

# PR WEEK

## A measure of reputation

Julia Hood investigates some of the options for calculating intangible assets

Celebrities complain bitterly about the way the media dissects their daily lives to feed the public appetite. On a weekly basis, gossip magazines assess “who’s hot and who’s not” in Hollywood, based on a wide variety of attributes, including appearance, relationships, film grosses, and fashion sense. The impact of these informal rankings can be significant, as a fickle audience is quick to reject a falling star and embrace the next big thing.

Corporate America faces a similar level of scrutiny. Virtually every week, US companies are ranked according to a range of factors that lead to the assessment of their “corporate reputation.” *Fortune* magazine and Harris Interactive, for example, compile two of the most eagerly anticipated rankings on reputation, or as *Fortune* puts it, “Most Admired Companies.”

But do organizations like Wal-Mart grow as weary as celebrities at seeing their virtues held up for examination? Not likely, as this kind of research, if undertaken by the corporations themselves, is often expensive. What’s more, objective third-party analysis of a company’s image can be extremely valuable because of the kind of credibility those on the outside naturally bring.

Joy Marie Sever, SVP at Harris Interactive, has worked with the Reputation Institute on annual corporate reputation surveys since 1999. She says prior to that time there was a need for this sort of information in the market. “The reaction told us this was something that companies were eager to see.”

### What’s in a list?

For many companies, topping a Harris survey or a *Fortune* list does not mean they’ve achieved a universally recognized standard of reputation – or that they’ve discovered a magic formula that can be replicated year after year. The truth is, measuring corporate reputation is not an exact science.

“We define it by the many intangible assets that a company has,” says Ellen Kelly, MD of Ratings Research. “The other challenge is that it differs by industry. What defines Wal-Mart’s reputation is not the same as what defines a pharmaceutical company or a power company.”



SUNRISE ALEXIS WINBURN

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For every industry differentiation, there are as many methods for assessing corporate reputation. No specific standard exists, but as reputation continues to gain traction as a quantifiable intangible asset – something companies may want to report on their balance sheets – the more important it becomes for companies to discover their place in the world.

“It’s a function of what you are trying to measure and who you are using for measurement criteria,” says Harlan Teller, chief client officer and president of the worldwide corporate practice at Hill & Knowlton. “Various research studies are targeted at different types of audiences.”

Marianne Eisenmann, MD of Echo Research North America, points out that whether a company resides in the b-to-b or b-to-c space is a key consideration. “In a b-to-c environment, reputation is driven by consumers’ direct experience with the organization: buying and using its products, visiting its

stores, and dealing with its employees.” Measuring the reputation of b-to-c companies, she says, requires determining which stakeholders are the most powerful influencers of reputation. “Researchers have to sort the real reputation drivers from the pack, and find ways of leveraging them.”

Companies such as Biz360 take a media-based approach to corporate reputation, aiming to support the company’s objectives by offering a tool that will help track messaging, publication bias, and key competitors in each market, among other factors. One of Biz360’s values is that by demonstrating how effectively the messaging penetrates the media, the company can assess not only its reputation, but also its return on PR investment.

Facing an unprecedented level of media interest, US corporations are continuing to look to outside vendors, consultants, and PR firms to analyze their image, based on a range of criteria. Independent research, combined with

the annual studies and surveys that pop up whether companies want them or not, offers a more complete picture of where a firm stands in the hearts and minds of its key stakeholders.

### The Wal-Mart way

For Wal-Mart, the process began back in March 2001, according to Jay Allen, the company’s senior vice president for corporate affairs. Allen commissioned Fleishman-Hillard to produce what he calls a “modest reputational study” to show Wal-Mart’s board of directors. “I presented that to them and they were extremely interested,” Allen says. “Their biggest pushback was that they wanted more.”

As it turned out, the report only whetted the board’s appetite for information. Allen reflects that Wal-Mart over time has become a lightning rod for so many issues, both positive and negative. The retail giant was getting, and still gets, approximately 600 media calls a week on a range of issues. It was

clear that in order to be more strategic in communications, information on reputation and how the company was hitting its messages with key audiences was crucial.

However, the initial report raised more questions than it answered. "It showed something that was an apparent disconnect," Allen explains. "We got pretty good marks from people on our charitable giving, but at the same time didn't get good marks for being involved in the local communities." When asked by a board member to explain that result, Allen did not have an answer at that time. "I was in the difficult position of saying, 'I really don't know,' because the report didn't go that deep." He subsequently commissioned a more in-depth study be done by Fleishman.

### Defining the factors

There is a wide range of methods and metrics available, and as many companies executing them. Some focus on media analysis, others on employee and customer surveys, and many will combine a range of factors. Ratings Research, for example, compares between 30 and 40 key attributes of companies within industries, and interviews executives and analysts in that industry. The firm assigns a rating to each company that is similar to a Moody's or stock recommendation rating. Wal-Mart, for example, was recently favored with an AA rating. "These are the people who are really knowledgeable about reputation," says Kelly, explaining the research pool. "We feel that executives have the inside information about this industry, and are able to give some early reads as to what will happen. Things a consumer might not know, the executives will know."

