How much credibility do you have?

Maybe not as much as you think.

The fifth in the series of strategic marketing white papers by Hiebing, an integrated brand development and marketing firm

Abstract: Associate professor of business ethics at Fordham University's business school, Kevin T. Jackson, said, "Reputation is the primary attribute of commercial relationships. If there is no trust, there's no deal, period."[1] If so much rides on credibility, why do more than a third of all Americans believe that the Enron scandal is representative of many or most American corporations? The public has grown weary of corporate scandals and trust is at an all-time low. But smart companies are turning things around by making credibility a priority.

Credibility cost Martha Stewart millions. Richard Strong and Strong Investments, $140 million. Exxon, over a billion dollars and still counting.

The barrage of corporate scandals in the past few years is making many people angry. Harris Interactive and the Reputation Institute, a New York–based research group, found that consumers are "furious" at the 60 companies in its 2004 ranking. Three-quarters of the survey respondents graded the image of big corporations as either "not good" or "terrible."[2]

If you're a corporate manager, you are being splashed by the mud from these and other corporate debacles. The public assumes you are a greedy, egotistical money machine out to rule the world.

Based on Jackson's study of companies like Hewlett-Packard, Northrop Grumman and Levi Strauss, he points out that a strong reputation "draws repeat business, allows firms to charge higher prices, attract better job applicants, enhance access to capital markets, attract investors and function as a barrier to entry into markets."

So, how good is your credibility? Do your customers perceive you to be honest and forthright? Could your business survive a corporate scandal or business catastrophe?

These are questions many chief executive officers, finance directors and risk managers are asking. Presently only 22 percent of companies are likely to have developed risk management strategies to protect the massive investment in and assets of brand and reputation.[3]

These companies understand that no entity can trade without its reputation, and the loss of global goodwill through business practice or catastrophe can be devastating.

This white paper may bring to light some signs that your credibility might be in jeopardy. You will also discover that it is possible to turn things around and be considered a high-trust, high-performance organization.

Read on to learn why, even today, Abraham Lincoln teaches us what really matters. "Character is like a tree and reputation like its shadow. The shadow is what we think of it; the tree is the real thing." Lincoln understood that the real thing—who we are each and every day—is the only way to generate trust and, ultimately, credibility.

Credibility Erosion Signs

1. Employees, customers and suppliers give you the cold shoulder.

There are really two components to instilling credibility for your company. You have significant control over the first—your own actions as a leader. The second is more difficult and has a substantial impact on how your company is perceived: how do your employees interact with your customers and suppliers? Have you been paying enough attention to these interactions?

Breaking trust can happen in many ways. Invoices paid late may mean steeper contractual requirements or late shipments. Quality issues that lead to recalls can also result in lost consumer confidence and significant legal challenges. Employees learning about corporate issues through the media or other sources breeds discontent and resentment. All break trust and add risk to your company's reputation.

Corporate executives are only deceiving themselves if they believe that financial performance alone drives stock price. Today, more than ever, effective communications and ethical actions play a critical role.

2. You're spending money trying to communicate your way out of bad behavior.

Communications is a critical component of a total risk management strategy. In public relations, it's well known that the best issues or reputation management programs are in place long before anyone needs them. But, when it comes to reputation, one fact is indisputable: you cannot communicate your way out of a situation you've behaved your way into.

Joy Sever, senior vice president at Harris Interactive, said, "Too many companies think they can simply advertise their way out of a bad reputation." Reputation repair is a very slow, tedious process—one that many companies can't get past.

Case in point—Exxon. In the early 1990s, The Crandon Mine, a subsidiary of Exxon, attempted to establish a zinc mine in northern Wisconsin. The company invested millions of dollars in environmental studies, community and government relations programs over many years to overcome the connection to Exxon and focus on the economic benefits of the project, yet many environmental groups, consumers and the media continued to call it "The Exxon Mine." Even after the property was sold to a new entity with no ties to Exxon, the public was convinced that "The Exxon Mine" was a bad risk and the project was eventually abandoned. The 1989 Exxon Valdez incident in Alaska continues to raise credibility questions for the company and its subsidiaries to this day. Exxon Mobil is financially robust, but its continuing fight over punitive damages in the oil spill keeps the environmental disaster fresh in people's minds. In January 2004, a federal judge set punitive damages at $4.5 billion, plus interest, for the incident.[4] Exxon Mobil again vowed to continue fighting the decision. The 1989 incident will continue to live on in the court of public opinion until the company demonstrates a desire to take responsibility for the incident.

