

THE MOUNT · VERNON · REPORT

“Issues Affecting Reputation Management and Strategic Communication”

Nurturing Reputation Has Long-Term Payoffs

Successful organizations appreciate that reputations aren't assembled overnight with a flood of press clippings and a media onslaught, but instead reflect the vision and goals of the entity as both a business and corporate and community citizen.

For the executive focused solely on the bottom line, the nebulous but valuable concept of “corporate reputation” is difficult to quantify in dollars and cents. While arguably Boston's Fidelity Investments may enjoy the finest reputation of any private company in New England, that stellar reputation doesn't sign anyone's paycheck. It doesn't move product out the door. It doesn't answer phone calls.

Fidelity and other well-respected organizations cited in the 2004 *Massachusetts Corporate Reputation Survey* are no doubt seen as outstanding corporations and employers, active in their community and providing fine services for their customers. There are skeptics, however, who might consider their exceptional reputations as simply a “plus.”

Such a dangerous presumption can prove costly.

Scoring Reputation

The Internet auction giant eBay has developed a unique feedback-and-seller reputation system that demonstrates how a strong reputation not only leads to more sales, but allows highly reputable sellers to charge higher prices for their goods.

Anyone who has visited the eBay website has seen how the system works. It's simple – every time you buy something, eBay invites you to rate the seller: Was their sales pitch truthful; did they go the extra mile to please you? You can then score their performance on a scale of -1 to +1. Most “eBayers” reportedly take the minute to provide feedback to the buyer or seller. Some eBay members have thousands, even tens of thousands, of individual feedback responses – all available for anyone to read.

{SEE NURTURING - PG 4}

Word-of-Mouth – The Best Endorsement of Excellence

Since Ug asked Trug in the next cave where the best mastodon could be found, people have turned to their neighbors for credible advice. Word-of-mouth information was passed among family members, friends, and tribes in the extended network of allies. Trusting the source of information was crucial, because decisions about survival depended upon that information. At each step along the way, as the information traveled across a widening audience, people added their personal opinions. The audience itself became the messenger, and as it did, the original recommendation gradually changed. Sometimes a message was repeated until it became traditional knowledge.

With the arrival of the printed word, scribes became the recorders of truth. Readers no longer obtained information directly, but instead relied upon a select group of authorities for its dissemination. From Gutenberg's printing press to the

digital computer, the communication process has evolved dramatically, but the message's validity still depends on the source, its credibility, and its consistency. People weigh the source's reputation and rely on those they perceive as leaders – the ones among us who command our attention and respect.

This issue of the *Mount Vernon Report* highlights companies and organizations in our region that have consistently achieved excellent reputations, as measured by their peers.

We believe they have earned and deserve our respect. They also warrant word-of-mouth endorsement. The next time you are asked, “Which organization in your region has the best reputation?” you can spread the good word. If you agree or disagree with this reputation assessment, we welcome your comments.



For Second Consecutive Year, Non-Profit Organizations Have Best Reputations in Massachusetts

Senior executives rate the reputations of 69 organizations

If an organization's reputation is its most valuable asset, then non-profit institutions in Massachusetts are very wealthy indeed.

This year's survey rating the reputations of the Bay State's leading private and public enterprises found that non-profits in higher education and health care delivery enjoy the best reputations among business executives in Massachusetts.

Leading executives polled for the second annual *Massachusetts Corporate Reputation Survey (MCRS)* ranked only two for-profit companies – Fidelity Investments and Staples – among the survey's top 10. The only other for-profits finishing in the top 20 were Citizens Bank, Yankee Candle Company, Gillette Company and BJ's Wholesale Club.

Harvard University ranked first in this year's ratings, maintaining its reputational dominance for the second consecutive year. Children's Hospital won the title as the most esteemed medical institution, and Fidelity had the best for-profit reputation in the state.

The survey asked 200 senior-level executives to rate a select list of 69 companies and organizations on six attributes – general reputation, products and services, social responsibility, ethics and corporate governance, workplace and financial performance. It was conducted exclusively for Morrissey & Company by Opinion Dynamics Corporation, a national leader in market research, polling and consulting based in Cambridge, Mass.

The top seven organizations in the 2004 MCRS – Harvard, Children's Hospital, Boston University, Massachusetts General Hospital, Tufts University, Boston College and Northeastern

"A good reputation is more valuable than money."

~ Publilius Syrus, *Maxims*

University – are all non-profits that share common reputational traits. Each of them is a large enterprise with numerous partnerships and vendor relationships; each is a key player in the region's research and development engine; each has produced many local leading business executives; and each is very active in community affairs.

