
The Ipsos
Global@dvisor



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A Provocation: Tilting the Axis on Risk Management



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Introduction

Welcome to the first edition of the Ipsos Global @dvisor—a research-based syndicated service designed to provide senior executives with a roadmap for navigating the evolving and dangerous terrain of global reputation risk.

Your organization has a reputation that means something wherever it operates.

Whether it's through the brand, or advertising and sponsorship, or by how many people it employs and the money it makes, the reputation your organization wears matters and it is part of you everywhere.

It can also be a target or a symbol or, just because it is part of the business community operating in a country, it can be subject to regulations and decrees from those who are either in power, or want to be.

And in today's increasing virtual world where your trademark is the best trustmark you have in the marketplace, the risk to your reputation is instantaneous and real.

That's why we created this service. It's unique and it's vital because, for the first time, it allows you to consider, anticipate, analyze and understand the threats and opportunities—the risk quotients—to your reputation, just like the intelligence gathering you have to consider when making an investment, management or strategic decision.

The Provocation

So, why are we calling this introductory note a provocation?

Because we want to provoke senior executives to look at a new way of determining and managing the elements of risk.

After almost two decades of carrying out corporate, consumer and government assessments through market and opinion research on reputation risk, we believe—emphatically through experience and evidence—that senior executives need to start including public opinion as a key variable in their risk assessment models. In particular, public opinion as it relates to reputational risk.

And why is reputation risk so important?

Because reputation has two very specific impacts on organizations, especially those organizations that market to consumers (Impact 1) or those that operate within a regulated, or potentially regulated, environment (Impact 2).

The second impact—the regulatory environment—is easier to relate to because it's the type of reputation risk that senior executives most often deal with, but usually only when they are forced to deal with it. It's what we call the demand-side, or the *indirect* risk. These risks come in the form of government regulation, bad press, or consumer boycotts.

In essence, these are externally imposed limits to any organization's ability to operate within a particular jurisdiction.

But it's the first impact—what we call *direct* risk—that represents a revolution in how senior executives are now being compelled to think about risk.

Our work for numerous global entities has demonstrated time and time again that there is a strong correlation between an organization's reputation and its ability to successfully market to consumers. By success we mean that an organization's marketing communications will be more cost-efficient, consumers will be more willing to try products marketed under the company's corporate "brand," and the organization will also have a greater ability to charge its customers a premium.

That is, IF the organization has a solid reputation.

In our view, both types of risk are driven by the consumer-citizen voice that is captured in public opinion. And, as such, both can be measured and managed by senior executives that are in possession of the right tools and insights. That's the motivation behind Global@dvisor.

Why is Public Opinion So Important?

To effectively manage reputation risk, senior executives must first come to grips with the emergence of public opinion *as a key business variable*.

In our view, the most powerful force in the world today is public opinion. Global thought leader Francis Fukuyama has intoned that history, as we knew it, is over. He asserts that capitalist democracy has won out over the alternate philosophies of the 20th century and it means that capitalist democracy will continue to spread. And, wherever capitalist democracy spreads to, the major force that drives it is always public opinion.

We think he's right. And many, many others do too. And that's why it's critical for senior executives in our time to understand public opinion and its shaping, and potential impact.

So, what are the most important trends in public opinion? In our view they are: the decline of public trust, and the rise of the knowledge consumer and knowledge citizen.

The Decline in Public Trust

Comparisons over time show that practically every institution and profession has experienced a significant decline in status with the public. The institutions in which consumer-citizens once blindly placed their trust—in churches, governments, medical establishments, teachers, employers and many others—are now called upon to prove their worthiness. This is not only at home, but in virtually every country and arena around the globe. Exhortations to



“trust us,” “have faith,” “accept that we know what’s best for you” no longer suffice. Trust is no longer given but earned, and even at that, it’s dispensed only conditionally and situationally.

The Rise of the New Knowledge Consumer and Knowledge Citizen

The term knowledge worker has become common in the modern lexicon, but we now live in the era of the knowledge consumer and citizen as well. The decline in public trust has intersected with a rise in educational standards and the advent of the Internet to create an information-enfranchised and communicative society the likes of which has never been seen before. The knowledge monopoly that has traditionally separated the governors from the governed is permeable, and slim at best.

These new knowledge consumer-citizens tend to be opinionated, demanding, empowered, and ultimately disloyal. And no matter where in the globe they exist, or what conditions they experience or operate in, they expect results and are prepared to hold producers accountable for performance failures. They demand choices in everything they encounter. And they demand accountability.

This group of consumer-citizens is exactly what global thought leader Marshall McLuhan envisioned in his seminal work *“The Gutenberg Galaxy: The Making of Typographic Man”* (1962). In his book, McLuhan describes how mass media collapses space and time barriers in human communication, enabling people to interact and live on a global scale. So, the world becomes a “global village.”

In our view, consumer-citizens—a discernable population we have identified through research—are the seminal global citizens, those who have the greatest force and impact on their surroundings and on the players in that village. And, where they go, the rest will eventually follow. And, when the rest follow, we reach a tipping point—often globally now—when the unusual can, all of a sudden, become common place. And, what had previously only been theorized becomes the new normal.

Where Does This Leave Us?

The marriage of the most highly educated, interactive, communicative and enquiring generation in world history and the information technology known as the Internet places phenomenal power in the hands of a newly enfranchised class. Information has become democratized, giving rise to heretofore-unprecedented demands for choice in everything we do. The mentality of “there is no alternative” no longer suffices: these consumer-citizens, sometimes linked to ideas and other likeminded people in different parts of the world, can, and do, create their own alternatives if the official offerings don’t satisfy.

Indeed, the mother lode wealth of information now available to individuals and groups has given rise over the past decade to a revolutionary, multi-country, power shift from producers to consumers.

Organizations are now under pressure as never before to deliver results and be accountable for performance. Combine this heightened consumer assertiveness with a diminution of brand loyalty and there is the high potential for businesses, voluntary groups, and political parties, which may have taken decades to build, to be destroyed in the blink of a cursor.

Our research portends a future that will be dominated by the competition for public trust. As we stated earlier, consumer-citizens are increasingly turning to “trustmark” to sort through the cluttered marketplace of an information economy.

For organizations interacting with individual consumers, trustmarks will supersede the trademarks of old. A trustmark goes well beyond a good brand name. The brand provides the entry point to the product. Today, consumer-citizens are seeking guidance of a higher order. They want to be able to judge quickly if the information coming their way—about products to buy, decisions to make, causes to support—is authoritative, credible, and reliable. They aren’t seeking a signal about the quality of the product as much as the trustworthiness of the producer—whether it is a corporation, charity, or political leader. This is the essence of reputation.

The default position these days is one of skepticism rather than trust. Therefore, the trustmark holder possesses an asset as rare and valuable as platinum. Trustmark stewardship is now becoming one of the top tasks of modern CEOs. Leaders must excel beyond the traditional management skills of finance, strategy, and marketing to master the political skills necessary to forge trusting relationships with these consumer-citizens.

To conclude, Global@dvisor has been designed specifically to help senior executives manage their organizations’ reputational risk. And, through effective management of reputation risk, ultimately help their organization to continue to thrive and prosper.

Provoked. Enlightened. Engaged. These are the salient elements needed to identify and manage reputation risk in the new global community. ◀