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Chapter 13 Reputation Management: Corporate Image and Communication

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Introduction

'Never do anything you wouldn't want to be caught dead doing.' – Actor John Carradine advising his actor son, David.

Reputation was, is, and always will be of immense importance to organisations, whether commercial, governmental or not-for-profit. To reach their goals, stay competitive and prosper, good reputation paves the organisational path to acceptance and approval by stakeholders. Even organisations operating in difficult ethical environments – perhaps self-created – need to sustain a positive reputation where possible.

Argenti and Druckenmiller argue that 'organisations increasingly recognize the importance of corporate reputation to achieve business goals and stay competitive' (2004, p. 368). While there are many recent examples of organisations whose leadership and business practice behaviours have destroyed their reputations, such as Enron, Arthur Andersen, Tyco and WorldCom, the positive case for reputation is that it has fostered continued expansion of old stagers like Johnson & Johnson and Philips, and innovators such as Cisco Systems, who top recent rankings of the most respected organisations in the US and Europe.

What is evident is that reputation *does not occur by chance*. It relates to leadership, management and organisational operations; the quality of products and services; and – crucially – relationships with stakeholders. It is also connected to communication activities and feedback mechanisms.

This chapter will consider the definitions and nature of reputation and its management, best practice and evaluation. It will also discuss the boundaries between branding, image and reputation.

Learning Objectives

At the end of this chapter, the reader should be able to:

- Prepare his or her own working definition of reputation management
- Identify best practices in reputation management
- Understand the transnational nature of reputation and its management
- Prepare strategies to plan, research and evaluate reputation in a corporate entity

What Is Reputation?

Dictionary definitions of *reputation*, while normally focused on individuals, give strong

indications of the elements that are relevant to organisations. Examples include:

> *The beliefs or opinions that are generally held about someone or something. 2 A widespread belief that someone or something has a particular characteristic*
> (Compact Oxford English Dictionary, 2009)

> *Overall quality or character as seen or judged by people in general . . . a place in public esteem or regard : good name.*
> (Merriam-Webster)

In the corporate world, reputation is seen as a major element of an organisation's provenance alongside and included in financial performance and innovation. The academic-practitioner team of Paul Argenti and Bob Druckenmiller suggest that it is a 'collective representation of multiple constituencies' images of a company built up over time' (Argenti and Druckenmiller, 2004, p. 369). It is also linked to the organisation's identity, performance and the way others respond to its behaviour.

The elements to note are that the reputation is a 'collective representation' of images and perceptions, not a self-promoted message'. It involves relationships with all stakeholders ('constituencies') and it is gained, maintained and enhanced or detracted from over time.

Murray and White's research amongst UK CEOs has found similar characteristics:

> *It's the role of public relations to make sure that the organisation is getting credit for the good it does. Great reputations are built on doing this consistently over a period of time in which a track record of delivering on promises and engendering trust is evident to everyone. All members of an organisation have a contribution to make to building and sustaining reputation.*
> (Murray and White, 2004, p. 10)

The elements of promoted yet sustainable image and performance are again identified, but an holistic factor – 'all members of an organisation' – is added. Later in this chapter, the role of CEOs in defining and driving reputation is discussed. However, it is broadly accepted that good reputation is unsustainable without internal organisational support. Neglect of reputation by means of apathy, indifference or ineffective communication is leaving a key communication to the vagaries of other market forces.

Murray and White also point to relationship management as being 'at the heart of creating, enhancing and retaining a good reputation' (2004, p. 10). They see strong communication performance by organisational leaders and effective feedback mechanisms from stakeholders as essential for articulating relevant messages and making better informed decisions that retain the support of stakeholders.

Developing a Good Corporate Reputation

UK public relations industry leader Adrian Wheeler, taking cognisance of market research, that

found 28 per cent of people do trust business leaders to tell the truth (meaning 72 per cent do not), has proposed six components of good corporate reputation. He also comments that ‘corporate reputation is a slow-build proposition’ (Wheeler, 2001, p. 8).

