In the last few years, two developments have put the issue of corporate reputations on the radar screens of most companies. One is the highly publicized problems of Enron and Arthur Andersen, WorldCom, Adelphia, Parmalat, Ahold, Bayer A.G., Deutsche Bank, and many others. The other is a succession of books and documentaries questioning the role of companies and some of their basic practices. The publicity surrounding the misdeeds of a few companies raises fundamental questions about the moral compass of all companies. One consequence of this is a loss of trust in corporations themselves. Another consequence is the imposition of more surveillance and compliance measures, such as the Sarbanes-Oxley legislation. In response to both these outcomes is a plea by some CEOs for business to do a better job of “selling” its contribution to society.

Thus, many companies now have to actively proclaim their virtue to their stakeholders in order to revalidate their social and commercial “license to operate.” For example, the proclamations to some of these key groups are:

▪ to employees: “we are a good, safe place to work,”
▪ to customers: “we stand behind our products and services,”
▪ to society: “we are a good corporate citizen,”
▪ to investors: “our reports and forecasts are reliable,”
▪ to insurers: “we are a sensible risk,”
▪ to government: “because of our economic and social contribution, support us,” and
▪ to regulators: “trust our interpretation of and compliance with the law.”

The author would like to thank the reviewers for their suggestions, which helped improve this article.
A good corporate reputation will actively support these messages. To enhance their virtue, companies need to develop programs to become better corporate citizens and to communicate these improvements to both their internal and external stakeholders. To guide better corporate behavior they can use a code of conduct, a social audit, incentive schemes, compliance schemes, public ratings, philanthropy, values-based statements of intent, and templates such as the Balanced Scorecard.4

The approach advocated here is to use narrative communication to complement the particular reputation-building efforts of the company. The roles of a corporate narrative are to: explain the behavior of a company in terms of its mission and morality, and in this way create an emotional bond with key stakeholders that will help to foster their trust and support. Greater trust and support will help stakeholders to better appreciate the company’s corporate sustainability and social responsibility activities.5

This article presents a corporate reputation framework to illustrate how to design a corporate story-based communication program. This narrative approach to stakeholder management amplifies the relationship-based and corporate social responsibility disclosure approaches used by many companies. It does this by embedding key aspects of these approaches in a persuasive corporate reputation story.

**Corporate Reputations and Corporate Communications**

From the point of view of a stakeholder, they evaluate the company reputation as being either good or bad and thus trustworthy or untrustworthy.6 From the point of view of the company, the idea is to position the enterprise as good at something and/or good for someone.7

For most companies, corporate communications play three important roles. For externally directed communication, it is designed to raise awareness and generate understanding and appreciation of the organization among key stakeholder groups. This is a basic condition for establishing trust. A second role is to defend or explain a company’s (potentially controversial) actions. These two roles are delicate because they cannot camouflage a weak company or act as a counterweight to poor behavior. Also, simply telling someone that a company is good, or asking for trust is unlikely to be persuasive. Third, internal communication about a company has just as important a role to play in creating a good corporate reputation as its externally oriented statements. Here it can be used to explain and reinforce the mission and morality, or as David Vogel suggests, the virtue of the company.8 These have been shown to be some of the fundamental drivers of employee engagement, and consequently, good corporate reputations.9
In combination, these three roles of corporate communication can help to substantiate and amplify stakeholders’ opinions of a company’s reputation. Many years ago, David Ogilvy suggested that to be effective, these communications should present the company’s case in terms of the target audience’s self interest. This advice revealed the genius of GE’s old corporate slogan. By repeatedly stating that GE “brings good things to life,” this slogan spoke directly to GE’s corporate reputation in words that reflected consumers’ self interest. It also made employees feel good because they were reminded of GE’s core mission.

The communication strategy tells a story about the company in a way that combines elements of its mission, morality, and modes of behavior. Various combinations of these factors provide a flexible framework for a corporate storyteller to reflect the company’s position as good at whatever it chooses to be and for whomever it wants to impress.

**Corporate Reputation Stories**

The case for developing a corporate story to help substantiate the reputation of a company rests on two sources of evidence. One is Howard Gardner’s scientific work in the field of cognitive psychology. His research supports the efficacy of using stories to change people’s minds; and he suggests that corporate leaders use this approach. The second type of evidence comes from the work of Stephen Denning and Annette Simmons on inspiration, influence, and persuasion through the art of storytelling. This work on the use of business narratives provides much of the compelling anecdotal evidence about why stories are a powerful communication tactic to activate emotions and to engender trust and confidence in leaders and their companies.

