social networks to guide their purchasing decisions:

- 74% of consumers rely on social networks to guide purchasing decisions
- 74% of B2B decision makers
- 42% of B2B decision makers
- 34% of B2B decision makers
- 39% of B2B decision makers

SOURCE: McKinsey research, July 2014
THE CHANGING ROLE OF STRATEGIC COMMUNICATIONS IN THIS CONTEXT
Rebuilding trust: open, transparent, values-based engagement with stakeholders...

“I regret that my poor choice of words caused some people to understand what I was saying”
## Creating employees as advocates

**How credible is information about a company from each source**

<table>
<thead>
<tr>
<th>Source</th>
<th>2009</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic or Expert</td>
<td>62%</td>
<td>67%</td>
<td>+5</td>
</tr>
<tr>
<td>Technical Expert*</td>
<td>47%</td>
<td>62%</td>
<td>+15</td>
</tr>
<tr>
<td>A Person Like Yourself</td>
<td>49%</td>
<td>53%</td>
<td>+4</td>
</tr>
<tr>
<td>NGO Representative</td>
<td>41%</td>
<td>52%</td>
<td>+9</td>
</tr>
<tr>
<td>Financial or Industry Analyst</td>
<td>32%</td>
<td>52%</td>
<td>+20</td>
</tr>
<tr>
<td>CEO</td>
<td>31%</td>
<td>43%</td>
<td>+12</td>
</tr>
<tr>
<td>Government Official / Regulator</td>
<td>29%</td>
<td>36%</td>
<td>+7</td>
</tr>
</tbody>
</table>

* Not tested in 2009

**SOURCE:** Edelman 2014 Trust barometer
# Employees are the most credible on the company’s integrity, innovation and business practices

<table>
<thead>
<tr>
<th>Who is trusted most to provide credible and honest information about</th>
<th>The CEO</th>
<th>An employee</th>
<th>Activist Consumer</th>
<th>Academic</th>
<th>Media Spokesperson</th>
</tr>
</thead>
<tbody>
<tr>
<td>A company’s employee programs, benefits &amp; working conditions</td>
<td>22%</td>
<td>66%</td>
<td>16%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>How a company serves its customers and prioritizes customer needs ahead of profits</td>
<td>27%</td>
<td>22%</td>
<td>43%</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>A company’s situation in a time of crisis</td>
<td>32%</td>
<td>37%</td>
<td>17%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>A company’s innovation efforts and new product development</td>
<td>31%</td>
<td>32%</td>
<td>27%</td>
<td>25%</td>
<td>13%</td>
</tr>
<tr>
<td>How a company uses its resources and influence to support the environment</td>
<td>20%</td>
<td>29%</td>
<td>33%</td>
<td>28%</td>
<td>12%</td>
</tr>
<tr>
<td>How a company supports programs that positively impact the local community</td>
<td>24%</td>
<td>28%</td>
<td>35%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Partnerships with NGO’s and effort to address societal issues</td>
<td>27%</td>
<td>22%</td>
<td>25%</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>A company’s financial earnings &amp; operational performance</td>
<td>31%</td>
<td>28%</td>
<td>23%</td>
<td>24%</td>
<td>10%</td>
</tr>
<tr>
<td>A company’s business practices, both positive &amp; negative</td>
<td>23%</td>
<td>39%</td>
<td>28%</td>
<td>23%</td>
<td>14%</td>
</tr>
<tr>
<td>Accomplishments about a company’s senior leadership</td>
<td>35%</td>
<td>36%</td>
<td>17%</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
</table>

**SOURCE:** Edelman 2014 Trust barometer
Engaging with society on social issues, recognising the shift in power

“I know – what if I promise them change?”
CEOs already acknowledge their role in society

What is the appropriate role of a company in solving a social problem?

CEOs agree that engagement on social issues is critical

- 50% Drive the solution
- 42% Be part of the solution
- 5% Fund the solution
- 3% Invest pragmatically
- 0% Do not engage

SOURCE: CECP 2010 Board of Boards conference
Drive the change from your core business

1. Engage your big-spending functions — typically, production and marketing — not just a central team

2. Work with local managers to understand the local context, who really matters, and what can be delivered.

3. Do not focus on limiting the downside. Effective external engagement is much more than that: it can attract new customers, motivate employees, and win over governments.

4. Make a long-term commitment (do not change course when management changes or costs must be cut)

“Senator, the American people, whom you often mention in your speeches, would like a word with you.”
The shifting balance of power means you engage with your audience on their terms

“Sorry, Pop, but your message is no longer relevant to the younger audience”
Think about how we engage with constituents

Most need to hear company messages three to five times to believe

- Once: 4%
- Twice: 13%
- Three times: 12%
- Three to five times: 35%
- Four or five times: 29%
- Six to nine times: 6%

SOURCE: Edelman 2013 Trust barometer
Consistency and authenticity of communication

“Good God! He’s giving the white-collar voters’ speech to the blue collars”
Recognise the opportunity to make employees into advocates through digital media

NEW CHANNELS OF COMMUNICATION

**Percentage of employees polled**

- Have posted something about employer that they wish they hadn't: 14%
- Have shared criticism or negative comments online about employer: 16%
- Post messages, pictures or videos on social media about employer often or from time to time: 33%
- Have shared praise or positive comments online about employer: 39%
- Post messages, pictures or videos on social media about employer often or from time to time: 50%

**SOURCE** Employee Rising, Weber Shandwick

2,300 employees, 18-65 years, 15 markets