His six reputation components are:

- **Be obsessed with your product or service**: Nothing comes close to superior product quality in influencing the way people feel about your organisation.
- **Deserve confidence**: Lead from the front and engender trust from employees and customers.
- **Be available**: Don’t hide behind a wall of middle managers and advisers. Build relationships with customers, employees and suppliers.
- **Admit mistakes**: If mistakes are made, admit them and respond rapidly.
- **Engage people’s interest**: For CEOs and companies, taking up a public cause separates you or your company from the rest. Get all staff involved.
- **Have something to say**: Most people think business is boring, so make it interesting and human. CEOs can use their own and the business’s personality to communicate with impact and colour.

(Wheeler, 2001, pp. 9–10)

Brand, identity and reputation

These three terms are sometimes used interchangeably – brand and image; image and reputation. Van Riel and Berens say, ‘corporate identity can be defined as a company’s *self-presentation*, that is, the managed cues or signals that an organisation offers about itself to stakeholders’ (2001, p. 45). It also defined by Argenti and Druckenmiller as consisting of ‘a company’s defining attributes, such as its people, products, and services’ (2004, p. 369). Van Riel and Berens also point to the corporate symbolism as part of the identity, which includes logos, house style, staff uniforms, etc. (2001, p. 45). The transmitted corporate identity is received by stakeholders as image, ‘a reflection of the organization’s identity and its corporate brand’ (Argenti and Druckenmiller, 2004, p. 45). This image or set of images thus contributes to the reputation of the organisation.

The corporate brand is also an expression of the organisation’s presentation to others. Argenti and Druckenmiller define it as: ‘a brand that spans an entire company (which can have disparate underlying product brands); and . . . conveys expectations of what the company will deliver in terms of products, services, and customer experience’ (2004, p. 369).

Argenti and Druckenmiller (2004, p. 369) proposed a taxonomy of questions which simplifies the differences between these terms.

Term	Question
Identity	Who are you?
Corporate brand	Who do you say you are and want to be?
Image	What do stakeholders think of whom you are and who you tell them you are?

Reputation	What do all the stakeholders think of whom you tell them you are and what have you done?

As can be seen, the primary (and important) difference between image and reputation is that reputation is a two-way relationship with stakeholders and thus open to managerial intervention.

Can Reputation Be Managed?

The question of the validity of the term 'reputation management' is also at the core of this chapter. In the new field of reputations management, there is academic research and a body of knowledge; a specialist academic journal, *Corporate Reputation Review*; as well, many public relations consultancies are rebranding as 'reputation managers' (Hutton *et al.*, 2001, pp. 247–248). There is also an assumption that all organisations have a reputation, be it good, neutral or bad. But, how well can this be managed, controlled or directed? Hutton *et al*. (2001, p. 249) describe the dilemma succinctly:

> . . . (US public relations academics) *David Finn, Doug Newsom and others have pointed out that concepts such as 'reputation' and 'image' are not generally something that can be managed directly, but are omnipresent and the global result of a firm's or individual's behaviour. Attempting to manage one's reputation might be likened to trying to manage one's own popularity (a rather awkward, superficial and potentially self-defeating endeavour).*
>
> On the other hand, some advocates see reputation management as a new guiding force or paradigm for the entire field, in keeping with Warren Buffet's admonition that losing reputation is a far greater sin for an organisation than losing money.

So we see questions about the validity of reputation management balanced against the reality of the importance of reputation for businesses.

Charles Fombrun (1996) argues a different case: that reputation is built in a planned manner by organisations taking necessary notice of the environment in which they operate.

> *Better regarded companies build their reputations by developing practices which integrate social and economic considerations into their competitive strategies. They not only do things right – they do the right things. In doing so, they act like good citizens. They initiate policies that reflect their core values; that consider the joint welfare of investors, customers and employees; that invoke concern for the development of local communities; and that ensure the quality and environmental soundness of their technologies, products and services.* (Fombrun, 1996, p. 8)

This paradigm of reputation management is that the organisation's reputation is dependent on its behaviour as a corporate citizen, part of the societies in which it operates and not above or apart

from these. Reputational considerations are embedded in policy and actions, not just bolted on when convenient. Hutton *et al*. and Fombrun are approaching reputational management from different perspectives – communications management versus organisational policy. This is a theme that is also part of the continuing debate of the nature of reputation management.