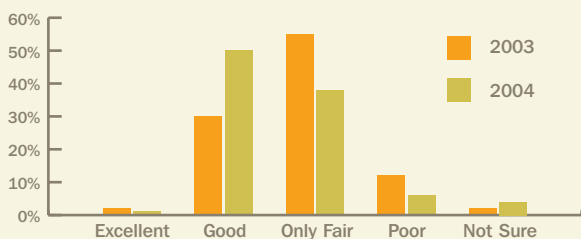
For-profit public companies, on the other hand, are far more vulnerable to the kind of regulatory actions, shareholder concerns, and profit-loss tradeoffs that can work to dampen an enterprise's overall reputation among business decision makers.

Fifteen enterprises that finished in the 2004 survey's top 20 also finished in the top 20 in last year's survey, demonstrating that they have earned the recognition, credibility and trust of Massachusetts' business leaders through their actions and behaviors, not through words alone. For these organizations, reputation is an important legacy of action and leadership.

The reshuffling of the upper ranks of the 2004 MCRS came as a result of significant reputation improvements achieved by Brigham & Women's Hospital, which finished ninth this year compared to 26th in 2003; Children's Hospital, which moved from 16th last year to second this year; Boston University, which ranked third this year compared to 10th in 2003; and Tufts

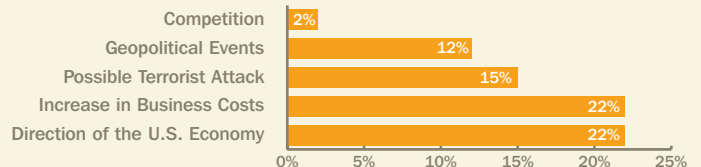
Business Conditions in Massachusetts

Most Massachusetts business executives (52 percent) rated business conditions in Massachusetts as "good" or "excellent" – a dramatic turnaround from a year ago, when 55 percent of executives polled in the 2003 *Massachusetts Corporate Reputation Survey* described business conditions here as "only fair." This year, only 32 percent of those polled used the "only fair" description.



What Causes Executives to Lose Sleep?

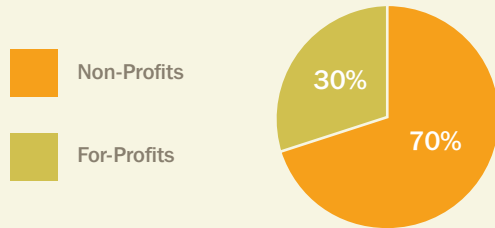
Despite their general optimism about business conditions in Massachusetts, executives harbor many macro and micro-economic anxieties. About one-fifth (22 percent) said they lose sleep over "the direction of the U.S. economy." An equal number said "an increase in business costs" keeps them awake at night. Other notable business worries included a possible terrorist attack (15 percent) and geopolitical events in general (12 percent). Only 2 percent said they lose sleep over worrying about their competition.



2004 Massachusetts Corporate Reputation Survey: Overall Rankings

MCRS Top 20 Organizations by Type

Non-profit institutions still enjoy the most superior reputations in the eyes of Massachusetts executives. In this year's *Massachusetts Corporate Reputation Survey* rankings, five universities and three hospitals finished in the top 10. Harvard University topped the list for the second consecutive year.



University, which ranked fifth this year after previously finishing 12th. Staples finished 13th last year, but moved into 10th position in the latest survey.

Although the collective reputation of health insurers lost ground this year, most received "very good" ratings. Blue Cross Blue Shield of Massachusetts finished 18th in the survey to rank as the state's most esteemed health insurance company.

Raytheon led Massachusetts technology companies, ranking 27th in the 2004 MCRS compared to 37th last year. Only one biotechnology company – Boston Scientific Corporation – finished in the survey's top 40, ranking 33rd.

Business executives gave 10 of the 69 organizations ranked in the 2004 MCRS a "superior" reputation rating, which translates into a score of 60 or higher out of a possible score of 100. Fifteen enterprises scored between 50 and 60, achieving "very good" reputations; and eight were rated with "good" reputations, scoring between 40 and 50 points. The remaining 36 organizations scored below 40.

The reputation hurdle facing organizations that finished in the second tier is not so much overcoming widely held negative perceptions, but achieving consistent and positive recognition for sound business practices and good works. Most of those rated below 40 are companies that are not well known, or focus the vast majority of their communications on very specific customer audiences.

The detailed methodology and complete results of the 2004 MCRS can be found at www.reputationsurvey.com.

~ Ed Cafasso

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	70.609
2.) Children's Hospital	66.486
3.) Boston University	65.824
4.) Massachusetts General Hospital	65.102
5.) Tufts University	64.523
6.) Boston College	64.489
7.) Northeastern University	63.434
8.) Fidelity Investments	63.170
9.) Brigham and Women's Hospital	60.784
10.) Staples	60.245
11.) Massachusetts Institute of Technology	59.387
12.) Lahey Clinic Medical Center	58.634
13.) University of Massachusetts, Amherst	57.650
14.) Citizens Bank	56.344
15.) Yankee Candle Co.	55.041
16.) Beth Israel Deaconess Medical Center	54.651
17.) Gillette Co.	54.389
18.) Blue Cross Blue Shield of Massachusetts	54.050
19.) BJ's Wholesale Club	53.347
20.) Harvard Pilgrim Health Care	52.757
21.) FleetBoston	52.485
22.) John Hancock Financial Services	52.333
23.) Tufts Health Plan	52.182
24.) Tufts/New England Medical Center	52.020
25.) State Street	50.489
26.) Reebok International Ltd.	48.750
27.) Raytheon Co.	48.342
28.) University of Massachusetts, Lowell	47.333
29.) University of Massachusetts, Boston	44.696
30.) LoJack Corp.	44.618

"You can't build a reputation on what you are going to do."

