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Reputation

Why it matters and how you can manage it

From banking to oil, technology to automobiles, industry reputations have been hard hit in recent years. Some were deserved and others were not. All had financial implications for the companies involved – and their shareholders.

Key findings:

- Organisational reputations have currency as evidenced in share value, operational costs and market opportunities.
- Social networking has reduced the organisation's control over its reputation. As a result, the pressure on organisations to understand how they are being presented and what they need to do internally has increased significantly.
- Reputation is created from within. As such, its definition and quantification can and need to be incorporated into both strategic and operational planning and oversight.
- Assessed correctly, reputation is an innovation driver and can open the organisation to new markets and market opportunities.
- Quantification of reputation comes, most easily, from an analysis of errors of omission and commission – which, when addressed, provide clear direction for organisational improvement and increased employee morale and productivity leading to greater shareholder value and broader market opportunities.

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About the author

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Leslie has held executive positions in the aerospace/defence and pharmaceutical industries. She is the author of *Leadership Quantified*, two books, over 100 articles in journals including the *Financial Times, Investor's Business Daily* and *CEO* and is a highly regarded speaker at conferences worldwide.

Dr W. Edwards Deming, the founder/creator of the Western Quality Movement said of her, 'She is, quite simply, one of the best at implementation.'

Leslie is the founder and former director of the Institute for Quality and Productivity Improvement at California State University, Long Beach and was a founding board member of the Global Women's Leadership Center at the Leavey School of Business at Santa Clara University. She currently sits on the Boards of the Enterprise Trust, Cordville Capital, the Russia Research Network and is a fellow of the Royal Society of Arts (www.kossoff.com).

Introduction

From banking to oil, technology to automobiles, industry reputations have been hard hit in the past year or two. Some were deserved and others were not. They all had financial implications for the companies involved – and their shareholders.

Interestingly, from the outsiders' perspectives, each happened overnight or at least in a very short timeframe.

This was not the case. The problems that arose and the reputations that were impacted were in play for months, sometimes years. All out of the public eye and far away from any visible financial impact.

What was once a trusted provider wasn't trusted any longer therefore, share values dropped like a rock.

In many cases, what happened was the result of internal management decisions; both in the lead-up and the response to the reputational crisis that arose.

Simply stated: reputation is a management issue – it can be measured and managed in any direction the executives want and are willing to go. Moreover, it is an internally created and controlled entity which needs to be actively incorporated into everything, from strategic planning to operational reviews. Reputation can be quantified and predicted. It also has a cash value in the short and long-term.

It's time for executives to take a different look at corporate reputation - a quantified look. This will allow you to deploy your finance and particularly, management accounting functions in a direction that reduces costs, adds value and ensures that both you and your organisation's reputations are exactly what you want them to be - impeccable.

Reputation and social networking

Unfortunately, in today's world you no longer have as much control of your reputation. To a great extent, it is now controlled by your customers and even your suppliers – for which you can thank social media and networking.

Facebook, Twitter, MySpace or comments made about your organisation in the blogosphere will directly impact how your company is seen. And for every site that requests a comment from its users and features a rating system that asks visitors to assign 'stars', you're creating big problems, unless you're delivering on what you promise.

This means that part of your strategy, is to look at where you are and where you're going, to be constantly vigilant and look at how you're talked about – by everyone.

You may be thinking, 'but we're already using social networking to promote our organisation'. And that's a good thing. But, for all that organisations are actively using social media in all its forms to promote their products, that is an outward looking marketing strategy.

In contrast, when it comes to reputation, it's crucial that organisations understand how to address the impact that customers, suppliers and end-users have on how their reputations are presented to a much wider, uncontrollable world.

The 24-hour news cycle is baby stuff in comparison. Neither CNBC nor Bloomberg News can come anywhere close to the viral impact of a well placed, well timed blog post or tweet.

This is not just a number of eyes, hits, 'likes' or 're-tweets' measure. This requires an ongoing and serious commitment to both quantitative and qualitative research into how an organisation is perceived and described by the public.

