ESSENTIALS OF CORPORATE COMMUNICATION FOR REPUTATION MANAGEMENT: AN OVERVIEW

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Introduction

Corporate communication is essential to the functionality of modern corporate houses which face series of challenges in the new millennium. Modern corporate communicators need to know how to apply different communication skills in corporate situations in order to establish rapport between the organization and other publics. They should also know how to communicate with clients to project a professional corporate image since there are many different communication channels available in the corporate environment. The present generation of corporate communicators should also know how to overcome communication barriers and avoid pitfalls. Good corporate reputations are critical because of their potential for value creation, but also because their intangible character makes replication by competing firms considerably more difficult. Existing empirical research confirms that there is a positive relationship between reputation management and development of corporate houses. Modern corporations have realized the importance of managing the reputation which sustains their progress in the age of competitive business management. People share different perceptions about what constitutes a corporate reputation. In reality, corporate reputation management is a challenging business since it is a dynamic process in corporations. The relationship between corporate communication and reputation management is discussed in this article which is based on an extensive review of literature.

Concept of Corporate Reputation

Furman (2010:16) identifies three elements to reputation namely – a) brand reputation (perception of people about a brand), b) organizational reputation (perception of people about an organization) and c) stakeholder reputation (the reputation that stakeholders have of the brand or the company that they are dealing with). Thus, corporate reputation is a multi-dimensional process which has attracted the attention of scholars over a period of time.

According to Nancy Diana Davis (2007:09) observes: “Reputation is the sum values that stakeholders attribute to a company, based on their perception and interpretation of the image that the company communicates over time”. Karen Johnson (2005:24) defines: “Reputation is the principal means through which a market economy deals with consumer ignorance”. Charles Fombrun (1996:15) observes: “Reputations are overall assessments of organizations by their stakeholders. They are aggregate perceptions by stakeholders of an organization’s ability to fulfill their expectations, whether these stakeholders are interested in buying the company’s products, working for the company, or investing in the company’s shares.”

Peter Jackson (1987:23) states that it is more important than ever those companies maintain good reputations. He offers a practical guide to taking the high road (the only road to continuing success) and reveals basic principles of integrity and fairness which companies can use to build enduring reputations. He suggests that, more so than ‘image’, a firm’s reputation is a form of capital often neglected at CEO level and overlooked in conventional analyses of finance. Jackson couples each of his ‘principles’ with clear actions that drive management systems. He provides tested strategies (e.g. downsizing techniques & tips on e-commerce) that ‘cultivate the hidden power of a good reputation.’ He outlines obvious advantages of great reputation (people want to work for, invest in, and do business with companies with integrity), describes the role of the firm’s top man/woman has to play, offers ways to build and protect reputation on the Internet (from defusing Internet rumors to creating online communities), and how to rescue reputation if disaster strikes. Jackson has provided a new dimension to the concept of corporate reputation management in his work.

Lines (2004:30) considers corporate reputation management as a major concern for the CEOs globally. The scholar states that Asian executives are more focused on using corporate reputation to drive business benefits than their North American and European counterparts. However, evidence suggests that CSR and the range of stakeholders beyond customers and shareholders do not feature strongly on the corporate reputation agenda of Asian executives.

Doorley (2010:11) argues that most CEOs don’t pay much heed to reputation – to their peril. The scholar strongly advocates that top management should motivate the executives, professionals and other workers to maintain corporate
reputation on the basis of corporate social responsibility, professional ethics and standardization of the quality of services in the age of competitiveness.

Griffin (2008:19) cautions: “A damaged reputation can severely hurt the bottom line”. The scholar attempts to show executives how to take the initiative in strategically managing a reputation. He argues that standard thinking on reputation management is often inadequate for today’s information age and describes the new methods to protect a reputation and withstand major crises and unforeseen events. He also describes what strategies can build a company’s good reputation with international case studies and a genuinely huge number of examples.

