REPUTATION MANAGEMENT AS RELATIONSHIP MANAGEMENT

Rosa de Carvalho
Department of Public Communication, University of Technology of Sydney
Sydney, Australia

Abstract

This paper investigates the concept of corporate reputation and corporate image. Corporate image is the product of the experiences of a product or service and the messages sent by an organisation, while corporate reputation is the product of management behaviours and organisation-public relationships. This paper explores whether corporate reputation can be managed and who manages it. It is especially interested in identifying how much control corporate communication practitioners have over corporate reputation.

The research reported in this paper used a multiple case study methodology. The selection of participants was based on the *Sydney Morning Herald Good Reputation Index 2002*, as the index reflects, at least theoretically, the best companies in Australia according to their reputation. The data collection involved interviewing five organisations from the Top 100 and undertaking corporate and media documentary research on the five organisations involved, as part of an ongoing investigation. The selection depended on the availability of the communication practitioner.

As a qualitative research, the interviews were conducted as open questions. The questions aimed to discover how the participants define reputation, how they manage it and what function of the organisation manages the organisation's reputation. In addition, the interviews tried to identify if each organisation followed any formal way of measuring their reputation and if reputation was a strategic concern.

The findings of this study could help communication practitioners contribute and clarify their traditional roles of relationship builders and reputation managers, stressing the importance of working at a strategic level.

Stream:

Organisational and Management Communication

Introduction

Interest in reputation management in the USA grew rapidly in the 1990s, due to a crisis of legitimacy in the neo-liberal ideology that at that time influenced the majority of western governments. Following the lead of *Fortune* magazine's *Most Admired Corporations*' survey, magazines and public interest groups in USA and Australia began evaluating corporations and publishing their findings to the publics (Deephouse, 2002). Reputation management has been growing in importance and has influenced the way organisations have approached their management of communications, especially in relation to sustainable development and the triple bottom line, of financial, social and environmental accountability.

How can an organisation manage its reputation? What function of the organisation manages it? How can we measure corporate reputation? By interacting with communication professionals, this paper attempts to explore if and how corporate reputation can be managed. It is especially interested in identifying how much control communication departments have over the reputation of organisations.

To answer those questions, this paper will firstly contextualise the concept of corporate reputation, comparing it with other similar terms, such as image and corporate behaviour. Secondly, it will explain the methodology used to answer the question of how Australian companies manage their reputation. Finally, the findings of five Australian case studies will be presented, emphasising their historical aspects and communication strategies.

Theoretical Framework

Firstly, the terms image and reputation, although different, have often been regarded as synonymous (see Fombrun, 1996; Patterson, 1993). Both of these terms can also refer to: a visual representation in the mind, perception, attitude, message, attributes, evaluation, cognition, credibility, support, belief, communication, and organisation-public relationships (Grunig & Hung, 2002). Image is flexible and ever changing. Due to images' superficiality, companies depend on persuasive public relations, advertising or marketing messages in order to impact the public's corporate image (Williams & Moffitt, 1997). Reputation is interrelated with image, but it is the fruit of an organisation's relationships with its stakeholders, differing to image in the sense that it is achieved through dialogue and not persuasion. Reputation refers to the organisation's consistent behaviour and, therefore, stakeholders can predict and expect an organisation's actions in certain circumstances (Davies et al., 2003).

It is not clear from the literature how companies can manage their reputations in a traditional business sense. Hutton et al. (1999) consider the attempt to manage one's reputation as an attempt to manage one's own popularity, which according to these authors is 'a rather awkward, superficial and potentially self-defeating endeavour' (p. 249). Kartalia (1999, in Nakra, 2000), however, describes reputation management as 'a method of building and sustaining of an organisation's good name, generating positive feedback from stakeholders that will result in meeting strategic and financial objectives' (p. 36).

Fombrun (1996) sees reputation management as an organisation's ability to manage impressions, to build strong relationships with key publics, and to manage indirect rumour mongering. Grunig and Hung (2002) equate reputation management with relationship management, provided public relations practitioners play a role in managing the behaviour of an organisation. Corporate reputation should be understood as being the product of management behaviours and organisation-public relationships, which makes it difficult to measure in a short term, as it is an intangible asset. If corporate reputations were understood as management behaviour, it would imply that the communication manager should be part of the strategic management structure of the organisation.

Many studies (see Grunig & Hung, 2002; Verschoor, 2002; Gardberg & Fombrun, 2002ab; Fombrun, 1996; Ledingham & Bruning, 2000) have been done attempting to develop a relationship between reputation management and better financial performance. The aim of these studies is to identify how reputation management, relationship management, or public relations practices affect the bottom-line and help to accomplish overall organisational financial goals. The results of these studies vary according to the methodology used, especially because the reputation measures used are mainly defined by financial performance (Hutton et al., 2001). The main criticism directed at these measures of reputation and public relations is their lack of stability and validity.