Only by incorporating external, wholly uncontrollable forces into your strategy, can you ensure that the direction you set and actions you take will get you where you want to go. With the public alongside every step of the way.

Brand versus reputation

Stated most simply: You buy a brand. You build a reputation.

Your brand is the external image others hold of your company because of a particular visual or auditory image you create. You pay for that by buying it. You hire firms or use your internal resources to determine what your company's 'look' and 'sound' will be; everything from its logo to the background music or jingles it adopts. In every medium, from print, television, radio and online adverts to posters, packaging and collateral materials that everyone always sees. Your brand is your public face.

Reputation, on the other hand, is the internal execution that creates the external image that people hold of you and your organisation. The real image - not the one you buy, but the one your customers actually have of you.

Reputation is your private face. It's the unvarnished truth about how you do business, from the exquisite to the wholly unacceptable.

It is all about aligning strategy, operations and execution. It's about making sure that what the CEO says is the company's promise to its customers, is reflected in every interaction and transaction with internal and external customers and suppliers every day. It is knowing that every decision made helps to build the reputation your company wants, by having the best of systems in place internally.

From global strategy, to supply chain mechanics, to front line customer service, reputation will build your brand or kill it.

That's why quantifying your company's reputation is so important. It's a cost that can be identified and needs to be managed, to ensure the greatest profits and opportunities are exploited, now and in the future.

The reputational value of your company has an exponential impact. That's because, for all that you've invested in building your brand as a trusted name, unless your operations ensure that the customer experience matches that name and trust, your brand investment will be lost.

In times like these, when consumers continue to feel the pinch or are simply afraid to spend their hard earned cash, or when companies are doing their best to squeeze the last penny out of their suppliers, reputation is far more than part of a sales and marketing promotion.

Reputation is the way your organisation behaves, day after day. It is what makes every customer – from distribution channels to end users – decide that they want to do business with you, again and again. As a result, when managed correctly, it is the unassailable alignment between your public and private faces that gives your brand legs.

Reputation is about success and failure – human and corporate. But it's also about corporate memory and keeping your reputation intact when a different version of the same thing happens – which it can. No company exemplifies this better than Johnson & Johnson.

Case study: Johnson & Johnson Tylenol Crisis

Part 1 - 1982

'We got a call from a Chicago news reporter. He told us that the medical examiner there had just given a press conference – people were dying from poisoned Tylenol. He wanted our comment. As it was the first knowledge we had here in this department, we told him we knew nothing about it. In that first call we learned more from the reporter than he did from us.' Robert Andrews, former assistant director for public relations at Johnson & Johnson.

At that time, CNN and the 24-hour news cycle were in their earliest stages. No one knew or understood exactly what the impact of this new technology would be on organisations and their reputations. Nor did they have any idea or plans in place to deal with the types of firestorms that would be created when organisations' products or services went wrong.That's why Johnson & Johnson's CEO, James E. Burke, was considered to have made what many analysts considered the company-killing decision to pull Tylenol products off the shelves in all the markets at an estimated cost of $100m. It was, in fact, prescient and set a new tone for how organisations must communicate with shareholders, stakeholders and interested outsiders.

Because of this scare – and with that decision in play – their market share dropped from 37% to 2%. The talking heads said it would never come back. It did, by the mid-1980s, the product had regained most of its previous share. Simultaneously, Tylenol re-established itself as the premier brand in its category – and has maintained that status through the ensuing years.

Interestingly, the person or persons who perpetrated the crime were never caught. Yet, even then, it didn't make a big difference. Instead, because of the visibility, speed and comprehensiveness of the company's response, the public viewed Tylenol as the 'unfortunate victim of a malicious crime.' As such, the company's reputation remained intact and, by many measures, grew even stronger.

