BOOK REVIEW

Fame and fortune: how successful companies build winning reputations

Author: Charles J. Fombrun and Cees B.M. Van Riel. Published by: Pearson Education, 2004

Reviewed by Centre Director Alexis Lindsay

> When all is said and done, strong reputations result when companies build emotional appeal. It requires that companies "express" themselves convincingly, sincerely, authentically, and credibly to their stakeholder communities. By expressiveness, we mean a willingness by companies to put themselves out there, to convey who they are, what they do, and what they stand for.

Reputation management and measurement is still relatively new for many public affairs practitioners. While we all know it's important and are doing something about it, there is no 'silver bullet theory' or process for reputation measurement, reputation reporting and subsequent action. Therefore any new developments, theories, case studies or models that expand on reputation measurement – such as those outlined in *Fame and Fortune* – are received with great interest.

The co-author of this book, Professor Charles Fombrun, is well known to Centre members for his academic work in reputation measurement, particularly his six dimensions of reputation, which is one of the frequently cited strategic frameworks for work in this area. He has visited Australia on a number of occasions at the Centre's invitation, most recently for our Reputation Summit in Melbourne in early 2002.

Fombrun also founded the Reputation Institute in 1999, which developed the Reputation Quotient (RQ) instrument with Harris Interactive. Fombrun has published a number of books on this topic, for example *Reputation: Realizing Value from the Corporate Image* (1996), but if you haven't read any of his previous publications, *Fame and Fortune* provides a good overview of his core concepts.

This book provides deeper analysis of Fombrun's six dimensions of reputation (see below) and asserts that the "Expressiveness Quotient" is a framework through which organisations can build emotional appeal and understand, plan and implement reputation management strategy. The "EQ" is defined by five components – visibility, distinctiveness, consistency, transparency and authenticity.

The models and case study insights mentioned throughout *Fame and Fortune* demonstrate the value of reputation as a business asset (fortune) as well as the correlation between visibility (fame) and the value of reputation. The overarching thesis of Fombrun and Van Riel is that if an organisation communicates consistently and in a visible, transparent and authentic way, it will win with the public and the media.

Fombrun's six dimensions of reputation are:

1. Financial Performance
2. Workplace environment
3. Products and services
4. Emotional appeal
5. Social responsibility
6. Vision and Leadership

The Expressiveness Quotient

1. Visibility
2. Distinctiveness
3. Consistency
4. Transparency
5. Authenticity

The five components of EQ are derived from analysis of companies with high RQ scores and companies with low RQ scores. According to Fombrun and Van Riel, these companies differ in five key areas:

- visibility – "in reviewing their communications and activities, top-rated companies tend to more readily disclose information about themselves than do lesser regarded companies and to be more willing to engage stakeholders in direct dialogue". However, it is important to note that visibility is a two-edged sword.
- distinctive – "The RQ project shows that strong reputations arise when companies focus their actions and communications around a core theme."
- authenticity – "authenticity creates emotional appeal and there's no reputation building without emotional appeal"; "Influencing public opinion through orchestrated communications is doomed to failure in the long run if those programs are not

rooted in core values that are articulated, believed, and lived by employees inside the company".

- transparency – "Consumers ascribe stronger reputation to companies that communicate broadly about themselves".
- consistency – "in a survey of senior managers of global companies, we found that better-regarded companies were more likely to orchestrate and integrate their initiatives cross-functionally. Companies with weaker reputations suffered from maintaining silos and from maintaining separate relationships with their constituents".

It all sounds like commonsense to me, I hear you say. However we all know it is difficult to 'express' our companies well and do it consistently. There are so many variables, leadership perhaps being the most important, perhaps followed by commitment to a strategy and sticking with it for the required length of time to achieve change. But what are the business benefits of doing the hard yards to develop a good reputation? Public affairs practitioners are constantly challenged by their CEO or senior colleagues on the business case for investment in activities that purport to build reputation. Some of the most useful information in *Fame and Fortune* assists in answering such questions.

For example, reputational losses associated with crises are substantial and, on average, amount to 8-15% of the market values of affective companies. *Fame and Fortune* details the Oxford University study which charted the impact of man-made catastrophes on the market values of 15 companies between 1982 (first Tylenol tampering) to the 1993 (Heineken recall due to rumours of broken glass in beer bottles).

The result: on average, all 15 stocks took an initial hit of 8 per cent on their market value. However, the companies quickly fell into two groups – the recoverers and the non-recoverers. The first group (recoverers) stock sagged only 5 per cent in the first weeks, while the non-recoverers stock lost 11 per cent. After 10 weeks, the recoverers stock rose 5 percent and stayed comfortably in positive territory for the balance of the year. In contrast, the non-recoverers' stock stayed down and finished the year off down 15 per cent. The conclusion: all catastrophes have an initial negative impact on price, but paradoxically, "they offer an opportunity for management to demonstrate their talent in dealing with difficult circumstances".

Fame and Fortune describes many corporate reputation success stories and explains the strategies behind them (for example, FedEx, Shell, Novo Nordisk and others). RQ research from numerous countries provides useful insights and examples of how companies in different countries have walked and talked the various expressiveness components to build strong and resilient reputations.

Regardless of where your organisation sits on the reputation continuum (degree of difficulty in building, rebuilding or sustaining your organisation's reputation) or your methodology on the methodologies for measuring reputation (internal tool/ external ratings/ independent stakeholder assessments), senior practitioners will find *Fame and Fortune* of value because it reinforces the importance of reputation, its tangible links to key business drivers and provides useful frameworks to measure its value. ■

So what does it all mean and how do the best companies build their reputations consistently?

The authors distil this process into five steps:

1. They dialogue with stakeholders.
2. They enforce a shared identity throughout the company.
3. They adopt service standards and integrated communications systems that facilitate coherence.
4. They coach employees and partners to communicate harmonious messages that are consistent with the company's reputation platform and corporate story, and that reflect the company's shared identity. Often they are personally branded by the company's CEO.
5. They measure progress in implementation systematically.