Good and Bad Reputation

The definitions of *reputation* tend to favour the positive, with emphasis placed on 'being well thought of', 'in public esteem' and 'delivering on promises'. But, as all readers know, reputation has two sides. In early 2000, Gardberg and Fombrun investigated the reputation of companies at both ends of the reputational spectrum. They sought the views of a sample of Americans and Europeans in 11 countries on companies with the best and worst corporate reputations (Gardberg and Fombrun 2002, p. 385). Using a combination of telephone and online polling, they garnered over 10,000 nominations.

Table 13.1: In the United States the top five "best overall reputations" were:

Rank	Company
1	Cisco Systems
2	Johnson & Johnson
3	Home Depot
4	Ben&Jerrys
5	HP (Hewlett Packard)

Table 13.2: The worst reputation nominees were:

Rank	Company
1	Firestone
2	ExxonMobil
3	Phillip Morris (now Altria)
4	Nike
5	K-Mart

On the positive side, Cisco Systems was one of the strong performers in the IT business, while Johnson & Johnson had 'made' its reputation nearly 20 years earlier with its prompt and ethical response to the Tylenol extortion situation. Home Depot was more warmly regarded than Wal-Mart, which dominates US retailing. Ben & Jerry's, a niche ice cream brand owned by Unilever, had captured an immense place in the hearts of corporate America because it wasn't positioned as big and successful but quirky and human. Hewlett-Packard (HP), which was later racked by criticism for its takeover of Compaq, was then seen as part of the engine room of the US IT sector that was soon to be hit by the early-decade 'techwreck'.

On the negative side, Firestone was suffering (as was Ford) from catastrophic tyre failures on the Explorer SUV. ExxonMobil had become a long-term target for environmental groups after the Exxon Valdez pollution disaster in Alaska, while Philip Morris was constantly in the spotlight for its production and marketing of cigarettes, which also affected the reputation of non-tobacco brands and subsidiaries. Nike, once the darling of sports marketing, was under attack from public

interest groups for sourcing productions from low-cost economies with abysmal labour practices, while K-Mart was suffering from poor financial performance and being seen as an also-ran compared with Wal-Mart and Home Depot.

Table 13.3: In Europe the nominations for best corporate reputation were:

Rank	Company
1	Carrefour
2	Philips
3	Daimler Chrysler
4	Ford
5	Volkswagen

Table 13.4: The worst reputation nominees in Europe were:

Rank	Company
1	McDonald's
2	Total Fina Elf
3	Shell
4	Deutsche Bank
5	Microsoft

(Tables adapted from Gardberg and Fombrun, 2002, pp. 387–390)

In Europe, three motor vehicle makers were ranked in the top five in a list headed by a discount retailer, equivalent to Wal-Mart, and a long-established electrical and electronics manufacturer. Ironically, while Ford was being hammered in the US for the failings of its Explorer SUV, it was simultaneously being lauded in Europe. Since 2000, Daimler Chrysler's star has been falling as the transatlantic motor manufacturing merger has failed to deliver value.

The negative picture contains two US-owned corporations, McDonald's and Microsoft, and two European oil groups (TotalFinaElf and Shell), along with Deutsche Bank. Yet all continue to be successful despite this negative reputation.

The conclusions drawn by Gardberg and Fombrun (2002, p. 391) were:

> (Positive nominations are given *to companies with strong corporate brands that have identifiable subsidiary brands often of the same name*. The gaining of favourable *'top-of-mind' visibility speaks to the historical associations created in the minds of the public through strategic communications.*
> • *Negative associations with some equally strong mega-brands whose names have become synonymous with crisis speak to the inability these companies have in adjusting public perception.*

Links to Relationship Management

A recurrent theme in public relations and corporate communications theory is whether the paradigm should be changed from message delivery–type process activities to management of relationships. There have been parallel tracks of development that emphasize the use of negotiation techniques, the embedding of corporate social responsibility in corporate policies and symmetrical (equal two-way) communications. These have been brought together by Ledingham

(2003), who has proposed relationship management as the core of a general theory of public relations. This moves theory and practice away from message creation and dissemination to a problem-solving management function. It fits into a framework of mutual understanding and can be closely associated with negotiation techniques where the outcome sought is mutual gain. Relationship management fits closely with community relations, corporate social responsibility and consultative processes used in corporate issues management.