Part 2 - 2008-2010

In early 2008, McNeil-PPC, the Johnson & Johnson division that manufactures Tylenol, Motrin and Benadryl, began receiving consumer complaints of an 'unusual moldy, musty or mildew-like' odour. The company's response was that the number of

complaints was small and that they were 'non-serious' problems such as stomach pain, nausea, vomiting or diarrhoea. They took no action to recall the product and did not report the issue to the Federal Drug Administration (FDA) until a year later. Beginning in late 2009, the company finally began recalling lots of its drugs including those specifically made for children. The products were being sold in the Americas, United Arab Emirates and Fiji. By May 2010, over 40 children's products (as well as adult products) had been recalled.

In the meantime, according to the *Wall Street Journal*, in July 2010 Novartis began giving away up to 250,000 bottles of its own children's products – which just happen to be in direct competition with Johnson & Johnson's. And even when Johnson & Johnson announced a further broad-based product recall in October 2010 trying to get ahead of the problem, that led to the FDA issuing a warning letter saying it was 'concerned' about the company's response to the matter.

The corporate tragedy here is that Johnson & Johnson forgot its own lessons learned from 1982, in being proactive and consumer oriented, that now, as their children's products are beginning to be re-released into the market, the *Wall Street Journal* notes that it 'may be a tough task' to get parents to switch their children's medicines back to Johnson & Johnson's products. What a difference a few decades and a lost memory make.

Reputation as currency

There are three primary currencies that organisations work with all the time, yet only two are actively measured – particularly on a real-time, strategic and operational basis. The currencies are: time, money and reputation.

Of the three, time and money are the most easily managed, usually because they are the most easily measured. Whether it's determining speed to market, product life-cycles or investment strategies and operating costs, the first two currencies are easy to track, which makes them easy to measure. Thereby making them a real-time organisational focus at management level.

From a management perspective it makes the results shown easy to reward. Yet how your organisation is using that time and money are ultimately the direct, measurable indicators of the reputational currency your organisation holds - or doesn't.

Reputation is all about trust. Trust from your suppliers that the specifications and orders you provide are ones you'll uphold and that you'll pay your bills in a timely manner. Trust from your customers that their needs will be met. Preferably efficiently, effectively and politely. And trust from your shareholders that their money is in good hands when it's invested in your enterprise.

All of which means that, from research and development to user experience, it's up to the organisation to ensure that what is being provided, every step of the way, keeps the corporate reputation in view and understood for the currency it is and can be.

The more you hold your executive and management teams responsible and accountable for how their areas and actions impact your organisation's reputation, the more you'll be able to identify why things haven't worked the way you've wanted and what you need to do about it.

Also, the more you tie their rewards to the organisation's reputation – which equate to profits and shareholder value – the more they will focus on that third currency. And that will net you the return on investment you need.

A quick start to integrating reputation from strategy to execution

To make your reputation work for you – as a means of creating new markets, expanding those you have and ensuring that your execution is seamless. It's time to take a step back and look at how it is – or isn't – being applied in your organisation's thinking and operations today.

The easiest way to start is by asking questions. Depending upon your organisation's size, scope and strategy, the questions will, of course, differ. You may have already addressed some of them indirectly in discussions you've had.

The difference is, now it's time to bring reputation in as a consciously measured and managed entity that assists you in driving your present and future plans.

The questions begin with:

- What is the company's reputation?
- How do we know?
- From whom is the data received?

- Is the data we're using internal, external and/or objective?
- How is the data collected? Using which media? Are they formal? Informal?
- How is our reputation being used, to determine strategic objectives?
- Does our current reputation mirror our strategic direction and market trajectory?
- Does it build on what we're best known for?

Once you have the basic fit of your reputation in your external, strategic context (and very importantly the data questions on how you know), it's time to move to a more internal, yet still overarching view. At that point, the questions you start asking include:

- How do our expansion and product or service development plans align with the opportunities our reputation provides?
- Do we make best use of our reputation locally and globally?
- How do those strategies and tactics differ? Should they?
- Do we need to make adjustments – whether now or in the future – based on a more global presence?

