

THE

MOUNT · VERNON · REPORT

ISSUES AFFECTING REPUTATION MANAGEMENT AND STRATEGIC COMMUNICATIONS

Moneyball and Your Reputation

If you have had the opportunity to read Michael Lewis' *Moneyball: The Art of Winning an Unfair Game* or see the new movie of the same title, you know that baseball, like many of the forces in this world, doesn't always behave rationally. The book's main character Billy Beane, a former big league player turned manager, engages the Oakland Athletics in a whole new approach to finding talent in the most unusual places and at bargain prices. He defies the baseball establishment and conventional wisdom that the best players in the game have the athletic look of star athletes (Beane's "bad news bears" are often fat and outright weird). Instead he applies the science of analysis to an art form that had forever relied on the "instinct and hunches and plain old superstition" of old time managers and scouts as reliable ways to pick talent. His quirkiness pays off with a string of winning seasons, backing up his ability to use uncanny scientific and mathematical skills to identify trends and under-valued players... Beane is a contrarian and uses quantitative analysis to determine the holy grail of winning: the team that gets on base more often and has fewer strikeouts wins.

I'm not doing Beane's genius justice here, but the driving forces building winning reputations can learn from this approach. Sometimes reputation advancement comes from the most unlikely and simple actions, which, when performed consistently and diligently, can work wonders. Take for example a reputation for showing up early for work. One Boston agency principal arrived promptly for work every day at 5am. He was introduced as "nobody in this city gets in earlier for work." Not a bad descriptor to have attached to your name or modus operandi. Having a reputation for following through is another overlooked talent. I know of one professional who brought along thank you cards to hand sign and leave at the front desk after leaving a new business meeting.

Beane would look at these simple approaches to winning by assessing how they were executed over time with enough consistency to be able to map a correlated success rate. Try it out by identifying aspects of reputation that others are ignoring. When others

are using high-priced prima donna professionals, you should seek out undervalued early career high achievers. You may just find some new insight into how to build reputations from this new set of younger eyes not inhibited by conventional wisdom.

This issue of the Mount Vernon Report marks a break with the hidebound New England print tradition dating back to Ben Franklin's print shop. With this issue we go digital and leave the paper world behind. I hope this new approach affords more interactivity as well as saves a few trees. Our issue is devoted to stages of reputation along with the evolution of businesses. We have some thoughtful insights provided by our group of talented in-house authors as well as some highly engaging and provocative thinking from Rick Lord, the president of Associated Industries of Massachusetts. Lord has the practical perspective of many years of advising the region's top companies—he also shares a bit of the Yankee acumen for spotting talent in every echelon of Massachusetts industry. Lord captures that which makes Massachusetts such a vibrant place to make our homes and thrive as businesses. Massachusetts business has a well-deserved reputation for resiliency and rebirth, and finding advantages in places other regions and areas of the world seem to either ignore or simply do not see. We bring a bit of science to the review of business lifecycles in this issue and show how reputation strategy can be critical to business strategy.

We hope this issue offers some insights you may have overlooked; and we hope you enjoy the new format. As always, feel free to share this issue with friends. Read on.



Babe Williams

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Reputation Management Critical in Every Stage of Business Growth

“A reputation once broken may possibly be repaired, but the world will always keep their eyes on the spot where the crack was.”

The quotation is attributed to English bishop Joseph Hall (1574–1656), and I’m certain it resonates with many organizations that have lived through the various stages of business growth as defined by the “Greiner Curve” (explained by my colleague Doug Flora in his accompanying piece), or by other sources. There are few companies, if any, who didn’t trip and fall along their journey to success. It’s likely their reputations were blemished as a result. Still, there are many others that failed miserably, perhaps after enjoying years of success, only to once again reclaim relevance during a business renewal phase. Apple certainly comes to mind.