As noted earlier, the development and maintenance of reputation is based on numerous relationships with internal and external stakeholders, so relationship management as a new paradigm of public relations can be aligned with reputation management. Bruning and Ledingham's (2000, p. 169) argument is based on very similar grounds to those expressed for best practice in reputation management:

> *Organizations that develop a relationship management program that focuses on mutual benefit will maximize the influence that relationships can have on consumers while concurrently acting as a good citizen because the organization will be engaging in activities, actions and communications that are in the best interests of both the consumer and the organization.*

Although some public relations academics, notably Hutton *et al*. (2001), strongly question reputation management as a separate discipline, there appear to be strong enough operational and applied theoretical links between reputation management and relationship management to indicate the need for closer dialogue.

Process in Action: Coca-Cola – Reputation damaged by delay

[Case study based on Wakefield, R. I. (2000). 'World Class Public Relations: A Model for Effective Public relations in the Multinational,' *Journal of Communication Management* 5(1), 59–71.]

In 1999, around 200 people in Belgium and France complained of illness after drinking Coca-Cola products. Soon after, it was claimed that this had had two causes – defective carbon dioxide in a Belgian bottle plant and cans tainted by a fungicide at a French unit. As a result of these allegations, governments of seven northern and western European countries issued bans or partial bans on Coca-Cola products.

Coca-Cola responded at local, national and European level with response teams to counter allegations and restore customer and staff confidence. Its chief executive, Douglas Ivester, came from the US to meet Belgian government officials and to express apologies. Other actions were put in place with company-wide communications to staff and by corporate advertisements in key European markets.

Although Coca-Cola was not slow to attend the situation and – unlike Perrier when faced with claims of benzene taint in its bottled waters – did not mount a long period of denial, it was criticized. Sales suffered with a drop of 6 per cent in Europe and there was a stock price fall of 28 per cent.

As one newspaper in Coca-Cola's hometown, Atlanta, commented, 'As the hours fly by, the precious Coca-Cola brand in threatened, with one country and then another registering levels of concern about the beverages' (Roughton and Unger, 1999).

As Wakefield asks, 'What went wrong with Coke?' (2000, p. 61). Essentially, 'its efforts were too late and insufficient'. The CEO's first comments came four days after the first allegations were made, and he did not travel to Europe until a week after the crisis started. As PR commentator Paul Holmes noted at the time, 'waiting several days to issue a response from corporate headquarters . . . raised serious questions about the company's sensitivity to customer safety concerns'.

Wakefield also comments that Coca-Cola failed to anticipate the issues and show significant understanding of the European public health environment in which public concerns over food safety had been heightened by dioxin scares, the BSE scandal and other agricultural threats. 'Aside from ignoring the immediate context, Coca-Cola also failed to properly gauge some long-term issues related to differences between conducting business globally versus the US domestic market', he concludes (2000, p. 62).

The accumulated reputation of more than a century stood for little because Coca-Cola did not recognize the gravity of the issue as it broke and then tried to manage it from thousands of miles away. The cost was very high, both financially and in lost trust with customers and staff.

Costs of Crises

The financial and reputational cost of catastrophe can be extremely high and may not be fully apparent for months and years after the event, according to examples given by Regester (2001, p. 93):

Exxon (Valdez spill)	$13bn
PanAm (Lockerbie crash)	$652m
P&O Ferries (Zeebrugge sinking)	$70m
Union Carbide (Bhopal)	$527m
Perrier (benzene accident)	$263m
Occidental Oil (Piper Alpha explosion)	$1.4m
Barings Bank (collapse)	$900m

Best Practice in Reputation Management

In a recent eight-country study, Kitchen and Laurence (2003) explored corporate reputation management practice, with an emphasis on the role of the CEO and the management of reputation across cultures and national borders. Table 13.5 shows that corporate reputation is of the greatest importance in achieving corporate objectives, with the highest ranking in the Anglophone (US, Canada and the UK) world.

Table 13.5: The importance of company reputation in achieving corporate objectives

Country	Very Important (%)	Somewhat important (%)

United States	94	6
Canada	90	8
UK	89	10
Belgium	86	14
France	86	14
Italy	83	17
Netherlands	76	24
Germany	71	29

As for measurement of this ‘very important’ element, Kitchen and Laurence comment that ‘despite the apparent importance devoted to corporate reputation, sustained increase in systematized formal measurement procedure was not in marked evidence in the countries concerned’ (2003, p. 108) More than half the respondents in Netherlands and Canada undertook formal measurement, but there was little or no progress in other countries. It should be noted that this situation of low investment measurement is similar for measurement of public relations and corporate communications programs in general.

