

THE MOUNT · VERNON · REPORT

"Issues Affecting Reputation Management and Strategic Communications"

Boston Exerts Influence on the Global Economy

Since the announcement this year that consumer products giant Procter & Gamble was acquiring one of Boston's most prestigious and best-known companies, Gillette, in the largest merger in New England history, "experts" and analysts have wrung their hands in fear as Boston loses yet another symbol of its storied economic identity.

But the change may be better viewed as a symbol of the changing nature of global economics; the merger highlights the continued strengths of Boston business more than it hurts the region's economic influence.

The fear around this "loss of influence" appeared this year in the 2005 Massachusetts Corporate Reputation Survey (MCRS). In the annual survey, which polls 200 top-level business executives in Massachusetts, almost three-quarters of respondents said they believe recent mergers and acquisitions have reduced New England's economic influence.

The concern of business leaders follows the acquisition in recent years of former Massachusetts-based economic powerhouses such as Gillette, FleetBoston, and John Hancock Financial Services.

Topping the survey, as in prior years, was Harvard University. The region's leading hospitals, universities and non-profit health care providers dominated the MCRS once again. Of the top 20 Boston-area corporations with the best reputations, only three were for-profit enterprises.

What does that say about the state of business in Massachusetts if 85 percent of the most reputable institutions are non-profits? Actually, it says a lot – but not necessarily that scary predictions of doom for the Boston economy are accurate.

The fact is that "signature" companies in almost every part of the country are merging into national and international mega-conglomerates. And that means that institutions that remain, such as Harvard University, Massachusetts General Hospital, Fidelity Investments, and Blue Cross Blue Shield, grow in stature. Those are the institutions that Bostonians point to with pride as symbolic of the region.

The results of the 2005 MCRS also reflect the changing nature of international economics. For instance, 10 years ago, Massachusetts' "signature" companies would also have included

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Seizing the Moment

David McCullough's *1776* chronicles the majesty, nobility and heroism of George Washington. "His Excellency," the General's courageousness and zeal is equally matched by that of his rag-tag army assembled from the four corners of the fledgling American colonies.

McCullough's book reminds us that courage comes in many forms, and reputations are earned in many ways. He paints a magnificent and detailed picture of the band of amateur militia (many fighting with their bare feet wrapped in rags) that took on and ultimately beat the British Army and Navy – the most highly trained and storied military force of its day. Washington, that great leader of men, was the right person to lead this battle and seized the moment. *1776* is a tale of determination overcoming all obstacles and improbable odds.

What these tenacious characters accomplished through their unwavering Yankee will, we celebrate in the humble, selfless, and single-minded determination of another great American. Rosa Parks, who passed away recently, furthered the freedom won by

the Patriots for all Americans. History commemorates Rosa Parks' simple, but noble, defiant act of refusing to give up her seat on a public bus. She too seized the moment when her heart told her it was time to act.

Washington, Parks and the thousands of Americans who rose against wrong, and stood up for what is right, embody the reputation of our nation and civilized humankind. As we all are asked to do right by the world and continue to fight for freedom wherever oppression lies, we too must seize the moment to further the dream.

This issue of *The Mount Vernon Report* invites some expert voices about reputation management and highlights the results from the 2005 Massachusetts Corporate Reputation Survey. Rightly so, the Survey highlights those companies who are doing the right thing.

Knowledge is good – and to act upon it to achieve something good is glorious.



Stop & Shop and Dunkin' Donuts – both of which are now subsidiaries of giant European conglomerates. Even the most beloved of Boston institutions, the Red Sox, are mostly owned by a Florida commodities trader, a Hollywood TV producer and the out-of-state New York Times Company. Reebok, the Canton-based athletic shoe company which checked in at 24 in this year's MCRS, won't be included in the 2006 survey since it was acquired last summer by German-based adidas-Salomon AG.

