

Corporate Scandals Hit Home

Reputations of Big Companies Tumble in Consumer Survey; 'Money Can Rob the Goodness'

By RONALD ALSOP

Big corporations are stuck in the doghouse.

More than two years after a wave of accounting scandals shook the public's trust, the reputation of many of the best-known companies continues to decline. In their latest corporate-reputation study, Harris Interactive and the Reputation Institute, a New York-based research group, found that the public is still mad at many of the 60 companies in this year's ranking: Three-quarters of the survey respondents graded the image of big corporations as either "not good" or "terrible."

Never mind that the economy and stock prices are rebounding. And forget that old chestnut about time healing all wounds. People are far from ready to forgive the corporate fraud, deception and greed they have witnessed.

One respondent, Eva Johnson, a 34-year-old homemaker in Franklin, Ohio, said she is so disillusioned that she's tempted to start hiding her savings in her mattress. "It's sad, sad, sad," she said. "I'm very disappointed in how money can rob the goodness in people."

Certainly, the lingering taint of all the corporate malfeasance accounts for much of the ill will. And it's clear that the public still wants blood. Many people surveyed expressed bitterness that the big fish — Kenneth Lay and Jeffrey Skilling of Enron Corp., Bernard Ebbers of WorldCom Inc. (now MCI), and Dennis Kozlowski of Tyco International Ltd. — haven't been held to account. And Martha Stewart should be glad that respondents like Jerry Naumann aren't members of the jury at her trial. "I wasn't a big fan of Martha Stewart's

before her legal fiasco, but now I feel much more cynical," said the 51-year-old Norwalk, Wis., farmer. "Just because they're celebrities they feel they can cut deals the average person never could get."

But the public's scorn runs deeper than the scandals. Americans also feel less positively about customer service, the treatment of employees and the environmental policies at many companies measured in the survey. Prescription drug prices were a particularly sore point with some of the respondents who rated Pfizer Inc. (No. 28 in the ranking) and Merck & Co. (No. 32).

"I really wonder how executives at drug companies sleep at night knowing they overprice the American market so much that some people have to choose between being able to pay bills or afford medication," said M. Brandon Fargis, a 23-year-old information-technology specialist in Burlington, N.C. "Doctors recite the Hippocratic Oath; pharmaceutical companies should have to make a similar pledge of professional responsibility."

Although still No. 1 in the ranking, even Johnson & Johnson is feeling the sting of corporate distrust. For the first time in the five years it has held the top spot in the reputation ranking, its Reputation Quotient score dropped below 80 points (out of a maximum 100). J&J's strong association with babies couldn't shield it this time from consumer wrath over drug prices.

The 60 companies in the reputation ranking vary somewhat from year to year because they are based on a nomination process in which 6,331 people selected from Harris Interactive's database are asked to

name the companies they currently believe have the best and the worst reputations. Then every fall, a second group of nearly 22,000 online survey respondents rates the reputations of the most-nominated companies on 20 attributes. Harris Interactive says all data are weighted to be representative of the U.S. adult population.

The average reputation score for all 60 companies fell to 66.7 points in 2003, a record low. And scores for 15 companies dropped significantly (by more than two points), with Gateway Inc. and Exxon Mobil Corp. losing the most ground. Gateway's financial troubles and its shrinking share of the computer market are damaging its reputation. Exxon Mobil is financially robust, but its continuing fight over punitive damages in the 1989 Exxon Valdez oil spill keeps the Alaskan disaster fresh in people's minds and lowers its rating for environmental responsibility.

"Get the oil spill litigation settled so it doesn't keep resurfacing," advised Eric Aumen, a 27-year-old certified public accountant in Gettysburg, Pa. But late last month, a federal judge set punitive damages at \$4.5 billion, plus interest, and Exxon Mobil again vowed to continue fighting the decision, which it said it considers excessive and "entirely inconsistent" with established law.

Ratings for workplace quality fell significantly, as respondents reacted resentfully to layoffs, measly wage increases and benefit cutbacks. Wal-Mart Stores Inc., in particular, suffered on the attributes "a good company to work for" and "rewards employees fairly," drop-

ping to No. 23 in the ranking from No. 17 in 2002. Its rating was damaged by publicity about cleaning contractors using illegal immigrants in its stores, workers' complaints about low pay, and employee discrimination suits against the retailer.

