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 Dimbrun, 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 con-
sumers 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 impres-
sions 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 some-
thing 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 rep-
utation. Last night, the retailer start-
ed a big corporate image TV cam-
paign, with stylish commercials
showing Wynonna and Naomi Judd
singing “Changing for the Better,”
the company’s new theme.

Kmart’s earnings have been grow-
ning 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 pro-
nounced 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 for-
giving. “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 for-
given 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, Va., 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 busi-
nesses 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.

<table>
<thead>
<tr>
<th>Rank &amp; Company</th>
<th>RQ</th>
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<tbody>
<tr>
<td>1   Johnson &amp; Johnson</td>
<td>83.4</td>
</tr>
<tr>
<td>2   Coca-Cola</td>
<td>81.6</td>
</tr>
<tr>
<td>3   Hewlett-Packard</td>
<td>81.2</td>
</tr>
<tr>
<td>4   Intel</td>
<td>81.0</td>
</tr>
<tr>
<td>5   Ben &amp; Jerry’s</td>
<td>81.0</td>
</tr>
<tr>
<td>6   Wal-Mart</td>
<td>80.5</td>
</tr>
<tr>
<td>7   Xerox</td>
<td>79.9</td>
</tr>
<tr>
<td>8   Home Depot</td>
<td>79.7</td>
</tr>
<tr>
<td>9   Gateway</td>
<td>78.8</td>
</tr>
<tr>
<td>10  Disney</td>
<td>78.7</td>
</tr>
<tr>
<td>11  Dell</td>
<td>78.4</td>
</tr>
<tr>
<td>12  General Electric</td>
<td>78.1</td>
</tr>
<tr>
<td>13  Lucent</td>
<td>78.0</td>
</tr>
<tr>
<td>14  Anheuser-Busch</td>
<td>78.0</td>
</tr>
<tr>
<td>15  Microsoft</td>
<td>77.9</td>
</tr>
<tr>
<td>16  Amazon.com</td>
<td>77.8</td>
</tr>
<tr>
<td>17  IBM</td>
<td>77.6</td>
</tr>
<tr>
<td>18  Sony</td>
<td>77.4</td>
</tr>
<tr>
<td>19  Yahoo!</td>
<td>76.9</td>
</tr>
<tr>
<td>20  AT&amp;T</td>
<td>75.7</td>
</tr>
<tr>
<td>21  FedEx</td>
<td>75.7</td>
</tr>
<tr>
<td>22  Procter &amp; Gamble</td>
<td>71.9</td>
</tr>
<tr>
<td>23  Nike</td>
<td>71.3</td>
</tr>
<tr>
<td>24  McDonald’s</td>
<td>71.2</td>
</tr>
<tr>
<td>25  Southwest Airlines</td>
<td>70.6</td>
</tr>
<tr>
<td>26  America Online</td>
<td>69.2</td>
</tr>
<tr>
<td>27  DaimlerChrysler</td>
<td>69.1</td>
</tr>
<tr>
<td>28  Toyota</td>
<td>68.6</td>
</tr>
<tr>
<td>29  Sears</td>
<td>67.6</td>
</tr>
<tr>
<td>30  Boeing</td>
<td>67.3</td>
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## The Building Blocks

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

<table>
<thead>
<tr>
<th>Emotional Appeal-a</th>
<th>Products &amp; Services-c</th>
<th>Vision &amp; Leadership-e</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Coca-Cola</td>
<td>2. Intel</td>
<td>2. Intel</td>
</tr>
<tr>
<td>5. Xerox</td>
<td>5. Ben &amp; Jerry’s</td>
<td>5. Dell</td>
</tr>
<tr>
<td>a-How much the company is liked, admired, and respected</td>
<td>c-Perceptions of the quality, innovation, value, and reliability of its products and services</td>
<td>e-How much the company demonstrates a clear vision and strong leadership</td>
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<tr>
<th>Social Responsibility-b</th>
<th>Workplace Environment-d</th>
<th>Financial Performance-f</th>
</tr>
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<tbody>
<tr>
<td>2. Amazon.com</td>
<td>2. Lucent</td>
<td>2. Wal-Mart</td>
</tr>
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<td>5. Xerox</td>
<td>5. Intel</td>
<td>5. Intel</td>
</tr>
<tr>
<td>b-Perceptions of the company as a good citizen in its dealings with communities, employees, and the environment</td>
<td>d-Perception of how well the company is managed, how it is to work for, and the quality of its employees</td>
<td>f-Perceptions of its profitability, prospects, and risk</td>
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