



The importance of reputation

Paying attention to your reputation can pay big dividends. Are you doing enough to maintain and enhance the way the world views your company?

By **Scott Westcott**

PROFITguide.com, Feb. 24, 2005

When it comes to running your business, you better give a damn about your reputation.

All the elaborate business plans, innovative ideas and savvy strategic moves are meaningless if you don't have a good reputation in the eyes of your customers, employees and potential investors. A solid reputation is what gives people the confidence to do business with you—and helps your company weather the tough times.

That reality isn't lost on Canadian entrepreneurs. More than 90% of Canada's most successful business owners say that protecting their company's reputation is a paramount concern, reported a 2003 survey by professional services firm Ernst & Young.

Yet, while business leaders are aware of the importance of cultivating a good reputation, many don't put the time and resources into maintaining and enhancing how they are viewed, says Charles Fombrun, executive director of The Reputation Institute at the Stern School of Business at New York University.

Fombrun has built a career around studying reputation. He founded the Reputation Institute and developed a "reputation quotient" that measures a company's reputation based on six key dimensions: emotional appeal, product and services, financial performance, vision and leadership, workplace environment and social responsibility. Fombrun has advised such companies as Coca-Cola, Federal Express, Johnson & Johnson and ING.

He recently spoke with PROFIT about reputation and why it matters.

PROFIT: Why do you think a company's reputation is so incredibly important?

Fombrun: It affects the way all your different stakeholders view you—customers, employees, investors and the public. Your reputation carries all these messages and it influences whether or not these people will support you by buying your products, deciding to come work for your company or giving you the benefit of the doubt when they hear something about you. Reputation is a hidden asset. Good entrepreneurs invest in reputation because they know to get capital they have to get known and liked by the right people.

PROFIT: Do you think entrepreneurs pay enough attention to their reputations?

Fombrun: I think often that is dictated by what other responsibilities and demands they are facing. I think many underinvest in building their reputations and building a solid base of support and goodwill. I think it's important to build a distinctive reputation—something that is not like everyone else. The most important thing is not to try and be something you are not, though. Some entrepreneurs try to look big when they are not, and people see through that. Reputation is not about spin. It is merging what is real with what people think about you.

PROFIT: You mention creating a distinctive reputation. What is the value of that?

Fombrun: You want to be known for something that is a little different, unique. The great entrepreneurs, the great business leaders find ways to be distinctive. People like Bill Gates or Steve Jobs have excelled at that. Not only do they have great products, they find distinctive ways of talking about them. They create a reputation with flair and style.

PROFIT: How difficult is it to rebound from a bad reputation?

Fombrun: It depends on how it came about. Certainly, a negative event can drag you through the mud for a while, but if you have built up a good reputation over time, then that is harder to tear down. It is a bit of a myth that reputations are hard to build but easy to destroy. That's just not always the case. Big companies like Coke have taken big hits to their reputations from time to time and have been able to recover from them.

PROFIT: What steps can a company take to start improving its reputation?

Fombrun: That heavily depends on the situation they are in. There are no blanket solutions for everyone. What I recommend is a process that begins with a reputation audit—an understanding of how key stakeholders perceive the company and how the company is portrayed by financial analysts and the media. I then recommend a communications audit to examine what the company says about itself, compared to its chief rivals. Companies have to manage the inevitable gap between perceptions and reality by changing both what they do and what they say so that it reflects who they really are.

© 2005 Scott Westcott

RELATED LINKS

- [Measure your brand's strength](#): Three easy ways to track what people think of your company
- [Fight false rumours](#): How to respond if inaccurate information is circulating about

your company and damaging its reputation and sales



Close