The work of the Reputation Institute (RI) has informed much of the most highly regarded corporate reputation analysis. This organization was founded by Professor Charles Fombrun from New York University's Stern School of Business and is dedicated to thought leadership on corporate reputation and its measurement.

Together with Harris Interactive, the RI developed the Harris-Fombrun Reputation Quotient. The RQ identifies the drivers of corporate reputation as emotional appeal, vision leadership,

products and services, social responsibility, workplace environment, and financial performance.

The annual RQ Gold study, whose results are published each year in *The Wall Street Journal*, has two phases: nomination and rating. Ultimately, more than 20,000 randomly selected respondents give detailed ratings on one or two companies from a pool, based on the nominations, on those six key attributes. Johnson & Johnson topped the list for 2001, with Wal-Mart coming in 17th.

Measuring the response of the public is considered essential. "The general public, in terms of its support of behaviors, includes everything from purchasing products and services, to recommending them, to speaking positively about them," Sever explains.

Sever says understanding a company's business objectives is crucial to accurately measuring its reputation. "Whatever that company is trying to achieve, its reputation likely plays a role in achieving that goal," she says.

Delahaye Medialink, in conjunction with the RI, has completed a "Reputation Index Report" covering the period between January and June 2002. The study is based on the RQ, and as the core of its research, the firm analyzed media coverage of the 100 largest companies in the US, looking at some 250,000 news stories, according to variables such as prominence and tone.

K.C. Brown, VP of research at Delahaye Medialink, says examining the top 100 corporations offers an opportunity for evaluating how companies compare with each other strictly on reputation, pointing out that competition is not restricted to specific industries. "Wal-Mart and Walt Disney are very different," Brown explains. "A Disney store doesn't really compete with a Wal-Mart store, but they do very much compete for reputation."

### Lessons learned

Wal-Mart takes seriously the need to evaluate all these factors when looking at its corporate reputation. Robert

Pierce, SVP and senior partner, and David Geddes, SVP and partner, worked closely together to develop a clear understanding of what the most important attributes of Wal-Mart are to key stakeholders. "Wal-Mart has realized that reputational attributes vary depending on which audience you're talking about," Pierce explains.

One of the most telling revelations was that core brand attributes such as low cost and convenience were not drivers of the company's reputation. "Whether those asked like or don't like Wal-Mart, they will concede that it has low prices. That's not a differentiator on reputation," Geddes explains.

The effort's importance isn't lost on Fleishman's client. But Allen says the most crucial feature of the work was to identify how a company can act on the research. "It was vital that this research be actionable, not just a binder with a bunch of data that sits on a credenza," Allen says. "We didn't want some esoteric, top-line academic compilation of information."

## The methods and the measurements

### RATINGS RESEARCH

#### Wal-Mart's rating: AA

Ratings Research bases its grades on the measurement of between 30 and 40 attributes of each company. Interviews are conducted with executives and analysts in that industry, and compared with competitors. A committee takes the analysis and assigns a rating. Key reputational dimensions include market responsiveness, financial stability, ethics, strategic investment, differentiation, loyal customer/community, workforce diversity.

### FORTUNE MAGAZINE'S MOST ADMIRABLE COMPANIES 2001

#### Wal-Mart's rank: No. 3

Hay Group consultancy looked at the 10 largest companies according to revenue, across 58 industries. Then 10,000 executives, directors, and securities analysts rated the companies in their own industries according to eight criteria: innova-

tion, financial soundness, employee talent, use of corporate assets, long-term investment value, social responsibility, quality of management, and quality of goods and services. For the top 10 list, respondents were asked to select the ten companies they admired most.

### HARRIS INTERACTIVE'S RQ GOLD 2001

#### Wal-Mart's rank: No. 17

For the nomination phase, more than 10,000 respondents were interviewed online and by telephone. They were asked to name two companies that stand out as having the best and worst reputations overall. A final list of the 60 most visible companies was based on total nominations, and 21,630 randomly selected individuals were asked online to perform detailed ratings of one or two companies with which they were "somewhat" or "very" familiar. Attributes included

products and services, financial performance, workplace environment, social responsibility, vision and leadership, and emotional appeal. Each company was rated by an average of 600 people.

### DELAHAYE MEDIALINK'S REPUTATION INDEX REPORT

#### Wal-Mart's rank: No. 1 in net effect of positive coverage

Using the Harris-Fombrun Reputation Quotient as a guide, the firm worked with the Reputation Institute to develop the Media Reputation Index. The index looks at news coverage of the 100 largest US companies, analyzing more than 250,000 news stories that were published or aired. Attributes included products and services, financial performance, workplace environment, social responsibility, vision and leadership, and emotional appeal. Key measures include prominence and tone of the company in the story.



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