The good news is that Dunkin' Donuts can still be found in almost every town in the region, and Reebok sneakers will still be available just about everywhere. As in nearly every segment of the

2005 Massachusetts Corporate Reputation Survey: Overall Rankings

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	71.133
2 Boston University	69.775
3 Children's Hospital	67.786
4 Tufts University	67.095
5 Brigham and Women's Hospital	66.128
6 Massachusetts General Hospital	65.179
7 Boston College	65.158
8 Northeastern University	64.200
9 Blue Cross Blue Shield of MA	63.395
10 Staples	63.314

economy, mega-corporations are acquiring properties and placing them under one large umbrella. Many times consumers are not even aware of the corporate changes – it's coffee as usual.

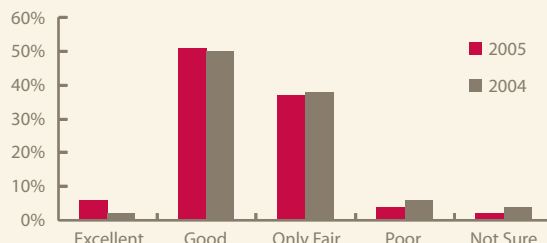
Is the "economic globalization" a reflection of a loss of influence in the region? One could reasonably argue that the international and conglomerate interest in the Hub's most elite private companies demonstrates instead that Boston exerts significant economic power. Despite high housing and labor costs, the Massachusetts economy is attractive to major investors – and that's because of the very institutions that top the MCRS.

With outstanding schools and health care facilities, start-ups and corporations seeking well-educated employees will locate in the region. This is a major reason why high-tech, biotechnology and life sciences sectors are generally thriving.

What are the "next" for-profit Massachusetts corporations that hope grow their reputations to the extent that they are considered elite? Already Staples, the office supply retailer, has cracked the top 10 of the MCRS. The top 30 corporations include Citizens Bank, BJ's Wholesale, Fidelity, Reebok, Yankee Candle, State Street, Raytheon and Lojack.

Current Business Conditions in Massachusetts

C-level executives are more optimistic about current business conditions in Massachusetts in 2005 than 2004. There was an increase in the number of respondents who felt the conditions were excellent from 2 percent in 2004 to 6 percent this year. More executives felt the business conditions are good (52 percent in 2005; 50 percent in 2004) and fewer respondents felt that conditions were only fair or poor.



Emerging companies include financial service corporations Putnam Investments and Massachusetts Mutual Life Insurance, tech companies EMC and Iron Mountain, biotech company Boston Scientific Corp., discount retailer TJX Companies, and consulting experts Charles River Associates (CRA).

Can these companies become a part of Boston's "reputation elite"? With steady reputation management, community outreach and more, perhaps one day they will. But because of the strength of their reputations, the region's finest schools, hospitals and non-profits will likely be leaders for many years to come in the eyes of executives and regional residents. The schools churn out leading executives, are at the heart of the research and development of technology and thought leadership, and are extremely active in their communities, conducting broad communications and outreach.

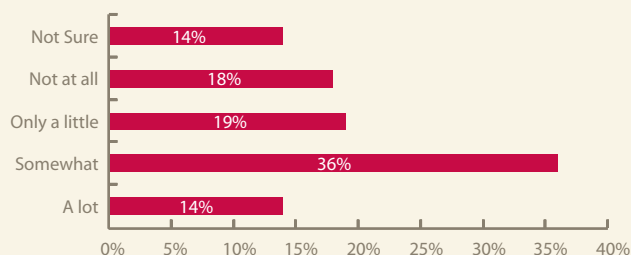
Those "reputation leaders" will continue to draw innovators, entrepreneurs and business pioneers to the region.

Massachusetts' economic identity isn't disappearing. Like every region in the country, it's simply becoming part of the global economy.