From there, it's time to start looking at the management implementation questions, which include:

- To what extent is our company's reputation included as part of the training and development programmes we offer – from orientation to succession development?
- To what extent are reputational measures included as part of the performance appraisal, balanced scorecard and/or 360 degree feedback programmes instituted by the enterprise?
- How is management's direct, measurable support and development of our reputation rewarded – if at all?
- To what extent do we include reputational measures as part of the operating expectations for management at all levels?
- How, if at all, are our contractors, external suppliers and distribution channels oriented to, held responsible and monitored for their contribution to our reputation?

All of which bring us to the reputational measures themselves. While a strategic retrospective, opportunity - based quantitative measurement system is presented later in this report (see page 9) for the purposes of internal management. It's important at this point for executives in every area to start looking at the measures that are currently being used to track and describe 'success' at every stage.

This is the point at which management accountants can have the greatest impact.

Measuring reputation necessitates a review of operational management measures from the retrospective to real-time. Just as each measure used in your organisation should have a direct correlation with your strategic direction and outcomes, so too, should your metrics at all levels inform and feed directly into your greater understanding of your reputation.

If done well, you will undoubtedly find that some existing measures are giving you what you need, even if you didn't know it. There may be a need to adjust your measures so that they provide richer, more robust data from which to derive the correlations.

In either case, while it's labour intensive and will undoubtedly make many of your managers uncomfortable, you'll have the information you need to ensure that every step you take is in the right direction.

Otherwise, it's far too easy to lose your way or worse, to find your organisation on that proverbial 'road to hell' that is 'paved with good intentions.'

Reputation, culture and trust

You build a reputation from the inside out. What your customers see is directly reflective of what your employees experience. Your corporate culture determines, describes and defines your reputation.

If you've got unhappy employees, you currently have (or will get) unhappy customers – and that means that they'll be looking for other options.

Conversely, if you've got satisfied employees that work in an environment they consider supportive, challenging and rewarding (financially and otherwise), that too, will be reflected in their behaviours toward their colleagues and their customers – internal and external. And that will be reflected in everything from your profits to your share value.

This comes from building a culture of trust. Just as reputation is not some amorphous, unquantifiable entity, neither is trust either amorphous or unquantifiable, it's behavioural. It's behaviours that are the execution and manifestation of your public face – your reputation.

Therefore, trust is a learned behaviour, its presence or absence can be assessed as you look at the systems and procedures for how the organisation operates. From hiring, firing and development to policies, procedures and the consistent alignment of your compensation and reward systems to desired behaviours. The executive and management teams can determine whether the systems within which the employees operate are designed to reflect your commitment to the organisation's reputation, or not.

The trust building behaviours are:

- respect
- reciprocity
- consistency
- integrity
- involvement.

Case study: Toyota

'I extend my condolences from the deepest part of my heart.' Akio Toyoda, President of Toyota Motor Corporation, testifying at United States House of Representatives Committee on Oversight and Government Reform, 24 February 2010.

By the late 1980s, when Ohno and Bodek's book, *Toyota Production System*, was published, the company was already directly equated with quality, efficiency and reliability. That reputation lasted for decades because the company's strategy remained consistent – to create the highest quality cars using the most efficient systems leading to the highest possible profits. Key to that process was the supplier certification, management and oversight system Toyota had in place.

Equally, suppliers knew that to become and remain a supplier into the Toyota supply chain, they would not only be monitored on an ongoing basis for their performance, but they were expected to fully implement all the same tools and techniques found on the Toyota manufacturing floor.

Then the company changed its strategy from quality to size. Toyota committed itself to overtaking General Motors and becoming the largest automobile manufacturer in the world. To execute that strategy, they had to quickly and broadly expand, both in their own plants and in the use of more suppliers. Very soon they were producing on six continents with suppliers feeding in from all over the world.

In that process, the company lost the quality for which they had been known. No longer was the company focused on *kaizen* (continuous improvement) and *genchi genbutsu* (going to the source of the problem to study it oneself). Just size and speed.