Howard Gardner regards stories as one of the four “contents of the mind.” They have a powerful influence on what we learn because of their pervasiveness and intuitive appeal. Also, because they often speak about values and morality, which sits at the heart of the reputation of individuals and companies, they are a natural medium to convey a company’s good deeds and aspirations. In a corporate context, they are more believable, more memorable, and they generate more enthusiasm than the various sanitized statements (e.g., values, vision, codes of conduct, corporate plan, and annual report) that companies routinely produce. Hence, while a company’s statements of intent are useful as inputs into a corporate story, they are no substitute for it. The task facing a corporate communicator is to craft a corporate story with style and content appropriate to help build and promote a company’s good reputation.

**Elements of a Reputation Story**

From an extensive analysis of their multi-country surveys of the reputations of the best and worst companies, Charles Fombrun and Cees van Riel discovered that the companies with the best reputations had used consistent and distinctive corporate communication built on a platform of a strong corporate
identity (“Who we are”) and corporate brand (“This is our offer”). For example, this is the essence of the story-intensive culture of 3M. In effect, these two parts of a company’s story reflect its past achievements and current behavior. However, what is missing from this time line is information about the company’s future potential. That is, how it will seek to “build tomorrow.”

If a company is to use a corporate story to help substantiate its reputation it needs to choose the content of the message carefully. For example, a heavy emphasis on past achievements may suggest that the company is past its prime. A heavy emphasis on the current situation may resemble a report card. A heavy emphasis on the future may sound too prognostic. Balance across these aspects of the corporate mission is a key aspect of a good corporate story.

To illustrate this challenge consider the task faced by Carly Fiorina when she became the CEO of Hewlett Packard in 1999. As an Economist reporter noted, HP had become a hardware has-been, unable to keep up with the Internet age. What Fiorina was confronted with was that HP had a proud history (as a founding member of Silicon Valley) that was supported by a very strong culture (the “HP Way”) and that she thought was now stifling innovation. Her options were to create a new corporate story based on a new future or one that acknowledged the past. The first option would be perceived as either ignoring or challenging HP’s history and it could have created resentment among (long-standing) employees. The risk with the second option was that the past could easily distract people’s attention from engaging a new future.

Fiorina chose the second option, but she cleverly reframed the past as a prelude to the future. HP was to now function according to the old “rules of the garage” that William Hewlett and David Packard had used to drive innovation in the company’s early years. Also, “star” employees were used in the company’s communications to suggest that the current generation of employees were the spiritual descendants of the founders.

The notion that a corporate story unfolds over the three parts of yesterday, today, and tomorrow has broad applicability. It sits comfortably with the many life-cycle models in the sciences and the planning programs of organizations. For example, companies often use a three-horizon approach to planning for growth where Horizon 1 focuses on defending and extending the current core, Horizon 2 seeks to build the company’s growth capabilities, and Horizon 3 seeks to exploit new growth opportunities. In another familiar management context, that of mergers and acquisitions, a three-part story unfolds for employees. When the event is first announced, there is a natural tendency for both sets of employees to focus on what can be called We Company—often expressed as “What are we losing?” Then the focus will shift to Us Company—“How will we work together?” Finally, the focus shifts to New Company—“What will we be in the future?” The task of New Company’s chief change agent and storyteller is to get both sets of employees and the media to focus as quickly as possible on New Company. In this way, people are encouraged to reframe the situation from a loss to a gain.
Figure 1 identifies the other major elements of a reputation story. The company’s mission, morality, and modes of behavior form a “reputation platform,” while the current beliefs and expectations of stakeholders form the “court of public opinion” in which the story will be judged. If the corporate story resonates with the values, intuition, and self-interest of key stakeholders, they will reaffirm and update their beliefs.

Looking across the corporate landscape, Nikos Mourkogiannis has discovered that well-respected companies identify themselves with a clear mission that appeals to our emotions. Four such types of companies are:

- **Altruistic Companies** exist primarily to serve their stakeholders. Most charities, not-for-profit organizations, government departments, educational institutions, hospitals, and churches are designed for this purpose. In the corporate world where a profit imperative exists, altruism gets translated into a range of activities such as: exceptional customer service (e.g., in the best hotels), better value for money than competitors (e.g., Wal-Mart), “doing well by doing good” (e.g., the Body Shop), and making people happy (e.g., Disney). There is a risk here for a very commercially successful company that promotes this mission. It often invites critics to produce a “counter-story” that focuses on some perceived disadvantaged group.

- **Excellent Companies** exist primarily to “be the best” at whatever they set out to do. For example, many luxury goods companies are designed around excellence. When BMW proudly advertised its cars as “the ultimate driving machine” and that they were better than their competitors, the company was pursuing excellence. Excellence is often the aspiration of the big professional service firms (especially the lawyers). To signal and
re-affirm excellence, companies must often charge a price premium and/or win the league tables that rate industry competitors.