Table 13.6: Formal systems to measure a company’s reputation

Country	Yes	No
Netherlands	62	36
Canada	52	48
USA	42	57
France	50	56
Belgium	37	63
UK	37	63
Germany	33	67
Italy	29	71

(‘Not sure’ data omitted)

Corporate reputation measurement

Where evaluation took place, the majority of companies in the eight countries nominated ‘custom research’ as both their main method of monitoring and measuring reputation and the one metric that is ‘most meaningful’. Kitchen and Laurence comment that ‘custom research’ is a category that covers a wide range of quantitative and qualitative research techniques that can be undertaken by in-house facilities and external suppliers (2003, p. 110). However, the very interesting factor identified is that ‘media coverage’ is much less important than ‘custom research’ and ‘informal feedback’ in most countries and was lowly ranked as a ‘most meaningful’ metric in only 3 out of 8 countries (Netherlands 7 per cent, USA and UK 5 per cent each). As media relations is the main activity in most corporate communications programs, it is revealing that it appears to have so little importance in the measurement of (and thus contribution to) corporate reputation. Perhaps this information can potentially preface a fundamental change in corporate communications activity to more effective activities?

Table 13.7: Corporate reputation influencers

5 = extremely influential; 1 = does not influence at all

Rank/influence	Mean
Customers	4.58
Employees	3.92
CEO reputation	3.70
Print media	3.24
Shareholders	3.05
The Internet	2.90
Industry analysts	2.87
Financial analysts	2.78
Regulators/Govt	2.64
Broadcast media	2.29
Labour union leaders	2.29
Plaintiff's lawyers	2.03

Kitchen and Laurence comment (2003, p. 113) that, apart from the third-ranked role of CEO reputation, it is notable that print media has a higher ranking (3.24) than broadcast media (2.29). Internet (2.90) also ranks higher than broadcast media, despite its often unmediated and unchecked content. Another observation is 'the very low ranking awarded to labour union leaders', which may indicate that the power and importance of unions is well on the wane, a trend very noticeable throughout Europe.

A theme of this study is the weight given to the CEO's reputation in determining corporate reputation. Citing van Riel (1999) that there is a close inter-relationship between corporate reputation and the reputation of the CEO, Kitchen and Laurence found that it is 'most important in Italy, closely followed by Canada, then the USA'. On the reverse, it 'is . . . least likely to impact on corporate reputation in Belgium, the UK and France' (2003, p. 113).

Table 13.8: What percentage of your company's corporate reputation is based on the CEO's reputation?

Country	50% to 100%
Italy	83
Canada	66
USA	54
Netherlands	44
Germany	42
France	36
UK	33
Belgium	26

'The CEO's reputation becomes more important when choosing a successor to move the company on to new and better heights', with the USA (64 per cent), Germany (55 per cent) and Italy (52 per cent) placing greatest weight, and Canada (38 per cent) and France (34 per cent) placing least emphasis on this factor (Kitchen and Laurence, 2003, pp.113–114).

Summarizing the eight-country study, Kitchen and Laurence offer six conclusions (2003, pp. 115–116):

1) Corporate reputation has increased and is increasing in importance.
2) The need to systematize measurement is growing in importance.

3) The key influencers on reputation are – despite some caveats – customers, employees and then the CEO.
4) A good corporate reputation precedes and helps business grow internationally and in preparing the ground in new markets among key constituencies.
5) CEO reputation and corporate reputation are increasingly intertwined. The CEO is inevitably cast in the role of chief communicator.
6) The responsibility for managing reputation is a key management responsibility and – led by the CEO – it must be managed in an integrated manner.

