EXCERPT FROM:

CRISIS OF CHARACTER – Building Corporate Reputation in the Age of Skepticism

By Peter Firestein

President Global Strategic Communications, Inc.

www.firesteinco.com

What Does a Strong Corporate Reputation Look Like?

A company with a strong reputation is one for whom investors and the public have high expectations. If it produces superior products, as Apple and GE have done, the public sees those products as arising from a bedrock of excellence. Over the long run, the company's shares trade at a premium compared to its peer group, based on expectations of higher future value. When things go wrong, it receives the benefit of the doubt. Its version of events is heard with a normal degree of skepticism, of course, but also with interest. The best available employees seek to work there. Its current employees show pride in belonging and take the company's fortunes personally. Its thinking is solicited by others; its processes become case studies.

The fundamental insight that drives such a company is that its engagement with constituencies in capital markets and society will determine its fate. Management understands that the process begins with its attitude toward the entire financial and social environment. A company with a strong reputation is one that knows it must, first of all, make itself subject to an open dialogue. Its leader also understands that it cannot productively manipulate that dialogue through strategies and tactics.

Only by engaging can you influence. But engaging also means you will *be* influenced. In a world where information on companies is more accessible than ever, and powerful currents of opposing opinion live side by side, this exchange of influence provides the only route to long-term stability.

There is, of course, a flip side to the reputation dynamic. A second, more problematic kind of approach causes management to think and act like a victim. Such a management considers journalists who write unfavorable stories to be ill-informed and pernicious; investors who question the company's credibility are viewed as "dense"; and NGOs that criticize the company are incapable of understanding the pragmatic demands of business. Companies who see their experiences in such terms generally view the world with mistrust, and the resulting lack of transparency prevents investors and others from developing the kinds of clear definitions of the company that engender confidence.

Traditional wisdom says that a reputation can take a century to build and a minute to lose. And when things go bad, it doesn't matter who's at fault or whether critics are being fair—management is responsible. Crises are failures of performance. Most corporate crises are years in the making, arising not from the tanker hitting underwater rocks, but from the absence of procedures to prevent such an accident. The cancer of incrementalism, marked by standards eroding slowly over years, may be the most detrimental way a company can abdicate its standing in the world. The CEO's job is to instill principles every day that will make accidents and rogue practices virtually impossible.

The good news is that a strong reputation is something a committed leader can decide to have, and s/he can set out to achieve it through specific actions. Market bias and public opinion aren't like the weather—any CEO can elevate his company's reputation, and therefore his own. And, while these two reputations are not the same, the CEO can't build his own without first taking care of the corporation's. Companies, after all, generally survive crises of reputation; the careers of the managers involved in them usually do not.

So, whether strong or weak, reputation becomes a self-fulfilling prophecy and tends to perpetuate the current experience. A strong reputation not only propels a company's positive momentum, it enhances the CEO's power to bring needed change.

The following seven strategies of reputation development will transform the position a company and its leadership hold in the minds of its constituents. The investors in such a company, and the public, will seek out management's view of its markets, and they will look to the company as a standard setter for the best practices in its industry. They will come to judge the company's competitors on how well those competitors measure up to the standards the company has set. Both the company and its leadership will attain a level of influence they may not even have sought in earlier times.

Even though these strategies address the management of a company's relationships with everyone it affects, they bear no relationship to altruism. Instead, they reflect a new realism. They describe the terms of predictable survival for a company and its leaders in this new "age of consensus."

The Seven Strategies of Reputation Leadership

Strategy 1. Core Values and the Authentic Leader:
Establish Core Values, and Reputation Will Follow
Strategy 2. See Yourself through Stakeholders' Eyes:
Market Intelligence and the Art of the Perception Study
Strategy 3. Define Your Company's Landscape:
The Power of Stakeholder Mapping
Strategy 4. Build Your Reputation from the Inside Out:
Become the Company You Want the World to See
Strategy 5. Tell Your Corporate Story:
Engagement and the Communications of Convergence
Strategy 6. Prepare for Crisis:
How the CEO Saves the Company Every Day
Strategy 7. The Governance Imperative:
Oversight, Informing the Board, Compliance