Zulhamri (2009:47) builds a theoretical approach to international reputation management from the perspective of strategic management and multiculturalism. He undertakes collective ideas and arguments based on literature reviews of public relations, corporate communication, strategic management and cultural diversity. He proposes an “adaptive model of international reputation management” based on realistic communication practice in a transitional country. The model seems unique in terms of localization; it is focused on showing the ‘international’ perspective, beyond ‘Western’ philosophy. He notes that, in the 21st century, the world has changed tremendously and so has the way global corporations operate in fast-developing countries. Image alone is not enough to build a favorable reputation. He suggests his paper may benefit global corporations operating in a transitional country in how they may foster and maintain their business by focusing on ‘glocalization’ instead of infusing pure Western philosophy.

Essentials of Corporate Communication

Corporate communication is practiced primarily on the basis of technological applications and innovative strategies. The advanced communication technologies have replaced the traditional interpersonal communication channels in the corporate houses. In the age of globalization, modern corporations often encounter problems with language and cultural barriers. Multilingualism in an organization naturally causes serious problems if the corporate communicators struggle to communicate due to language or cultural differences. The big and complex corporations also pose certain threats to communication and the messages get altered as they are passed down the chain of command from one level to another. The salient facts might be left out and the messages might be totally misunderstood by the receivers of communication.

Experts have also pointed out that corporate communication is the key vehicle to setting the tone and messages for corporations through several channels of communication. The selection of media and development of contents are undertaken by the corporate communicators on the basis of systematic assessment and consultation with experts in the subjects concerned. In the age of globalization, corporate communication assumes great communication which is the cornerstone function of every organization to build up its status in the corporate world as well as its stakeholders.

Corporate communication is one of the most important links between an organization and various publics. Corporate communication is the key factor in the creation, implementation, monitoring and reporting on all corporate activities. It also provides opportunities to feel the pulse of various stakeholders and bring about suitable changes and modifications in the business and communication approaches. The field of corporate communication has undergone radical developments over the years and has become a full-fledged career option in the new millennium. Modern corporate houses have undoubtedly accorded highest importance to corporate communication in order to achieve their business objectives.

Corporate communication experts are the advocates for organizations in managing the complex communication that takes places between organizations and their external and internal audiences. There is enormous scope for corporate communication in the world. Modern business houses and industrial organizations are expanding their networks and operations. They have also recognized the importance of establishing rapport with various stakeholders who matter most from business management point of view. The corporate communication is managed through various media and mechanisms to build and sustain the reputation of modern corporations according to the experts concerned. The corporate communicators are primarily responsible for the enhancement of brand knowledge and maximization of the brand performance within a marketing environment which is practically beyond their control. The corporate communication is a substantial organizational activity which enables the corporate leaders to establish sound identity and reputation in the society.

In reality, corporate communication is a challenging task which is responsible for influencing the behaviors of the consumers and other stakeholders in favor of the corporate house, goods and services especially in a competitive business environment. Scholars have also examined the role of corporate communication in the enhancement of corporate image and reputation over a period of time. Other studies have also primarily dealt with the investment made by the corporate houses on corporate communication management. The corporate communicators are also required to treat the corporate business environment as an exogenous factor on the basis of certain models which are related to conceptualization and practical implementation of corporate communication. These models also enable the corporate communicators to integrate relevant research concepts taken from the marketing, psychology, and consumer behavior literatures and derive several testable propositions which practically benefit the corporate houses. Experts have suggested certain norms and guidelines which enhance the success of corporate communication. They have suggested that corporate houses should develop the communication system and organize suitable campaigns to build reputation consciously.

Corporate Communication for Reputation Management

Reputation management has become a new way of life especially in the age of economic liberalization. Modern corporations have to reach out to the people through various communication campaigns in order to enhance the status and reputation of the corporate houses. Corporate communication has also become a prominent instrument of corporate
reputation management over a period of time. Corporate communicators primarily seek to generate increased public recognition, co-operation and support in favor of the organizational policies, goods and services through systematic branding which involves the repetition of an image or product name in an effort to associate related qualities with the brand in the minds of consumers.

