

# Reputation Is Value

*Remember who you represent.*



by Norm Smallwood and Patricia Seemann

**W**HEN YOUR CHILDREN LEAVE THE house, you might shout to them: “Remember who you are and what you stand for.” This advice is just as relevant for corporate executives. A solid reputation leads to a positive cycle of events: Reputation engenders trust; trust leads to greater opportunity; greater opportunity creates value.

Still, new revelations of impropriety pop up, perhaps for three reasons: 1) People are more sophisticated and sensitive to “right and wrong” in areas that were glossed over a few years ago. 2) Stakeholders seem increasingly willing to leak their grievances to the media. And, 3) scandals arouse the public interest.

Since CEOs are icons of their organizations, the problems of the firm soon become the problems of the CEO. All organizations have areas of tension, disagreement, opaqueness, misunderstandings, and discontent. When a firm and its CEO become the objects of scrutiny, these fault lines expand quickly and sometimes fatally. In a reputation crisis, you can’t communicate yourself or your firm out of the problem. Other areas must be managed in an integrated fashion.

## **Power, Trust, and Betrayal**

Our colleague, Otis Maxfield, is an expert in the areas of power, trust, and betrayal. When he talks about executives in a reputation crisis, he uses the metaphor of a family. The CEO is a parent, and other executives are competitive siblings who either express loyalty or betray the parent for gain. We find his framework useful in diagnosing and resolving problems.

During a reputation crisis, the CEO is

forced to deal with issues related to the crisis and neglect the business. The more public the debate, the more “vulgarized” the person the CEO becomes, potentially weakening his or her power and inviting betrayal from within.

## **Ensuring Loyalty**

As power is threatened, loyalty issues surface. The CEO needs to put in place mechanisms to sense early patterns of fading confidence and loyalty, perhaps even betrayal among subordinates, and to act decisively to counter such developments.

During the crisis, the CEO must communicate a point of view about the situation and listen to the concerns and ideas that come from staff. If there is not a routine process to do this, every announcement of a meeting with the CEO sends ripples of alarm through the organization. To avoid this, CEOs should hold routine meetings within the framework of an Executive Development process.

During a reputation crisis, the most critical issues are to ensure the future of the firm and to protect the firm’s brand, regardless of the CEO’s own future. The possibilities of the next stage in the life of the CEO depend largely on behavior during the crisis. To see the next stage, and to take it into account in the maelstrom of difficult events, is difficult.

To manage the intangibles that impact reputation, we recommend creating a Center of Excellence to get an ongoing feel for the opinions of critical players. The Center might include people who have responsibility to improve and measure firm reputation and identity.

Leaders must build reputation. Reputation increases public trust, improves opportunity, and increases value. EE

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ACTION: Remember who you are.

