

# How Much Credibility Do You Have?

## Not As Much As You Think

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Credibility cost Martha Stewart millions. Exxon, over a billion dollars and still counting. The barrage of corporate scandals in the past few years is making many people angry. One research group found that three-quarters of survey respondents graded the image of big corporations as either “not good” or “terrible.”

A strong reputation, meanwhile, 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.

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?

Less than one-third of companies are likely to have developed risk management strategies to protect the massive investment in and assets of brand and reputation. 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.

The following are some signs that your credibility may be in jeopardy.

### CREDIBILITY EROSION SIGNS

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

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.

Case in point—Exxon. 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.

### **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.

Warren Buffet said 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 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.

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.

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

The old saying, "never assume," applies here. 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.

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.

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.

Commercial relationships are built on reputation. If there is no trust, there will be no business.

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