

Resonant **Reputation**

A CALL TO ACTION FOR CEOs

“If you lose money for the firm, I will be understanding.

If you lose reputation for the firm, I will be ruthless.”

—Warren Buffett

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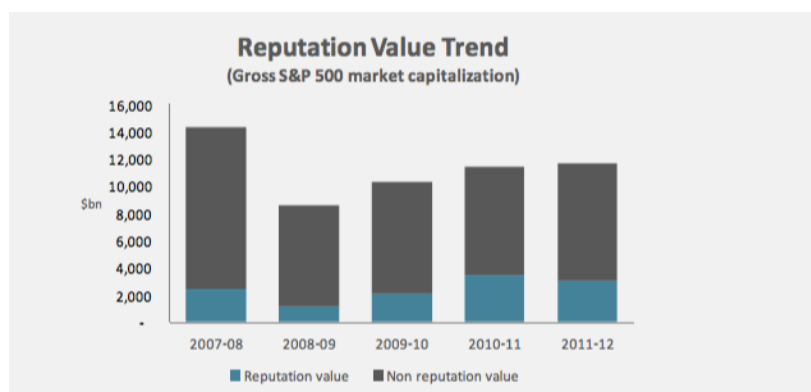
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Did you know?
Your company's
reputation
is worth 26%* of its
market cap.



A quarter of your company's value is a shockingly large figure to pin on one man or woman. But you can validate this finding with your gut, when you look at some recent stock price examples. According to this *June 2012 **Echo Research and Reputation Dividend** study, Apple

currently has the most potent corporate reputation, worth 58% of its shareholder value. The reputations of ExxonMobil and Chevron followed in the rankings, at 56% of shareholder value each (\$645B). **Looked at this way**, corporate reputations contribute a total of **\$3.19 trillion** to market cap in the S&P500 alone. (2012)"



Reputation capital is declining

For years, Echo has been tracking reputation as a component of market capitalization.

Understandably, reputation value tanked in 2008, but after that, companies focused on talking to their markets, explaining changes, and their reputations recovered in 2009-10 and 2010-11. Echo has

spotted a dip again in the last year, which they suggest may be because slight financial positive signals have focused companies more on internal operations and less on communicating.

Study research validated

Echo's point of view is confirmed by quite a few more researchers, including:

- **Rivel Research:** A company's **valuation is + or – 35%** based on REPUTATION ALONE. (2010)
- **Weber Shandwick:** **63% percent of a company's market value** is attributable to REPUTATION according to their Safeguarding Reputation™ worldwide survey. (2006)
- **Burson Marsteller:** 48% of a company's reputation is attributed to a **CEO's reputation.** (2012)
- **McKinsey:** Investors are prepared to pay a **12-30% price premium** to good governance. (2002)

Do some rough napkin math (the type us marketers are infamous for), and it looks obvious that a CEO's impact on the valuation of their company is between 10% and 48%.

That is an enormous responsibility –and an **enormous opportunity.**

Digging into the scale of this opportunity, last year Burson-Marsteller conducted a study of 1,155 U.S. chief executives, senior managers, financial analysts, institutional investors, business media and government officials which found **48% of company reputation is directly attributable to the CEO.** It reads, "This is a dramatic rise of 20% from 40% in 1997."

Nearly all business influentials reported to Burson Marsteller that CEO reputation influences their decisions to:

- *"invest in a company (95%),*
- *believe a company under pressure from the media (94%),*
- *recommend a company as a good alliance/merger partner (93%), and*
- *maintain confidence in a company when its share price is lagging (92%).*

Moreover, business influentials are more likely to recommend a company as a good place to work (88%) if the CEO is favorably regarded."

CEO reputation is also a big opportunity for reform.

86% of executives hold a negative view of CEOs (KRC Research | Weber Shandwick, 2009)

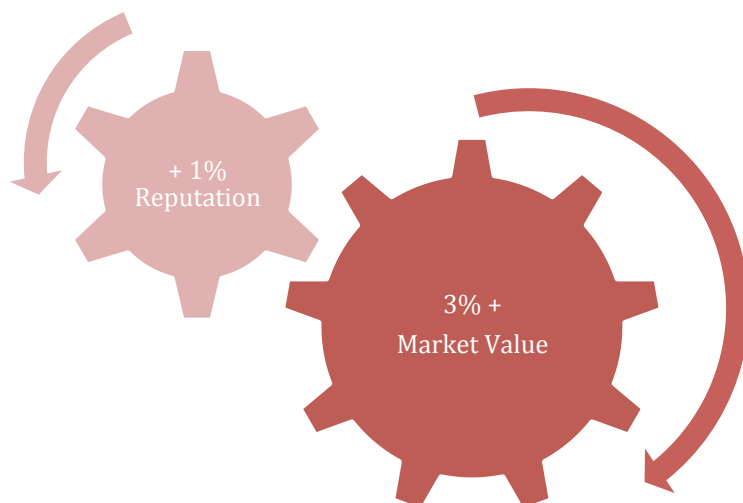
This means the opportunity is real for many companies to impact market capitalization through CEO reputation.