"Wal-Mart claims it's so American, and then it goes and uses illegal immigrants," said Beth Skaggs, a 55-year-old grocery-store bakery clerk in Moorpark, Calif. But Wal-Mart maintains that it had actually been cooperating with the government's investigation when federal agents rounded up 250 illegal immigrants working on cleaning crews in some of its stores in October.

Survey respondents also gave lower scores to many companies for lackluster customer service. Among those receiving extremely low service ratings were telecom companies MCI, AT&T Corp., Qwest Communications International Inc. and Sprint Corp.

U.S. auto companies were hammered as well. In addition to griping about unreliable vehicles, people complained more than ever that American car makers continue to churn out too many gas-guzzling sport-utility vehicles. General Motors Corp.'s Hummer especially came under attack for its low gas mileage. "You might as well pour gasoline directly onto the road," quipped one respondent.

Ford Motor Co. wasn't spared either. "Ford is so hypocritical," said Jason Shawn, a 25-year-old software engineer in Manassas, Va. "Its advertising shows its trucks and SUVs driving through beautiful landscape, but it fails to mention that by driving these vehicles you're actually killing that beautiful landscape." Ford is working to change such perceptions with plans to introduce a hybrid SUV late this summer.

On the positive side, Honda Motor Co. jumped the most in overall rank — to 11th place from 25th in 2002. The Japanese company fared especially well in its ratings for corporate

sincerity, a good workplace, trust, admiration and respect. "Honda makes perfect cars; it's as simple as that," declared Andrew Stevens, a 40-year-old consulting-firm owner and survey participant in Troy, Mich. Walt Disney Co. rose to 4th place from 15th in the survey, which was conducted last fall, before board members Roy Disney and Stanley Gold resigned and began a campaign to oust CEO Michael Eisner. Even so, Disney's reputation had weathered earlier criticism of Mr. Eisner's performance, and seemed to benefit from the halo effect of its deeply ingrained image as an entertainment company focused on families.

Disney, which is now the target of a takeover bid by Comcast Corp., received positive scores across the board. But some respondents were critical of the company for straying from "Walt's original dream," as one person put it, through more adult-oriented businesses such as Miramax Film Corp.

One of the most volatile companies in the ranking from year to year, Microsoft Corp. has returned to the top 10. Microsoft always scores well for leadership, vision and financial performance. But in the latest survey, fewer critics accused it of monopolizing the software market, and more people praised Chairman Bill Gates for his philanthropy. Indeed, Microsoft ranked fifth in the survey for supporting good causes, illustrating how top executives' reputations and corporate reputations often intersect.

Typically, reputation repair is a slow process. Still, it's surprising to detect so much cynicism after regulators have instituted accounting reforms and companies have taken steps to mend their reputations, including making changes in corporate governance and pledging more ethical behavior.

But many reputation strategies clearly aren't working. Name changes haven't yet helped Altria Group Inc. (formerly Philip Morris),

MCI (WorldCom) and Time Warner Inc. (AOL Time Warner), all of which remain stuck in the bottom tier. "Altria is a company trying to cover up something by changing its name," said Howard Rubin, a 47-year-old home-equity customer-service adviser in Rochester, N.Y. On the other hand, some respondents did give Altria credit for its teen-smoking prevention campaign.

The public also apparently didn't buy General Motors' plea for "redemption" in a big corporate ad campaign last year that claimed it had overcome many of its auto-quality problems. Indeed, GM, along with Time Warner, Kmart and AMR Corp./American Airlines, has shown the most consistent decrease in reputation scores over the past few years.

"Too many companies think they can simply advertise their way out of a bad reputation," said Joy Sever, senior vice president at Harris Interactive, a Rochester, N.Y., market-research firm.

Now more than ever, the public has a show-me attitude. Respondents repeatedly say they have yet to see companies demonstrate more goodwill toward customers, employees and the communities where they do business. "Companies still don't get it that people do make purchasing decisions based on corporate reputation," said Frederick Stuart, the 60-year-old head of a small recruiting firm in Philadelphia. "Businesses that work for the good of their local communities will benefit from their better reputations."