

THE MOUNT · VERNON · REPORT

“Issues Affecting Reputation Management and Strategic Communication”

The Rise of Reputation Literature

The New York Times published its first Best-Seller List for fiction and non-fiction books in 1935. Within seven years, the list had become so popular and garnered such a large following, the newspaper made it a weekly section.

Years passed. The U.S. economy ebbed and flowed. Then, in 1982, Thomas Peters and Robert Waterman penned “In Search of Excellence: Lessons from America’s Best-Run Companies.” Hugely popular, it sold more than 1 million copies and is one of the best selling management books of all time, topping *The New York Times* Best-Seller List for three years.

Has business changed much since 1982? Was there even an Internet back then? It is surprising that a book written 20 years ago can still be relevant today. Considering how much the micro of business has changed, it is surprising that the macro of business has stayed the same. The goals and challenges remain the same.

In 1995, *BusinessWeek* printed the first *BusinessWeek* Best-Seller List realizing that CEOs and Average Joes alike were curious about how to improve their businesses, increase profits

and manage their reputations. Readers believed that if the Waltons, Trumps and Welches published their stories of success, they were in essence providing a secret formula – just by reading the book anyone could own a successful business and become an industry titan.

In the past year alone, more than 5,000 business books have been published, but it has never been clearer that good business practices are not achieved by following a step-by-step blueprint. Good reputations and sound business practices are achieved by working hard at them every day.

For this edition of *The Mount Vernon Report*, we surveyed the “best of” lists from *BusinessWeek* and *The New York Times*, read countless reviews, and eventually narrowed down our “recommended reading” list to four of the best business and reputation management books published in the last few years. These books may not give you instantaneous success, but they will provide insight and motivation to help you view reputation management in a new light in 2005.

~ Brooke Carey

Light from the Fire

As the days grow shorter, New Englanders stoke their fireplaces and woodstoves in preparation for the winter chill. By the warmth and glow of the hearth, we take stock of the year’s success and failure and plot our course for the time when we can venture outside once more. Through careful reflection, we often discover new paths to achieve our goal, but such self-examination is hard work. Sometimes, we need to seek the counsel of those who have gone before us to guide us.

Readers of *The Mount Vernon Report* know that our message calls for positive action to build reputations through good works and open communication. While you plan for the spring, it is good to look for ways to sow the seeds of new ideas. Consistent care over time grows not only strong wood to be used for shelter and warmth, but strong reputations as well. With both, we can weather any storm of adversity.

While we cannot draw you closer to the fire here in Boston, we hope this issue of *The Mount Vernon Report* brings you closer to new ideas and solutions about reputation and how you can improve yours. We highlight recent works by leaders in the field of reputation management, and hope that they will provide you with thoughtful hours of reading through these winter nights.

Consider this list as a token of our esteem. As always, thank you for your comments, compliments and criticism. We take them all to make us better.

When the new year comes, we hope you will be ready to act on all you have learned.



Excerpts and Synopses from Four Leading Business and Reputation Management Books

“Fame and Fortune”

Authors: Charles J. Fombrun and Cees B.M. van Riel
pp. 25-26 from FAME AND FORTUNE by Charles J. Fombrun and Cees van Riel, copyright © 2003 by Charles J. Fombrun and Cees van Riel. Used by permission of Financial Times Prentice Hall.

Synopsis

Companies with strong reputations are better able to attract customers, investors, and quality employees — and to survive crises that would destroy weaker firms. “Fame and Fortune” shows how to quantitatively measure your company’s reputation, estimate its business value, and systematically enhance it over both the short- and long-term.

Excerpt

No matter how receptive executives are to the idea that reputations matter, there’s no denying them the inevitably punchy question, so, what’s a reputation *really* worth? Everyone wants an answer, from the communications chieftains to the heads of marketing and finance, from the senior C-level staff to the company’s board of directors. Indeed, this remains by far the most frequent question we’re asked and the most problematic issue facing business researchers. It involves demonstrating a quantitative relationship between a public company’s reputation and the financial value of its shares. Unfortunately, as this chapter shows, proving such a relationship is no simple matter, and quantifying the financial value of a company’s reputation remains the holy grail of all reputation research. We offer evidence that the holy grail is in sight.

