The 18 Immutable Laws of Corporate Reputation

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The 18 Immutable Laws of Corporate Reputation
By Ronald J. Alsop
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Everything an individual or company does or produces contributes to its reputation. Reputation is an intangible asset, but a very important one. In some ways it is even better than having money in the bank, but not as easily quantified.

A good reputation is its own advertising and quality seal. It can engender loyalty in customers that can cross several generations and time zones. A good reputation can bring in more customers in the good times, and be a protective buffer in the bad times.

The author has delineated what he calls the, "18 Immutable Laws of Corporate Reputation." This book holistically deals with the topic of reputation management in three parts: establishing a good reputation, keeping that good reputation and repairing a damaged reputation.

Law One: Maximize Your Most Powerful Asset
Reputation is an intangible asset yet it is arguably the most valuable asset to manage and maximize. A good reputation can attract and keep customers, investors, and employees. Because of this, a good reputation is like a reservoir of good will (towards the company) to help it weather bear markets, scandals, or natural crises. Conversely, a lost or damaged name can scar a company and provoke boycotts or drive off new capital.

Law Two: Know Thyself – Measure Your Reputation
Before you can manage your reputation you must first measure it and keep score. Measuring reputation is easily done through standard public opinion or market studies; but as each corporation has different stakeholders (target markets, shareholders, etc.) it is necessary to customize. Less than half of corporations have custom research programs. There are no clear methodologies so it is important to identify the stakeholders (from local to global) and the relevant attributes or quantities to be measured: the same company may rank differently in different surveys/studies.

Law Three: Learn to Play to Many Audiences
No company is an island. Everyone has opinion on everything. You can never please everybody. Stakeholders are everybody involved with the corporation. The group is as diverse as: customers, employees, investors, market analysts, shareholders, government, special interest groups, local communities, retirees, etc. Know who are important and play to them. It is helpful to think of stakeholders in terms of a hierarchy or, graphically, as a pyramid with the most influential at the peak and others following in descending order. However, it is important to keep in mind that stakeholder influence is a dynamic relationship and the same model or model is not necessarily applicable to other markets/locales.

Law Four: Live Your Values and Ethics
Studies of America's largest companies show that a strong reputation for moral and ethical conduct performed better financially in terms of their returns on investment and equity, and their sales and profit growth. One study cites that on average the excess value beyond shareholders' investments comes up to $10.6 billion more than companies without a clear code of ethics and supporting behavior.

Law Five: Be a Model Citizen
At Timberland, social responsibility is an integral part of the company's identity and is a significant component of its reputation. Aside from activities like monitoring their contractor's overseas facilities, improving energy efficiency at facilities, and minimizing chemical wastes; they encourage volunteering for community service by considering it as paid leave.

Law Six: Convey a Compelling Corporate Vision
What is this corporation trying to do? That is the question answered by the Corporate Vision and the guiding principle of its leaders and personified by the CEO. The vision and the leaders motivate the stakeholders, who in turn have enormous impact on reputation.

Law Seven: Create Emotional Appeal

Emotional appeal is difficult to quantify or define; but it is what engenders passionate customer loyalty and strengthens reputations. It is mostly shaped by the sum of people's long-term interactions with the company's employees, products, services, and even advertisements.

Establishing emotional appeal is more than just satisfying customers. It is also about getting the customer to identify happiness or contentment with the product. In the fast paced electronic world it is also helped by a personal touch or special treatment.

Law Eight: Recognize Your Shortcomings
Examine your reputation and assess if your current business practices still build that reputation. Only by first recognizing discrepancies and problems can you take steps to fix them. The sooner you come clean, the sooner you can fix them and do “damage control” before it reaches a crisis situation.

Law Nine: Stay Vigilant
Damages to reputation can happen suddenly and over time. Managers must be vigilant and act quickly on either instance because both can be equally damaging and have long-term effects. Someone should always be watching… and thinking. In the age of the Internet even local news can be known globally in minutes. But not all news is true news. A sudden or instinctive and unconsidered response (like an inadvertent admission of guilt with an apology) is just as potentially damaging as doing nothing in the hope a situation will abate.

Law Ten: Make Your Employees Your Reputation Champions
Employees are the first direct contact between a corporation and its customers. Naturally, employee behavior has a large impact on the company's reputation both on and off the job, from how they service the customer to how they talk about the corporation with friends, relatives, etc.

Law Eleven: Control the Internet Before It Controls You

The World Wide Web is an extraordinary tool and can be a boon or bane to your reputation. The World Wide Web has no regulatory body to separate the truth from the lies. It is estimated over 730 million people are able to interact with each other – by 2006 it could be over 1 billion.

Surprisingly, a survey by Hill & Knowlton and Chief Executive Magazine found 16% of companies monitor the Internet closely, 39% check it periodically, and 43% don't bother.

Law Twelve: Speak with a Single Voice
Corporations allocate major funding towards building their brand. As a corporation grows and diversifies its products, there is a tendency to stray from the corporate brand. The result of this is weakening of the corporate brand and weakening of their reputation. A startling example comes from IBM, which in 1993 had more than 800 different logos!

Law Thirteen: Beware the Dangers of Reputation Rub-off
There is a saying that goes, “Birds of the same feather flock together.” When two or more corporations enter into a partnership or work together; their reputations may be attributed to each other. Sometimes this is desirable and is intentional. It is important to keep in mind the intention doesn't necessarily translate to the desired effect.

Law Fourteen: Manage Crises with Finesse
No one and no corporation is immune from crises. Crises can be in due to corporate transgressions, natural calamities, malicious intent, a private remark taken out of context, etc. The most critical period to reputation damage control happens in the first few days. It is the tendency of companies to go quiet. This is a mistake because critics will quickly use the time to give their worst-case scenario and put out a negative spin. The corporation should quickly gather all the facts then make a public statement. The first statements must be swift and sure. A mistake at this time will taint all other succeeding statements. Customers and/or the public need to be assured the right and responsible action is being taken.

Law Fifteen: Fix It Right the First Time
There are many ways a company can try to fix its reputation. Some companies may try put on a fresh image by reinventing themselves with a refocused vision or business restructuring. Other companies will try reworking an old formula. Others still will be working against their successful, dated reputation that actually holds them back from making a more contemporary image. But it is not enough to want the change. The leader is key. The leader has to be dynamic and focused to guide the company along the new way and against old habits or instincts.

Law Sixteen: Never Underestimate the Public's Cynicism
People have become more wary of companies. Claims and statements are normally met with skepticism. Debacles like Enron have worsened the loss of confidence Better communications is key to improving relationships. One company's standard “no comment” response affirmed the public's belief of their guilt. A better relationship could mean winning concessions for the company's interests with favorable legislature or more community support.

Law Seventeen: Remember – Being Defensive Is Offensive
People appreciate forthrightness and contrition. Being defensive is more likely to offend them. The public needs to hear an apology and needs to know what is being done to end the crisis. Often the best way to diffuse a crisis is with a timely and sincere apology.

Law Eighteen: If All Else Fails, Change Your Name
Sometimes the best way to get rid of a bad reputation is to build a new one with a new name. But name changes shouldn't be entered into lightly. The large expense aside, a name change is confusing and causes loss of brand equity. You could lose all the good, and you're not guaranteed to be free of the bad. At the very least, a new name opens the possibility of people willing to hear a new message.