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The Reputational Intelligence Reward

Authenticity can give your company a competitive edge.
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Tom Hanks knocks on the door of an isolated ranch house, trying to deliver an unopened package he has guarded for four years while marooned on a South Pacific island. Even as a movie scene, his character's extreme devotion to duty might seem laughable. But it worked with audiences because they saw the behavior as authentic: Hanks' character worked for FedEx.

The film *Cast Away* came out in 2000, at a time of dramatic change for FedEx. A series of acquisitions and aggressive global expansion were transforming the company's business focus from express delivery to a full-service ecommerce, logistics, and transport organization offering a broad diversity of shipping services by speed and size and, later, office supply services as well.

External stakeholders questioned whether we could evolve from a "one-trick pony" into an efficient solutions provider or execute on our growth initiatives effectively. Internally, we faced the imperative of creating a unified culture among veteran Federal Express employees, team members from acquired companies and new hires in expanding markets.

It was then, some 10 years ago, that we decided to develop something we call "reputational intelligence" - treating reputation as a valuable business asset distinct from brand, yet complementary to it, and rigorously managing that reputation asset. We are sharing aspects of that experience now because we believe reputational intelligence has become a "must-have" for companies today.

Maximizing the business value of a company's reputation requires embedding reputational intelligence in the C-suite. Company leaders must have a deep understanding of the power and influence of a company's emotive behaviors - intangible values embedded in the culture of the company and consistently reflected in the actions of employees. They must also appreciate the ways culture-driven values can instill trust, admiration and respect among stakeholders. When a company is governed with reputational intelligence, these emotive behaviors take their place alongside traditional functional behaviors such as price, quality and convenience.

To be clear, reputational intelligence requires either a strong, positive existing corporate culture or the determination of C-suite leaders to build one. They must recognize that every action of every employee potentially contributes to the company's reputation, either pro or con. They must champion programs that not only help employees understand this, but also empower them to act positively on the company's behalf and recognize them when they do. In this way, reputational intelligence can permeate an entire organization. Further, it aligns a company's workplace with its marketplace, strengthens the experiential components of the company's brand and gives consumers an increasingly desired feeling of having a closer relationship with the company.

Companies with high reputational intelligence recognize that reputation considerations today are an inherent part of the fabric of business, not a "bolt-on" for PR or HR to deal with after business decisions have already been made. Reputational intelligence requires:

- Understanding the clear distinctions between brand and reputation;
- An existing or developing positive corporate culture;
- Rigorous application of business tools such as research to track distinct aspects of your reputation; and
- Continuous commitment by the board and C-level executives to treat the company's reputation as the high-value asset it is and manage it proactively.

Brand ≠ Reputation, But 1+1=3

Early on, when we strove to gain a clear understanding of distinctions between brand and reputation through attitude research we found that influencers most often view brand as what a company sells and reputation as what a company stands for. Clearly, what a company stands for has a significant impact on influencers' decisions to buy. More than two-thirds of respondents agreed that "companies have a responsibility to do more than just offer a great product at a good price." And one-third agreed with the statement, "Even if they offer a quality product at the right price, I won't purchase from a company if I don't agree with the company's values and actions."

Both brand and reputation are valuable business assets, but while brand recognition can be bought to some extent, reputation must be earned. Brand value relates largely to customers, while the value of a reputation is determined by a range of stakeholders, including employees, customers, influencers who aren't customers, shareholders and government.

While it is important to recognize the distinct differences of reputation and brand, it is equally important to understand the complementary nature of the two. A company's reputation brings its brand to life. A company's brand can frame its reputation and predispose stakeholders to expect positive behaviors from the company and its people. Managing the two in a holistic way is a 1+1=3 proposition. Managing them independently forfeits the benefits from that effect.

