

The Best Corporate Reputations in America: Johnson & Johnson Turns Up Tops

BY RONALD ALSOP

Internet companies are transforming the planet. Microsoft Corp. is taking its place as the world's most valuable company, run by the world's richest man. Executives everywhere are trying to imitate the management skills of General Electric Co.

So what company enjoys the best corporate reputation among Americans at the turn of the millennium?

Johnson & Johnson. Benefiting from its heritage as the premier maker of baby powder and shampoo, the health-care company is the surprising champion of a new public-opinion study of corporate image and how it evolves over time.

The nationwide survey of 10,830 people, conducted online last month, marks the first effort to systematically sound out a cross-section of Americans to determine the relative standing of businesses in the national psyche. The research, made available exclusively to The Wall Street Journal, was conducted by Harris Interactive Inc. and the Reputation Institute, a New York research group.

Politicians have long capitalized on the widespread affection for infants, but one revelation of the research is the degree to which the public also responds emotionally to corporations. When it comes to companies, it turns out, many people relate to simple things: babies, ice cream, bargains, safety and trust.

Against this backdrop, bedrock business issues fade. Take the bottom line. Capitalism may demand that companies chase riches, but the survey found that the average American pays little attention to profitability or stock performance

when sizing up corporate character. "Reputation is much more than an abstract concept; it's a corporate asset that is a magnet to attract customers, employees and investors," says Charles Fombrun, a management professor at New York University and executive director of the newly formed Reputation Institute.

Reputations – good or bad – have real staying power, the study found. Despite the negative headlines this year when people in Europe reported illnesses after drinking Coke products, nearly half of the people who rated Coca-Cola Co. in the survey said they would trust it to do the right thing in a crisis. Exxon Corp., meanwhile, can't shake the notoriety from its huge oil spill off Alaska, a decade after the fact.

The top 30 companies found to have the best reputations in America are predominantly in technology and consumer products. They emerged in a first phase of research when 3,000 people were asked to nominate companies they thought had the best and worst reputations. Then, the companies were rated by nearly 11,000 people on factors such as product quality and corporate vision and leadership.

Only one airline – Southwest Airlines – made the cut, and no financial-services companies did. One notable omission: American Express Co., which spends heavily on advertising and generally scores well in surveys of business executives, investors and other high-income people. Because the study represented a cross-section of the public, says Joy Sever, a senior vice president at Harris Interactive, "many of these respondents don't

have the upscale American Express card and don't feel an emotional connection with credit cards generally."

The rankings were determined by each company's "reputation quotient," a calculation based on how the public rated 20 attributes. Each respondent could offer an assessment of one or two of the 30 companies. In the end, each company was rated by an average of 445 people.

First-hand experience with a company greatly colored perceptions, whether shopping at a store, using a computer or long-distance phone service, or tasting a mug of beer.

Wal-Mart Stores Inc. and Home Depot Inc., the packed-to-the-rafters home-improvement chain, won raves for selling products at value prices, Intel Corp. for its innovative products, Walt Disney Co. for its friendly, helpful employees. "Home Depot is a man's toy store," one respondent said. "I get lost in there for hours. I always buy more than I intended."

Ben & Jerry's Homemade Inc. was rated high for its tasty, indulgent ice cream, but also for its positive environmental actions, such as using unbleached paper in its cartons and buying steroid-free milk. "The environmental aspect of Ben & Jerry's has always intrigued me," says one respondent, Dennis Hudock, a 57-year-old vice president at a Cleveland advertising firm. "They take an iconoclastic look at the way business is done. You enjoy seeing someone take a pin and stick it to the balloon."

Bean-counters, after this study, may feel deflated. "The survey

respondents were representative of the general public, not the investing public, and they weren't as interested in or as informed about financial results," says the Reputation Institute's Mr. Fombrun. About 18% of the survey respondents had made trades in the stock market in the past year.

Given the relative inattention to markets, J&J could leap up the reputation charts even though its financial results and stock price were disappointing last year. Both have since rebounded.

A surprising number of consumers say they act on their feelings about companies at the cash register. A quarter of the survey respondents said that in the past year they had boycotted a company's products or urged others to do so when they didn't agree with its policies and actions.

Other hot buttons with consumers include the massive layoffs in the mid-1990s and high CEO pay. "American big business needs to wake up and realize that they should not pay the CEO more than the President of the United States makes; it is just crazy to think that one person is that valuable," said one respondent.

The survey also showed the strong impact of word-of-mouth impressions from company employees. "I have close personal friends who work for Ford and General Electric, and they are fiercely loyal, if not completely approving of everything" their employer does, said one respondent, explaining high ratings for those companies.

The Reputation Institute and Harris also identified companies with the worst reputations in America, including Philip Morris Cos., Exxon and Kmart Corp. People criticized Philip Morris for selling tobacco products that are addictive and cause cancer. "Philip Morris=Devils," one respondent wrote.

As for Kmart, one survey respon-

dent summed up the company's image problem: "Whenever something is of inferior quality, people say, 'Where'd you get it from - Kmart?'"