It is clear that if the organisation or its CEO cannot communicate its mission, brands or values, some other organisation, stakeholder or irate public with communication capabilities can or will . . . corporate communication must be mastered by the corporation and those duly appointed to speak on its behalf; or it will master the corporation. (Kitchen and Laurence, 2003, p. 116)

Multi-national Reputation Management

As the case study on Coca-Cola demonstrated, transnational enterprises (TNEs) have to defend their reputations with speed and understanding of local situations if they are to retain their high standing. Kitchen and Laurence (2003, p. 116) reinforce the point that corporate that reputations of TNEs are open to scrutiny around the clock:

> *Corporations in the global economy need to exercise social responsibility and exercise due accountability for their actions and if not at their peril. And all forms of communication offer global potentiality. As the multiple medias undergo further development, so the imperative will be to monitor what is communicated, how it is communicated, through which media and with what potential outcomes. That means measuring outcomes by all media contacts including the World Wide Web.*

This argument brings reputation management back to corporate communication structures that operate 24/7 and which have a direct line of responsibility to the highest levels of management or preferably are managed by those at board level.

Lancaster (2001, pp. 37–38) says that because of global communication, the 'old rules . . . have to be rewritten. Thus, committee-written responses to news inquiries have to be replaced with scenario planning'. He says that early-warning systems are needed, along with role-playing of situations and preparation of responses for unlikely situations. 'Instantaneous media demands instantaneous responses.' (p. 38). So corporate communication in TNEs has to be organized to handle these demands.

Measuring Reputation

Although Kitchen and Laurence's eight-country study found that the majority of organisations do not measure reputation well, there is a wide range of literature that propose reputational

measurement. Two are identified in this section: Fombrun's taxonomy from which he developed the proprietary 'Reputation Quotient' offered by public relations group Weber Shandwick, and the qualitative approach developed by Grunig and Hon.

From a study of data collected by Harris Interactive and analysis of focus groups, Fombrun (2000) has proposed an index to summarize people's perceptions of companies. Based on respondent's comments on companies they liked and disliked, he has nominated six categories of factors:

Emotional appeal	How much the company is liked, admired and respected
Products and services	Perceptions of the quality, innovation, value and reliability of the company's products and services
Financial performance	Perceptions of the company's profitability, prospects and risk
Vision and leadership	How much the company demonstrates a clear vision and strong leadership
Workplace environment	Perceptions of how well the company is managed, how good it is to work for and the quality of its employees
Social responsibility	Perceptions of the company as a good citizen in its dealings with communities, employees and the environment

From these factors, he has developed a 'reputation quotient' (RQ) to 'benchmark the reputations of companies as seen by different stakeholder segments' (Fombrun, 2000). This, he claims, is a valid instrument for measuring corporate reputations.

Fombrun argues that corporate reputation has economic value, but 'unfortunately, efforts to document this value have run up against the fact that a company's reputation is only one of many intangibles to which investors ascribe value' (Fombrun, 2000). He says that three factors – crisis effects, supportive behaviours and financial analyses – confirm 'reputations have bottom-line financial value' (Fombrun, 2000).

For *crisis effects*, he points to the recovery that corporations such as Johnson & Johnson (Tylenol), ExxonMobil (Exxon Valdez) and Motorola (brain tumours and mobile phones) have had after crises. This has varied in financial and reputational terms, with research by Gardberg and Fombrun (2002) identifying Johnson & Johnson as one of the most respected companies and ExxonMobil as one of the least respected companies in other research published in 2002.

Supportive behaviour is evidenced by the attitude of resource-holders (banks, suppliers, regulators and staff). Most companies are not in a crisis state and thus their reputation remains stable if not improving. That, says Fombrun (1996), creates a value cycle when perceptions and performance '[demonstrate] approval of the company's strategic initiatives and [are] made possible by more attractive financial valuations'.

Financial analyses can also support the value of corporate reputation with measurement of intangible assets such as patents and goodwill (reputational capital). Other technical devices, such as notional licensing of a corporate name, can demonstrate value. Fombrun points to research by

Srivastava *et al.* (1997), who compared companies with similar risk and return but different average reputation scores in 1990. This study found that a 60 per cent difference in reputation score was associated with a 7 per cent difference in market value. Since this average capitalization was $3bn, ‘a point difference in reputation score from 6 to 7 on a 10-point scale would be worth an additional $52m in market value’ (Srivastava *et al.*, 1997, p.67). Later studies of Fortune 500 corporations between 1983 and 1997 indicated that one point difference on the scale was worth $500m in market value (Black *et al.*, 2000).

