

“Hold on tight”

The Reputational Pull of the Automotive Industry

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*"A good reputation is more valuable
than money."*

Pubilius Syrus
Maxim #108
1st Century BC

What is “Reputation?”

The sum total at any given time of your organization’s past and current actions, behaviors, decisions and performance

Reputation...

(from a Communications standpoint)

- How your organization is perceived, for better or for worse
- Far-reaching, often complex, fragile
- Inextricably linked to trust and credibility
- Loss of trust or credibility destroys reputations
 - very difficult to recover
 - Think: Worldcom, Enron, AOL Time Warner, Tyco, Sunbeam, et al.

Mistrust...

...Cannot be measured

...Is the psychological cost of anxiety

- Customers lose faith
- Employees lose commitment
- Adversaries are encouraged
- Inspectors and inspections added
- Reviews, meetings, memos proliferate

Loss of trust = poor reputation

"Quality must be 'Job One.' Saying it isn't enough."

Former Ford F-150 truck owner,
after spending \$4,000 on repairs



Loss of trust = poor reputation

"Business ethics is an oxymoron."



tyco

a vital part of your world



California investor,
after his investments lost 30% of their value
due to companies' questionable accounting practices



Trust

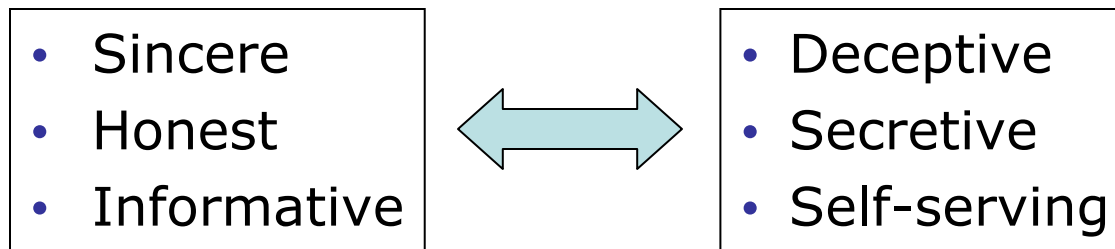
Based on three imperatives

1. Results
2. Integrity
3. Concern

Trust leads to Credibility, and defines Reputation

“Corporate Sincerity”

- Harris Interactive’s “corporate sincerity” ranking composed of six characteristics:



Reputation, trust, and the CEO

- Trust and reputation begins and ends in the mind of the CEO
 - A manifestation of the personal value of leadership
 - How he/she sees the organization
 - How willing he/she is to steer organization one way or another

"Of all the judgments we pass in life, none is more important than the judgment we pass on ourselves."

Anonymous

Reputation

- Resides in the “minds” of all key audiences

- Customers
- Shareholders
- Analysts
- Employees
- Media

- Dealers
- Distributors
- Suppliers
- Regulators
- Communities

Reputation

- Cannot be delegated
- Must be part of how an organization operates
 - Decision-making
 - Policies
 - Systems
 - Crisis handling
 - Communications

Reputation and trust

- Fundamentally impossible to score
 - Trust and reputation are amalgam of both quantitative and qualitative factors
- Scoring gives false comfort, intended to sell an image-making program
- The composite of concrete and abstract consideration
- Must be earned and constantly assessed
 - Intrinsically, it cannot be manufactured, spun, fabricated or advertised

Regaining it

- Loss of trust or credibility destroys reputations
- nearly impossible to recover
- At companies like GM with a long history...
 - Reputation even more challenging
 - History can either be an ally or an albatross

Where it starts

- Reputation starts within/mindset of CEO
 - Its values and whether those values are reinforced internally through reward, recognition, consequence
 - How it thinks, acts, decides, reacts, trains, develops, operates, and ***communicates***
- What can you control?
 - Information
 - Transparency
 - Decisions

From the executive suite...

Communications and Reputation

- 51% of CEOs are more concerned about their company's reputation vs. a year ago
- 67% turn to internal public relations counsel to manage the company's reputation
- 69% say corporate communications is very important for raising brand awareness
- 58% say corporate communications is very important for raising corporate reputation

Source: 2002 PR Week/Burson-Marsteller CEO Survey

Case in point: The Automotive Industry



North American auto industry

In 2004...