- *Discovery Companies* exist primarily to explore, challenge, understand, be creative, and build something new. The 3M company, with its long-standing corporate logo of “innovation” and the stream of new products to “prove” this mission, is a good example of such a company. As noted earlier, 3M is a company with a story-rich culture about its successes and failures. Many Internet companies started out with this mission. Over time, the most successful of these, like Google, also develop a *Hero mission*.

- *Hero Companies* exist primarily to lead, demonstrate achievement, and/or challenge an (often bigger) incumbent. South West Airlines started out as a challenger-hero when it first entered the Texas market and challenged the two incumbent airlines. The WinTel twins (Microsoft and Intel) are leader-heroes to the extent that they have helped to bring personal computing to the masses.

When a corporate mission touches the emotions of a stakeholder, the company is establishing deep roots for its reputation. This process is enhanced through the company’s proclamations of its business morality. For example, Kevin Jackson suggests that the values and culture of companies classify them into one of three broad moral types:22

- 1-D: *Business is Business*—where the aim is to maximize short-term shareholder value and the company’s reputation story is built around leadership and winning in business. For this style of company, trust between the company and its business partners and customers is often low relative to the other two types of business.

- 2-D: *Fair Business is Good Business*—where the aim is to follow the law; have a (detailed) code of ethics and ensure employees comply, and the company’s reputation story is built around due consideration being given to all stakeholders. For this style of company, trust comes from compliance to the “rules.”

- 3-D: *Business is for the Common Good*—where the aim is to state and follow a strong moral compass that seeks to enhance long-term social value. Trust flows from this, and the corporate reputation story has a strong moral theme about “business for the social good.”

1-D type companies reside primarily in the one-dimensional world of economics. 2-D type companies reside in a two-dimensional world of law and economics. 3-D type companies reside in a three-dimensional world of law, economics, and social contribution. In both 1-D and 2-D companies when a social matter comes on the scene, it is reframed as either a matter of law and/or economics. Milton Friedman’s famous declaration about the social responsibility of business reflects this world.23

Periodically a company comes to personify each of these styles of business morality. For example:
When the Sunbeam corporation was being run by CEO Al “Chainsaw” Dunlap, the dominant corporate focus was to maximize short-term shareholder value by any means available. When Charles Sanford was CEO of Bankers Trust, the bank practiced what became known as “regulatory arbitrage” as a way of making money by avoiding financial regulation. Many of these companies seek to have smarter lawyers and accountants than the regulators. At the peak of their success, some are lionized by the business press and business school academics. When they fall from grace, they are castigated for their shortcomings—often by the same people. The story of Enron is instructive here.

Australia’s big four retail banks are a good example of the “fair business” philosophy. They have risk management committees, customer charters, internal statements of values and ethics, employee climate surveys, customer satisfaction surveys, and any number of committees and processes to monitor compliance with the prevailing regulations. They also try to monitor the changing needs and expectations of all their stakeholders. However, the major problem for this type of company is that they often struggle to convince many of their customers that they are implementing a fair balance between creating value for them and capturing this value for the company through their pricing (and nuisance) fees and charges.

In its early years, the Body Shop was hailed as an example of a 3-D company—one that was guided by a strong moral compass about doing good, or as it stated, by seeking “profits with principles.” This was in contrast to what many people thought was Benetton’s cynical use of social issues in its corporate advertising, as evidenced by the media and public backlash to some of their controversial advertisements. The way that each company told its story influenced this perception. In the case of the Body Shop, it reflected the alignment of its mission, morality, and behavior. In the case of Benetton, the morality in the advertising didn’t seem to fit with its mission and commercial behavior.

A critical element of the reputation platform in Figure 1 is the mode of behavior of the company. This is reflected in how a company creates value for, deals fairly with, and fulfils its obligations to its various stakeholders. And if the company’s code of conduct and ethics are continually validated they may guide much of this activity. Also, psychological research on decision making suggests that the recent and vivid information about corporate behavior is most likely to shape people’s evaluations of a company.

On a regular basis researchers survey various groups of stakeholders about their beliefs and expectations of business. For example, Judy Larkin reports that community members have rising expectations about the social responsibility of business; have declining trust about companies and their leaders; and are showing more anti-business and anti-technology activism. What the research on corporate reputations also suggests is that a stakeholder’s knowledge of and relationship with the company will affect the perceptions of the company’s performance on these factors. Figure 1 illustrates that companies
need to regularly monitor the expectations of their key stakeholders as these are the benchmarks against which the authenticity of a corporate reputation story will be judged.