We like to talk about reputation as the enduring essence of an organization. When we meet with clients, we reinforce the point that reputation influences every aspect of their organization. A healthy reputation keeps an organization whole through times of crisis. Likewise, a healthy reputation enables a company to flourish more than the competition during times of prosperity.

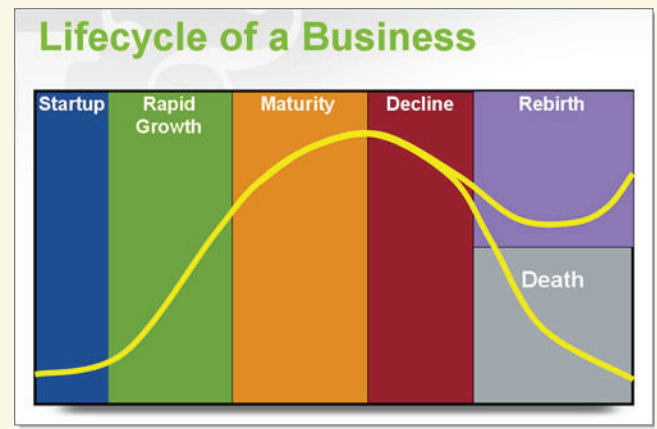
In recent years, “reputation” has moved to the forefront as a critical success factor for companies at every growth stage. The Internet has helped fuel this trend, but corporate reputation officers and reputation communications firms such as ours existed long before the proliferation of online reputation management tools and firms that try to expunge negative online news about a company or person.

Many start-up companies, for example, are often more concerned with developing and delivering effective solutions to their customers—and getting off to a fast start—than they are with building a healthy reputation from day one. How many new companies are you familiar with that have tripped, or imploded, because they didn’t begin with the right people, burned through their cash, didn’t focus on their core competencies, or were drinking the company Kool-Aid? Hundreds of such companies did just this during the dot.com bubble, and many more are poised to do the same in today’s social media bubble. Recovering and rebuilding a company’s reputation can be an excruciatingly painful and costly process, especially in today’s unforgiving business environment.

But new companies who manage to stay alive during this formative period by demonstrating their viability

pass “go” and advance their reputation to the next stage of business growth—the survival stage.

Survival stage companies may experience a period or rapid growth but have yet to enjoy true business success. However, they have done many things right,



SOURCE: <http://joshbersin.com/2008/07/31/make-learning-part-of-your-business-strategy/>

be it increasing production to meet customer demand, recruiting the right talent and focusing (or re-focusing) their marketing. It is at this stage, as the employee base grows and increased demands are made of everyone (versus the early stage where it’s all about the founder and his/her energy level), when a company begins to reinforce its corporate culture and sharpen its focus on what it stands for.

At the success or mature stage of a company’s business lifecycle, it’s all about living the high life, right? Well, maybe not so much. During this period of growth, strong financial performance may be offset by unsustainable growth and a complacent company culture. Also, success stage companies may be publically traded, which invites more scrutiny from key stakeholders like investors and the media. Missteps, such as not providing accurate guidance for the Street, will not go unpunished. It will typically take no fewer than three consecutive quarters of zero surprises for the sharks to forgive—but they will not forget.

These success stage companies often become trapped in the decline stage, a period when they are bombarded by unplanned outside influences that can destroy their

reputation. A company in the decline stage but still with a healthy reputation can better withstand the onslaught of newer and more nimble global competitors (and subsequent falling prices), increased operational costs, and underutilized employees. They'll enjoy the so-called halo effect. And when a company and its reputation have been seen in a favorable light over a sustained period of time, it is difficult to cast a shadow upon it.

Again, Apple comes to mind as a prime example of a company whose reputation thrived, survived, and then thrived again. Many were writing Apple off before Steve Jobs returned to the helm in 1997 to rebuild and reshape

the company's tarnished reputation. This was during Apple's "revival" stage of business growth and today its reputation is second to none.

Thanks in large part to Mr. Jobs and his methodical approach to reputation management, Apple's reputation is as strong as ever in spite of its fearless leader's long-term health woes and recent passing. Of course, it remains to be seen how Apple will hold up over time, but given Apple's track record, one has to like its chances.

