

**Jack Felton Golden Ruler Award 2008**

**For Excellence in Public Relations Measurement and Evaluation**

# A Russian Steel Giant: Aligning Identity and Image for Improved Performance

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**Client: SeverStal**  
**Agency: Echo Research**

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**July 2008**

# Summary

SeverStal is Russia's largest steel producer, headquartered in Moscow.

In 2007, reputational issues facing SeverStal were further complicated by a recent IPO and high-profile but abortive merger with the Arcelor steel group.

Echo Research was commissioned to deliver a Board-level report and recommendations on the reputational challenges and opportunities facing SeverStal.

A key objective was to analyze the 'perception gap' between internal and external perceptions and propose solutions for alignment.

The critical role of the international media in shaping the perception gap was also to be explored

The research proposed benchmarks of performance in reputation management and communications to drive future improvement.

To analyze internal perceptions of SeverStal (its *identity*), Echo conducted face-to-face interviews with senior Severstal executives in Moscow and the US.

These were followed by semi-structured interviews with senior stakeholders from the US and European markets. All interviews were 'in language'.

Emphasis in the questioning was on the reputational impact of the IPO and abortive merger, corporate governance, CSR credentials and the reputation of the CEO.

The findings of the interviews informed a market sentiment analysis, using an integrated survey of international media and Web 2.0.

SeverStal's reputational assets were found to be strong financial performance, assertive corporate strategy and the CEO's personal standing. Areas of risk were perceptions of poor CSR credentials and lack of transparency in governance.

The ensuing communications program led to greatly restored trust in the risk zones, illustrated by a massive increase in market and buyer confidence.

# Full Description

## Objective/Brief:

SeverStal is Russia's largest steel producer headquartered in Moscow and listed on both the Moscow and London Stock Exchanges.

In Q2 2007, the already challenging reputational issues facing SeverStal, both as a Russian company and as a steel producer, were further complicated by a recent IPO and a high-profile, abortive merger with the Arcelor steel group.

In response to this environment, the Senior Vice President of Public Relations commissioned Echo to deliver a Board-level report and specific recommendations on the reputational challenges and opportunities facing SeverStal across its key US and European markets.

Initial discussions with SeverStal's senior team suggested a disconnect between how the company was perceived by its own executives (its *identity*) and its reputation among external stakeholders (its *image*), especially outside Russia. A key objective of the research was therefore to analyse the nature, extent and causes of this 'perception gap', and to identify strategies by which internal and external perceptions might be aligned through more persuasive positioning and messaging.

The critical role and impact of the international media in shaping this perception gap was also to be explored, not least through the close identification in the international media of SeverStal with its CEO and majority shareholder, Mr Alexey Mordashov, and the resultant interplay between their corporate and personal reputations.

Finally, we felt strongly that the research should propose concrete benchmarks of performance in reputation management and communications, to drive ongoing improvement in these disciplines.

## Strategy

We decided that these strategic objectives would best be met through an integrated, multi-stage research approach. First, internal perceptions of SeverStal's reputation would be explored through in-depth interviews with key company executives. Second, a wider programme of external stakeholder interviews would provide qualitative and quantitative insight into the drivers of SeverStal's reputation in each target market. Third, the findings of these stages would then inform an evaluation of the company's Media and Market Sentiment through analysis of its coverage across these same markets.

This approach was designed to provide a truly integrated analysis of SeverStal's image and reputation, as presented by international media coverage and as perceived by both internal and external stakeholders.

## Execution/Implementation

To analyze internal perceptions of SeverStal (its *identity*), Echo conducted 12 in-depth, face-to-face interviews with senior executives, at the company's Moscow headquarters. These interviews explored perceptions of the company's vision, values and mission, as well as the perceived drivers of its wider image and reputation.

Echo then conducted a total of 70 semi-structured interviews with a sample of senior stakeholders from the USA and six of SeverStal's most significant European markets. These included national and European Commission policy makers, analysts, business leaders and senior journalists from high circulation trade and national print titles. All interviews were conducted 'in language', adding a further layer of logistical and analytic complexity.

## Execution/Implementation (cont'd)

Interviews combined a range of qualitative and quantitative questions to analyse the drivers of SeverStal's image and reputation, competitive positioning and communications effectiveness, as well as the perceived impact of Mr Mordashov on these factors. Particular emphasis was placed on the reputational impact of the IPO and abortive merger, as well as corporate governance, political links and CSR credentials.

The findings of the stakeholder interviews then informed a Media and Market sentiment analysis. Echo searched, downloaded and evaluated 642 relevant items of top-level media coverage and commentary, drawn from selected international and national print titles representing the seven target markets and supplemented by influential CGM (citizen generated media / blogs) and specialist analyst reports. The list of media, along with issues to explore and messages to assess were informed by feedback from the stakeholder interviews.

Great care was taken to integrate each element of the research. For example, the leading reputation drivers and descriptors to emerge from the stakeholder interviews in turn formed the basis of coding and categorisation in the media analysis. In this way, we were able to triangulate the findings of each research stage and to ensure that our conclusions and recommendations were robust and insightful.

## Conclusions

Echo presented an integrated report of findings to the international Board of SeverStal, including Mr Mordashov (CEO, also considered one of Russia's most influential industrialists today) in August 2007.

The report made specific recommendations for managing SeverStal's clear reputational assets and risks, in a rapidly changing environment outside Russia. Assets were found to include strong financial performance and assertive corporate strategy, as well as Mr Mordashov's personal reputation. Perceptions of poor CSR credentials and lack of transparency in corporate governance were seen as key areas of risk. Tellingly, these perceptions were found to be reinforced by international media coverage, while there was evidence of a clear 'gap' between the perceptions of internal and external stakeholders on these issues, with the former judging SeverStal's performance far more favourably.

On the basis of this analysis, Echo was able to make specific recommendations for enhancing SeverStal's reputation among international media and stakeholders, particularly through a greater focus on communicating CSR and corporate governance credentials. As well as serving to differentiate SeverStal from its competitors and from stereotypes of "Russian" and "steel" companies, this strategy was also designed to align external and internal perceptions of the company. Detailed recommendations were also made for communicating this strategy within individual markets and stakeholder groups (for example sector analysts).

The warm reception afforded Mr Mordashov by both media and stakeholders also led us to advocate a greater personal role for him in SeverStal's international communications. Finally, Echo developed a Dashboard of key Reputation Drivers as the basis for ongoing, market-specific benchmarking.

***"The reputation research conducted by Echo revealed the company's weak points in its positioning in the global market, and important strengths it should reinforce.***

***"Having thoroughly studied the research's results, the company adopted and carried out a range of measures, which allowed us to improve significantly the perception of the company's transparency, corporate governance and social responsibility by our key audiences. In 2007 the company issued its first Social Responsibility Report and arranged special meetings with the investor community to present its vision of further increasing the company's market value. As a result, SeverStal's market value rose more than twofold in 2007."***

**Natalya Prokopenko, Head of Information Department, SeverStal**