At the heart of a good reputation story is the relationship between a company’s mission and morality and its behavior. Figure 2 illustrates this relationship. However, if a company often doesn’t practice what it preaches, then its behavior doesn’t give expression to its Mission.

**Fit or Fuzzy Image**

The elements of a good corporate reputation story must “fit” together. When mission, morality, and behavior are not aligned, three things can happen. One is that some people will contest the story. Another is that the story is ignored, and sometimes briefly ridiculed by the media as corporate blather. In either case, a common corporate response is to retreat to the company’s various statements of intent often hidden in various parts of the corporate web site. The third outcome is that a stakeholder may develop a number of disparate beliefs about the company. These result in a fuzzy corporate image.

Consider the case of companies that make products that are vital to government revenues but have some bad environmental or social consequences (such as alcohol, cigarettes, and gambling). These companies face the paradox of being a good government (and often investor) story, but a bad social story. Many also face the internal dilemma of asking some employees to increase sales (such as the marketing group) while tasking others with promoting the socially responsible use of their product (such as the corporate affairs group).

The companies that make these products have a difficult reputation story to tell because of the clash of their mission, morality, and behavior with a significant portion of society. The traditional way that they approach this problem is to craft a story based on other aspects of their behavior that are acceptable to the
people and groups likely to criticize them. In many cases, these stories focus on the company’s philanthropy and other contributions to their local communities.

Recently, the big oil companies have developed a new type of story to help counter the growing concern about the use of carbon fuels. It is being told through their corporate advertising campaigns that state the companies’ concern for the environment and their initiatives to dampen the harmful effects of their products.\(^{30}\) This is a persuasion tactic known as the manufacture of credibility.\(^{31}\) Some companies like Chevron also invite people to share their concern and ideas with the company (see <www.willyoujoinus.com>). In this way, a potentially disaffected group of people is invited to become a character in the corporate story. An interesting sub-plot to many of these stories is that consumers are being told that they must take more responsibility for managing their use of these products. In effect, this tactic is trying to share the blame for the harmful effects of the big oil companies’ activities.

Good corporate advertising and identity should both signal and signify a company’s raison d’être. In this way, they help to align the corporate mission, morality, and modes of behavior. These devices were used extensively by Carly Fiorina to communicate to HP’s employees, customers, and investors that the company was reinventing itself to be a major player in the information technology marketplace. An early series of advertisements showed a picture of the garage where William Hewlett and David Packard started their company. Other advertisements featured “star” employees as purveyors of the company’s mission. The corporate slogan was stated simply as “invent.” At this time, a part of the company web site was devoted to using these devices to help tell HP’s story.

**Story Style**

Storytelling is more art than science. Hence, opinions differ as to how a corporate story should be crafted. For example, Robert McKee (a screenwriting coach who offers advice to corporate executives) suggests that a (corporate) story express how and why corporate life changes.\(^{32}\) It begins with a situation in which life is relatively in balance. Then there’s an event that throws life out of balance. The story proceeds to describe how, in an effort to restore balance, the main character’s subjective expectations crash into an uncooperative reality. A good story explains what it is like to deal with these opposing forces, calling on the main character to dig deep and make the difficult decisions. This genre has also been used in the context of corporate planning using narrative.\(^{33}\)

McKee and others advise against telling a fact-based, beginning-to-ending tale where the outcome meets everybody’s expectations.\(^{34}\) There has to be a struggle against real antagonists—competitors, regulators, a bank that won’t lend the company any more money, the new product development process that couldn’t deliver, the adverse economic environment, a natural disaster, too little time, a merger, a new technology, and so forth. There needs to be a dark side for the company to triumph over.

A template similar to the one described by McKee is often followed by business journalists writing in magazines such as *Bloomberg Markets, Business*...
Week, and Fortune. The journalist sets the scene, highlights the principal characters, outlines a plot, and describes a (potential) resolution. Consider the story of Eastman Kodak written by Subrata Chakravarty:35

- **Scene**—It is 2004 and the once mighty Kodak is struggling to reinvent itself. (Lots of facts are presented about falling sales and a depressed share price.) Emotive language is used about the CEO being “caught unawares” and the company’s “last chance” to remain a major company. Also, the question is posed whether Kodak will suffer the same fate as other famous American icon brands like Polaroid (instant cameras) and RCA (electronics). Shareholders are worried, employees are being laid off, and consumers are moving to digital devices.