— Jim Barbagallo

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Reputation Advisor

Growing Alongside Your Reputation

For successful organizations, growth is often an inevitable, exciting, and also sometimes overwhelming and uncertain experience. Imagine a family-owned grocery store that is known for its friendly staff, fresh produce and affordable prices. The owner decides to buy a competitor's grocer that has fallen on hard times. Some of the store's customers are skeptical about the expansion. They see it as a sign that the family-owned grocery store they have grown to love is suddenly more focused on turning a profit than on providing quality products and service to the community. The family-owned business is now faced with a serious challenge: can it grow without alienating its customer base, and can it retain its hard-earned reputation for high quality and dependability even as it stretches its resources?

This is the dilemma of growth: can a business retain the integrity of its brand and at the same time achieve its strategic objectives for expansion? When a brand, or reputation, has been established, it is difficult enough to maintain without the added challenge of major organizational overhauls. The trial of preserving reputation during transitions in the business lifecycle could result in an organizations' success or failure.

Part of successfully navigating growing pains is an understanding of where your business is in its lifecycle, and the factors impacted by your

decisions. For example, is a period of rapid growth for a bank the right time to engage in a large community outreach program? It may be, if it is growing from a local presence to a regional presence, or regional to national, because it needs to reassure customers that it is still committed to their communities. However, if the bank is just getting off the ground, or going through a major management reshuffle, it is probably not the time to engage in such a program.

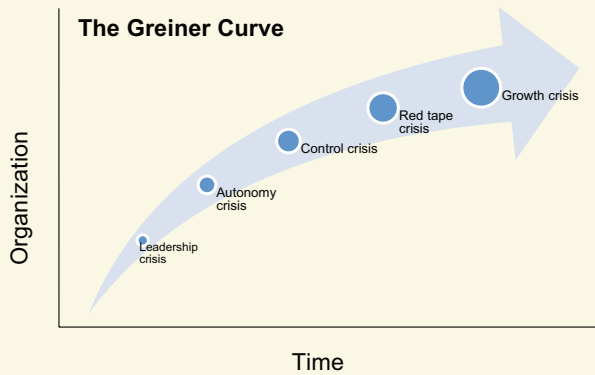
With the ability to analyze and forecast the path of your growth, you will be better armed to achieve reputation equilibrium during transitions. A classic model of business growth was developed by Larry E. Greiner¹, in which organizations progress as they grow in size until they reach revolutionary periods, or crises, in which they must negotiate a major organizational change to survive.

The so-called Greiner Curve represents a business lifecycle defined by periods of growth and challenges. For example, according to Greiner, early in a business' lifetime it will face the 'leadership crisis,' a period of transition from the less structured leadership of the founders to a professional management style. If the organization fails to find adequate leadership at this early stage, it will likely fail.

Thinking about your organization's lifecycle in terms of growth and challenges is useful

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¹ "Evolution and Revolution as Organizations Grow," by Larry E. Greiner. Harvard Business Review, May 1998.



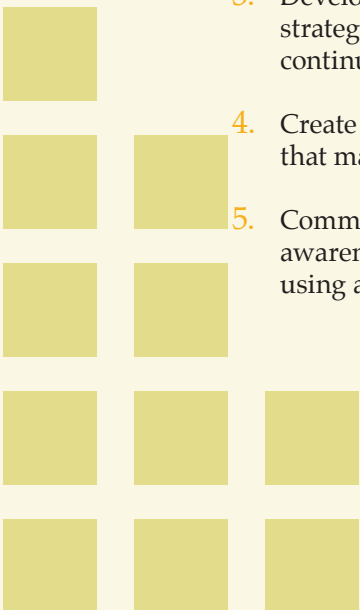
because it can prepare you for the worst. If you are conscious of the challenges that are imminent in a given period of growth, then you can better predict what threats will present themselves to your brand. Additionally, it is empowering to think of crisis and change as two sides of the same coin; there really is no

one without the other. When an organization's structure, management, and resources are being moved around and reallocated, conflict and crisis are inevitable. Vulnerabilities leave your reputation at risk, so a safety network, including a strong contingency plan, is the best policy when moving through turbulent times.