Corporate reputation building is indeed a challenging task. According to Roger Haywood (2005:21), it takes a long time to build a reputation, but it can be destroyed overnight in a single event. Riccarda Duemke (2007:12) states that reputation acts as a gauge, defining and giving an organization its sense of identity. Richard Higgins (1996:22) concurs that corporate reputations once created are relatively steadfast. Of all bases of differentiation, none is more difficult to duplicate than an organization’s reputation.

Kerstin et.al. (2011:26) have identified four business parameters that influence corporate reputation namely - general business management, financial management, corporate marketing and corporate communication. These parameters are widely discussed since they primarily include leadership and management qualities, organizational ethics, shareholder value, organizational sustainability, corporate branding, the marketing mix, corporate communication and relationships with stakeholders. This is in line with Schultz and Boege (2004:39) who consider that these variables are similar to those used in the yearly Fortune magazine rankings of ‘America’s Most Admired Corporations’.

Corporate reputation is created by a combination of elements within the organization such as general business management, financial management, corporate marketing and corporate communication, as defined by Chris Fill and Stuart Roper (2008:14). The general business management has a major impact on corporate reputation, namely leadership and management quality as well as organizational ethics. It is, however, critical to understand that these elements can only be successful in building corporate reputation if they are supported and related to the other general business management issues concerning the reputation of corporate houses.

Philip Kitchen and Don Schultz (2001:27) have noted that the reputation of the leader of the organization is integral to the organization’s reputation and overall success. Studies have also revealed that the leader’s reputation needs to be invested in, managed and leveraged over the long-term to reap enduring benefits, which include attracting more investors, partners, clients, work applicants and trust in corporate decisions. Key elements of the leader’s reputation are credibility, integrity and high-quality communication to internal stakeholders about the direction of the organization.

Traditional and modern communication media are used to deliver the messages in order to invite the attention of the consumers and persuade them to accept the goods and services manufactured by various public and private corporations. The money spent on corporate communication has increased considerably over a period of time. Corporate communication is indeed a beneficial exercise in the new business environment. It has become a prominent vehicle for establishing brands and enhancing the reputation of modern corporations. Effective corporate communication strategies also help modern organizations build relationships with prospects and customers, strengthen company culture and establish leadership in their industry.

The corporate houses also make use of corporate communication to build their brands through various campaigns and strategies. They make use of media organizations and personnel to reach the target audiences who are spread across the length and breadth of the world. The media professionals are also persuaded by the corporations to build sound image and enhance the reputation of corporate houses. Corporate leaders have also considered corporate communication as an effective tool to intensifying the scope and rationalizing the services of corporations. Leading corporations have also developed infrastructural facilities and human resources in order to interact with various publics since corporate communication plays a critical role in building and maintaining relationships with the stakeholders in order to manage their reputation.

Corporate communication is effective in the successful business management and its effects are understood by the corporate leaders in enhancing the reputation of corporations. In the present times, the base of corporate communication is also enlarged on the basis of communication technological application. Studies have also rightly revealed that corporate communication promotes a strong corporate culture, a coherent corporate identity, an appropriate and professional relationship with the media, and quick, responsible ways of communicating in a crisis. It also defines how an organization communicates with its stakeholders and how that brings a company’s values to life.

Schultz and Boege (2004:39) maintain that successful global leaders earn a reputation for credibility among investors by showing profitability to individual and institutional shareholders, maintaining a stable return on investment and nurturing financial growth prospects. Stevina Evuleocha (2005:13) suggests that intelligent organizations make perception management part of their senior executive training regime, enabling a greater understanding of corporate branding and resultant corporate reputation. Andrew Griffin (2008:19) argues that executives often misunderstand how reputations are achieved and maintained. As a result, they rely too heavily on corporate communication, while at the same time not doing enough about reputation-building activities with stakeholders.