- **Characters**—Kodak: the company that was once the prototypic consumer brand in photography; it is big like a “supertanker” and old like a “dinosaur.” Daniel Carp: CEO since 2000; a 34-year company veteran; a “demanding manager” who makes “tough decisions”; a severe full-page picture of this Kodak savior. The Star Film Division: it was a cash cow with margins of 50%. Adversaries: Sony, Canon, and Olympus in digital cameras; digital technology that is replacing Kodak’s silver halide technology.

- **Plot**—In 1880, George Eastman popularized photography with the $1 Brownie camera; in 1970, Kodak’s easy-to-use Instamatic camera was outselling the cameras of all the competitors by more than 5 to 1; 2000 was the biggest year ever for snapshots—80 billion photos and 100 billion prints; in 2002, digital photography surged; Kodak was a pioneer in digital cameras, building its first camera in 1975 (Sony’s first was in 1988); Daniel Carp is reorganizing the company.

- **Resolution**—Kodak’s aim to move from a film company to a three-part digital-imaging enterprise (consumer photography, commercial printing, and medical technology) with small (5%) margins. The journalist is yet to be convinced.

This type of corporate story is familiar to many businesspeople. Its main purpose is to inform and create interest in a company. In this way, it helps to shape the beliefs and expectations of company stakeholders. However, this storytelling style isn’t really designed around the company’s reputation platform (Figure 1). Thus, it is less likely to take the next step and engage stakeholders to shape and improve their reputation of a company.

Stephen Denning argues that there is more than one template that a leader can use to construct the story of his or her company.36 Consider the case where the job of a corporate story is to help restore the company’s past good reputation and in the process motivate key stakeholders (particularly employees) to adopt a program of change. Denning proposes using a “springboard” story for this purpose. It is a story about the company’s mission that is told without a great deal of embellishment. It is also a story that keeps the future vague so that the listener is encouraged to participate in inventing his or her version of it. The stories about IBM told by its previous and current CEOs, Louis Gerstner and Samual Palmisano are illustrative of this genre.
The Original Story—In its formative years and march to industry leadership, IBM had an interesting story to tell about its spiritual leaders (Thomas J. Watson, Sr. and Jr.), its origins (business machines); and its radical innovation (the system 360) and market leadership (Big Blue). This story combined aspects of discovery and heroism.

Story Lost—In the 1990s, IBM failed to re-invent itself and nearly became a collection of Baby Blues.

Story Re-Crafted—Under Louis Gerstner’s leadership, the company re-invented itself and became the global leader in e-business (both consulting and technology). Their story was one of a leader-hero.

Story Changing—Under CEO Sam Palmisano, IBM began to reconfigure itself from the e-business company (a powerful story that reflected its more recent success) to a provider of “on demand business” (its next corporate slogan). His story is once again about discovery.

IBM will lose its future if its corporate story can’t help convince employees, customers, and the IT industry opinion leaders that their journey to build tomorrow goes from “e-business” through “on demand business” to being more innovative (the current corporate clarion call). Hopefully, these slogans are intriguing enough to act as a catalyst for all of IBM’s stakeholders to imagine what this may mean.

Some companies that have become marquee brand names (such as Apple, Dell, and Virgin) have developed a strong story about their corporate brand that is based mainly on their customer promise. Their stories often speak about the company’s character and sometimes personify this through their founders (such as Steve Jobs, Michael Dell, and Richard Branson). In each case, the status and respect of the company is enhanced by the exploits of and stories told by its key officers.

To be effective, a corporate branding story needs to resonate with the lifestyle or aspirations of the target stakeholder. It also helps if the company has a distinct corporate identity so that stakeholders who buy into the story can signal their association with the company. For example, for Harley-Davidson both its employees and customers aspire to one of the company’s mottos, “ride to live and live to ride,” and the bikes, clothing, and accessories clearly signal their association with the company.37

Corporate brand-based stories have a particular vulnerability as a way to enhance a company’s desired reputation. While the delivery of a valued brand promise to customers is an altruistic mission, it says little about the company’s moral compass. It is here that the marquee brand companies are often attacked by activist groups. McDonald’s, Nike, and Wal-Mart are prominent cases. The lesson from these is that a corporate story incorporating each of the elements of the reputation platform in Figure 1 is likely to be more robust than one that is not.

It is instructive to finish the HP story mentioned earlier. Anyone familiar with the reign of Carly Fiorina at HP will know that in 2005 she was asked to
leave the company. One issue that bedeviled her time at HP was the acquisition of Compaq computer. There was dissent in the company boardroom about this acquisition and a board member leaked sensitive information to the media. At this point in time, HP’s media story focused on Fiorina’s stewardship of the Compaq acquisition. This controversial story trumped HP’s own corporate story. Subsequently, as the company struggled to reach her publicly stated targets, Fiorina became a tragic figure in her own story. She was fired by board chairwoman Patricia Dunn.

