



***'The impact of corporate reputation on business performance'***

**Graham McWilliam, Group Director of Corporate Affairs**

**PR Week Reputation Management Strategy Conference**

**27 November 2012**

Thanks James. I'm going to kick things off this morning by talking about the impact of corporate reputation on business performance.

All of us here today are only too aware that the reputations of the organisations we work for are paramount.

When you look across the business world, it's easy to point to companies that have got their reputation right.

And it's just as easy to point to companies that have got it wrong.

There are plenty of recent examples of both and I'm sure you'll have your own.

Despite that, it's difficult to point to tangible measures of how improving your corporate reputation drives business performance.

But the problems that follow from reputational damage are often all too obvious and hard to recover from.

Warren Buffett famously warned that: *"It takes 20 years to build a reputation and five minutes to ruin it."*

He had an even starker message for his own employees: *"Lose money for the firm and I will be understanding; lose a shred of reputation for the firm and I will be ruthless."*

What Buffett is saying is that reputation is one of the most valuable assets a company has.

Perhaps the most valuable.

A business that treats its reputation as a priority is a business that is more robust.

It's a business that considers and manages risk more effectively and is better able to withstand shocks.

As a result, it's a business that is more durable. And one that will create greater value for shareholders in the long-term.

That may sound obvious.

But until fairly recently, corporate reputation was little more than a footnote in an era that celebrated short-term performance above all else.

Things are very different today.

Reputation has moved centre-stage in corporate life.

And, as a result, companies are increasingly paying as much attention to how they do business as to the quality of the products and services they offer.

The reason is simple.

People expect more.

In an era of unrivalled choice, global communications and digital media, the opportunities to engage customers directly are greater than ever before.

And the risks of failing to meet their heightened expectations are just as big.

Today, a good financial story alone isn't enough.

Especially for consumer-facing companies whose success depends on building valuable, long-term relationships with customers.

Customers who increasingly choose to reward companies that share their values.

And customers who judge companies on what they do, not what they say.

It's not just customers whose expectations have changed.

A much wider group of stakeholders are looking at business through a different lens.

Employees want to know that a company is a good place to work.

Investors want to know that companies are committed to high standards of corporate governance.

Suppliers want to know they can build fair and productive relationships.

Regulators want to know companies are meeting all their obligations.

And communities want to know business is making a positive contribution.

As the window through which all of these things are viewed, the importance of reputation has never been clearer.

And the most durable businesses are those that treat reputation as a priority and a fundamental tool for the creation of long-term value.

### **Sky's approach to reputation**

Now, I'm certainly not going to claim that we've got everything right at Sky.

As with other businesses, Sky could be accused in the past of having had too narrow a focus on short-term financial and operational performance.

Think back to what it was like when we arrived on the scene in 1989.

Before then, TV was free.

It was supported by advertising revenue or public funding.

And in exchange, there was a pretty limited offering across just four TV channels.

No-one in the UK had ever tried to build a TV business on a subscription model.

One where success or failure depended on your ability to keep giving customers something they believed was genuinely worth paying for.

So confident were the established broadcasters that pay TV wouldn't work, one of them even took out a full page ad in the FT just to say so!

And in those early days, things didn't look good. At one point, the business was losing over 14 million pounds a week.

But we put our heads down and got on with the job, rapidly growing our subscriber base and turning those losses into healthy profits.

However, there was an unintended consequence of this ruthless focus on commercial success. Our relationship with customers became very transactional, with little emotional engagement.

And in its determination to succeed, Sky was often called the Millwall of the TV industry, revelling in the old refrain: *"no one likes us, we don't care"*.

In many ways, this approach made us what we are today, so we're not about to disown it.

But it's equally clear that it's no longer enough just to focus on short-term performance.

As custodians of the company for future generations, it's up to us to ensure we build a business that will succeed for decades to come.

And building that long-term durability requires us to treat reputation as one of our priorities.

Our approach at Sky can be divided into three parts.

First, we know that we're judged on our actions.

So we make sure that everyone at Sky understands the importance of doing the right thing.

Second, we want our customers and wider stakeholders to see what kind of a company we are.

That means getting better at telling our story.

And third, for a high profile business like Sky, the communications challenge isn't getting noticed; it's getting noticed for the things we want to get noticed for.

So we pick a few big points of reappraisal that we believe will encourage people to think differently about us. And we work hard to land them.

Doing all three of these things is, I believe, helping us to build a more durable business and create greater value for shareholders.

Let me talk through each one of them in more detail.

### **Doing the right thing day-to-day**

While a company's reputation can be shaped by its values and culture, it's fundamentally based on what it does.

Henry Ford put it best when he said: *"You can't build a reputation on what you're going to do"*.

It's because we know we're judged on what we've done that our approach to reputation management starts with our own actions.

In a business the size of Sky, telling everyone what to do just doesn't work. You can't write a rule book for every eventuality.

Instead, you have to establish a strong set of values so everyone understands what we expect of them and why.

Within that, we place a big emphasis on acting responsibly and doing the right thing.

Perhaps that sounds clichéd.

But it's something that people instinctively understand and can apply to their day-to-day jobs.

It's important to set an example from the very top. We have to practise what we preach by leading with those same values.

Let me give you an example.

You may well remember when two Sky Sports presenters made inappropriate comments about a female linesman during a live football match.