- 19.5 million light cars and trucks sold
 - 20.6 million/year projected by 2009
- 339 different models sold in North America
- 212 different models produced in North America (the remainder imported from Asia and Europe)

Reputation in the auto industry

- Constant scrutiny — a fact of life
- Many opinions, thousands of perspectives
- Managing reputation is like nailing “Jello to a wall”
- Pay attention to what “sticks”
 - Role of communications is discerning potential risks
 - More art than science

Reputation in the auto industry

**Just Selling More Cars May
Not Be Enough for GM**

U.S. News & World Report —
11 Sept. 2005

**Mercedes' Image Rides
on New Flagship**

The Detroit News — 11 Sept.
2005

**New Signs of Trouble at Jaguar
Overshadow Coupe's Debut**

THE WALL STREET JOURNAL — 14 Sept. 2005

**Ford May Need to Close More
Plants to Improve Profit**

Bloomberg — 13 Sept. 2005

**At Frankfurt Auto Show,
a Reluctant Embrace of Hybrids**

The New York Times — 14 Sept. 2005

Myriad of issues

- Fuel consumption
- Environmental and hybrids
- Out-sourcing
- Off-shoring
- Health care
- Quality/recalls
- Pricing
- Financial management
- Transparency

The auto industry truth

- Your reputation is based on your next product
 - Chrysler was considered dead in the water again — until it introduced the 300M
 - Ford was dying in the mid-1980s — then it rolled out the Taurus and Explorer
 - GM was accused of having boring products — Cadillac resurgence, HUMMER borne



Not just the auto industry



Apple Company — a new product dynamo

- Known as iconoclastic risk-taker
 - Stood PC industry on its head with Macintosh
- Constantly breaking new ground
 - iMac, eMac, Mac OS X, reinvented iMac (three times)
- Revolution: iPod and iTunes Music Store
 - Reinvented Apple and the music industry
- Changed the game in at least two industries
 - Drew out new competitors
 - Everyone else is playing catch-up — Sony, Dell, Microsoft, Time-Warner, Yahoo, et al.
- Now, it's competing with Nokia, et al.



Not just the auto industry

- CEO Steve Jobs' vision is key
 - Invites people along for the ride with cutting-edge products that define and enhance their "digital lifestyle"
 - Put Apple at the forefront of new lifestyle trend
- In fact, Apple's reputation is built on its unique ability to communicate that vision effectively to its many constituencies
 - Customers, investors, employees, media, etc.



Discerning what “sticks”

- Certain issues can make or break reputation
- A Communicator’s Framework
 - Organize
 - Strategize
 - Operationalize