In fact, reputation and financial value are related in three ways. First, reputation affects the *operating performance* of a company and therefore its profitability. Second, profitability affects market perceptions of the company’s future prospects — and so influences the level of demand for a public company’s shares, that is, its market capitalization. Third, the company’s operating activities themselves contribute to building “reputation capital” — a *shadow asset* whose value encompasses the intangible equity hidden in both a company’s product brands and corporate brand, and that describes the positive regard in which it is held by all of the company’s stakeholders. Positive regard, in turn,

attracts people to work for and invest in the company — and so increases profitability.

“The 18 Immutable Laws of Corporate Reputation”

Author: Ronald J. Alsop
From THE 18 IMMUTABLE LAWS OF CORPORATE REPUTATION by Ronald J. Alsop. Copyright © 2004 by Dow Jones & Company, Inc. Reprinted with permission of The Free Press, a Division of Simon & Schuster, Inc., NY.

Synopsis

From Enron and WorldCom to the Catholic Church and Major League Baseball, reputation crises have never been more widespread. Now Ronald J. Alsop, a veteran *Wall Street Journal* authority on branding and reputation management, explains the dangers — and gives organizations the eighteen crucial laws to follow in developing and protecting their reputations.

Studies have demonstrated the powerful impact of reputation on profits and stock prices, and yet less than half of all companies have a formal system for measuring reputation. Clearly, companies in every industry — from Dow Chemical to Disney to DaimlerChrysler — have much more to learn.

It is still the rare company that realizes the full value of its reputation: how corporate reputation can enhance business in good times, become a protective halo in turbulent times, and be destroyed in an instant by people at the lowest or highest levels of the corporate ladder. Mr. Alsop provides eighteen thoroughly documented lessons based on years of experience covering every aspect of corporate reputation, with a clear distillation of the complex principles at the heart of a reputation.

Excerpt

The key question for companies is whether they will passively let others form opinions about them or actively manage and maximize their most valuable asset. Put most simply, a good corporate reputation attracts customers, investors, and talented employees, leading to higher profits and stock prices. And over time, companies that nurture their reputations enjoy a halo effect that makes people trust them and give them the benefit of the doubt during rocky periods.

“Learning is not attained by chance, it must be sought for with ardor and attended to with diligence.”

~ Abigail Adams

Additional Business and Reputation Management Books

“The man who doesn’t read good books has no advantage over the man who can’t read them.”

~ Mark Twain

In tending their reputation, companies must fully understand the large cast of players that influence it and must measure the perceptions of those many stakeholders. And of course, they must walk the talk. Their product and service quality must be par excellence; their behavior must be above reproach; their financial results must show consistent growth; and they must be likeable and trustworthy. Companies as diverse as FedEx, Johnson & Johnson, and Harley-Davidson clearly have mastered the art...

What shapes a corporate reputation? In these days of near daily scandals, many people mistakenly equate reputation with corporate social responsibility and ethical behavior. Though certainly of growing importance, ethics and social responsibility are but two elements of the equation. Financial performance, the workplace environment, the quality of products and services, corporate leadership, and vision also figure into reputation. There’s also that elusive emotional bond between a company and its stakeholders that is central to the most enduring reputations. A company’s good name can be affected for better or worse every time a customer sees a company truck, makes a phone call to a corporate office, or signs on to its Web site.

“Building Reputational Capital”

Author: Kevin T. Jackson

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Synopsis

In the aftermath of scandals such as those at Enron and WorldCom, there is a growing suspicion of the corporate world. For this reason it is more important than ever for firms to maintain a good reputation. In “Building Reputational Capital”, Kevin T. Jackson offers a practical guide to taking the high road—the only path that leads to lasting success. Based on extensive research and real-world experience, “Building Reputational Capital” reveals basic principles of integrity and fairness with which firms can build an enduring reputation. More than image, a firm’s reputation is a form of capital often neglected in the boardroom and overlooked in conventional analyses of financial statements. Speaking directly to the work experience of

“Good to Great”

by Jim Collins (HarperBusiness)

“The Attitude of Leadership”

by Keith Harrell (Wiley)

“The First 90 Days: Critical Success Strategies for New Leaders at All Levels”

by Michael Watkins (Harvard Business School Press)

“The 7 Habits of Highly Effective People”

by Stephen R. Covey (Fireside)

“CEO Capital”

by Leslie Gaines-Ross (Wiley)

“Reputation”

by Charles J. Fombrun (Harvard Business School Press)

real people in practical business settings, Jackson couples each principle with straightforward actions that drive management systems, and he provides tested strategies — from downsizing techniques to e-commerce tips — that cultivate the hidden power of a good reputation. He outlines the advantages of a superior reputation (simply put, people want to work for, invest in, and do business with a company or person with integrity), describes the vital role the firm’s leader must play, offers ways to build and protect your reputation on the Internet (from defusing Internet rumors to creating an online community), and shows how to rescue your reputation once disaster hits. Perhaps most important, he shows how to strike the right balance of virtues like authenticity, honesty, responsibility, and stewardship of the environment, employees, and the economy. Highlighted with real-life success stories — from giants like Hewlett-Packard to small firms like Thanksgiving Coffee Company (which invests part of its revenues in the Central American villages in which its beans are grown), “Building Reputational Capital” offers a simple but effective guide for executives, managers, entrepreneurs, legal professionals, and corporate consultants.