3. Individuals in your company believe the end justifies an unethical means.

Ethics is, indeed, a loaded word. But in the eyes of employees, investors, suppliers, clients and the public, honesty matters. Unethical behavior by an individual or others is a cancer that has given a black eye to corporate America.

Consider Richard Strong, formerly of Strong Mutual Funds. According to the *Chicago Tribune*,[5] illegal trading cost Richard Strong $60 million in penalties from the Securities and Exchange Commission. He was also

banned for life from the securities industry, and his company, Strong Investment Company, was given a penalty of $80 million.

Warren Buffet said after the 1991 Solomon Brothers U.S. Treasury bond trading scandal that trust is like the air we breathe. When it's present, nobody really notices. But when it's absent, everybody notices."

Ethics and credibility can be a huge asset—the lack of them is an insurmountable liability.

4. There just isn't time to deal with reputation management.

Some executives believe that addressing credibility issues takes time they don't want to spare. A 2002 *Wall Street Journal/NBC News* survey showed that more than 30 percent of people believed that the Enron scandal was representative of many or most American companies. Do you have policies in place that protect your reputation? It's possible that one in three people you depend on for your success may believe you're the next Tyco, Arthur Andersen or WorldCom.

The Harris-Fombrun Reputation Quotient (RQ) is an assessment tool that captures perceptions of corporate reputations across industries and among multiple audiences. It looks at Social Responsibility, Emotional Appeal, Products and Services, Workplace Environment, Financial Performance, and Vision and Leadership.

The RQ quotient is just one tool companies can use as a credibility barometer. Quantitative and qualitative research can also be important tools to help you understand how others perceive your company. There are also seminars and conferences that specialize in reputation management. Many companies, large and small and from a wide range of industries, are realizing that between 65 percent and 80 percent of the value of today's companies is tied up in intangible assets, rather than physical plant, property, machinery and stock.[6]

5. Are you the only one who knows your vision statement?

According to Douglas K. Smith, management consultant and author of the book *On Value and Values*, lack of deliberative context is often a cause of a lack of trust. The old saying, "never assume," applies here because failing to communicate or live your vision and values may be responsible for a credibility gap in your company.

A simple credibility/ethics audit will help you find any disconnects that may be impacting your credibility. Bad behavior or perceptions, unlike wine, do not get better with age. Once you've accurately identified a problem, act quickly. It's important to remember that trust is built over time, so make sure your processes are sustainable and flexible.

Earned Credibility Reaps Countless Corporate Benefits

So how do you earn the trust of your employees, customers and shareholders? It all starts with doing what you say you will do. It demands acting with honesty and integrity at every turn.

In July 1995, an explosion rocked an oil refinery near New Orleans. The refinery, owned by Murphy Oil Corporation, was surrounded by residential neighborhoods. The company had worked hard to develop positive relationships with the community prior to the incident. Through its employees, it developed a volunteer recognition program, honoring the efforts of everyone who helped make the neighborhood a better place to work and live.

Equally important, Murphy Oil invested in a comprehensive crisis communications program. The program included employee, media, business and community relations components. Numerous full-scale and partial drills ensured that everyone knew their roles when a real emergency situation occurred.

Within seconds of the explosion, the emergency communications program was put into action. Employees, neighbors, business owners, government representatives and the media all received timely updates.

Two weeks later the company received a letter from one of the New Orleans television reporters covering the incident, thanking Murphy Oil for

being forthright and allowing them access, something other companies had failed to do in similar incidents. Because the company was prepared and did the right things during the crisis, it gained additional respect from the community, its employees and the media.

Honda Motor Company is another company that understands the importance of credibility. The Harris Interactive study found that the Japanese company fared especially well in its ratings for corporate sincerity, quality of workplace, trust, admiration and respect. In October 2004, Honda received its fifth consecutive top ranking by J.D. Power & Associates for customer satisfaction.

