

Letters

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Why reputation is a strategic asset for an organisation

In today's world, reputation travels faster than official statements. A customer can have a bad experience in the morning, post about it in the afternoon, and by evening, thousands of people have already formed an opinion about an organisation.

That is the reality institutions and businesses face today. Many organisations spend heavily on branding and visibility, but reputation is built more through everyday actions than polished campaigns.

People pay attention to how they are treated, whether promises are fulfilled, how leaders respond during difficult moments or even whether communication is honest and timely. In many cases, trust starts declining long before a public crisis appears.

Issues such as delayed response, poor customer care, ignoring concerns and inconsistent leadership among others slowly shape public perception about an organisation. Reputation management is not only the responsibility of the communications department.

A study by World Economics indicates that on average, more than 25 percent of an organisation's market value is directly attributable to its reputation. In a highly connected world where operations, supply chains, and internal and external stakeholders are across the planet and where reputations can be globally attacked with just a few keystrokes, that number is likely even higher today.

Organisations with strong reputations usually do ordinary things consistently; they listen, they communicate clearly, take accountability, and treat people with respect. When mistakes happen, as they always do, institutions that have already built credibility recover faster because people are willing to give them the benefit of the doubt.

Reputation is a critical, intangible strategic asset, with Harvard Business Review (HBR) research indicating that between 70 percent and 80 percent of a company's market value is derived from intangible assets like brand equity, intellectual capital, and goodwill, where reputation is a major factor.

According to the research, firms with strong positive reputations attract better people because they are perceived as providing more value, which often allows them to charge a premium.

In addition, a good reputation makes customers more loyal and buy broader ranges of products and services. The market also believes that such companies will deliver sustained earnings and future growth, they have higher price-earnings multiples and market values and lower costs of capital.

A study by Deloitte Global found that 41 percent of companies that had experienced a negative reputation event lost revenue. The study further indicated that 87 percent of the executives surveyed rate reputation risk as more important and 88 percent say they are explicitly focusing on reputation risk as a key business challenge.

A reputation risk that is not properly managed can quickly escalate into a major strategic crisis as customers are the most important stakeholders for managing reputation risk because in a world increasingly influenced by social media and instant global communications, managing customer expectations and perceptions is critical to success.

In addition, AON, a renowned global reputation consulting firm in the research conducted on over 340 reputation events between 1982 and 2022, found out that companies that fared poorly following reputation crisis lost a total of \$2.8 trillion in shareholder value over the post event year.

From this research data, it is evident that today, public trust affects customer loyalty, partnerships, investor confidence, and institutional credibility and that is why reputation should not only matter during a crisis.

Reputation should be protected every day through leadership, culture, consistency, and the way people are treated because long after people forget the advertisement, they remember the experience.

In conclusion, reputation is earned through honesty, consistency, accountability and the ability to keep promises. For business leaders, and institutions, protecting and strengthening reputation should not be treated as an afterthought, it must be a central part of the long-term growth and credibility of an organisation.

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