Gray and Balmer (1998:18) assert that to gain a good corporate reputation, one must not only have integrity at the top, but also be ruthlessly intolerant of those who undermine the integrity and values of the organization. In a cynical age CEOs should do more than merely ‘walk-the-talk’ and insist on ethical behavior. Communicating the organization’s message to the public and most importantly, repeating the message to employees, is seen as critical. In reality, the price of a good corporate reputation is eternal vigilance. Patrick (2005:36) adds that commitment to ethical practices would enable the corporations attract and retain star employees, reduce hostility toward the organization and help employees make critical business decisions.

Finn Peter (1982:37) advocates that a corporate house should also build a reservoir of credibility and integrity in
order to sustain corporate reputation in the midst of challenges and opportunities. Bernhard Olefs (2007:34) emphasizes that codes of ethics do not merely help employees to do what is right; research has shown that organizations with an ethical decision-maker are more effective and more productive under normal circumstances. Hamed Shamma (2012:40) has noted that reputed corporate organizations protect their corporate images by maintaining high standards of practice regardless of other factors. The most admired organizations use a combination of transparency, strong ethics and commitment to quality products and services to build and maintain their reputations.

Siano et al. (2010:42) observe that corporate reputations are built, maintained and enhanced by several elements, such as being part of the corporate strategy, not merely a public relations or advertising slogan. Corporate houses often fail to achieve their desired reputations because of two primary factors, firstly the failure to identify a clear core competency, relying instead on claims of superiority that have little value to the intended audience and secondly continuing to do the same things that made the organization successful, despite the fact that these things are no longer relevant to the current situation.

Hatch, Mary Jo (2001:20) have pointed out that corporate houses are required to sustain the institutional reputation since it is the foundation upon which the prosperity of corporate houses is cherished. He has also noted that delivery of people-friendly goods and services and sustenance of public good would constantly safeguard the reputation of corporate houses. Orme and Berndt (2007:35) concur that a key reason to set metrics for reputation management is to meet today’s demand for transparency and governance structures. In this context, reputation, of which the corporate communication practitioner is custodian, is now an organization’s most valuable and fragile asset.

The corporate houses are also required to identify and incorporate certain healthy elements of financial managements since it is vital for the progress of organizations. Kitchen and Schultz (2001:27) assert that the motivation to rush to reputation management and measurement is evidence that a good reputation can dramatically affect an organization’s results. Psychologically, an organization with a solid reputation earns the benefit of the doubt in times of crisis. Good corporate communication professionals know that a lot is at stake in their work of protecting and enhancing corporate reputation, especially in terms of building and maintaining relationships with stakeholders.

Financial management elements are acknowledged to form a major portion of the aspects that influence investment decisions and corporate reputation. Gotsi and Wilson (2001:17) have stated that a favorable reputation is regarded as a prerequisite to success in the global financial marketplace. Shareholders can ultimately give or withhold their approval of management through their votes based on their perception of an organization’s corporate reputation. The shareholder value has commendable influence on corporate reputation. Silberer (2005:43) observes that corporate reputation is a very important asset for an organization in the present age of competitive business management.

According to John Doorley (2010:11), people sometimes confuse financial performance and reputation. Financial performance is very important, but so are values and the manner in which stakeholders are dealt with and communicated to. Corporate image is particularly valuable in terms of an organization’s ability to raise debt and equity capital. Coombs et al. (2011:08) have rightly pointed out that an organization’s share price could be ascribed to corporate reputation maintained by the corporate houses. Susanne Arvidson (2012:02) concurs that the relationship between corporate reputation and share returns suggests that reputation plays an important long-term role in shaping investment results.

