

# THE MOUNT · VERNON · REPORT

*“Issues Affecting Reputation Management and Strategic Communication”*

## The Key Components of Corporate Reputation

*The last time you chose a doctor, how did you do it? Chances are you did not request résumés from every physician in your area and examine his or her academic credentials. It is likely you relied on a word-of-mouth recommendation from someone you trust. If so, your decision was based on reputation.*

When traveling out of town, are you more comfortable staying at an established hotel chain such as the Ritz-Carlton or Marriott, or with a local boutique hotel? How do you choose a restaurant while on your trip? Do you ask the concierge, or pick up the phone book?

Most people feel comfortable selecting a product or service they are familiar with because, at the very least, they know what to expect. Nine times out of 10, it is wiser to trust the judgment of the stranger at the front desk for your dinner reservation than to base your decision on a listing in the phone book.

Good quality is usually found at organizations that provide their clientele with solid and reputable goods and services. A good reputation is not forced; it is earned. It is not awarded;

it is established. It is an enduring and powerful feeling evoked when a company name is mentioned. It lends credibility and security to the choices you make. It describes the character of a person or enterprise. It informs your decisions each and every day.

A company's reputation is in large part a matter of perception, but it is important to remember that actions and behaviors are the basis for that perception. A company can spend hundreds of millions of dollars on advertising but it will be money down the drain if it has chronically abysmal customer service. Reputation is an intangible that affects the tangible elements underlying a company's bottom line, such as sales, stock prices, employee retention, and long-term sustainability.

{SEE REPUTATION- PG 4}

## Why Measure Reputation?

In the 1920's, my French Canadian grandfather immigrated to a small New England town. When he finally scraped together enough money for a down payment on a dairy farm on the outskirts of town, the local bank president turned up his nose and denied the loan. This short-sighted banker saw only risk and not character.

Despondent, my grandfather did not know what to do. Luckily, he had earned the respect and trust of many townsfolk, and like a scene out of Frank Capra's *It's a Wonderful Life*, they pooled their cash and bankrolled the mortgage.

Those were different times, but the lesson has always stayed with me. The measure of a person rests mostly on his or her reputation earned, over time, among friends. People trust and admire those who work to do the right thing. They come to rely on one another and count on friends for help.

Companies, unlike individuals, rarely confront the dire consequences that new immigrants face, but more and more businesses are realizing the value of ethical behavior and good corporate citizenry, and beginning to gauge how they measure up. They carefully gather information through surveys, polls and customer satisfaction. The best companies look to measurement not to be slaves to the opinion polls, but to learn from the results and improve. The best also stay close to their friends.

This issue of *The Mount Vernon Report* highlights the value of reputation and provides scores on the leading companies in this part of the world. The same measures of reputation can be applied in any town, big or small, all over the world. The best also stay close to their friends, listen carefully and follow advice.



## Non-Profits Have Best Reputations in Massachusetts; Higher Ed & Health Care Organizations Top First-Ever Survey

Massachusetts business execs rate the reputations of 144 organizations

An organization's reputation is its most valuable asset – it is the composite picture of how it is viewed by its key audiences, and the enduring character of an enterprise. The institutions rated highly in the first annual *Massachusetts Corporate Reputation Survey (MCRS)* have earned the recognition, credibility and trust of area business leaders through their actions and behaviors, not through words alone. For them, reputation is about deeds, not spin.

Approximately one-third (35%) of business executives feel that recent scandals will cause permanent improvements in the way businesses are run in the future. A majority (53%) are less optimistic, believing that changes will be temporary.

The findings revealed that non-profit institutions in higher education and health care enjoy the best reputations among business executives in Massachusetts. Harvard University is perceived as the most reputable non-profit, Massachusetts General Hospital (MGH) as the most esteemed hospital, and Fidelity Investments as the for-profit company with the best reputation.

