

# THE MOUNT · VERNON · REPORT

*“Issues Affecting Reputation Management and Strategic Communication”*

## Measuring Your Most Important Asset

*For employees of General Electric, reputation can be measured by the steady increase, over three decades, in their stock’s price. For Southwest Airlines, a reputation for efficient service means expanding routes, more jobs and better pay. For Johnson & Johnson, it translates into the company’s ability to attract the best-qualified candidates to perpetuate a stream of high-quality health care products.*

On the flip side, for those invested in Martha Stewart’s Omnimedia (MSO), a poor reputation can be measured in the stock price’s dramatic collapse of more than 50 percent within a year. For former employees of Enron, it can be measured in the added number of years they will have to work to replenish their retirement accounts. For the Catholic Church in the United States, the clergy sex scandals have undermined its institutional and financial stability by alienating parishioners and ruining the reputation of many top church leaders.

While nearly everyone agrees that a strong, positive reputation is a valuable institutional asset, many feel that reputation does not lend itself to conventional measurement and analysis. However, recent studies and market research on reputational assets have made major progress in attaching a comprehensible value to this critical dimension of a company or organization.

{ SEE ASSET- PG 2 }

### Raising the Bar of Corporate Reputation

My 18-year-old daughter spent her high school career competing in the high jump, a sport which defines the expression “raising the bar.” Success or failure was determined in an instant of anguish or elation when she either made the jump or knocked the bar off its pegs and had to start all over again. Progress was measured in inches. I like to think she learned most in those moments as she approached the bar, visualizing what she was about to do. A good deal of character development also took shape from failure – figuring out what went wrong, what she could have done better and determining to try again. With practice and perseverance, the bar was raised higher every year.

Measuring success in our personal reputation begins with self-assessment. Are we being truthful with ourselves about our abilities, motives and objectives? What effect will our actions have on others? As corporate citizens, what effect will the actions of our organizations have on society? Corporate social responsibility, once a cliché in the boardroom, is today becoming the measure of corporate success.

History shows that companies that deal fairly with employees, customers and shareholders win in the long run. The ability to measure how these constituencies regard you, your company’s goals and performance is essential. Just as earnings per share can be an indicator of financial health, the “return on reputation per share” can be an indicator of the health of your relationships with your most important audiences.

Why measure reputation? It is your most valuable asset, and must be invested in, managed and bolstered when it comes under attack. Your reputation counsel should assess your trust quotient with key stakeholders each year. Like any good annual report which looks at past successes or failures, this measurement process will enable you to gauge your progress and plan realistically for the future.

This edition of *The Mount Vernon Report* offers our readers insights into measuring the intangibles of reputation. We hope it helps you figure out where you stand today and raise the bar for the future.



{ASSET- cont. from pg. 1}

*“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. The way to gain a good reputation is to endeavor to be what you desire to appear.”*

~Socrates

Several national organizations publish corporate reputation surveys. These generalized lists measure different audiences and attributes – most admired company, familiarity, brand strength and positive public image. Depending on the objective, each can be valuable.

Those broad rankings give organizations bragging rights, but they are not especially useful for companies that seek to anticipate crises, or that need specific data broken out by demographic audiences, geographic region and other special features.

A new book by *Wall Street Journal* reporter Ronald J. Alsop, *The 18 Immutable Laws of Corporate Reputation: Creating, Protecting and Repairing Your Most Valuable Asset*, presents a clear and convincing argument for corporate leaders who view reputation as a top priority and measure their organizations’ profiles regularly.

Alsop describes DuPont – labeled the “Merchant of Death” after World War I for profiting from the carnage – as a somewhat reluctant pioneer in reputation management. The company conducted an ambitious study to gauge how various audiences felt about the company and its products. It found that DuPont was regarded as a sound company, strong in research and technology. But its negatives included quality of its products, its workplace climate and environmental impact. Today, DuPont adjusts its advertising, marketing, PR and employee relations efforts to correspond to periodic research findings.