Despite the usefulness of growth models, no one model is going to perfectly tell the story of your business. The challenges you face as your organization enters new frontiers will be in some ways entirely unique to your situation, and in other ways will bear many similarities to the challenges faced by others. The important thing is to maintain focus on your reputation; it is the sum of all your parts. During times of change, those parts can become exposed and vulnerable, and it is all the more important to ensure they're working together towards the organization's ultimate goals.

Planning Ahead for Growth and Crisis

1. Think about your company's growth as a series of challenges to overcome in order to reach new levels of success. Use this model to analyze where you have been, where you are now and where you are headed.
2. Organize an advisory committee to analyze the challenges your organization will face during growth transitions and create a tactical plan to meet each one.
3. Develop a strategic communications plan that complements your growth strategy by communicating to customers, stakeholders and employees your continued commitment to your core values.
4. Create a comprehensive contingency plan that anticipates crises and pitfalls that may develop out of your expansion.
5. Communicate your successes—consider launching an e-newsletter to create awareness around your company's new trajectory. Target your new audiences using a combination of social media campaigns and earned media.



– Doug Flora
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GUEST WRITER:

Massachusetts' Reputation for Business—and Its Future

by Richard C. Lord, president of the Associated Industries of Massachusetts (AIM)

Is Massachusetts a stodgy place of slow growth, burdensome taxes, restrictive regulation and labor law, and scandal-plagued, inefficient government?

Or is Massachusetts a dynamic center of new ideas, with the nation's most highly educated workforce, a middling tax burden (we're reducing our corporate tax rate again), a government that has managed successfully through the recession, and job creation near the top among all states?

If image is reality, then the first is the "real" Massachusetts, at least in the eyes of business leaders nationally. Surveys of CEOs and CFOs consistently rank our state low for business climate—usually in the bottom ten, sometimes dead last.

Yet the second picture is just as true, perhaps more so.

To fix our reputation, let's start with our self-image. Business leaders think we're going nowhere because, too often, we think so ourselves. We tend to take both our strengths and our weaknesses as givens.

We think we've always had a superior workforce—but 40 years ago old industrial skills were becoming obsolete, and we lagged on new economy skills. We played catch-up on public higher education and financial aid, reformed our schools, and created the human capital we have today.

We believe we're saddled forever with high costs—but 20 years ago, we reformed our workers' compensation system from one of the most expensive in the nation to one of the most efficient, cutting premiums 60 percent in the face of rising health care costs.

We act as if cutting-edge industries are our birthright—when the reality has been two centuries of repeatedly reshaping our economy through constant innovation, invention and reinvention, entrepreneurship and hard work.

There are things we can do now that would improve our economy and could help transform our state's image.

One is to streamline and rationalize business tax administration. Massachusetts corporate taxes are seen as burdensome not so much because they are high as because the tax system is perceived as unfair and unpredictable. Simple steps like setting clear rules to eliminate arbitrary bureaucratic intervention, adopting IRS definitions, treating industry sectors consistently, and equalizing interest rates for the Commonwealth and for taxpayers would go a long way towards erasing a big black mark against us.

A more complicated opportunity is health care costs—the number-one issue for employers nationally and in Massachusetts. Our state has been the leader on health care access, and we can lead on costs too. There is general consensus that our payment system needs reform; meanwhile employers and consumers must become much more engaged in seeking lower-cost options such as tiered or limited network products.

And the business community, on its own, can be more positive—not so much about Massachusetts as about ourselves and what we can do here. Image apart, this is an exciting place with a dynamic economy, a place where ambitious people and creative businesses should want to be.

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