Reputation and brand constitute major contributors to goodwill, which, according to Goldman Sachs, comprised 10 percent of the total assets of S&P 500 companies in early 2009. But accounting changes mean that goodwill can no longer be amortized over many years; it must now be tested annually for impairment. "In a market system based on trust, reputation has a significant economic value," Alan Greenspan, former chairman of the Federal Reserve, recently noted. "I am therefore very distressed at how far we have let concerns for reputation slip in recent years."

A strong corporate reputation improves employee recruitment and retention, deepens customer loyalty and facilitates a "license to operate" in both new and existing markets. We at FedEx have found that many investment decisions are made on intangibles, where a strong reputation becomes a buying factor.

Consider the financial results of companies on the 2010 *Fortune* "Most Admired Companies" list, the definitive report card on corporate reputation. According to research by investor relations firm Joele Frank, Wilkinson Brimmer Katcher, the 50 companies in the list enjoyed an average price-to-earnings multiple more than 40 percent higher than the average of S&P 500 companies over the last 10 years. And "Most Admired" companies' total shareholder return was almost 9 percent higher on average than for S&P 500 companies over that 10-year period.

Ten Years and Counting

FedEx started its journey toward reputational intelligence on the bedrock of an amazing corporate culture. On this foundation, we began embedding reputational intelligence in its business by commissioning a reputation audit to understand the state of the company's reputation and the components that contribute to it, positively and negatively. Armed with the results of the audit, we constructed a strategy and organizational framework to methodically build reputation capital, with supporting accountability measures and research metrics.

Our strategy regularly evolves to reflect both changes in our business and in the values and attitudes of our stakeholders, but it is based on six reputation pillars: emotional appeal, products & services, financial performance, social responsibility, workplace environment and vision & leadership. After conducting an initial reputation audit across these six pillars to see how we were perceived by stakeholders, we then evaluated our business. Were there areas where stakeholders' perceptions didn't match the reality of our actions? Were there areas where we could do more to meet stakeholder expectations? We followed Socrates' dictum: "The way to gain a good reputation is to endeavor to be what you desire to appear."

We continue to track our company's actions in relation to these six pillars to ensure we are - and appear to our stakeholders to be - acting responsibly as a business and providing both excellent products and services to customers and a great place to work for team members. But we also strive to convey a broader vision about what our business does, and stands for - the role it plays on the global stage.

Over the 36 years of the organization's existence, Fred Smith has constantly reminded his team that FedEx represents far more than a company that revolutionized the package delivery business with breakthrough technologies and hyper-efficient networks. It is a company that changes what's possible for our customers by providing them efficient access to new markets worldwide. We have shared this broader vision with customers and influencers for years, but we have taken it a step farther of late. We have forged a public platform called Access by combining research we commissioned from SRI International with the insights we gain from our unique vantage point as a bellwether of the global economy and a connector of creative customers around the world.

Our goal with Access was to help both external and internal stakeholders understand that FedEx is about more than moving boxes. The Access platform explains how the combination of new technologies and the spread of virtual and physical networks - not only ours - enables people around the world to enjoy a better quality of life.

Access deepens our conversations in new and expanding international markets where there is limited preexisting knowledge of FedEx. Collectively, these markets, led by China and India, represent the company's primary growth engines for decades to come. These are markets whose policy makers often have strong influence over our license to operate. Connecting with them requires a different approach to connecting than traditional marketing can provide. The open dialogue we encourage around Access builds trust with and demonstrates authenticity to these newer audiences.

On the internal side, we have developed a program called "The Purple Promise" that codifies our culture. It is summed up in the pledge our team members embrace: "I will make every FedEx experience outstanding." A framework for ongoing communications and a performance recognition channel, this pledge is rarely used with external audiences - it is a way to bring the family together, rather than to reduce customer service to an advertising slogan.

These initiatives are synergistic. When people are proud of what they do, they are more likely to take ownership of their work and put forth discretionary effort. This extra effort becomes a key differentiator for the business.