~ Henry Ford

“Regard your good name as the richest jewel you can possibly be possessed of – for credit is like fire; when once you have kindled it you may easily preserve it, but if you once extinguish it, you will find it an arduous task to rekindle it again.”

~ Socrates

{NURTURING - continued from PG I}

It's a remarkably successful honor system, providing consumer confidence in a structure that is wholly dependent on the free market. There are few reported cases of fraud on eBay, and buyers and sellers guard their feedback ratings with a passion.

But it's more than just self-regulation. It pays off. This could be a step towards the valuation of reputation.

Studies have shown that despite its simplicity, a seller's reputation rating can directly influence the price an item sells for. In a 2003 study, according to Toronto's *Globe and Mail* newspaper, Harvard political scientist Richard Zeckhauser and colleagues auctioned vintage postcards on eBay. Some sellers had excellent, well-established feedback records, while others had no track record. Established identities brought in 7.6 percent more sales dollars, on average.

There may not be a perfect correlation between online and “brick and mortar” businesses, but an 8 percent differential can't be ignored.

Vision and Virtues: Reputation Cornerstones

Massachusetts Corporate Reputation Survey leaders build reputations that enable them to enjoy prominence as local and national leaders in their fields, and also remain financially stronger than many of their competitors. These smart organizations realize that, unlike the eBay “reputation model” where volume and activity help develop higher scores, building and nurturing a good reputation is achieved by consistently highlighting their virtues, vision, and positive actions in their companies, communities and society at large.

Some companies listed as having the stellar reputations in the region, such as Fidelity Investments or Harvard University, benefit directly from the reputations they have built over years of service and excellence.

Fidelity can charge a little more for its services and funds than firms with a lesser reputation, and few customers have a problem with it. They're happy to pay for the confidence of working with an industry leader. Fidelity also retains customers longer through market fluctuations, whereas mutual funds with checkered reputations experience customer flight.

While the annual cost of attending schools such as Harvard University, Tufts University and Boston College as a resident undergraduate has risen to more than \$40,000 per year, more students are applying to these schools than ever before, willing to pay the price to be associated with these esteemed institutions.

Successful organizations appreciate that reputations aren't achieved overnight with a flood of press clippings and a media onslaught, but instead reflect the vision, goals and positive actions of the entity as both a business and corporate and community citizen. They follow through on their promises and keep commitments.

Reputation: Built Not Bought

Newcomers to a sometimes-parochial place like Boston may also find that reputation is a value earned over time.

Bank of America, Boston's newest and largest bank, learned that reputations are earned, not bought, after a clash with Massachusetts state officials. The bank, which recently purchased Fleet, formerly the region's largest financial institution, found itself on the hot seat when newspaper reports claimed Bank of America was cutting 1,500 jobs from the Boston Fleet offices.

Bank of America had announced that, as part of its \$48 billion acquisition of Fleet, it would cut 12,500 jobs overall, but it was unlikely Fleet employees would be affected. But by August, rumors of layoffs were flying. Massachusetts' banking commissioner sent a strong letter to the Bank of America, and the state treasurer threatened to move \$120 million in state business to another bank.

The bank maintains that the reports about employment cutbacks were not accurate or complete, and that it is ultimately looking to increase jobs in Boston. Bank of America announced recently it would headquarter one of its four main businesses, wealth management, in the region.

Bank of America, like most smart companies, recognizes the importance of becoming a respected corporate citizen in its new home. It is safe to assume that the financial giant will work overtime to establish local ties and build a strong reputation, and it is already taking steps in that direction.

A business with an established local reputation would probably have been given the benefit of the doubt; most likely, a company with a sterling local reputation wouldn't have attracted politicians' attention. For new companies and regional newcomers, it takes time and effort to build and cultivate a reputation. But, as eBay and others have shown, a good reputation is not just a nice thing to have – it can pay off handsomely.

~ John Lamontagne

Please visit us on the World Wide Web at: <http://www.mountvernonreport.com>

The Mount Vernon Report™ is published and copyrighted 2004 by Morrissey & Company, an independent reputation management and public relations firm headquartered at 121 Mount Vernon Street, Boston, MA 02108. Permission to copy and distribute is granted, provided that full attribution is given to Morrissey & Company. Further commentary or response to any of the topics discussed in this issue is welcome and should be directed to 617-523-4141 or via email to peter@morrisseyco.com.