Studies have also primarily dealt with the fundamental relationship between organizational sustainability and corporate reputation. Jay Wang (2005:46) has highlighted the fact that modern corporate houses must have competitive advantages over competitors. In today’s interlinked world as described by McCoy and Novelli (2002:31), corporate reputation, which is the cumulative perceptions of an organization by its key stakeholders, is increasingly recognized for its bottom-line impact.

In reality, empirical studies have revealed that corporate houses with good reputations achieve higher-than-average profitability compared with their peer groups. Gray and Balmer (1998:18) have also pointed out that corporate reputation matters most in the present competitive business environment not only from income generating point of view but also from the sustainable development of corporate houses point of view. Experience has also revealed that corporate reputation becomes increasingly dependent on an organization’s ability to execute an organizational model. Therefore a favourable organization reputation delivers financial payoffs.

The corporate reputation building has tremendous economic value according to Sweezy Law (2008:29). They have observed that the rivals of the corporate house simply cannot replicate the unique features and intricate processes that produced those reputations. Reputations are therefore a source of competitive advantage. Sustaining that relative advantage requires commitment to the ongoing management of an organization’s reputation. Davis (2002:10) note that many existing approaches to the measurement of corporate reputation have been criticized as being overly focused on the financial performance of organizations and on the views of external stakeholders.

There are certain marketing elements which influence corporate reputation according to Alan Belasen (2007:07). They have pointed out that reputation is an overall cognitive impression of an organization based on its corporate branding and various marketing communication tools. A favorable reputation creates expectations of the organization in terms of promises that are made to stakeholders and confers a competitive advantage in that it can help the organization to survive occasional adverse publicity.

Melewar and Karaosmanoglu (2006:25) have commented that the corporate brand must be viewed as both an organizing proposition that helps to shape an organization’s values and culture. As a strategic tool of management it can guide the organizational processes that generate and support value creation which abundantly contributes to corporate reputation. Gray and Balmer (1998:18) suggest that corporate branding requires a holistic approach to brand management,
in which all members of an organization behave in accordance with the desired brand image collectively.

Riel and Fombrun (2006:38) have noted that reputable organizations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organizations use commitment to quality products and services to build and maintain their reputations. Trayner and Research (2012:45) have noted that the price is the only element which produces income to the corporate house since it has the most immediate and direct impact on an organization’s profitability, which has an influence on corporate reputation.

Marketing communication has become an important tool of projecting the positive and beneficial effects of the goods and services offered by the corporate houses. Anand and Kumar (2008:01) have interpreted the marketing communication as an attempt made by the corporate houses to project their ‘ideal self-image’ to both internal and external stakeholders, which will have an impact on corporate reputation. Balmer (1997:03) notes that corporate reputation emanates from all the business activities and communication it undertakes intentionally and unintentionally in the marketplace, such as advertising, promotion, direct marketing, personal selling, trade relations, public relations and community relations. Different stakeholders view a corporation differently because they focus on and look at different parts of the organization.

Balmer and Wilson (1998:04) argue that all stakeholders of corporate houses are usually affected by the brand image and ultimately the corporate reputation created through advertising and other marketing communication activities. Barksdale and Rutter (1999:06) suggest that one way to help reputation is to deal effectively with the media in regard to corporate communication management. The organization needs to respond while the news is breaking and not after there has been time to decide what is to be said. Banik (2002:05) notes that an organization’s message strategy should reflect its corporate position as well as the position it is taking on the issues. Organizations that have strong reputations generally have three or four key messages they recite over and over in all media and to all key stakeholders.

Corporate communication has considerable impact on the corporate reputation of modern organizations regardless of space and time. Gotsi and Wilson (2001:17) emphasize that corporate communicators should handle the corporate communication operations which would contribute decisively towards enhancing corporate reputation and driving market value for the goods and services.