For detailed results and methodology for the 2005 MCRS, go to www.reputationsurvey.com.
~John Lamontagne

Influence of Mergers and Acquisitions in Massachusetts

Most business executives indicate that recent mergers and acquisitions in Massachusetts reduced New England's economic influence in both the U.S. and world economies to some degree. One-half of respondents say recent mergers and acquisitions in Massachusetts have reduced New England's economic influence either a lot (14 percent) or somewhat (36 percent). About 19 percent say mergers and acquisitions have reduced the region's economic influence only a little, while 18 percent say they have not affected the influence at all.



Wisdom from a Reputation Management Expert

Ron Alsop, Editor and Senior Writer for *The Wall Street Journal* and author of *"The 18 Immutable Laws of Corporate Reputation: Creating, Protecting and Repairing Your Most Valuable Asset,"* recently spoke at *The PR Dinner Group*, a monthly gathering of public relations executives from leading institutions in the Boston area. The following is an excerpt from his presentation on reputation management:

Whenever I had an article about corporate reputation in *The Wall Street Journal*, I was struck by the number of corporate managers who contacted me and confessed that they were struggling to understand the reputation management process. I heard from consumer-products marketers, banks, PR agencies and others. They didn't understand how to define reputation, how to measure it, and most important, how to manage it. The senior vice president and director of corporate communication at PNC Financial Services Group wrote to me in an e-mail message: "I'm sharing your package of articles with all of my advertising and PR colleagues here as we wrestle with the factors that impact reputation and what to do about it."

In fact, it was three years ago that I received a phone call from a communications manager at Merck in response to an article I had written on reputation. We agreed to meet in Manhattan to discuss further some of the points in my article about ways to strengthen a company's reputation.

During our conversation, she surprised me a bit with her blunt comment that the pharmaceutical industry was in danger of becoming as much a target of the public's wrath as the tobacco business.

At the time, I don't think either of us realized just how prophetic her comment was and how quickly the drug industry's reputation would worsen. But just this past year, we've seen intensifying public concern about the safety of drugs as Merck became embroiled in the Vioxx crisis, GlaxoSmithKline's reputation took a pounding over Paxil, and Eli Lilly's image came under attack in an erroneous medical journal article about Prozac. And of course at the same time, anger over prescription drug prices has continued to mount.

I would say that the pharmaceutical industry is now beset with one of the worst images in all of corporate America and that it demonstrates so clearly how valuable — and vulnerable — reputation is. It also illustrates the perils of not being more vigilant and proactive in trying to strengthen your reputation.

Only after the industry's reputation reached this low point did most companies finally wake up and start doing things like offering free or discounted prescription programs for the low-income, creating employee ambassador programs for communicating their side of the drug cost issue to the communities where they do business, and perhaps most significantly, reining in their aggressive marketing programs.

I don't believe that most of the pharmaceutical companies, with the exception of Johnson & Johnson, or most companies in any industry for that matter, apply reputation management practices in a consistent manner. In this era of instant communications, corporate blogs and other new media, companies need a full-time reputation guardian more than ever.

More than ever, the public craves sincerity from its institutions — Wall Street, corporations, government, even churches. And people are ready to pounce at the first sign of insincerity.

Unfortunately, many companies trumpet their good deeds precisely when the public is least receptive. Recently, for example, Merck began a new ad campaign to try to repair its reputation. Commercials declare that "patients come first" and highlight its programs to provide the needy with prescription drugs free of charge or at reduced cost. But it may be too little too late, given the heightened public skepticism about the drug industry — and the lawsuits over Merck's controversial Vioxx medication in particular.

Such ill-timed expressions of social responsibility don't just fall on deaf ears; they can harm reputation further.

Are any companies considered sincere in this cynical era? Among the companies with the highest scores for sincerity in the annual reputation ranking we publish in *The Wall Street Journal* were UPS, Coca-Cola, FedEx, Honda, General Mills, Procter & Gamble, Dell, and Johnson & Johnson, which also has been No. 1 in the overall ranking for six straight years.