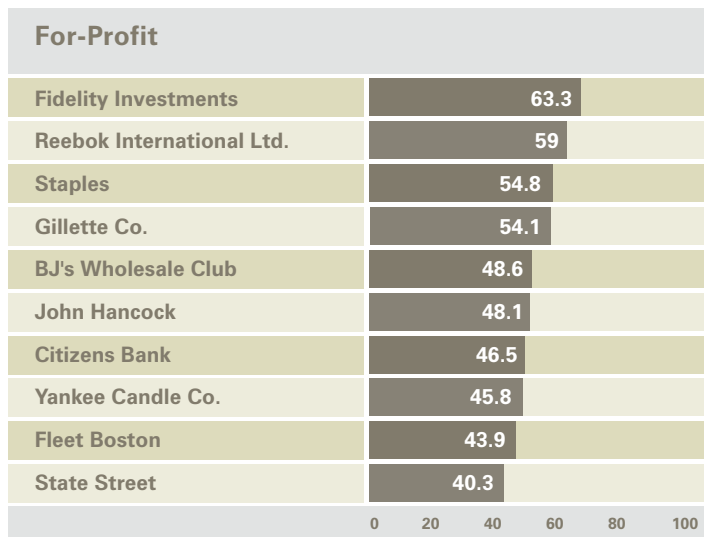
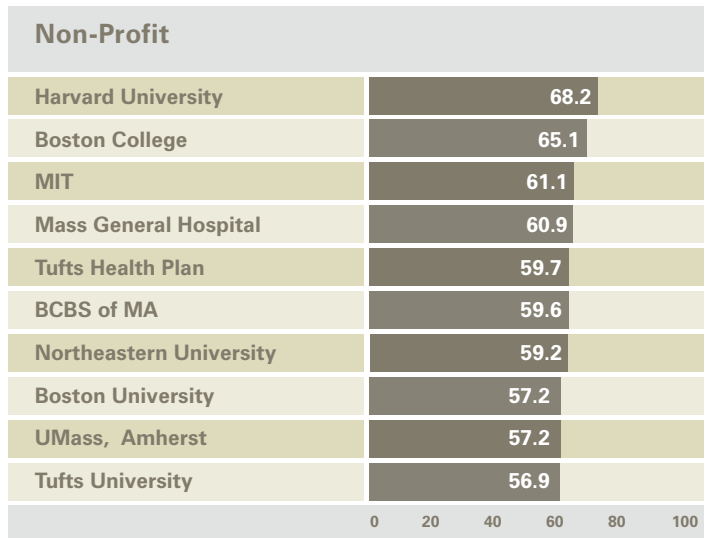
Only two private companies – Fidelity Investments and Reebok International Ltd. – ranked in the top 10 of the reputation survey conducted exclusively for Morrissey & Company.

The 10 organizations with the best reputations, in the opinion of Massachusetts business leaders, are: Harvard University, Boston College, Fidelity Investments, the Massachusetts Institute of Technology, Massachusetts General Hospital, Tufts Health Plan, Blue Cross Blue Shield of Massachusetts, Northeastern University, Reebok International Ltd. and Boston University.

Fidelity led the top 10 most reputable for-profits in the state, followed in order by Reebok, Staples, Gillette Co., BJ's Wholesale Club, John Hancock Financial Services, Citizens Bank, Yankee Candle Company, FleetBoston and State Street Corporation.

In the top 10 Massachusetts non-profit rankings Harvard was followed in order by BC, MIT, MGH, Tufts Health Plan, Blue Cross Blue Shield of Massachusetts, Northeastern University, BU, the University of Massachusetts-Amherst and Tufts University.

When asked to identify one thing a company could do to improve its reputation, 23 percent of executives said they would recommend operating with "honesty, integrity and ethics." This result is interesting, because the survey also revealed that a majority of business executives in Massachusetts believe that efforts to reform corporate governance are little more than a fad and will have no lasting effect on businesses practices.