The corporate leaders and communicators are also required to monitor and evaluate the impact of corporate communication and find out how communication of corporate and product messages are linked to a change in perceptions and behavior among their key stakeholders, as well as to financial and shareholder returns. By identifying corporate communication objectives, tools, techniques and operations should be evaluated through proper qualitative and quantitative research methods. Zulhamri (2009:47) suggests that every corporate house must be aware of the different concerns of various stakeholders when choosing a reputation-building strategy vis-a-vis corporate communication.

Tebrugge (2005:44) agrees that a good gauge of an organization’s reputation considers the views of all its different stakeholders. A good measurement of corporate reputation includes more than investors’ views. Siano et al. (2011:41) have commonly stated that in order to implement a system of reputation management it is necessary to ensure that all stakeholders have a realistic image of what they can and cannot expect from an organization. Creating a coherent perception of an organization in the minds of its various stakeholders is a major challenge faced by many corporate houses which function under testing and trying times. It is necessary to ensure that the organization delivers what it promises and only promises to deliver what it can realistically undertake.

The employees of the corporate houses are also required to play the role of cultural ambassadors, image builders, event managers and crisis managers in the present times. They are also responsible for the cultivation of mutually beneficial relationship between the corporate house and various stakeholders including the customers. Gotsi and Wilson (2001:17) observe that employees and their behavior represent the reality of the organization to the clients.

The scholars have also suggested that employees of every corporate house should live up to the expectations of the people who matter most in this age of competitiveness. Melewar (2008:32) notes that successful organizations with strong reputations use employees as a means of humanizing the organization and fostering public trust. Joseph Koppe (1982:28) also endorses the same view since it is especially important that employees’ beliefs and attitudes are quantified. An organization’s reputation starts within the organization. Siano et al. (2011:41) have identified that employees and other stakeholders are equally important from the point of view of corporate reputation management.

The scholars have noted that corporate houses should build good reputation which attracts the attention of various clients and other stakeholders through series of effective corporate communication and advertising campaigns. They have further highlighted the need for two-way communication which builds client confidence. Mohamad et al. (2007:33) have clearly emphasized that there is no magic formula for corporate reputation which enables the corporate houses to maintain and reinforce their credibility, popularity, status and prospects. Scholars have rightly observed that corporate advertising campaigns should be guided by certain healthy parameters and practices which are tested and tried over a period of time.

The corporate houses should also understand the need and importance of corporate social responsibility which enables the organizations to be proactive in protecting their reputation in crisis times as well as to disseminate the organizational ‘story’ to internal and external stakeholders through constructive corporate communication and advertising services. These services should be delivered in a systematic way in order to foster the delicate alignment of strategy, communication and leadership that drives positive reputation in both good and bad times. Corporate communication services should make the organizational activities highly transparent, accountable, environment friendly and profit oriented.
Siano et al. (2010:42) aptly conclude that modern corporate houses are required to build reputation since it plays a crucial role in enhancing the salability of the products in particular and the reputation of the corporate house in general. In today’s interlinked world as described by Silberer (2005:43) corporate reputation is the cumulative perceptions of an organization by its key audiences who are the pillars of organizational development.

Conclusion

Corporate communication management has become an important component of organizational management in modern organizations. The ultimate goal of corporate communication is to enhance the reputation of the organization in general and multiply the profits of the organization through proper branding and marketing communication. The chief focus of corporate communication is on tactical publicity, propaganda and advertising campaigns. The crucial importance of corporate communication becomes highly relevant in the present times since the world moves towards globalization of communication and economy. In developing countries and leading public and private undertakings, corporate communication has become a thrust area from research and development point of view. Several scholars have systematically evaluated the relationship between corporate reputation and communication campaigns. All of them have pointed out that an organization’s reputation plays a crucial role when it comes to winning talent. What work aspirants are looking for most is a great organization that has at its core an appealing culture and inspiring values. Corporate reputation assists in attracting good people and good partners who enable an organization to remain competitive, whereas a poor reputation can undermine motivation within the organization.

References