Time would reveal that the dismissal of Carly Fiorina was the prelude to a nasty story about the governance of HP. It started when Patricia Dunn decided she needed to find out which board member leaked information to the media. A two-phase investigation, characterized as a spying operation by the media, identified the culprit, who when initially exposed, refused to resign. The nature of the investigation prompted the resignation of another director. It was his attempt to get the company to acknowledge the reasons for his resignation that brought the internal investigation and some deep animosities within the board into public view. What soon followed were the resignation of the “leaky director” and the termination of Patricia Dunn.

Two morals and a lesson are revealed by the three stories about HP noted above:

- **Moral 1**—A bad media story will trump a good internal company story.
- **Moral 2**—There is an old Chinese saying that “the fish rots from the head.” This is a powerful metaphor for the role of the board. It leads to the following lesson.
- **Lesson**—The reputation of a company is often put at risk by its board of directors.

**Communicating the Story**

Any corporate story has a big job to do. While it is designed for a specific purpose, it must speak to different stakeholders in a way that resonates across their diversity. It also must do so in a way that is credible.

**One Story or Many Stories?**

Stakeholders (such as employees, suppliers, customers, investors, and the community) have different relationships with a company. This means that while they will want some common things from the company, each will also expect it to provide some unique benefits. Thus, a corporate communicator must decide whether to tailor his or her story to emphasize the benefits sought by each group of stakeholders, or use one story for all? Figure 2 suggests how to do both.

Two parts of a corporate story should remain the same, namely, mission and morality. These are the things that underpin the culture and character of a company. They also guide employee behavior and provide the moral authority for making tough decisions. If people see these expressed in very different ways,
the company will appear to be schizophrenic. Good corporate slogans (like GE’s old “we bring good things to life”) that reflect key aspects of the company’s mission, morality, and brand promise help to bind these aspects of the reputation platform together.

The parts of a corporate story that should be changed to facilitate communication with a particular audience are the modes of behavior used to illustrate mission and morality. The reason for this is that “actions speak louder than words.” It is a company’s behavior that directly effects stakeholders, and thus will be remembered long after some words are spoken about how good the company desires to be. The idea is to customize the expression of the company’s mission and morality in order to help people like the company and resolve any doubts about its character.

**Credibly Telling One’s Own Story**

In November 2005 the giant U.S. retailer Wal-Mart found itself at the wrong end of a story titled “Wal-Mart: The High Cost of Low Price.” What worried the corporate affairs people was that this unflattering documentary movie might become a cult hit like Michael Moore’s 1989 unsympathetic portrait of General Motors, *Roger & Me*. To counter (and hopefully disarm) the story, Wal-Mart released its own movie “Why Wal-Mart Works & Why That Makes Some People Crazy.” In effect, their strategy was to fight “movie with movie.” A tactic that illustrates the power (and selectivity) of the medium used to convey the message. It is also one that echoes Marshall McLuhan’s enduring observation that “the medium is the message.”

Now if the medium is or, more accurately, becomes a key part of the message, then selecting a cost-effective medium to communicate a company’s reputation story is a critical part of its success. The traditional strategy has been to use a mix of different approaches for internal and external stakeholders. For internal stakeholders, statements of mission, vision, and values talk about the character, aspirations, and morals of the company. Meanwhile, operational controls monitor how the organization is “running today,” and corporate and business unit plans talk about “building tomorrow.” In effect, the corporate story is split up across different media, and more often than not it fails to be integrated by anybody other than the CEO in his or her addresses to the company. Such fragmentation dilutes the effectiveness of any type of corporate story.

Likewise, for external stakeholders a holistic corporate story often goes untold. They may glimpse parts of it in the annual report, a corporate advertisement, a media article, or on the company web site. Often when a company changes its corporate identity symbols (especially its advertising slogan), the public relations department will tell a story about how this new expression talks to the soul of the company. However, for most companies there is seldom a continuing effort to explain the mission and morality of the company and suggest an engaging multi-stakeholder promise of the future.

The crucial issue for most big companies is how to cost-effectively tell their story to as wide an audience as possible. While face-to-face communication
is generally considered to be the most effective medium, it is not cost effective for most large companies. FedEx thinks that they have found a solution to this problem. Like Wal-Mart, they commissioned a video documentary about the company. It uses various insiders (employees) and outsiders (including customers as well as experts such as Charles Fombrun, the co-founder of the Reputation Institute, and ex-U.S. president Bill Clinton) to say nice things about the company and its exploits. This story can then be copied and shown around the world to an audience of stakeholders and (potential) commentators. However, if we believe Marshall McLuhan’s affirmation, then the effectiveness of this approach will be co-determined by whether the viewer interprets the video as an advertorial or a genuine reflection of the company presented by a group of credible witnesses.