The executives polled for the MCRS were pessimistic on a number of business issues:

- Seventy-seven percent rated business conditions in Massachusetts right now as "fair to poor." Fifty-five percent described conditions as only "fair."
- Seventy-two percent said they expect their businesses will have experienced "little or no growth" one year from now. Only 18 percent think their business will have "grown a lot," and six percent expect their business to "shrink."

## 2003 Massachusetts Corporate Reputation Survey: Overall Rankings

- And, 53 percent said taxes and business costs are the number one obstacle to business growth in Massachusetts, with the high cost of housing for employees ranking a close second at 50 percent. Thirty-eight percent cited government regulation and bureaucracy as the biggest obstacle to success of their business.

Of the 144 organizations rated, only five were deemed by their peers to have a “superior” reputation. According to John Gorman, president of Opinion Dynamics Corporation, while a high reputation score indicates that an institution is held in high regard, a low score does not necessarily indicate that an institution is viewed negatively. In most instances, a low score was caused more by a lack of recognition than by a negative perception. Still, having ‘no perception’ among business leaders can hinder an organization’s success as much as a ‘problem’ perception.

Morrissey & Company is a national reputation management firm with clients located throughout the country. The MCRS was conducted in our headquarter market.

The detailed methodology and complete results of the MCRS can be found at: [www.reputationsurvey.com](http://www.reputationsurvey.com).

~ Ed Cafasso

### Longevity of Business Reform

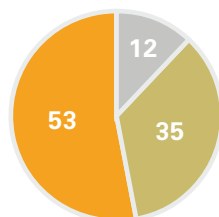
Will the accounting and management compensation scandals that have rocked the business world over the last couple of years cause permanent or only temporary improvements in the way businesses are run?

Approximately one-third (35%) of business executives feel that the recent accounting, management and compensation scandals in the business world will cause permanent improvements in the way businesses are run in the future. A majority (53%) of executives are less optimistic, believing that the changes will be temporary.

12 % Not Sure/  
Too Soon To Tell

35 % Permanent

53 % Temporary



The highest possible reputation score was 100. For analytical purposes, a score of 60 or higher should be considered a superior reputation, a score between 50 and 60 should be considered very good, a score between 40 and 50 should be considered good, and a score below 40 can be interpreted to mean that the institution has not established a significant reputation for itself.

Organization	Reputation Score
1.) Harvard University	68.17
2.) Boston College	65.11
3.) Fidelity Investments	63.26
4.) Massachusetts Institute of Technology	61.09
5.) Massachusetts General Hospital	60.90
6.) Tufts Health Plan	59.72
7.) Blue Cross Blue Shield of MA	59.60
8.) Northeastern University	59.16
9.) Reebok International Ltd.	58.96
10.) Boston University	57.23
11.) University of Massachusetts, Amherst	57.19
12.) Tufts University	56.93
13.) Staples	54.79
14.) Gillette Co.	54.12
15.) Harvard Pilgrim Health Care	53.45
16.) Children’s Hospital	53.38
17.) Tufts/New England Medical Center	52.88
18.) University of Massachusetts, Boston	51.00
19.) University of Massachusetts, Lowell	48.65
20.) BJ’s Wholesale Club	48.63
21.) John Hancock Financial Services	48.06
22.) Boston Medical Center	47.29
23.) Citizens Bank	46.51
24.) Lahey Clinic Medical Center	46.50
25.) Yankee Candle Co.	45.81
26.) Brigham and Women’s Hospital	45.04
27.) FleetBoston	43.97
28.) Beth Israel Deaconess Medical Center	41.50
29.) Fallon Community Health Plan	41.15
30.) State Street	40.25
31.) TJX Companies	40.00

The detailed methodology and complete results of the MCRS can be found at: [www.reputationsurvey.com](http://www.reputationsurvey.com).