Grunig and Hung (2002) provide evidence that the attempts to show an association between expenditure on public relations and reputation, and between reputation and financial performance are methodologically and statistically unsound (p. 41). Furthermore, these authors show that public relation strategies improve relationships with diverse publics, adding value to the organisation. Relationships, in turn, have an effect on reputation. Moreover, one characteristic of effective organisations is their ability to achieve their goals through the development of relationships with their publics (Grunig, Grunig & Ehling, 1992). This means that one possible way to determine the value of public relations, communication programs, and reputation management is by measuring the quality of relationships the company has with strategic publics.

Methodology

This research is of a qualitative nature as it searches for a deeper understanding of the role of the communicator in managing an organisation's relationships and reputations. The research reported in this paper used multiple case-study methodology (see Yin, 1994). The case study is seen as an opportunity to have an insight into the organisations involved; to investigate the contemporary phenomenon of corporate reputation management; and to understand the motivations, strategies, experiences, and difficulties encountered by each organisation.

I selected participants based on the *Top 100 Sydney Morning Herald/Age Good Reputation Index 2002*, as the index reflects the best companies in Australia according to their reputation. The data collection involved interviewing five organisations from the *Top 100* and undertaking corporate and media document research, such as from social reports and media releases, on the five organisations involved as part of an ongoing investigation.

As a qualitative research methodology, the interviews were semi-structured with open questions (see Minichiello et al., 1995). The questions aimed to discover how the participants defined reputation, how they managed it, and who managed it. In addition, the questions tried to identify whether each organisation followed any formal way of measuring their reputations and if reputation was a strategic concern. These questions are important as the literature reveals that there is little consensus, and that the only way for public relations to contribute to reputation management is if the profession is empowered as part of the decision-making processes, and included in strategic team of organisations (Argenti & Forman, 2002; Grunig & Grunig, 2001; Ferguson, 1999).

Findings

The five companies selected to participate in this research were among the first 50 companies listed in the *Top 100 Good Reputation Index* 2002[1]. The *Index* rated Australian companies in accordance with their performance across six major categories: management of employees, environmental performance, social impact, ethics and corporate governance, financial performance, and management and market focus. The companies were appraised by community-based experts, such as those from not-for-profit organisations, which gave their opinions about each corporation.

The five companies selected to participate include: one of the big four banking corporations, a state-owned corporation, a telecommunications corporation, a construction corporation, and a retailer corporation.

It all started with a crisis…

In the early 1990s, ordinary citizens started questioning the neo-liberal ideology by which too much power was given to private organisations as the ones responsible for economic growth. Social and environmental movements started pressuring private organisations to be transparent and financially, environmentally, and socially accountable, causing many companies to suffer reputational crises[2].

The banking corporation had its crisis then: 'it started with a reputational crisis, which really started in the early 1990s, when there was the largest loss in Australian corporate history. …Through the mid 90s, the context was one of very aggressive media, and the so-called bank bashing' (Stakeholder Engagement Manager, banking corporation, 8 August 2003). The state-owned corporation only had its crisis in the late 1990s, due to human failure: '…the people on the board were removed, the managing director was removed, and most of the senior people lost their jobs, and the people here still remember it as it was yesterday. So, ever since then, people now worry about reputation, as this crisis had a big impact' (Stakeholder Engagement

[1] In 2003, the *Index* changed its name to *Reputex Social Responsibility Rating System*. Although it still measured the top 100 companies, it ranked them in only four categories: social impact, and environmental impact, corporate governance, and workplace practices. The methodology also changed slightly.

[2] See for instance Livesey (2001) on the Royal Dutch/Shell reputational crises; and Schwartz & Gibb

Manager, state-owned corporation, 8 August, 2003). After this crisis, this corporation also suffered from public and governmental pressure, becoming highly regulated.

Before their specific crises, these two organisations were not particularly concerned with their reputations. However, after their crises, they organised communication audits, hired public relations and issues management consultancies, changed the board of directors, and tried to start writing their history again.