By 2006, Toyota had the largest number of recalls of any automobile manufacturer in the United States. That was two years before the Lexus and Toyota floor mat/uncontrolled accelerator and Prius allegations of braking system problems occurred – or were announced.

The company further damaged its reputation in the slowness of its public response after the problems were first identified – including a fatality. The floor mat problem was known by the company in 2008. The recall of 5.75 million automobiles across the US and Europe, however, wasn't announced until early 2009. By that time, the company's reputation was already being shredded in the blogosphere and mainstream media.

More recently, while market share has improved, analysts query the long-term impact on the reputation of the company and the resultant opportunities for their competitors – not least because there continue to be recalls across Toyota and Lexus models for other reasons.

Financial impact: The company lost over 20% of its market value between January and February 2010 after the first recall was announced.

These at their simplest are:

- Respect and reciprocity ensure that there is and will be communication at all levels and that attention will be paid to the input provided.
- Consistency and integrity are a promise to everyone that they will always receive fair and equitable treatment and value for their investment.
- Involvement ensures that the customer, supplier or employee, those who touch or are touched by your enterprise contribute directly and indirectly to the ongoing improvement of everything from product or service design and development to the ultimate user experience.

However, the greatest importance is that in looking at how those behaviours manifest in a 21st century environment, the lines between internal and external – whether customers or suppliers – become extremely blurred.

As previously discussed, social networking has changed the rules. In that same vein, so too, does the need to change how you select, measure and work with your distribution channels.

If you're selling your products or providing your services through any third party vendors, then it is crucially important that you ensure that they are in alignment with the trust behaviours you execute in your organisation. Because your reputation is wholly dependent upon theirs.

One of the most common mistakes made by producers who sell through any other distribution channel is forgetting that the customer experience in buying your product is directly tied to the buying experience provided by the other entity.

Customers aren't going to make that differentiation. They don't have to but you do.

This puts the onus on you to work your internal systems to ensure that you have the results – strategically, operationally and financially – both internally and externally. And that you're known for those outcomes, whether you're targeting your company's stakeholders or its shareholders.

Then, if something goes wrong, you'll have built such a strong brand that the stakeholders and shareholders will do more than give you the benefit of the doubt. They'll become your outspoken advocates – now and in the future.

Case Study: Apple iPhone4

'We want to make all our users happy. If you don't know that, you don't know Apple.' Steve Jobs, Apple Chairman and CEO at the 16 July 2010 press conference responding to the iPhone4 'antennagate/death grip' problems.

When the iPhone4 antenna problems were first reported by customers, Apple was taken by surprise. After all, their products are 'magical'. Each is better than the last. In design and features, Apple keeps outdoing itself. Doesn't it?

In this case the company continued to maintain that it did – first through silence and then through software fixes to show more 'realistic' signal bars. They thought that it was working until the moment that the respected, independent *Consumer Reports* magazine reported that their lab staff were also experiencing what had come to be called the 'death grip' phenomenon.

Their recommendation: Don't buy the phone.

Within moments, the company came out of its silence and Steve Jobs held a press conference. His message was clear: Apple is all about making its users happy. If that meant that they were going to have to buy bumpers and cases for the already sold iPhones or accept more returns than normal, that was fine because they only care about the customer.

Financial impact: $75m - $175m for the fix
3% share price increase during the press conference

Using reputation to build strategy and innovation – the Apple trajectory

In its early years, Apple was a computer company - it was the little guy. It specialised in higher priced units that did things differently, more graphically. Steve Jobs had a different view of what the user experience could and should be. And, as a result, we were brought new worlds of GUI (Graphic User Interface), WYSIWYG (What You See Is What You Get) and more.

With a share that spent most of its life between 2.5 and 3 percent of the desktop market, Apple was considered an interesting company but one that 'only a mother could love'. As a result, those who were proponents of the Mac systems (the so-called 'MacHeads') were treated as sad but lovable.

And all the while Apple's operating systems were being copied to create new products that matched the user experience – or at least as close as Microsoft could come within its Windows structure.

