

Corporate reputation gaining value as key asset, say growth companies

Almost all companies (99%) see corporate reputation as important to their business, while 68% feel the importance of reputation is increasing. This is a view shared by their advisers, with 92% seeing corporate reputation as important and 78% saying its importance is increasing.

According to the QCA/YouGov Small and Mid-Cap Sentiment Index by the Quoted Companies Alliance and YouGov, companies estimate that 32% of their market value is accounted for by reputation. This has increased from 28% since 2015, indicating perhaps that recent reputational issues for VW, Samsung, TalkTalk and others may be influencing opinions. Extrapolating this using data from the FTSE indices, the value of corporate reputation of the FTSE All-Share amounts is £736,742 million, while the value of corporate reputation of the AIM All-Share index is £17,657 million.

Among companies surveyed, 72% see reputation as being important enough for their business to take active steps to manage it. Despite this, 56% of advisers believe companies are ill-prepared for a corporate reputation crisis. This difference in opinion should be tested to ensure that complacency is not playing a part in companies' thinking, according to the QCA. Investors may want to consider stepping up the questions they ask in this area. One adviser remarked that small-cap companies have "limited resources to call upon, relying on abilities of a small group of executives".

Among companies that say they have formal plans in place to manage reputational issues, 78% review their plans at least once a year.

Most companies see corporate reputation management as an issue to be dealt with by the CEO or the executive management team (56%). There has been a small increase of companies seeing this as a board level issue (up from 32% of companies to 37% since September 2015). Very few leave it to their PR or marketing functions (2%), but when a crisis comes it is the PR and communications advisers whom most companies turn to for help (46%); others look first to their Nomad or Broker (36%) followed by their lawyers (16%). As one company said, their PR adviser is "trusted and experienced but without the regulatory obligations that can act as a barrier to proactively testing the waters on emerging issues".

A product or customer service-related matter is the corporate reputation risk companies fear most (30%), with cybersecurity also a significant issue (21%).

And there are a variety of views:

- "As an AIM quoted company on the smaller side, one has all of the exposure, without the budgets of a larger business to manage corporate reputation."
- "This has always been an important issue but is now one that needs constant monitoring and ready-to-launch mitigation actions."
- "Too much time is spent on this throughout British industry. Just get on with running your company well and you will not have any issues."

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Tim Ward, CEO of the Quoted Companies Alliance, said: "Our survey shows directors are increasingly concerned about the reputation of their businesses, and rightly so. A company's standing in the world goes far beyond marketing tactics to embrace proper conduct in dealings with all stakeholders and thorough preparation for unforeseen challenges. In many ways, nothing is more important and as boards now see, reputation accounts for a large proportion of a company's financial value."

Copies of the relevant section of the Sentiment Index are available from Samantha Green, Head of Marketing & Events by emailing samantha.green@theqca.com.

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Notes to editors:

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members. For more information please visit www.theqca.com.

Methodology

The QCA/YouGov Small and Mid-Cap Sentiment Index by the Quoted Companies Alliance and YouGov is a biannual survey across the small and mid-cap quoted company sector. This is the 18th issue of the survey and is based upon 157 online interviews (105 small and mid-cap UK quoted companies and 52 advisory companies) conducted between 26/04/17 and 11/05/17. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data, but the advisory companies are not weighted in any way.