A bias for action...being prepared

1. Organize
2. Strategize
3. Operationalize

1. Organize

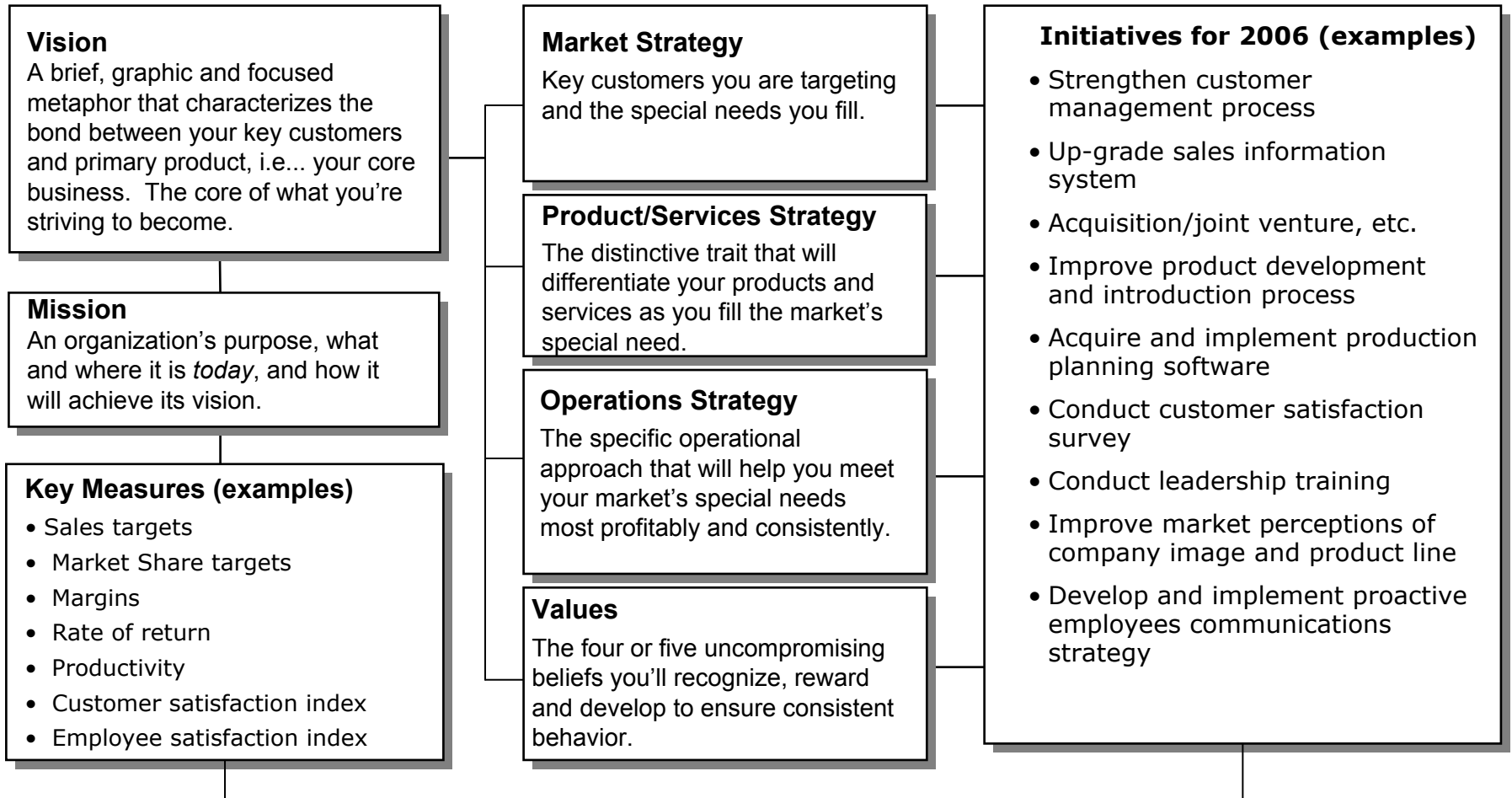
- Strategic Roadmap
- Situation Room
- Decision Monitor

Organize

Strategic Roadmap

- A clear, concise means of linking an organization's vision/mission to its strategy
- A means to achieve consensus on an organization's direction
 - Paths toward a common sense of purpose
 - Clear benchmarks

Organize The Strategic Roadmap



Organize

The Situation Room

- Determining the issues facing business
- Allows for a single story to be told
 - Rather than diverse messages
- Ultimately, enables a company to develop a cohesive story, inside and outside the company, of...
 - Who we are
 - Where we're going
 - How we define future, short- and long-term goals
 - How success is defined and measured

Organize

The Situation Room

The challenge:

- Identify the “Perfect Fit” — the next part of story
- Allows people to “follow and comprehend”
- Keeps reputation dynamic

Organize

The Situation Room

- Organizing your story in a 'perfect fit' fashion is not the result of guesswork, or 'winging it'
- It's one of answering the important questions about the business: disciplined, prepared

Organize

The Situation Room — Questions

Answering these questions...

- Allows people to plot priorities
- Facilitates an open, ongoing dialogue between all functions
- Ensures that internal and external communications are in synch
- Paints a complete picture of the company, its audiences, its marketplace

Organize

Areas for discussion

1. Current Situation
2. Internal Priorities
3. The Industry
4. Reality Check
5. A Look Ahead
6. Defining Our Story

Organize

The Situation Room

1 Current situation: Where is the company today? What are people talking about inside and outside the company?

2 Priorities: What are the company's internal priorities ("water cooler" discussions)?

3 Current industry issues: Did these recent happenings (internal and external) propel or impede our business and organizational priorities?