A challenge to Fombrun’s analysis and methodology has been mounted from public relations academics. Hutton *et al*. (2001, p. 258) argue that there is a confusion between correlation and causality: ‘. . . reputation researchers have claimed significant correlations between reputation and financial performance; unfortunately such studies are largely meaningless and circular in their logic, given that *Fortune* and other reputation measures they are studying are largely *defined* by financial performance’.

The relationship between reputation and spending on corporate communication activities has been studied by Hutton *et al*. They did not find a smooth, consistent relationship between corporate communication spending and reputation, with the overall correlation being just 0.24. They also found that the correlation between company size and reputation was 0.23. ‘In other words, there was a modest correlation between reputation and spending on communication activities, but most of that was accounted for by the fact that larger companies – which presumably benefit from greater visibility – tend to have better reputations’ (Hutton *et al*., 2001, p. 249). The significant correlation between corporate activity and reputation was ‘foundation funding’ (charitable donations), which was 0.69. High levels of expenditure for investor relations, executive outreach and media relations were other activities that correlated highly with positive reputation. Acidly, they noted that social responsibility, corporate advertising and industry relations have negative correlations. (Hutton *et al*., 2001, pp. 252–253).

Thus, there is a mixed picture in the academic debate over corporate reputation. Simple verities that good behaviour and practices equals good reputation are challenged by the correlation between sheer size of a company and its expenditure in some areas of communication.

Assessing relationships between organizations and publics

Public relations evaluation commentator Walter Lindenmann has identified ‘measuring the success or failure of long-term relationships’ as an important element in the measurement of public relations and corporate communications activity.

> *As important as it can be for an organization to measure PR outputs and outcomes, it is even more important for an organization to measure relationships. This is because for most organizations measuring outputs and outcomes can only give information about the effectiveness of a particular or specific PR program or event that has been undertaken.* (Lindenmann in Hon and Grunig, 1999, p. 2)

Hon and Grunig (1999) reviewed research that shows value is contributed to an organization when its communications programs lead to quality long-term relationships with strategic publics

(stakeholders). They identified two types of relationships, with four characteristics. The relationships are:

- **Exchange**, where one party gives benefit to the other only because the other has provided benefits in the past or is expected to do so in the future. A party that receives benefit incurs an obligation or debt to return the favour. Exchange is the essence of marketing relationships between organizations and customers. But, Hon and Grunig argue, it's not enough for a public, which expects organizations to do things for the community, without expecting immediate benefit.
- **Communal**, where parties are willing to provide benefits to the other because they are concerned for the welfare of the other – even when they believe they might not get anything in return. 'The role of public relations is to convince management that it also needs communal relationships with publics such as employees, the community, government, media and stockholders – as well as exchange relationships with customers' (Hon and Grunig, 1999, p. 24). Communal relationships are important if organizations are to be socially responsible and to add value to society as well as client organizations.

The quality of relationships

Hon and Grunig (1999) also nominate four outcomes that are indicators of successful interpersonal relationships but can be applied with equal success to relationships between organizations and their publics. Importance declines down the list:

- **Control mutuality**: the degree to which the parties in a relationship are satisfied with the amount of control they have over a relationship. Some degree of power imbalance is natural, but the most stable, positive relationships exist where the parties have some degree of control. It doesn't have to be exactly 50:50. The ceding of some control is based on trust.
- **Trust**: the level of confidence that both parties have in each other and their willingness to open themselves to the other party. Three factors are important:
  - Integrity: An organization is seen as just and fair.
  - Dependability: It will do what it says it will do.
  - Competence: It has the ability to do what it says it will do.
- **Commitment**: the extent to which both parties believe and feel the relationship is worth spending energy to maintain and promote.
- **Satisfaction**: the extent to which both parties feel favourably about each other because positive expectations about the relationship are reinforced. Each party believes the other is engaged in positive steps to maintain the relationship.

The suggestion is that relationships are evaluated through a questionnaire that asks a series of agree/disagree statements (using a 1-to-9 scale). Table 13.8 gives Walter Lindenmann's shortened list of statements used to measure relationships outcomes.

Table 13.8: Measuring relationship outcomes

Control Mutuality

1. This organization and people like me are attentive to what each other says.

2. This organization believes the opinions of people like me are legitimate.
3. In dealing with people like me, this organization has a tendency to throw its weight around. (Reversed)
4. This organization really listens to what people like me have to say.
5. The management of this organization gives people like me enough say in the decision-making process.