A look at business newspapers (such as the Financial Times) and magazines (such as Fortune) reveals that corporate advertising is also being used to provide a snapshot of the corporate story. Here, the company is the primary presenter, even if a special spokesperson such as the CEO or a celebrity is used to state the message. John Rossiter and Steven Bellman’s review of advertising research suggests that in this medium for corporate storytelling to enhance corporate reputation, the company as presenter should project the following characteristics:

▪ Expert—to foster esteem and respect.
▪ Sincere—to foster trust and/or a good citizen image.
▪ Likeable—if the aim is to get the stakeholder to identify with the company.
▪ Powerful—if the company wants others to comply with its direction.

The first two presenter characteristics are unconditional in that all companies should project them. The second two have more focused objectives. Together these attributes provide part of a checklist for managers to review their corporate storytelling.

If the medium can taint the story of a company, then how should it be told? FedEx, as noted, assembled a varied cast of characters to talk about the company—a good strategy. However, it packaged this commentary in such a way (namely, a very professionally produced positive story) that it is easy for people who have a poor opinion of companies in general—and of public relations and advertising in particular—to regard it as “spin.” For people who already had a positive image and reputation of FedEx, this style of storytelling is unlikely to contaminate the company’s narrative because of the natural predisposition for people to want to confirm what they already believe.

So now the issue becomes how to tell a corporate story to a (somewhat) skeptical audience. Al and Laura Ries suggest that information about a company should first be introduced to external people through publicity and then reinforced with corporate advertising. However, the potential problem here is the loss of control of the narrative. Hence, sometimes this corporate advertising will need to bring the publicity back “on story.” Notwithstanding this advice, the best
way to keep general word-of-mouth (or word-of-mouse) on story is to consistently provide a good customer experience and maintain good relationships with stakeholders.

Howard Gardner’s insights about why stories fail highlights two communication traps for corporate storytellers. One is to avoid hyperbolic narrative, something used by John Chambers of Cisco Corporation during most of the 1990s to hype up the prospects of his company. When the dot-com world crashed, both he and Cisco lost a lot of their previous credibility. A second trap is not to underestimate the resistance of the various counter-stories that circulate about a company. This has been a major problem for Monsanto’s story. As an enthusiast for genetically modified foods, Robert Shapiro used this discovery to trumpet how Monsanto could help alleviate worldwide famine and malnutrition. However, the good reputation potential of this story was countered by the stories of many disparate groups about the dangers of “experimenting with nature.”

**Evaluating the Reputation Story**

A reputation story is designed to help establish and enhance the company’s reputation. To do this it must get traction inside and outside the company. To calibrate its effectiveness, three main attributes of reputation stories should be evaluated. First is the current beliefs and evaluations of stakeholders. In Figure 1, this was referred to as the “court of public opinion.” The second is the content and medium of delivery of the story. The third is the updated evaluations of stakeholders. Figure 3 illustrates this three-part (A, B, C) and four-stage (1 to 4) framework.

Media analysis is a common way to assess how well a company has told its reputation story. If the story causes stakeholders to perceive the company as more authentic, distinctive, expert, sincere, powerful, and likeable, then it is likely that this will enhance the overall reputation of the company. Hence, a useful approach is to content analyze media coverage for these attributes in terms of “themed messaging.” That is, was the tone of the coverage positive, neutral, or negative; did it reflect the desired image of the company; what were the main message themes; and were there any contradictory messages (such as HP’s two anti-company stories and Monsanto’s counter-story)?

While having the corporate story accurately reflected in the media is important, what is more important is that employees, customers, and other important stakeholders accept it. If the story does not resonate inside the company, it will not be portrayed by employees in their encounters with outsiders. Also, if outsiders do not accept the story, then they will ignore it, or worse still, begin to actively contest it. Qualitative research among employees and important stakeholder groups can be used to track acceptance. This should also seek to detect if rumors and gossip are spreading.

Finally, a good corporate story will generate complementary follow-on stories about the company. These will appear as outsiders repeating (parts of)
the corporate story and employees embellishing or adding other episodes to the story. This is the best evidence that the story has gained traction and that it has the potential to generate good commercial and social behavior that supports the company’s mission and morality. This, in turn, will help to increase the engagement of employees and the satisfaction of customers. Every time Richard Branson tells the story of the Virgin group of companies, you can almost feel the relationship between the company’s various brands and its stakeholders strengthen. The story of Enron further illustrates this effect.