Over time, Apple added more graphics and audio-oriented capabilities. It became such the darling of the media set that in most small and large video production houses you would see at least one Mac, if not banks of them.

Which raised a question. Now known for both user experience and graphic/audio capability, was Apple's reputation as a computer company or as a media company?

In that context, suddenly the iPod makes all the sense in the world. Why wouldn't a company that is already focused so extensively on the audio and video experience take that knowledge and extend it into a consumer marketplace? They would - at least if they were paying attention to the actual reputation they had built.

Not as a 'computer company' but as a media company. All forms of media. Which makes their advent into the smartphone market make sense as well. So does the establishment of the iTunes Store and the new wave of publishing possibilities and revenues that come with the iPad. In opening up their platform so that external designers could get a look in, they've driven others to create whole businesses for application development - and not just for the iPhone or iPad.

Apple has created a new industry for software designers worldwide which now applies to multiple platforms and performs on multiple devices. This is aligned innovation strategy at its best, with the only difference being that it is usually another company that sees an innovation opportunity attached to an existing industry rather than the originating company creating revenue and reputation - expanding opportunity for others itself.

This is a strategic innovation progression for Apple and its industry, based on a reputation that the company built. Not on their product lines but on the marketplace value and utilisation they were creating and seeing. From that point forward, it was just a matter of building on what people already thought of them.

Because if you wanted good – and beautifully designed – technology for anything media oriented, Apple was your answer to every question you could imagine.

Clearly it worked because Apple's market capitalisation is now greater than Microsoft.

Reputation, strategy and the Drucker question

Until you include your current reputation as well as the trajectory for where you want your reputation to take you in your strategic planning, you'll be missing out on opportunities that are constantly being presented to you.

It's time to take a step back from where you thought you were going – at least based on your last three, five or ten year or (as is currently popular to call) 20/20 strategic vision – and fit your reputation into the mix.

The most direct way to accomplish that goal is by asking the core question devised by the management theorist, Peter Drucker. His core, strategy-to-innovation question is: What business are you in?

This is not an easy question to answer, mostly because in the process, executives are so tied into what their company is currently doing as it is currently viewed that they lose sight of the value their company actually brings.

The Apple trajectory demonstrates how you're perceived by customers and how you can determine what your immediate and long-term steps should be to build the company to succeed. A company that will successfully catapult itself into new markets and be readily accepted as the preferred provider for whatever it is you have to offer.

And why not? Your reputation is already solid. You're a trusted provider.

By using the same process, you can easily, quickly and cheaply identify the problems that are keeping your company from getting where it wants to go. Because your reputation in those areas may not be quite as good.

Reputation building is an internal process. Once you have the information at hand, it becomes easy to address the issues and do what needs to be done - efficiently, effectively and at a low cost.

It takes years to build and maintain a reputation and moments to lose it.

The return on investment, of taking the proactive steps required to ensure you've built the reputation you want and are doing what needs to be done to maintain it, is more than worth the effort.

A quick start to quantifying reputation

The easiest way to get a quick start at quantifying your company's reputation, is to look at both Errors of Omission (EO) and Errors of Commission (EC).

EOs, most simply, are those opportunities your organisation lost by not building adequately on its reputation. They are the lost revenues and future revenue streams that someone else picked up because you missed them.

Sometimes, you build those opportunities yourself. Other times, you collaborate with other organisations to create something bigger, more comprehensive and more compelling to customers than you could – or should – create on your own. Yet other times, systems are built so that others can contribute to your growth and success at a fraction

Case Study: Goldman Sachs Group Inc.

Goldman Sachs has recorded record profits and has been the most successful firm on Wall Street in decades – and even as it has settled cases with the United States Securities and Exchange Commission (SEC) and the United Kingdom Financial Services Authority (FSA) – its reputation as an impeccable investment house (now bank holding company) has more than taken a beating.

It has, in many ways, become the public image for the larger community of why the banking industry can't be trusted – no matter the country.