Trust

1. This organization treats people like me fairly and justly.
2. Whenever this organization makes an important decision, I know it will be concerned about people like me.
3. This organization can be relied on to keep its promises.
4. I believe that this organization takes the opinions of people like me into account when making decisions.
5. I feel very confident about this organization's skills.
6. This organization has the ability to accomplish what it says it will do.

Commitment

1. I feel that this organization is trying to maintain a long-term commitment to people like me.
2. I can see that this organization wants to maintain a relationship with people like me.
3. There is a long-lasting bond between this organization and people like me.
4. Compared to other organizations, I value my relationship with this organization more.
5. I would rather work together with this organization than not.

Satisfaction

1. I am happy with this organization.
2. Both the organization and people like me benefit from the relationship.
3. Most people like me are happy in their interactions with this organization.
4. Generally speaking, I am pleased with the relationship this organization has established with people like me.
5. Most people enjoy dealing with this organization.

Exchange Relationships

1. Whenever this organization gives or offers something to people like me, it generally expects something in return.
2. Even though people like me have had a relationship with this organization for a long time, it still expects something in return whenever it offers us a favour.
3. This organization will compromise with people like me when it knows that it will gain something.
4. This organization takes care of people who are likely to reward the organization.

Communal Relationships

1. This organization does not especially enjoy giving others aid. (Reversed)
2. This organization is very concerned about the welfare of people like me.
3. I feel that this organization takes advantage of people who are vulnerable. (Reversed)

4. I think that this organization succeeds by stepping on other people. (Reversed)
5. This organization helps people like me without expecting anything in return.

These questions can be used in two ways. A questionnaire can be administered with a 1-to-9 scale to indicate agreement or disagreement with the statements. The data from all participants can be collated and an overall mean deduced. Alternatively, the questions can be used as a basis for focus groups discussion to probe the attitudes of participants.

The results from either (or both) methodologies can assist the organization to develop strategies that address identified strengths and weaknesses. The qualitative route will give more information on attitudes which can assist the development of behavioural objectives. That then feeds back into the development and maintenance of reputation in the organization.

Chapter Summary

This chapter demonstrates that reputation is at the heart of all organisations, irrespective of stakeholders' perspectives as to whether these organisations are good or bad.

- Reputation is organic and thus ever-changing, which means that it must be monitored, understood and nurtured.
- The companies with the best reputations are those who have close and interactive relationships with their stakeholders. They also have policies and practices that offer continuing, ongoing and mutual benefit to these stakeholders, who include employees, customers, shareholders, regulators and suppliers.
- Companies with good reputations have strong communication cultures, both internally and externally.
- They are prepared to listen and be flexible in their operations.
- Their CEOs are the lead communicators and their communication staff are involved in high-level decision-making.
- These companies understand that their reputation has great value, not just in leveraging financial performance; they take a 'long view' in the decision-making.
- Managing reputation is an integral part of the organisation's operations and not confined to a special group.
- Poor reputations are a necessary consequence to organisations which are poorly led with low levels of engagement with stakeholders and weak ethical performance.
- In the short term, many of these companies may still enjoy good financial performance, but the cost of their operations will become greater if they ignore reputational issues.
- Continued poor communication may mask managerial inefficiency for a while, but market performance will undoubtedly unmask pretensions in this area.
- Measurement of reputation is still in its infancy in some countries and, while there is debate over methodology, the chapter indicates two routes that can be taken and recommends their adoption.

Chapter Questions

- Discuss the differences between image and reputation.
- Draft your own definition of *reputation management*.
- Track media coverage of a major organisation in print, broadcast and World Wide Web for a month. Identify the reputational issues that impact upon it.
- Use the data from the tracking study undertaken to draft a corporate communications advice to the organisation's CEO.
- If you are working in a classroom or online situation, poll fellow students for their list of organisations with positive and negative reputation and prepare a report on the outcomes.
- Identify major organisations, research them and apply Fombrun's taxonomy of six factors to them.
- Discuss the reality that some firms – even with poor or negative reputation – may still have good sales and profit. Does that mean that reputation can be treated with disdain? (Justify your response with examples).

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