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HEADLINE: Wall Street Engages Hollywood To Enhance Reputations

BODY:

They call it "Hollywoodisation", those corporates that are starting to look like players of the movie and entertainment industries, vying with each other for the hearts, minds and bucks of consumers.

Mention the "emotional economy" and "economies of soul" and no-one bats an eyelid. Motorola and Microsoft team up with the Rolling Stones and entrepreneurs like Richard Branson are treated like rock stars.

It's a new economy thing. Items you can't see or touch, such as reputation and customer service, are now seen as more valuable in the market place than tangible assets like buildings and machinery. And, while manufactured goods can be evaluated before the transaction, those peddlers of services and ideas can only trade on how well they're regarded. Trouble is, how do you measure the stuff? Lots are trying, but the different techniques inevitably throw up different results and data that's easy to contest. What's more, corporates get huffy when they're told nobody loves them; none of which helps in developing more robust methodologies.

No one disputes that it's better to have a good reputation than not. But even those who think companies have wider responsibilities than economic imperatives can't agree on what it all means.

Take Ralph Nader; more particularly, the financial disclosure form filed by the man who lambasted Al Gore for being in bed with corporate America. The document reportedly shows him owning up to \$US250,000 (\$A480,760) worth of stock in the Fidelity Magellan Fund. Fidelity has a stake in the Halliburton Company, where George W. Bush's running mate, Dick Cheney, worked as president. Halliburton, incidentally, invests big time in such politically incorrect businesses as The Gap - which incurred the wrath and rocks of World Trade Organisation protesters - and Wal-Mart. Fidelity also owns more than two million shares in the defence contractor General Dynamics and 77,080 shares in Raytheon, a major missile manufacturer.

Because notions of reputation can be so woolly, proving they have a positive financial effect can be slippery work.

The "Good Reputation Index" published in this newspaper at the end of October offers a case in point.

In the same week the survey showed that Australia's banks were about as popular as John Howard at a Midnight Oil concert, the big four netted a record \$8.5 billion profits and delivered shareholders

\$5.5billion in dividends. Reputation had nothing to do with it.

Then there is the matter of the weightings you make when you line up players in different industries. How do you compare, for example, the environmental performance of a Rio Tinto, which finished 87.5 on the Environmental Index, with its rigorous environmental reporting program, with, say, a Westpac (19)?

Those who didn't do so well in the Good Reputation Index were miffed at the choice of judges, among whom were Greenpeace, the ACTU and Amnesty International. A rating by Greenpeace on the environment is worth as much as rating of ACCI by the CFMEU," sniffed one business leader.

He offered no comment about some of the other judges, like the Employers Federation of New South Wales, the Institute of Chartered Accountants and the National Farmers Federation.

He was missing the point. Whether you agree with organisations like Greenpeace or not - and there are many environmentalists who claim that Greenpeace sold out long ago - these specialist groups help shape the debate.

The Business Council of Australia plans to approach RMIT with its suggestions for changing the methodology.

The survey was based on the pioneering work of Professor Charles Fombrun, of New York University's Stern School of Management.

Fombrun's Reputation Institute is developing an online corporate reputation survey, canvassing the views of consumers, general investors, employees and boycotters.

His Reputation Quotient tells companies what people think of them on six criteria: financial performance; product quality, innovation, value and reliability; emotional appeal; vision and leadership; workplace environment; and social responsibility, including its stance on the environment and various causes. Results are published in the Wall Street Journal.

Fombrun cites studies suggesting that reputation does pay. One found that, after controlling for financial performance, businesses with stronger reputations for social responsibility carried a higher premium. Another, analysing the net market value added" among the Fortune 500 suggested that reputation index was linked with MVA over and above the company's profitability and cost of capital. There have also been studies tracking the effect of crises on a company's net worth.

Similar rigorous measurement systems developed overseas include the Dow Jones Sustainability Indices which ranks companies for socially responsible investment purposes. These cover such areas as technology creation and use, governance, shareholder relations and management, industry, and social responsibility. They also contain general criteria applicable both to industries and companies in specific industry groups.

A recent Allen Consulting Group report on socially responsible investment found that \$US2.16trillion was pumped into socially responsible investment last year.

In Australia, the comparable figure is estimated at \$1billion The growing market for these types of investment means that this issue is not going to go away. Which makes robust and uniform methodologies all the more important. Even Hollywood glitz needs rigor

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