All three companies say the survey is disappointing but not surprising. Kmart even had a campaign already in the works to try to polish its reputation. Last night, the retailer started a big corporate image TV campaign, with stylish commercials showing Wynonna and Naomi Judd singing "Changing for the Better," the company's new theme.

Kmart's earnings have been growing as the retailer renovated stores and added new merchandise, says Shawn Kahle, vice president of corporate affairs. "If you've done wrong by the customer in the past," she adds, "you have to make an extra effort to bring them back."

Disney stirred some of the strongest reactions, both pro and con. Particularly controversial are its programs favorable to gay employees and gay tourists at its theme parks. "We have a policy of nondiscrimination that includes sexual orientation for both our workplace and visitors to our parks," a Disney spokesman says. Some respondents attacked companies that support Planned Parenthood and gun-control laws. And in discussing Nike Inc., many people accused it of exploiting young laborers overseas and marketing expensive shoes to poor inner-city youth.

Maria Eitel, Nike vice president of corporate responsibility, says the company last year raised the minimum-age limit in its factories to 18 for footwear manufacturing and 16 for other products. As for poor consumers, she says Nike is trying to create a broader price range of shoes.

No company had a more pronounced love-hate relationship than Microsoft. In fact, the software company was cited almost equally as having the best and the worst reputation in corporate America.

The government's antitrust suit and all its publicity clearly are top-of-mind. Some respondents called Microsoft a "huge gorilla" and "the town bully." But Paul Cooper, 43, of Fort Atkinson, Wis., was more forgiving. "Everybody just wants to take a shot at whoever's on top of the mountain," he says. "If Bill Gates makes another billion dollars, it's not going to hurt me as long as my software works."

A Microsoft spokesman says the company believes most people base their opinions on its technology and products. "The reputation we want," he says, "is as a company that builds great products and technology that improves people's lives."

Changing corporate reputations is difficult because perceptions die hard. Many people have never forgiven Exxon for the Alaskan oil spill, and the anger appears deep-seated. "I think it's going to take another generation for Exxon to recover," says Jeane Vinson, 47, of Kona, Hawaii. "I can't get the image of dead birds out of my mind."

Adding that Exxon hasn't "done anything that showed me they're trying to change their ways and be more responsible," Kristen PatScott, 28, of Richmond, Vt., says she won't let her boyfriend stop at an Exxon gas station "even for a pack of gum or to use the restroom."

Such responses frustrate Exxon officials. They say they ran ads apologizing for the spill and spent about \$3.5 billion for the cleanup, compensation for people and businesses affected by the spill, and environmental programs.

The Leaders

Top 30 companies, based on Reputation Quotient (RQ), a standardized instrument that measures a company's reputation by examining how the public perceives companies based on 20 attributes.

Rank & Company	RQ
1 Johnson & Johnson	83.4
2 Coca-Cola	81.6
3 Hewlett-Packard	81.2
4 Intel	81.0
5 Ben & Jerry's	81.0
6 Wal-Mart	80.5
7 Xerox	79.9
8 Home Depot	79.7
9 Gateway	78.8
10 Disney	78.7
11 Dell	78.4
12 General Electric	78.1
13 Lucent	78.0
14 Anheuser-Busch	78.0
15 Microsoft	77.9

Rank & Company	RQ
16 Amazon.com	77.8
17 IBM	77.6
18 Sony	77.4
19 Yahoo!	76.9
20 AT&T	75.7
21 FedEx	75.7
22 Procter & Gamble	71.9
23 Nike	71.3
24 McDonald's	71.2
25 Southwest Airlines	70.6
26 America Online	69.2
27 DaimlerChrysler	69.1
28 Toyota	68.6
29 Sears	67.6
30 Boeing	67.3

The Building Blocks

Twenty corporate attributes are classified into the following six elements of reputation. Top five companies in each category:

Emotional Appeal-a

1. Johnson & Johnson
2. Coca-Cola
3. Hewlett-Packard
4. Ben & Jerry's
5. Xerox

a-How much the company is liked, admired, and respected

Products & Services-c

1. Johnson & Johnson
2. Intel
3. Hewlett-Packard
4. Xerox
5. Ben & Jerry's

c-Perceptions of the quality, innovation, value, and reliability of its products and services

Vision & Leadership-e

1. Microsoft
2. Intel
3. Anheuser-Busch
4. Coca-Cola
5. Dell

e-How much the company demonstrates a clear vision and strong leadership

Social Responsibility-b

1. Ben & Jerry's
2. Amazon.com
3. Johnson & Johnson
4. Wal-Mart
5. Xerox

b-Perceptions of the company as a good citizen in its dealings with communities, employees, and the environment

Workplace Environment-d

1. Johnson & Johnson
2. Lucent
3. Ben & Jerry's
4. Hewlett-Packard
5. Intel

d-Perception of how well the company is managed, how it is to work for, and the quality of its employees

Financial Performance-f

1. Microsoft
2. Wal-Mart
3. Coca-Cola
4. Johnson & Johnson
5. Intel

f-Perceptions of its profitability, prospects, and risk