According to *Chief Executive* magazine, just 41 percent of senior executives have a custom research program to measure their reputations. And 27 percent rely on published rankings by the media to gauge their own or competitors’ reputations.

There are now numerous methodologies for measuring reputation. Several private national opinion research firms work with clients to help them understand where their strengths are, and where they need improvement:

- › *Fortune* magazine polls 10,000 executives for its annual list of Most Admired Companies based on eight criteria: social responsibility, innovation, long-term investment value, use of corporate assets, employee talent, financial soundness, quality of products and services, and quality of management.
- › *Rating Research* assigns letter grades, similar to Moody’s Investors Service, to rank companies within industries. After the corporate accounting scandals of the last few years, *Ratings Research* also developed a corporate ethics rating system. These rankings help companies develop reputation strength, to be drawn upon in times of crisis.
- › *NFO Worldwide Group’s Corporate Opinion, Reputation and Equity Index* surveys 2,250 investors and categorizes companies as resilient, strong, vulnerable or at risk.
- › *Delabaye Medialink Worldwide and the Reputation Institute* measure the impact of media coverage on companies based on 350,000 stories in the print and broadcast media.

Last year, Morrissey & Company and Opinion Dynamics Corporation debuted the annual Massachusetts Corporate Reputation Survey ([www.reputationsurvey.com](http://www.reputationsurvey.com)), which surveyed Massachusetts business leaders to rank the state’s companies and nonprofits by the strength of their reputations. Of the top 10 organizations, eight were non-profits – perhaps not surprising, given the wealth of higher education and health care centers in Massachusetts. Their high rankings, in such areas as corporate governance, products and services, social responsibility and workplace environment, are a testament to their long-term performance, commitment to the community and ethical, transparent business practices.

In addition to the outside resources, reputation experts point out that focus groups, employee satisfaction surveys, media coverage and financial performance all need to be checked and tracked regularly to help determine an organization’s reputation. Every department needs to be aware of, and engaged in, promoting the company’s mission and vision.

Companies with strong, positive reputations build up reputation capital – analogous to a savings account – that can help tide them over when problems arise. When a crisis occurs, a well-established reputation suffers less and for a shorter time. Bill Margaritis of FedEx says: “A strong corporate reputation is a life preserver in a crisis and a tailwind when you have an opportunity.”

~ Jim McManus

*“A good reputation is more valuable than money.”*

~Publilius Syrus

## Measures for Measuring Up

Measuring reputation is becoming increasingly popular and more difficult for companies to ignore. Tried and true lists include *Fortune’s* “100 Best Companies to Work For” and the annual rankings of graduate schools, hospitals and colleges by *U.S. News & World Report*. In addition to rankings and listings, awards measure reputation. For example, Chambers of Commerce nationwide grant the Small Business of the Year Award annually to local businesses that offer high-quality products or services; demonstrate strong ethical standards; exhibit leadership with their employees, clients and within their industries; and, are active in their communities.

As potential customers, investors and partners seek validation, it’s becoming more important for companies to be at the top of these lists, or at least be included. So, how does your company measure up against its competitors, and the market at large?

Harris Interactive, a worldwide market research and consulting firm, and Dr. Charles Fombrun, professor emeritus of the Stern School of Business and executive director of the Reputation Institute, worked together to design the *Harris-Fombrun Reputation Quotient*, a method for measuring corporate reputation intended to capture perceptions of any corporate stakeholder group such as consumers, employees, or key influencers. This tool helps a company identify the factors driving its reputation and compare its reputation within or across industries.

Harris Interactive and the Reputation Institute survey respondents online and via phone annually to determine sentiment within six different categories; in 2003, they surveyed 6,331 individuals. The results of this survey have been featured in the *Wall Street Journal* for the past five years.