The Reputational Imperative

With the proliferation of one-to-many and many-to-many Internet communications channels, coupled with the rise of opinionated commentary in these new media forums, reputational intelligence is increasingly important. Warren Buffett's observation is more applicable than ever: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

In recent years, stakeholder expectations of corporations have clearly grown, even as public trust in corporations has withered. There is, simply, a reputation imperative today.

Embedding reputational intelligence in the C-suite is perhaps the most important single action a company can take to meet today's high shareholder expectations of a corporation, especially at this moment when public trust in business is low. As FedEx did a decade ago, company leaderships can understand the current state of their organization's reputation by commissioning a reputation audit across the six reputation pillars: emotional appeal, products & services, financial performance, social responsibility, workplace environment and vision & leadership.

Reputational intelligence programs must be based on an authentic belief that corporate culture is a foundational element of a good reputation, and that committed employees are the best ambassadors a company can have. C-level executives must recognize that employee daily actions are the building blocks creating the façade of their corporations in the public's mind, and ensure that their recognition and reward systems honor desired employee behaviors that reinforce the desired culture.

Next, the C-suite must endorse a reputation strategy that creates an organizational structure to execute against it; with new measurement systems included so senior management can hold teams accountable for results. This is a necessary change from the typical method of addressing reputation issues in piecemeal fashion, a siloed approach that allows too many potentially reputation-damaging corporate decisions to be implemented without a clear understanding of the implications.

C-level executives must also realize that reputation management is fundamentally about driving behavioral change throughout the company. Successful reputation programs, like winning teams, need both a good offense (building a reservoir of trust and respect) plus a strong defense (issues and crisis management). Desired behavioral change can be measured in four ways:

- Measuring recruiting and retention (workplace) and customer loyalty (marketplace)
- Word-of-mouth favorability (new metrics around viral campaigns and digital outreach, especially relevant to building reputation among younger audiences)
- Benefit of the doubt from key stakeholders in moments of crisis (could include product recall, public hearings, disaster recovery, etc.)
- "You're allowed in my backyard" (public affairs/community relations component of a license to operate when entering new markets)

While it is important to have the entire leadership team aligned around reputational intelligence, the CEO himself or herself should take the informal title of chief reputation officer. CEOs who clearly set expectations of the leadership team, measure against those expectations and personally model the desired behaviors will effectively embed reputational intelligence far faster and deeper into the organization than would otherwise be possible.

For a successful outcome, reputational intelligence has to permeate an organization thoroughly. All employees must feel they have a role to play in building and maintaining their company's reputation. A classic example is the Johnson & Johnson credo, which has been universally inculcated across that company for decades. But reputational intelligence can in fact be built within a few years so long as C-level commitment is deep, consistent and sincere and team members at all levels are treated as full partners in the endeavor.

Driving Dialogue

As crucial constituencies go beyond brand and focus increasingly on reputation in their evaluation of companies, CEOs who don't respond run the risk of seeing their brand become increasingly diluted. A strategy of building brand by focusing primarily on buying controlled messages in traditional media channels is no longer optimal. Companies are now inviting customers to create their ads, the antithesis of traditional Madison Avenue culture. Similarly, a strategy of containing customer complaints is no longer feasible amid ubiquitous public feedback mechanisms. More and more companies now invite customers to comment, pro and con, on existing products. These developments underscore the value of authenticity, transparency, candor and empathy in a company's operation.

The days of relating to stakeholders through a monologue are gone, never to return. Companies cannot buy their way out of reputation problems by running warm and fuzzy ads or stonewalling antagonists. As companies like Wal-Mart have found, inculcating reputation intelligence into decision-making and exchanging monologue for dialogue can move the needle in the right direction quickly, even after major reputation setbacks.

By understanding the bottom-line benefits of authenticity, transparency, candor and empathy - and by assuming the responsibility of chief reputation officer, CEOs can parlay the synergy between brand and reputation to help their company excel in this new environment of increased scrutiny and skepticism among stakeholders. Properly implemented and supported at the C-level, reputational intelligence can, over time, convert a company's reputation into an enduring asset providing a sustained competitive advantage.

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