A GOOD REPUTATION IS NOT FORCED; **IT IS EARNED.** IT IS NOT AWARDED; **IT IS ESTABLISHED.**

IT IS AN ENDURING AND POWERFUL FEELING EVOKED WHEN A COMPANY NAME IS MENTIONED.

{REPUTATION- cont. from pg. 1}

What are the components that make up a company's reputation? The character of an organization can be measured through the following six attributes: qualified leadership and a commitment to excellence, reliable products and services, attention to social responsibility, adherence to ethics and corporate governance, a positive workplace environment, and strong and consistent financial performance. Companies that consistently rank among the world's most respected meet or exceed expectations in most of these six areas.

Take the Ritz-Carlton Hotel Company, L.L.C. The brand is synonymous with luxury, comfort, elegance and service. Their company motto, "We are ladies and gentlemen serving ladies and gentlemen" has resulted in a workplace environment where both employees and guests are treated with respect and dignity. Ritz-Carlton employees are empowered to step beyond the bounds of normal job duties when guests are in need of service. And they do. The Ritz-Carlton is a place where the commitment to excellence shines through from the moment you enter the lobby.

Wal-Mart is another highly respected company. Ranked atop *Fortune Magazine's* 2003 Most Admired Companies lists – both in America and globally – Wal-Mart leads in every category, from quality of products to long-term investment value. It garners the highest marks for social responsibility, leadership, employee talent and use of corporate assets. It does all of this while also topping the *Fortune* 500, thereby exhibiting its financial soundness. What Wal-Mart has done better than any other corporation in the world is to create an ultra-efficient supply chain that delivers savings to the consumer and profits to shareholders by acquiring its products efficiently and selling them at the lowest possible cost.

Sometimes an organization's reputation is sealed in the way it acts, and sometimes in how it reacts.

Johnson & Johnson's reputation for caring was sealed in the 1980s through its handling of the famous product tampering crises. The quick and forthright reaction to the cyanide poisoning scares in 1982 and 1986 established the company as one to trust in consumer minds. Ranked number five on the *Fortune* list of Most Admired Companies, Johnson & Johnson is guided by a credo emphasizing a commitment to meeting the needs of customers through high quality products. Johnson & Johnson also publishes an environmental report and sets quantitative goals for the reduction in energy use, toxic chemical releases, and

decreased generation of hazardous and non-hazardous wastes (*Calvert Social Index, October 2002*).

Managing your company's reputation consists of shaping a unique identity both inside and outside the company, and projecting it coherently and consistently to stakeholders that range from employees, to investors, to the public, to Wall Street. The benefits of attending to reputation convert to tangible results that include better employee and customer retention, better media coverage, and increased trust and visibility in the marketplace and the community. Charles J. Fombrun, author of *Reputation, Realizing Value from the Corporate Image*, illustrates this point by saying, "From small to large, companies become well regarded because they increasingly recognize the importance of addressing the interests of all groups affected by a company's actions, decisions, policies, and practices."

Empty words can severely damage a company's perceived character. Fombrun notes that "a reputation can be fool's gold when we assess a company only on the basis of the external images it seeks to project and not on its inner character." Well-respected organizations earn recognition, credibility and trust through their actions and behaviors, not through words devoid of action.

It's not surprising that in the competitive world we live in, we seek ways to categorically rate the hundreds of companies and organizations vying for our attention and trust. As consumers we have preferences that must be met and biases that must be overcome. We like to know what to expect when we make a reservation at a hotel, buy a product, or walk into a doctor's office. As investors, we rely on numerous sources of information in choosing which companies deserve our hard-earned money. As employees we value the culture and environment of our work places, and we work harder for companies that we feel value our contribution. The analysts and media play a big role as influencers. So can our neighbors or mothers.

The next time you choose a babysitter for your children, or judge a job candidate's potential from the college they attended, remember the value of reputation and think about how you could be advancing your own or that of your company. Taking the time to consistently invest in the key components of corporate reputation will bring long-term recognition and reward to your enterprise.

~ Allison Rumsey

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