When the SEC brought its civil suit against Goldman Sachs in 2009 regarding its security, Abacus 2007-AC1, the problem for the larger public – and which made Goldman such an easy target for Congress – wasn't the specifics of that particular instrument. It was that Goldman had gained a reputation – even among its industry partners – for some of the most aggressive deals - and market making actions in its trade.

Interestingly, that reputation for necessary aggressiveness is company created. It's the so-called 15th principle. Goldman gives each of its new hires 14 principles to follow which outline the firm's best practices. Yet the 15th, the one not written but openly discussed, is the one that drives the culture. It is to 'embrace conflict' – between the firm and its clients. The more you do, the more business you'll generate.

Unfortunately, that has led to the allegations and beliefs under which Goldman is now operating and to which it is continually having to respond. From the reports that it made millions in fees assisting Greece in legally masking its debt to ensure compliance with Euro-zone budget rules, to the outstanding ethical questions regarding its policy of having competing goals – those for the company versus those for its clients – its reputation is consistently under fire by governments, regulatory bodies, the media and the public.

It is not – nor has it ever been – that Goldman Sachs is an unsuccessful firm. It is an extremely successful, extremely well-run firm that now has a dual reputation. One to live up to (its profits) and one to live down (its perceived ethos).

Financial impact: 50+% drop in share value from late 2007 through 2008 and remains well below its pre-recession highs.

of the cost it would take for you to do the research and development internally.

In every case, it's a matter of looking at where you are versus where you could have been. If only you'd taken the right action. Then you put a monetary value on it.

ECs, on the other hand, are the opportunities you had in hand and lost by not acting on the known issues and problems within your organisation. In those cases – which are management driven – the decisions made and actions taken have directly and negatively impacted on your reputation.

From being perceived as less than a preferred provider to becoming a pariah, ECs are the way you make everyone question whether they trust you or feel safe doing business with you and your organisation.

ECs cost exponentially more than EOs – not least because they are direct and known costs. At least if you're willing to look at them. Which, to succeed, you must.

By starting the quantification process using EOs and ECs as a guide, the executive team will have a retrospective strategic and operational analysis of what the cost of the decisions made has had on your reputation to date. Using that information, you will also find yourselves and your organisation far more nimble and able to make the moves you want to make. It's an easy win.

Case Study: BP

'Leaders must make the safety of all who work for them their top priority… My enduring priorities are, firstly, continued improvement in the safety of our operations all around the world.' 13 January 2007, former BP CEO, Tony Hayward, in his first press conference after his appointment.

While the quote for which Tony Hayward will, undoubtedly, be best remembered is, 'I want my life back,' it was his assumption of the position of CEO with the specific remit to improve safety – and change the culture of BP toward a safety orientation – which was the most important statement about the company. It was also its greatest lost opportunity.

Hayward's ascendancy into the CEO position came, in part, as a result of the Texas oil refinery disaster in 2005 in which 15 BP employees lost their lives and hundreds were injured. That occurred under the stewardship of his predecessor CEO, John Browne.

Browne had built the company stunningly quickly and successfully, from a financial perspective, primarily through acquisition over the 12 years he held the Group CEO position. Yet, also during that time, the safety of humans and equipment had fallen off the radar.

Hayward was supposed to be the answer to that question. Particularly after the reputation-destroying refinery explosion.

Yet, through errors of both omission and commission, BP continued not to adequately focus on safety – as evidenced by the hundreds of identified safety violations for which it has paid over $200m in fines to date and not including the $20bn set aside in preparation for the Gulf oil costs. That made the Deepwater Horizon disaster – both in loss of life and environmental damage – predictable and expected. The only question was exactly where it would occur.

Worse for the industry, as a result of the Senate investigations it was discovered that all of the major oil companies had published and adopted the same response plan as BP for a Gulf oil spill – one in which mammals never found in the Gulf were included and a primary contact in case of emergency had been dead for five years.

Ultimately, BP's actions before and during the crisis have led to greater distrust by both regulators and the public not only for the company but for the industry as a whole. All of which increases everyone's costs.