You, as CEO, are empowered to make an immediate and meaningful impact on the reputation, and thus the VALUATION, of your firm.

This is good news—it's a relatively simple lever and at a truly "human" scale—you don't have to hire 500 people to impact a CEO's reputation. In fact, one or two small-scale, authentic initiatives can manage well, and mean millions on the top line. (More on this later.)

“ . . . financials alone are not enough to measure either performance or health. **Soft-side strategies** are the **foundation stones** of hard-side strategy success. They are additive, not alternative.”

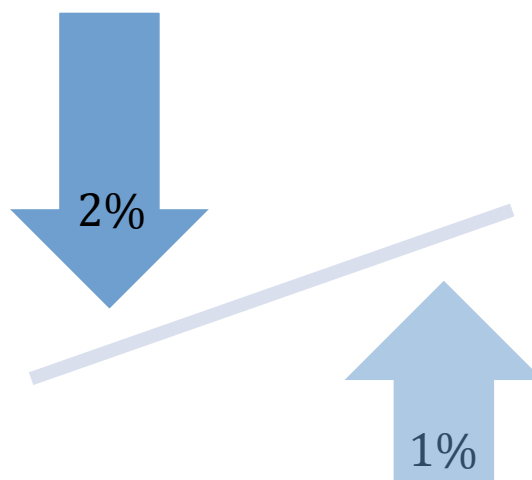
—John S. Varley,
CEO Barclay's (2005)



A 1% increase in reputation results in 3% increase in market value.

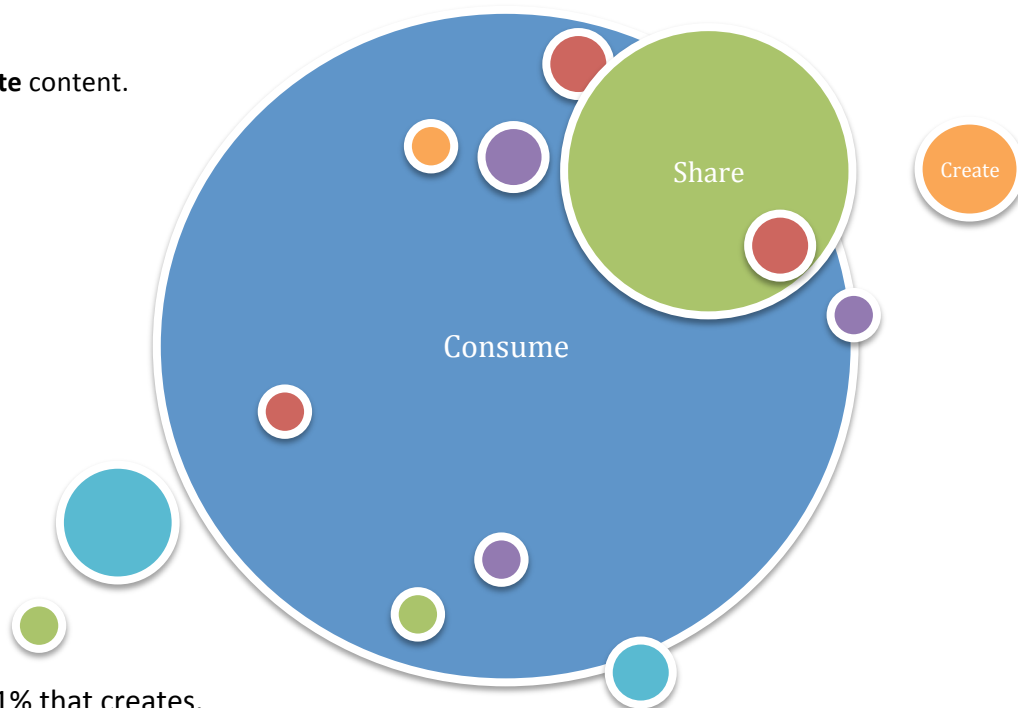
A 2% decline in negative word of mouth increases sales 1%.

“Advocacy Drives Growth.”
--Dr. Paul Marsden, with others.
London School of Economics



How do you start maximizing reputation capital?