Excerpt

What is the most valuable part of your business? What part of it could you not afford to lose? Although your firm’s physical assets can be insured, so that if they were stolen or destroyed you would be indemnified for the loss, do you have any idea how to protect the invisible, nontangible capital that is so essential to your business?

{ SEE EXCERPTS AND SYNOPSIS - PG 4 }

“In the highest civilization, the book is still the highest delight. He who has once known its satisfaction is provided with a resource against calamity.”

~ Ralph Waldo Emerson

{EXCERPTS AND SYNOPSIS - continued from PG 3}

Have you ever considered the prospect that your firm could have to declare reputational bankruptcy? What if some breaking point was reached, as at Kidder-Peabody and Drexel Burnham Lambert, where nobody trusted your firm enough to want to do business with it anymore? Could anything be done at that point to restore the reputational capital that had been lost?

There is an uncomfortable sense that comes from trying to orient businesspeople toward the ethical dimension of their trade. Most firms I do consulting for prefer that I not use the word “ethics” because of some supposed negative associations with this term. Perhaps “ethics” is viewed to be moralistic—like a Sunday sermon. So instead we agree to use alternative terms such as “integrity.” I think the problem is not with the connotations of the words but with the false assumption that corporations are amoral institutions. We all know deep down that ethics is not something you want to trade off for profits. Yet many still believe that companies attain success, that is, profitability, for shareholders only by ignoring ethics. (I’d say there’s another false assumption at work here as well: that “success” consists only of material accumulation.) So the reluctance to use the word “ethics” is actually a reluctance to face the truth that today’s corporations are moral agents through and through—their character and probity are among the most fundamental determinants of their financial soundness.

“Creating Corporate Reputations”

Author: Grahame Dowling

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Synopsis

Recent research in business strategy suggests that corporate reputations are a valuable strategic asset for every company. Good reputations have been shown to help firms attain and sustain superior financial performance in their industry. This book outlines how high-status companies become corporate super brands, and it presents managers with a framework to proactively enhance their corporations’ desired reputation...Drawing on more than 15 years of academic research, executive seminars, and consulting experience, Grahame Dowling suggests ways to improve the corporate reputations that different groups of

stakeholders hold of your company. He also describes how to avoid many of the traps that catch unwary managers who try to improve their company’s desired reputation.

Excerpt

The central argument of this book is that if your company has a good image and reputation, then it can always be used to support the organization’s business activities. If your company has a poor reputation, then it pays to improve it. Many senior managers (especially chief executive officers—CEOs and chief financial officers—CFOs) ask whether there is any hard evidence to support the relationship between a better corporate reputation and enhanced financial performance. The less polite managers just say: ‘prove it!’ Until recently, the answer involved relying more on anecdotal than on scientific evidence. However, because *Fortune* business magazine has conducted corporate reputation surveys now for more than a decade, there are sufficient data to conduct some scientific studies.

The challenge to build a great reputation, and thus a corporate super-brand, starts at the top of the organization. The company’s top team establishes a vision and strategy, and molds the overall culture of the organization. This provides the leadership and direction for employees to create an organization that is meaningful and authentic for those stakeholders who control its destiny. Corporate reputation building requires a long-term commitment to the ideas outlined in this book. However, the potential rewards to both the architects of change and the organization itself can be substantial.

On a personal level, our reputation is one of our most valuable assets. The same is true for any organization. The early chapters of this book outline just how valuable these reputations are. To enhance this value, it is necessary to manage the factors that combine to create these reputations. As we look into the different types of information stakeholders use to form their images and reputations of an organization, it becomes clear that some of the most widely used strategies, namely, advertising, name changes, and corporate signage, are by themselves insufficient to create good corporate reputation. The reputations people hold of an organization are the net result of *all* its activities. In essence, reputation reflects a firm’s culture and performance much more than its packaging.

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