

Reputation

How To Restore Your Company's Reputation

Charles J. Fombrun, 05.06.09, 12:00 AM EDT

Reputation Institute's studies show it's all about balancing seven key indicators of performance.

The last few years have not been good for corporate America. The reputation's of many once-revered U.S. companies have plummeted. In [Reputation Institute's most recent study](#) consumers rated America's financial and automotive sectors especially poorly, with an average decline in their reputation levels of 10% since 2006.

The public is dismayed by the misguided policies and self-serving actions that helped precipitate the economic crisis, and many venerable names have been sullied (**Goldman Sachs**, **Morgan Stanley**), some irreparably damaged (**AIG**, Washington Mutual, Wachovia), and others are seeing the writing on the wall (**General Motors**, Chrysler). According to the Edelman Trust Barometer, 62% of global respondents in 20 countries trust businesses less in 2009 than they did in 2008.

One country's loss, however, is generally another's gain. In [Reputation Institute's Global Reputation Pulse study](#), companies in emerging markets in energy and financial services fared remarkably well.

Brazilian oil producer **Petrobras**, Chinese automaker China Faw and India's State Bank of India all had top ratings in their nations. Of the 50 top-rated companies globally, only half were headquartered in G-7 countries. The other half came from the four BRIC nations-- Brazil, Russia, India and China. This reflects a growing sensitivity to the needs and concerns of stakeholders among the leaders of top-rated businesses in emerging markets.

Narayana Murthy, founder and chairman of Infosys in India, demonstrates a sophisticated understanding of value creation when he says, "If we seek respect from our customers, we will not shortchange them; if we seek respect from our employees, we will treat them with dignity and fairness; if we seek respect from our investors, we will follow the best principles of corporate governance; if we seek respect from our vendor partners, we will be fair with them and sympathetic to them; if we seek respect from the government, we will not violate a single law of the land; and if we seek respect from our society, we will give back to the society." That sensitivity has helped propel Infosys to the top of India's business sector, and it is likely to help give the company a strong edge as it continues to expand its operations internationally.

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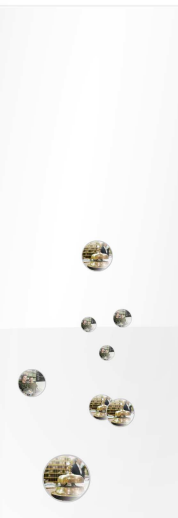
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the company a strong edge as it continues to expand its operations internationally.

Why have so many U.S. companies lost their edge against rivals in Europe, Asia and South America? Because their senior executives have paid more attention to short-term gain than to long-term sustainability. They let themselves be misled by a mirage of a marketplace, believing they could decouple their financial results from their stakeholders' expectations.

Consumers have come to expect the worst from companies and thus demand increased protection, transparency and connectedness. Governments, in response, are heightening their scrutiny of corporate initiatives and oversight of businesses. Global corporations are therefore forced as never before to defend their local presences and prove their goodwill.

In our work at Reputation Institute, we have found that stakeholders attach importance to seven key indicators of performance: product quality, innovation, financial results, citizenship, leadership, workplace and governance. Companies strong in one of these areas but weak in the others are vulnerable to attack, because they neglect the interests of some of their most important stakeholders.

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AIG ([AIG - news - people](#)) is a case in point. Its narrow focus on delivering strong financial results left it vulnerable to collapse when risky investments undermined its bottom line. It lacked credibility as an employer, as a visionary leader and as a corporate citizen. **UBS** ([UBS - news - people](#)), in Switzerland, and the Belgian-Dutch company **Fortis** ([FORSY.PK - news - people](#)) have also lost reputational ground because of the narrow basis of their reputations.


The top-rated companies in Reputation Institute's recent studies aren't like that. In the U.S., **Johnson & Johnson** ([JNJ - news - people](#)), **Google** ([GOOG - news - people](#)) and **Kraft Foods** ([KFT - news - people](#)) have stayed at the top year after year.

Internationally, Italy's pasta-maker Barilla led in 2006, Denmark's toy company Lego in 2007, Japan's auto giant **Toyota** ([TM - news - people](#)) in 2008 and Italy's confectioner Ferrero in 2009. What do they have in common? They all maintain strong reputation platforms that unite their employees and stakeholders behind a shared corporate vision.


They all first and foremost make an uncompromising commitment to and guarantee of product quality. But they also

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all give their employees a secure and motivating work environment, support good causes in their communities and meet investor expectations for good governance and stable earnings. As a result, they are supported as institutions and trusted in their initiatives, and they create value fast. Statistically, the equation is straightforward: on average, a 1% increase in reputation produces a 1% increase in stakeholder support and a 1% increase in market value.

To revitalize their corporate reputations, senior U.S. executives will have to rethink their priorities and heed the messages of consumers the world over. They will need to listen closely to the concerns of their stakeholders, demonstrate authentic care for their communities, commit to a shared set of values with their employees--and stand behind these beliefs even at a cost to short-term performance. That's the only way can they develop enduring, sustainable, value-creating results and restore their corporate reputations.

Charles J. Fombrun is chairman of Reputation Institute, a private research and consulting firm based in New York.

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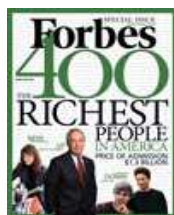
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