**Enron: The Power of a Story Too Well Told**

Under CEO Kenneth Lay, COO Jeffery Skilling, and CFO Andrew Fastow, Enron transformed itself from a mild-mannered natural gas company to a global, innovative, aggressive energy trading company. It adopted a free-market philosophy and set out to create new markets. From the outside, the company was seen by many as the poster child of a new breed of dynamic, information-led companies—one that showed how to compete in what became known at the time as the “new economy.” However, on the inside the company had many serious faults—including poor risk controls, individual performance appraisal and promotion practices that rewarded meeting growth targets at any cost, a culture of arrogance and greed, and a lack of transparency with its accounting practices.

How did Enron rise to the top of the heap of American companies? The answer it seems, is a combination of three factors that made the “Enron story” so believable and acceptable.
The company’s business model (i.e., how it made its money by creating and trading in various markets) was too complicated to be understood from outside the company (and, it seems, by many employees). Most outside critics—journalists, financial analysts, and business school academics—were too lazy to understand and thus sensibly comment on the company’s activities. Enron (and Kenneth Lay) ingratiated and bankrolled itself with a cadre of influencers and political decision makers. Within this context, Kenneth Lay showed his brilliance. He created a captivating story about Enron. The story that he told the world was a bold, well-fashioned tale about a company whose mission was to lead others into a new era of business. The business morality was also captivating—about how aggressive innovation was necessary to build a new and exciting future. In the “go-go” business environment of the 1990s, this was a story that investors liked to hear. And rather than be clear about the operations of the company, the story was often told through the life of a rags-to-riches, interesting character. In fact, it was a story so well told, that the fall of Enron came as a complete surprise to most people.

Enron is a classic case of how a well-told story substituted for corporate substance. While the social consequences of this were bad, it does illustrate the power of a good corporate story.

Conclusions

Figures 1 and 2 suggest that good corporate stories and reputations are built on a solid platform of a valued mission and good morality and behavior. This information should be crafted into a corporate reputation story suitable for both internal and external stakeholders. Corporate reputation storytelling in its long forms (such as books, shareholder briefings, advertorials, web sites, and annual reports) and short forms (in corporate advertising) is art underpinned by science. The art of storytelling involves creating enough mystery and intimacy to result in a more favorable evaluation of the company. The services of a professional writer briefed to use the elements in Figures 1 and 2 can be used. The science of storytelling involves testing whether the storyline and media used actually enhance the company’s reputation (Figure 3).

Corporate reputations can be thought of as an asset, hence the emerging notion of building “reputation capital.” Like most assets, reputation will depreciate over time unless it is replenished by good deeds and communication. A continued stream of good corporate communication can help to slow the depreciation rate, and in some cases enhance the reputation of the company. Thus, by creating and telling an engaging corporate story, corporate reputation can become a more valuable strategic asset.

Companies should realize that a failure to tell their story can result in a faceless company or it can create a void. For example, even though Unilever and
Procter & Gamble have started to communicate more about themselves, they both remain a mystery to most of the people who use their products. Mysterious companies don’t tend to score high on reputation measures among the general public and thus they lose the opportunity to gain public support in times of crisis. Also, when companies don’t tell their reputation stories, stakeholders may believe that the company isn’t doing anything useful. In either case, the company has lost the opportunity to state its case and help create a better reputation.

Storytelling is more likely to thrive in a loose corporate culture where people have faith in each other and the values that guide their behavior. Stories offer people a fuzzy kind of wisdom that cuts across the many formal protocols of business. In this way, they have a power to influence and inspire that more traditional forms of corporate communication lack.

Notes


7. For example, after proclaiming that IBM was the e-business company, it then set out to create a reputation for being good at creating on demand business solutions for its target customers who operate in an “on demand” business environment (“e-business” and “on demand” were at the time the corporate slogans).


14. The others are concepts, theories, and skills.

15. Fombrun and van Riel, op. cit.


21. For example, the films listed in note 1.
23. He said: “There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.”
24. For example, according to their retail customers, these banks are some of the most profitable but least trusted big companies in Australia.
30. For example, these appeared in many issues of the major financial newspapers and magazines during the early part of 2006.
33. Shaw, Brown, and Bromiley, op. cit.
34. Shaw, op. cit.
41. See ibm.com for a good example of different parts of a corporate story residing in different parts of the company website.
42. FedEx say that Clinton was not paid for his testimonial, although this was not stated in the credits of the video that I saw that was screened at the Reputation Institute’s annual conference in Madrid in 2005.
44. It is arguable that Tom Hank’s portrayal of a dedicated, humane FedEx employee in the movie _Castaway_ was more believable.
47. Pratkanis and Aronson, op. cit.