- ➔ 1% of people **create** content.
- ➔ 9% **share** it.
- ➔ 90% **consume**.



Become part of the 1% that creates.

Top Ways CEOs turn on their reputations

THE METHOD	How long per week	How long per year	Impact
Daily CEO tweet	7 minutes	43 hours (~ 2 days)	Hundreds of thousands of individual perceptions
Writing a book	3 hours a week for 20 weeks (1 hour for ghostwriter interview, 1 hour for draft review & prep)	60 hours (5 days)	5,000 readers per year, plus 100,000 annual impressions on people who never read it—most of them journalists
Monthly internal webcast	1 hour per week	52 hours per year (~5 days)	All your employees, plus the people they influence
Twice-monthly blog post on CEO blog	1 hour per week	52 hours per year (almost 5 days)	Potentially millions
Quarterly speaking engagement	N/A	4 days (48 hours)	The association or group you are speaking to will be moved to speak about you—thousands of impacts
Winning executive leadership awards	N/A	1 day	5000-10,000 impressions from substantial awards, among your target audience
Media tour and desk-side briefings (ie, Bloomberg, etc.)	N/A	2 days (one prep, one activation)	Hundreds of thousands if not millions of impressions based on how the journalists write about you in the future, after having met you
Article writing for publications like HBR, Fortune, WSJ, Bloomberg	N/A	1 day per article	Millions of North American impressions from other business leaders and influencers

➔ If you could directly impact your company's valuation 20-48%, how much of your TIME would the right combination of these activities be worth?

The authentic CEO: 7 ways to speak truth

This information about how critical a CEO's reputation is to their company's value and growth can be tough to face. Our culture has far to come in treating the people at the top fairly—if it ever does. If your sense of duty and responsibility calls you to use your reputation for the good of your company, then here are some thoughts drawn from other CEOs that may help you go about doing it.

In today's world, where ideas are increasingly displacing the physical in the production of economic value, **competition for reputation** becomes a significant driving force, propelling our economy forward.”

– Alan Greenspan, former Federal Reserve Chair

1. **ACCEPT** that **communicating more FREQUENTLY** than you may be already doing is part of the job in our media-crazy culture. (It's **not** that you love attention, even though truly many people may not understand that.)
2. **See yourself as the SCOUT** for the company when it comes to conversations and reputations, not necessarily as the “figurehead.” The scout faces risks, difficult terrain, and known or often hidden enemies. Using this language—scout instead of figurehead, seeker instead of “top guy” can help socialize your communications initiatives. Have open talks with your board about this research so they know where you are coming from if you decide to write a book, build a blog, or become more of a presence on Twitter.
3. **Use language with an implied HUMILITY**—something you probably already do in conversation but may be less used to in formal writing. Use words about **growing into, becoming, developing** and **working toward**—instead of words like capitalizing, delivering, establishing, and maintaining. A more **aspirational and intentional** vocabulary, more like you'd use with peers or your board, reads well in tweets and blogs and can deflect criticism around arrogance or market projections.
4. Make it a practice **to admit an area of INSECURITY or concern**. Challenge yourself to do this once a month. Start small. For one thing, you have areas of doubt naturally—you're human. For another, it's a sign of **STRENGTH** in today's CEO, not weakness, to discuss areas where you are not certain (while obviously avoiding issues that will directly raise your investor's fears). Investors who know you are truly looking at “the real issues” in a thoughtful way actually can become **MORE** secure that you're truly digging in, and not whitewashing or greenwashing.

5. Don't feel you need to justify or defend. Instead, **you are SHARING**, educating and **explaining** your point of view. With many of today's digital media, even on FORBES or HBR, you can also invite comments back.
6. **Use PRAISE.** Your tweets and blog posts can be powerful ways to praise things that are going right in the organization—a division that exceeded safety numbers, a plant that just met EPA standards, a sales team that went over quota, a record number of patents—there are lots of ways to find real things you can praise, tweet about, and share satisfaction over. Be sure to call out specific people (even by their twitter handles if you can find them).
7. **REACT to situations.** Giving your calm, intelligent reaction to recent legislation or news allows you to shape opinion simply by spending a few moments with your laptop. And in fact delegating this assignment (the draft work) can help you test the thinking of a second or third in line . . .

→ Please pass this paper and the research it summarizes to CEO colleagues you care about.

The point of view—that the CEO alone is a critical component of market

valuation—can be hard to hear for humble leaders, yet disastrous to ignore.

Want to explore building your reputation
as a vehicle for your company?

Contact Write2Market
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