- New business model
- Merger/acquisition/partnership/alliance
- Legislation before Congress that may impact operations
- Financial results announcement
- Changes to executive team

4 A reality check: What are the broader issues in the marketplace we're operating in?

- Recession/economic growth
- "America at war"
- Shifts in political power

5 A look ahead: Will these internal/external events on the horizon propel or impede our business and organizational priorities?

- Activities of related associations/political groups/labor organizations
- New product/service launches
- Analyst/debt downgrade
- Slow recovery of the stock market
- Competitive shifts

6 Defining the story: What does this tell us? What should we be doing? Who needs to do what?

Organize

Decision Monitor

- A reality check on how perception is formed
- Purpose: identify major/minor organizational decisions
 - What were the last “10”
[product/HR/marketing/manufacturing/pricing, etc.] decisions?
 - What did they mean? communicate?
 - Impact on reputation
- Result: Policy Formation (Proactive)

Case in point #1: A New Lens



- On June 1, GM launched unique sales promotion on all products
- Purpose
 - Reduce dealer inventory of 2005 models
 - Provide compelling reason to buy GM
 - A new window to view GM – people, products, technology
- Results
 - Cut inventory from 73 days (June 1) to 48 (July 1)
 - Biggest sales month (June) since 1986
 - Repositioned GM in minds of key audiences
 - Boost to employee morale, internal reputation

Case in point #2: Rebuilding Trust

- 54-day strike — 1998
- Crisis in the making
- Employee survey cited “better communications” as company’s most critical improvement opportunity

Internal Communication Improvement Process (ICIP)

- Systematic approach to communications in GM North American facilities
- Communications professionals in all facilities
- Provide a line of sight

Results: What ICIP does...

- Builds relationships at the local level
- Reduces “noise”
- Focuses on relevant information
- Allows people to “discover” and retain

Discussion , Debate, Dialogue, Results

2. Strategize

- Clarity of message achieved through Relevance and Perspective
- The role of the communicator
- Employee progression to action
 - ▶ Know — Feel — Do

Strategize

Relevance is...

- Synchronizing message, medium and audience
- Maintaining current understanding of and appreciation for your audiences
 - Monitoring attitudes and behaviors; adjusting for changes
 - Knowing their primary sources of information
 - TV, radio, magazines, newspapers, friends, co-workers

Strategize

Perspective is...

1. “Walking in another person’s shoes”
 - Understanding audience’s point-of-view, what they think, see, believe, etc.
2. Broadening the perspectives of those audiences on the issues, challenges and opportunities for the business
 - Giving them reason to care
 - Tearing down the walls of misperception that imprison them

Relevance and Perspective in communications

Not about...

- Building the best communications system
- Producing well-written messages
- Conducting sound research
- Overwhelming your audiences with information
- Neat gadgets and new tools
- Highly produced, slick, in-house videos

Responding to business challenges/reputational issues with a litany of communications activities does not add relevance

Relevance and Perspective in communications

Relevance and perspective means...

- We must focus *not* on how communications should respond but rather focus on how the **business** needs to respond
 - What the business — its managers and leaders — need to do
- *What do you want the people to **know, feel and do?***

Strategize

Role of the communicator

- Avoid the “boomerang” effect
 - Reputation can alter organizational balance
 - Negative: defensive, closed-minded
 - Positive: “hubris”, arrogance
- Goal is to build, over time, the elements that allow people to understand the “soul” of the organization

3. Operationalize

- Execute communications – internal/external – based on business strategy
- Assess, monitor, recalibrate

Align communications to the business strategy

- Strategic communications — not a plan but a ***mindset***
- Focus on priorities
- Manage expectations
- Driving behaviors in such a way that...
 - Learning/Understanding/Comprehension can take place
 - Appropriate and timely actions can happen
 - Quality work can be done

So that the business can succeed!

*"The question is not
what you look at
but what you see."*

Henry David Thoreau



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