Although baby powder and other infant-care products make up an increasingly small part of the pharmaceutical company's sales, the wonder of babies remains the focus of its corporate advertising. Recent ads continue to charm consumers with the theme, "Having a baby changes everything."

"We are and always will be, first and foremost, known as 'the baby company,'" Andrea Alstrup, J&J's corporate vice president for advertising, told me. "This comes from the emotional and everyday experiences people have with our products. They remember the fragrance of Johnson's Baby Powder. They remember bathing their babies. This reminds consumers that we at J&J understand the mother-infant bond and the importance of families."

That said, Johnson & Johnson worries that people will eventually start linking it more to pharmaceuticals than baby products and it will lose some of that valuable emotional appeal.

When it comes to sincerity, companies like J&J are the exceptions. Many people find companies' advertising and corporate communications hypocritical. On average, only 37

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Do not go where the path may lead, go instead where there is no path and leave a trail.

~ Ralph Waldo Emerson

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percent of survey respondents give companies a positive rating for sincerity in their communications. And the most memorable advertising is seldom considered most sincere.

It's pretty clear that a cynical public will see right through you today if they don't believe you walk the talk. As Bill Weldon, the CEO of Johnson & Johnson, told me when I was writing my book: "The loss of confidence in the business community has really turned the tables. Now it's almost like you're guilty until proven innocent."

What lies ahead? I see companies taking steps to be more honest and transparent. Even the pharmaceutical industry, after much negative publicity, is now publicly disclosing results from ALL drug trials, whether the results were positive or negative.

And I also see that companies with enviable reputations want to make them even stronger. FedEx, which typically ranks among the top 10 companies in reputation studies, has gone so far as to base CEO Fred Smith's bonus on the company's reputation.

And if that doesn't work, FedEx has another idea for boosting its reputation ranking. At a conference in New York where I was a speaker, the director of corporate communications at Johnson & Johnson referred to my book and its focus on how the company's reputation benefits so immensely from people's emotional connection to its baby-products business. At that point, his counterpart at FedEx spoke up and said that FedEx had finally figured out how it could beat J&J in the news media's annual reputation rankings: Start delivering babies.

Reputation Advisor: Managing Your Organization's Reputation from the Inside

With effective communications, employees can maintain, support and protect an organization's reputation.

Employers and employees should consider how their actions, both in the work place and in the public eye, can affect their company's reputation. The following points are a few tips to consider when trying to best maintain or improve your company's reputation:

FOR EMPLOYERS:

- **Practice Transparency in the Workplace.** Provide your employees with as much information as possible on key decisions that are made by the company and senior management, and explain to employees why certain decisions are made.
- **Establish a Proper Flow of Communication.** Encourage two-way communication from employees and make sure that they are getting the information they need. Open communication is the key to preventing misunderstandings.
- **Encourage Employees to Understand Your Company's Values and Ethics.** Clearly communicate your company's values and ethics to all employees. Make certain that senior management follows these guidelines to set the standards for other employees.

- **Understand Your Employees' Perceptions.** Develop a tool to measure employee perceptions of the company's management, culture, and values. The feedback will help to address internal issues before they become problematic.

FOR EMPLOYEES:

- **Dress Appropriately.** Your appearance on the job reflects your personal style in the context of the office culture and the nature of your job. Think about your company, coworkers, clients, management, and your position — look around your office and pay close attention to how others are dressed.
- **Speak Professionally.** While at work, always make sure that you are speaking in a professional manner. Avoid using slang and making careless grammatical mistakes. Save private conversations for outside of the office.
- **Represent Your Company Positively in Public.** Always remember that when you are in public, anything you say can be heard by someone else. Avoid speaking negatively about your company or discussing confidential company-related matters in public.
- **Make Ethical Decisions — Be Honest!** Follow your company's ethical guidelines. Dishonesty can tarnish the reputation of you and your company. If a coworker is being unprofessional, bring it to a manager's attention. A coworker's behavior can reflect negatively on you and your company's image.

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