The *Reputation Quotient* includes the following six corporate reputation drivers and their subsequent attributes. According to Harris-Fombrun, considering these criteria comprehensively and at random intervals reveals the most reputable and/or visible companies.

### EMOTIONAL APPEAL

- » good feeling about the company
- » admire and respect the company
- » trust the company

### PRODUCTS & SERVICES

- » stands behind products/services
- » offers high quality products/services
- » develops innovative products/services
- » offers products/services that are good value

### VISION & LEADERSHIP

- » has excellent leadership
- » has a clear vision for the future
- » recognizes/takes advantage of market opportunities

### WORKPLACE ENVIRONMENT

- » is well managed
- » looks like a good company to work for
- » looks like it has good employees

### FINANCIAL PERFORMANCE

- » record of profitability
- » looks like a low risk investment
- » strong prospects for future growth
- » tends to outperform its competitors

### SOCIAL RESPONSIBILITY

- » supports good causes
- » environmentally responsible
- » treats people well

~ Megan M. Page

**“If you lose dollars for the firm, I will be understanding.  
If you lose reputation for the firm, I will be ruthless.”** ~Warren Buffet

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## Demand a Solid Reputation

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Some of us can remember sitting in an Economics IOI class learning about the most basic of all business relationships: supply and demand. Overall, we learned the two exist symbiotically - each concept feeds off the other.

Years later, we realize that the need for increased supply is a tangible concept, but that a rise in demand is emotionally-driven, difficult to measure and even more difficult to sustain.

Demand can be demand for product or demand for services. Every company needs it and every product depends on it. But how do we create demand, let alone increase it?

ONE ANSWER: WITH A SOLID REPUTATION.  
CONSIDER THESE EXAMPLES:

- » *Volvo, a quality leader, develops “special editions” with “limited production” - premium prices are applied and cars fly off the showroom floors*
- » *Tiffany & Co. engraves its brand on pure platinum wedding bands and generates margins of 400 percent*
- » *Warren Buffet invests in an energy company - the stock spikes 28 percent in an afternoon of frantic trading*

As communications professionals, our role – and our goal – is to increase the demand for a product, not by controlling the supply, but by enhancing image and reputation. Volvo has created a reputation for luxury, class and safety – its brand a symbol of achievement. The investment whiz Warren Buffet is the Midas of the investment world; his reputation is king. Tiffany & Co., through dedication to high-end branding and quality service, has established its name as the epitome of fine jewelry. In each of these instances, a strong corporate reputation increased the brand’s perceived value. This leads to increased demand, and ultimately to an increase in revenue.

A simple concept, yet surprisingly enough, many corporations do little to enhance reputation, considering it to be something that exists in a vacuum.

On a personal level, we all understand the desire to measure reputation: “Am I liked? Respected? Desired?” The same sentiment should exist in business: “Is our product a hit? Are our services invaluable? Do people *like* and *respect* us?”

It would be dishonest to say that a perfect formula exists for measuring how you are perceived. In a world in which perception is reality, a powerful reputation translates to heightened demand, and thus, the need for an increase in supply.

Strengthening a corporate reputation through branding, public relations, advertising and marketing takes time and can be expensive. Yet, repairing a broken one carries exponentially greater costs and can monopolize time in an unproductive way.

Good reputation management is similar to purchasing car insurance except for one aspect – you don’t need to have an accident to see the return on investment. In fact, once your company does have “an accident” or falls into crisis, the opportunity to build a strong reputation may have already passed. Sometimes, however, a crisis can be an opportunity – how a company behaves during such an event can actually improve its reputation. Doing the right thing when the eyes of the world are upon you earns public approval and strong customer loyalty.

To measure reputation, you have to look at other indicators. How high is your stock? Are your clients satisfied? Do your employees want to work for you? These are the questions we have been asking since Economics IOI, and continue to struggle with in our quest for the corner office. Making a commitment to answering them will provide a fair snapshot of your reputation, and offer clues to managing this most important asset.

~ Scott Emberley

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