There are good business reasons why companies are beginning to look at credibility in a new light: our market system, fundamentally, is based on trust. Companies with a stronger reputation have higher intangible wealth, significantly higher return on investment, lower debt to equity ratios and higher five-year growth rates than less reputable peers.[7]

1. "Five Ways to Get Into the Minds of Marketers," *The New York Times,* March 21, 2004.
2. Ronald Alsop, "Corporate Scandals Hit Home," *The Wall Street Journal,* February 19, 2004.
3. "Five Ways to Get Into the Minds of Marketers."
4. "Insurance/Reinsurance: Safekeeping," *The Lawyer,* April 5, 2004, p. 33.
5. Robert Manor, "Wells Fargo to Take Over Strong Mutual Funds," *Chicago Tribune,* May 26, 2004.
6. "Insurance/Reinsurance: Safekeeping."
7. Fombrun and van Reil, *Fame & Fortune,* 2002.

Roman Hiebing Founder/CEO/Partner

Roman Hiebing loves to grow businesses. After launching his advertising career at Leo Burnett in 1968, Roman founded the Brat & Brau Restaurant chain and went on to serve as president of Stephan & Brady Advertising from 1976–1981. At that point, with zero billings and seven employees, he launched Hiebing. He leads marketing planning seminars in partnership with the *UW-Madison Executive Education Program, Inc.* magazine and The American Marketing Association. From AAA to Zenith, over 500 businesses have attended his coast-to-coast seminars. He is co-author of five best-selling marketing planning texts. The only thing Roman likes to grow more than businesses is people.

Barbara Hernandez Public Relations Director/Partner

Barbara Hernandez is passionate about public relations. With close to 25 years' experience, she brings a wide range of expertise to her work. She has developed and implemented award-winning strategic communications campaigns for many challenging industries. Barb has developed hundreds of successful programs in all areas of the public relations realm, including media relations, community relations, investor relations, industry relations and employee relations. Her client experience includes: Orkin, Inc., Fiskars Brands, Inc., UW Colleges, Everpure, RainSoft, Wisconsin Department of Workforce Development, The Petroleum Marketers of Wisconsin/Wisconsin Association of Convenience Stores, Spacesaver, Wisconsin Public Service Corporation, Kalahari Resort & Convention Center, Marcus Corporation, Monona Terrace & Convention Center, Raynor Garage Doors, Foley & Lardner and ThedaCare. A seasoned professional, she received accreditation from the Public Relations Society of America in 1990.

Dave Florin President/Partner

Dave became president of Hiebing in 2002. Dave's job is to see that our clients are served by the latest and best practices in our tried-and-true area of expertise: target-market-driven communications. So he has continued to attract top talent from around the country, add new areas of knowledge and set new standards of performance across all communication disciplines. Dave's passion is his proven commitment to client service, creative quality and brand strategy. He has been an invited speaker for organizations like the National Retail Federation, the Retail Advertising and Marketing Association, the International Institute for Research and the Investment Council Institute. His client experience includes Nestlé, Famous Footwear, General Motors, Northwestern Mutual Life, the National Retail Federation, Coors, Coca-Cola, PerkinElmer and JanSport. Dave is married and has three daughters. He is an avid reader who enjoys the great outdoors and anything Wisconsin Badger–related.

Jeane Kropp Strategy Director/Partner

Over the last decade, clients with brands in over 90 countries have invested over a billion dollars in the new products, strategies and communications that Jeane helped create as a consultant. Her thinking has inspired marketing communication successes such as the MasterCard "Priceless" campaign, the double-digit annual sales growth of Kraft's DiGiorno pizza and the extremely successful repositioning of 36 brands in 150 SKUs for Canada's Vachon snack cakes. She has helped pioneer new strategic models for everything from SKU simplification to packaging concept evaluation. Some of Jeane's other brand experiences include Motorola, Nabisco, Kraft, Jergens, UDV/Guinness, ConAgra, Glidden Paint and Boise Cascade. Jeane knows what it's like to be a client with an old brand to revive or a new product to introduce. After receiving her MBA in marketing and management from Indiana University, Jeane worked client-side at Procter & Gamble (Scope, Crest Toothbrushes, Old Spice) and at Oscar Mayer (Lunchables, Bologna, Louis Rich Turkey). When she is not caring for her clients' brands, she and her husband provide foster care for teenagers and dogs, preferably not simultaneously. Jeane has also cliff-dived into Iceland's glacial waters and walked barefoot on hot coals. Pretty relevant experiences for building brands.

Since 1981, Hiebing has helped hundreds of clients find, design and deliver powerful communications that have increased brands' impact and profits. As a brand development and marketing firm, Hiebing delivers fresh insights into the Dynamic Linkages between targets and brands, and creates vibrant communications to improve brands' relevancy and value in consumers' lives.

To learn more, visit hiebing.com or call (608) 256-6357.

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