

**The OPEN Perception Study™**  
**REPUTATION ASSESSMENT**

Peter J. Firestein

***Addendum to the Proposal - II***

**GLOBAL STRATEGIC COMMUNICATIONS, INC.**

80 Chambers St., 14-F  
New York, NY 10007

Phone: 212 608 0877

Mobile: 917 678 3475

Fax: 212 608 0643

[peter@firesteinco.com](mailto:peter@firesteinco.com)

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### **Addendum to the Proposal – II**

#### **THE FALLACY OF “REPUTATION MANAGEMENT”**

“Reputation Management” is the new growth sector among public relations consultancies. But the profession generally misses the point of reputation management by viewing it primarily as a function of communication.

Reputation does not start with communication. No amount of spin, artful disclosure or branding will sustain a company if the fundamental components are not intact. A reputation is forged out of an inspired concept of the business, management’s ability to execute, its talent for leadership, and its response to adversity. Other critical determinants include perceptions of financial management, product competitiveness, marketing, technology, workforce expertise, corporate responsibility, culture, and ethics.

A company can communicate as intensely as it wishes, but failure to be fully believed is a strong indicator of troubles that go deeper than failed communication. The company’s degree of credibility derives directly from its reputation, and an understanding of the elements of that reputation should inform its decision-making and strategy – day-to-day and year-to-year.

#### **REPUTATION ASSESSMENT: IMPORTANCE OF BEING SYSTEMATIC.**

Senior executives pay close attention to their reputations, both personal and corporate. Their understanding of it arises in part from their scrutiny of such sources as media and analyst reports. In addition, they are generally familiar with principal financial stakeholders through analyst meetings, roadshows, and earnings conference calls. Investor relations directors are continually in touch with the company’s financial constituency. The reputational intelligence gained from such encounters, however, is often anecdotal and unsystematic. It is seldom absorbed formally into the company’s knowledge base, so its role in management decision-making is muted.

Because nothing in the sphere of the company’s interest can be more important than reputation, any management would do well to consider that its approach to the subject

should be as systematic and disciplined as its actions in building markets and selling products. It is possible to bring a company's treatment of reputational matters to such a level of objectivity through a formal inquiry – a comprehensive third-party investigation carried out among stakeholders into the components of its reputation. The market intelligence that arises from such a study informs decision-making in all spheres of the firm's activity. And when it comes time to announce decisions, results, or events, the study makes communication more effective by having captured the complexities and nuances of the company's reputation. In the end, it helps the company follow the best communications practice, which says that it should listen before it talks.

The Reputation Assessment can be carried out as part of the Open Perception Study or as a separate, stand-alone exercise. In either variation, it follows the approach described in the "Open Perception Study Proposal" and its addendum entitled "Outline and Commentary."

The Reputation Assessment goes far beyond standard PR or IR surveys that limit themselves to a questionnaire of pre-determined issues. Like them, the Reputation Assessment begins with a questionnaire, but this questionnaire serves as a point of departure for a much broader conversation that explores the full range of each respondent's views. The resulting report provides a comprehensive dissection of the company's reputation. And, because of the nature of the conversations, it usually includes additional issues that were not raised in the questionnaire, but perhaps should have been. In this way it tells the company what it really needs to know. And it suggests strategies for addressing findings that point to areas that need attention.

### *A Few Examples:*

Recent history offers abundant cases in which immense blind spots within otherwise excellent companies have prevented managements from understanding their reputational environment, resulting in business reversals or near-disasters:

Monsanto, in an elaborate advertising campaign during the mid-'90's, said its genetically-modified seed was the cornerstone for feeding the world's hungry. But the company insisted on licensing its genetic technology to farmers rather than simply selling them seed. This marketing technique prevented the farmers from using harvested seed for the next planting, a procedure that had been in use for at least 5,000 years. Outrage against this and other Monsanto practices brought a 5-year European moratorium against genetically-modified crops. Monsanto Chairman Robert Shapiro admitted that his company had fallen in love with its own ideas and failed to absorb the views of its constituency.

For 30 years Huntingdon Life Sciences of the UK had performed animal research for the world's leading drug companies. Much of the testing was government-mandated in accordance with normal drug approval processes. A television program showing the apparent mistreatment of one dog brought a near riot of protesters to the company's facilities. Although Huntingdon apologized and attempted to answer its

critics, the protests grew, and the company soon lost the support of its industry associations, the responsible ministry, advocates in Parliament, and its clients. It was nearly driven out of business. Chief Executive Christopher Cliffe later admitted that he had not taken the first protests seriously enough, regarding the activists as a fringe element whose lack of credibility should have been evident to all.

Misguided assumptions about what should be clear to the public were also key to the cataclysm that hit Exxon's reputation in the wake of the Alaskan oil spill. There is a consensus among informed observers that, within days after the Exxon Valdez dumped its cargo into Prince William Sound, the company began to dedicate every available resource to cleanup and just restitution. But management so misjudged the public mood that it did not, for a considerable time, bother to communicate its plans and actions. "The world should be able to see that we're doing everything we can," was its attitude as reported by one former company insider. Costs of Exxon's failure to recognize that the public did NOT understand its intentions are probably impossible to calculate, and its name is still associated with corporate irresponsibility. In both the Huntingdon and Exxon cases, anger against the company had passed an irreversible tipping point before management recognized the fundamental nature of its problem.

No one could say it better than Rupert Murdoch has recently done. In late 2003, News Corporation was forced to withdraw a lucrative executive options package in the face of outraged investor objections. Remarking on the unexpected outcome, Mr. Murdoch said: "I was surprised that people didn't tell us."

Some of the above presents extreme examples, and it is easy for a company to say: "That's not us." The dynamic principle, however, holds for every company. It is this: All available information about your reputation is worth having.

## CONCLUSION

A company's reputation is the single asset on which everything else depends – from its cost of capital to success in recruiting. Reputation is the first point of reference when potential merger partners assess their level of trust. And it brings the company an essential margin of credibility when the unexpected happens, whether it's adverse media attention, an earnings restatement, an M&A transaction with undesired results, a hostile shareholder initiative, or public challenges over environmental, human rights, or employee issues.

The Reputation Assessment has been created to help managements address such events in the most effective way possible. It is best when the study is carried out before such difficulties appear, giving the company the best preparation for any eventuality. Essential to this is management's awareness that some of the challenges mentioned here, or others, will come regardless of the nobility of the company's intentions, the meticulousness of its compliance, its controls, attention to detail, or efforts to see the future.

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