Richard Keys and Andy Gray had been with us since the launch of Sky Sports.

Over the years, they'd become an important part of a key area of our business and they were popular with viewers.

So you could say they were important to our commercial success.

But even in the midst of a media storm, with the Prime Minister wading in, this wasn't what it was about.

What it was about was the kind of culture we wanted within our organisation and the message we sent to our people about what was acceptable, and what wasn't.

Media opinion was divided over whether we did the right thing.

Many had called for the pair to be sacked.

Others criticised us for going too far.

In The Times, one columnist wrote: *"If the country followed the lead of Sky Sports, none of us would be in a job: None of us."*

Now, media management is of course a key part of our jobs as PR practitioners.

It's something we take very seriously because we know only too well the important role that the media plays in shaping people's perceptions.

But creating the right culture is fundamental to building reputation.

And in this case, doing the right thing helped us to improve our reputation internally and externally.

### **Being seen to do the right thing**

If you want people to know what kind of a company you are, it's not enough just to do the right thing; you have to be seen to be doing the right thing too.

Of course, Sky has been in the news a lot over the last 18 months because of our links with News Corporation, our founding shareholder.

Sky is an independent company, separate from News Corporation.

But the controversy over the News of the World was brought close to home for us when – as a response to the furore over phone hacking – Ofcom initiated a review of whether Sky was “fit and proper” to hold a broadcasting licence.

Did it affect our business performance?

No.

The numbers clearly show that we continued to grow strongly throughout the period.

And only a small handful of people rang us up to cancel their subscription because they associated Sky with what had happened.

Nonetheless, did we take seriously the impact it might have on our corporate reputation?

Absolutely.

Regardless of whether you believe Ofcom would actually strip Sky of its licence, we had to treat the threat seriously and make sure it did not go unchallenged.

So we stepped up our efforts to communicate the positive impact that Sky makes as an independent business in its own right.

As communicators, that was a real challenge, especially when it came to things we were already doing.

For example, Sky is a major employer.

We directly provide jobs to 23,000 people across Britain and Ireland.

But we can't take it for granted that people will know or remember that.

The only way to make sure people recognise the positive contribution a business like Sky makes is to tell them about it.



For that reason, we commissioned a report from independent consultants Oxford Economics on the scale of our economic impact.

Among other things, it concluded that we contribute over 5 billion pounds each year to UK GDP.

It found that nearly 120,000 jobs depend on Sky.

And it showed that we contribute over 1 billion pounds a year in tax to the Exchequer.

The hard numbers speak volumes.

We published the evidence and backed it up with a print and online advertising campaign.

In doing so, we didn't do anything fundamentally different.

We simply found a way to shine a light on what we were already doing to allow people see the significant – and growing – contribution that we make to the British economy.

**Pick some big points of reappraisal and work hard to land them**

Driving reappraisal is important for a company like Sky because everybody knows us.

That means people inevitably have preconceptions about what we do.

It's only natural. We're now in more than 10.5 million homes and over half the population watch our TV channels each week.

But if we want to continue to grow, we have to reach out to people who previously thought Sky wasn't for them and show them what we can offer.

An important part of how we do that is by getting them to think positively about our brand.

So, we've picked a few big areas where we believe we can drive reappraisal and we've worked hard to land them.

Let me give you a couple of examples.

First, we've developed a hugely successful partnership with British Cycling, which works at all levels from grass-roots to the elite.

At the top level, we helped our Olympic cyclists prepare for London 2012.

We also created Team Sky. As you all know, Bradley Wiggins made sporting history last summer when he became the first British winner of the Tour de France.

This success at the elite level acts as an inspiration to get more people in Britain cycling, whether for fun or fitness.

We've helped to harness this enthusiasm by creating mass participation Sky Ride events across the country.

And, as a result of all of this, we were delighted to announce last month that we'd hit our target of getting a million more people cycling regularly, a full year ahead of schedule.

Second, as part of our work with young people, we've just opened our new Sky Skills Studio on our campus in West London.

It's a unique learning experience that takes schools behind the scenes at Sky.

Students can work with our state-of-the-art equipment to make their own TV reports on subjects they're studying at school.

In doing so, they can develop key life skills and build greater confidence.

It's a really exciting initiative for us, which has been met with a great reaction since launch.

In full swing, we expect 12,000 young people to come through its doors each year.

We see activities like these as a great opportunity to drive reappraisal, as well as a vital ingredient of building long-term sustainable success.

And we hope they help to present Sky as a good example of the important social contribution that a successful British company can make.

## **Conclusion**

To conclude, much of what I've talked about today involves taking a long-term perspective on how reputation creates value for your company.

Reputation is certainly something that has to be built.

It has to be invested in.

And it has to be nurtured over time.

But that doesn't mean you can ignore short-term performance.

Quite the opposite.

There's no point in building a Sky Skills Studio if we can't give our customers what they pay for, which is great TV and home communications.

Frankly, they just won't care.

It's short-term success that gives us the platform and the permission to plan for the long-term.

At the same time, an increasingly important part of how we achieve short-term success is by getting people to think positively about our brand.

So, it's not a straight choice between what you do to drive business performance today and what you do for tomorrow.

Thinking about your reputation can help you to perform well today and make your business stronger for the future.

And it's by doing both that we create the greatest value of all.

Thank you.