

GS Insight

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What's Your Reputation Worth? *Everything!*

Most marketing and communication professionals recognize reputation as one of a corporation's most valuable assets. Its loss can be devastating, even catastrophic. It can lock a company into a pillory, making it the object of scrutiny, contempt and ridicule. It can invite lawsuits or send a corporation spiraling into bankruptcy. Examples abound.

Reputation quickly translates into financial confidence. Professor Charles Fombrun of New York University's Stern School of Business calculated the loss of reputation for several publicly traded corporations based on the market valuation of company stock. In the weeks following their well-known crises, companies like Intel (discovery of faulty chip), Exxon (Valdez), and Johnson & Johnson (Tylenol tampering) experienced billion-dollar stock valuation losses.

What a reputation is of extreme value may be self evident, but in a survey of global 1000 companies, 55 percent reported that they have no reputation strategy. Why is more attention not paid to managing reputation? Could it be that its true value, like one's health, is much easier to appreciate only after it is lost? Unfortunately, there is no single, accurate method of accounting for a brand or corporate reputation the way accountants calculate profits and losses. In fact, the value of goodwill is typically only recorded when it is purchased, and the purchaser determines the value. It's no coincidence that companies beef up PR activity prior to initial public stock offerings, mergers and acquisitions.

Still, reputation is subjective and elusive. It's an intangible asset. While it exists primarily in the minds of customers, shareholders and the public, it can have a profound impact on the balance sheet. Reputation and public confidence is the sum of all that a company does, all that it markets, and all that it *is* in the global communities in which it operates. Every time a company constructs a plant, acquires a competitor, develops a product, establishes a grant, invests in research or technology, or defends itself in court, it is making decisions that define its reputation.

The Reputation Bank (Regular Deposits Required)

Reputations may be gained or lost overnight, but more often they are cumulative and carefully cultivated over time. They are like mammoth reservoirs, filling drop by drop, that can be drawn on in times of trouble. In his book, *Confessions of a PR Man*, Robert J. Wood recalls the tremendous uncertainty following the Hyatt Regency Hotel disaster in 1981 that killed 10 people when a balcony collapsed in the lobby. The Kansas City hotel was owned by a Hallmark subsidiary. But whom would the media blame? "People *liked* Hallmark," Wood remembers. "It was this as much as anything that saved the company from criticism..."

Unfortunately, if a reservoir is unexpectedly drained by events, it can be difficult to restore. And it is always difficult to as-

sess how much remains at any given time. Given the potential impact of reputation, it is only prudent to manage it judiciously, with the care of any other corporate asset. Indeed, the value of reputation extends over a long time. Strong corporate management, positive customer relations and a healthy me-

dia presence can and do make tangible and measurable contributions to future earnings. Customers and prospects, investors and creditors are constantly evaluating these intangibles in their decisions to purchase, invest and lend — all of which strengthen a corporation financially and con-

“A good name is more desirable than great riches; to be esteemed is better than silver or gold.”
Proverbs 22:1




vey further leverage with which to operate.

Building and maintaining reputation depends on relationships, both one-on-one, and through the media. At the personal level, every employee

bundle these values, both externally and internally, to deepen customer relationships and extend reputation.

Communications must also work to align messages, not only across, but at various levels within, an organization.

aspects of relationship building – customer, labor, investor, community, government, and sometimes even the opposition. It requires constant vigilance, a willingness to examine vulnerabilities, negative feedback, as well as competitive and market pressures. Reputation management is the kind of thing with which many senior managers may not be completely comfortable. Yet it's a must for corporations in the 21st Century. 

Benefits of Active Reputation Management

- Boost market share
- Reduce selling costs
- Attract better resources
- Improve perceptions of quality
- Establish premium brand pricing
- Enhance the reputation of management
- Inoculate against negative attacks and crises
- Maintain value in a sale, merger or acquisition
- Improve relations with unions, analysts, government agencies, etc.

who comes in contact with outsiders is an ambassador — not just sales and customer service, but manufacturing and administrative staff as well. Most of us have witnessed first hand the need for retailers to instill the importance of the right attitude in their new hires. Employees who are rude or apathetic can shatter a relationship.

Much of what a company is and does is conveyed through the media, and it is, to a large extent, upon this coverage which prospects, analysts and investors make their decisions. The relationships forged with the media, then, are critical to success.

As many global corporations decentralize, they must guard against the tendency to focus too narrowly, to miss connections between businesses that make a company vibrant and differentiate it from the competition. There are often strong synergies within industries that span research or product areas and geographic boundaries. Communications can help

Corporate messages must develop meaning and resonance for each individual business. And individual successes and business practices must propagate through the organization, and, where appropriate, externally. The impact of a positive reputation does not happen through persuasive words alone, but *through action*. Words must reflect or substantiate the reality. If a company is publicly committed to reducing fugitive emissions, it must be careful that its total emissions don't inexplicably mushroom. Dollars spent to develop, maintain and defend reputation should therefore encompass action – and be considered not an expense, but an investment in future earnings. A company or product that attains the No. 1 spot in a market holds an extremely powerful position.

A broad view of communications is necessary to manage reputation because it encompasses not just traditional public relations, but all

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