Financial impact: 40+% drop in share value between April and June 2010 immediately following the Deepwater Horizon explosion.

Two trends to keep on your radar

There are two trends at play which have a direct impact on the present and future of your reputation. They are:

- country specific reputations and
- CEO actions.

Country specific reputations

With non-stop and growing globalisation, country specific reputations are a problem that continue to persist and, in many ways, grow. The reports regarding the spate of suicides and suicide attempts at Chinese manufacturer, Foxconn, provide the best example of how this now plays out and what the implications are for your reputation.

While Foxconn is a supplier to Dell, Sony and Nokia, the one customer firm that got the attention was Apple. This was because the most recent attempts were made just before the release of the iPad. As a result, Foxconn's internal problems were presented – tacitly – as if they were driven by Apple.

That led to even further discussion about Chinese working conditions, in general. This, of course, led to a broader discussion about whether the west should continue doing business with Asia without adequate human and employee conditions being ensured.

Organisations need to work with their industry and government partners to ensure that there is alignment between the companies' goals and the legislation within which they work – particularly in the arena of employee working conditions. It may cost a bit more but the long-term profits from the change in reputation and its associated public support will make up the difference.

CEO actions

Your CEO is the public face of your organisation. As such, the reputation of the organisation rests on the CEO. That one person.

Think about Mark Hurd. His ousting from HP, whether a firing or a forced resignation, has resulted in HP's board being questioned and vilified for its decision. Larry Ellison's decision to immediately hire Hurd as Co-President of Oracle led to legal actions regarding proprietary strategic secrets and intellectual property.

For Ellison, this is nothing new. According to Rachel Mendleson writing in *Canadian Business ('Larry Ellison: why it pays to be a jerk')*, in November of this year - he has a reputation in the Silicon Valley, and across the technology space, as rebellious and arrogant. In many ways, it's how he built his business.

But it all turns on Hurd. No matter that his career at NCR prior to taking the HP position was considered 'brilliant' or the performance of the HP stock under his stewardship was stellar. According to the *Financial Times* (Aug 2010), what he has now become known for is dubious hiring practices, dodgy expense reports and questionable ethics for having taken the Oracle position at all.

CEOs, whether they like it or not, have a celebrity quotient attached to their names. As such, they need to be as aware of their personal image and its impact as they are of the direction and actions of their organisations. Boards need to be just as aware and, as importantly, willing to take action, when the CEO is not consistently promoting the reputation the company wants and needs.

A final word

Quantifying your reputation takes courage. It requires a willingness to look at things you don't want to know or admit about your organisation and how it operates.

Chances are, while there will be some things that make you happy – and some surprises on the upside – for the most part, what you'll find won't be news. However, it may explain much of what has gone wrong that you've not been able to identify and address before. But the thing to remember is that it isn't a secret – none of it.

Your customers, suppliers, shareholders and analysts are well aware of what your reputation is – and every one of them makes decisions based on what they know of your reputation, every day.

As for your employees at every level and in every location – they know exactly why your reputation is what it is. As well as what it will take to change it. That makes them a great resource for you to use in creating the organisation you envision.

It's time for you to take an aggressive stance in ensuring you and your organisation have the reputation you want. Not your preferred view or an historical perspective – but a real-time, real-life perspective based on how others see what you've created and how you are stewarding your organisation to its next stages.

The given is that you can take your organisation anywhere you want it to go. It's just a matter of doing it.

What you need to do:

1. Review your strategy to ensure that you're incorporating and accounting for building reputational components.
2. Identify the costs (direct and lost opportunity) your organisation has incurred to date resulting from a lack of focus on reputation.
3. Review your quantitative and qualitative measurement systems (including but not limited to social networking, operations, rewards/bonuses, etc.) to determine:
   - What information is available?
   - What is currently being done with that information?
   - What new measures are required?
4. Re-align your strategy and operations to reflect and include reputation as a measure – including new innovation opportunities.
5. Create a more active outreach/partnership system with those external to your organisation to provide further and improved real-time information.

Recommended reading

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