The other three companies (telecommunications, retailer and construction) have not yet passed through reputational crises themselves. Although the three of them regard corporate reputation as a valuable asset, the priority is not so much into investing in reputational strategies, but into increasing profits. These companies have adopted sustainability values in their mission statement and say they are trying to maintain positive relationships with their stakeholders. However, these relationships seem to be ones of exchange (see Grunig & Hung, 2002). For instance, the telecommunications company has as its main strategy *to be the challenger* and *to push the boundaries* in order to gain the market position. '… [W]e were given a push to absolutely push the boundaries, every single day we come to work, people are pushing the boundaries to take the challenge up to the incumbent because we want to win' (Public Communications Manager, telecommunications corporation, 22 September 2003).The retailer has its managerial *turnaround* as its priority, especially as the financial success of its business strategy will be evaluated in March 2004. Finally, the construction company has not invested in strong relationships, as its customers do not seem to be interested in the corporate behaviour. Whenever the media has questioned these three companies, the organisations have made use of reactive means, as they do not have a crisis plan to follow. In the case of the construction corporation, although it is starting to appreciate the importance of sustainability, it sees growth and financial performance as its main motivation, not necessarily the good of the public, or with a win-win mentality.

Exchange relationships are not in themselves inadequate (see Grunig & Grunig, 2001). If they mature, they could be the beginning of a communal relationship, whereby outcomes of trust, commitment and satisfaction would bring forth a good reputation for the corporation.

The role of the communicator…

In order to create a good reputation, each company started by re-evaluating its corporate identity, so as to have its guiding principles aligned with the publics' expectations (achieved through research and dialogue), including corporate symbols, communication and behaviour. Throughout the process, it was important to maintain two-way communication, between the management team and employees, customers, shareholders and the community. However, it is very hard to please everyone, but through issues management, one can dialogue, negotiate, persuade and understand the different points of view before making a decision (see Heath, 1997).

In the commencement of the banking and state-owned organisations' journeys to *fix* their reputation, they thought that with one or two public relations and issues management strategies the problem would be solved. However, they saw public relations as something related to image making, which could change the perceptions of their stakeholders without changing first the behaviour of the organisation. The Banking Corporation, for instance, affirms that at the time of their crisis, they understood reputation as linked to the concept of public relations and issues management. However the respondent stated that,

> …using reasonable and sophisticated issues management and public relations approaches to improving [our] reputation wasn't effective. And so it took a whole complete shift in thinking to …begin to embrace the notion of stakeholders, sustainability and corporate responsibility…The answer is that, in order to manage one's reputation it has nothing to do about changing ones perceptions, but to changing reality. It is about enabling people to do the right thing. (Stakeholder Engagement Manager, banking corporation, 8 August 2003)

This response reflects that the banking corporation does not see the role of the communicator as the reputation manager of the organisation, if communication was defined as building perceptions and images as opposed to building relationships.

After this paradigm shift, from public relations and image making to relationship building, the role of managing reputation and relationships is something that 'goes to the heart' of the banking corporation. It is everyone's business and responsibility to manage the bank's reputation in his or her day-to-day activities. The role of the communicator is to help the whole organisation to understand the different perspectives of each stakeholder as individuals and to ensure that the organisation is behaving accordingly.

Similarly, the telecommunications corporation also sees the role of managing an organisation's reputation as belonging to everyone. The senior management '…can point to the company being a challenger, but it has to filter down to every niche along of the company' (Public Communications Manager, telecommunications corporation, 22 September 2003). The Public Communications Manager has also argued that this is not only a top down strategy, but also a bottom up strategy, as they value the points of view of their staff and want all of them to feel part of the *challenger* culture.

For the construction and state-owned organisation, however, the role of managing reputation belongs to the corporate communication department. These organisations define public relations and issues management as image making together with relationship building. Nevertheless, the state-owned company is still struggling to put its reputation plans and strategies into action. This could be due to the fact that the organisation had its crisis only five years ago, or it could be that it is State-owned, highly regulated, and lacks the financial means. It may also be that the role of the communicator as reputation manager is too centralised, instead of making reputation management the responsibility of everyone in the organisation. According to the company's strategic plan, the goal is to make everyone in the organisation an ambassador of reputation.

Although the construction company views reputation management similarly to the state-owned corporation, it hardly has a communication team. The team is a combination of the Public Affairs Manager with the CEO of the company. A good reputation is a matter of communicating 'the good thing that you are doing that benefit stakeholders' (Corporate Affairs Manager, construction company, 24 October 2003). As this corporation is decentralised, it should avoid the trap of *greenwashing:* communicating its sustainability and triple-bottom line strategies, but not living them.

In 2003, the company has received media criticism, due to its lack of dialogue. However, all of its strategies were reactive, as it did not suffer financial losses and the customers did not seem to be aware of or care about these criticisms.

Defining Corporate Reputation and its Management

The literature defines reputation as the knowledge gained of an organisation by its publics based on corporate behaviour and organisation-public relationships (see Grunig & Hung, 2002). Similarly, the bank defined reputation as everything that the bank is and does: its identity. In addition, this reputation is ‘constructed through the relationships that you have with stakeholders’ (Stakeholder Engagement Manager, banking corporation, 8 August 2003). The telecommunications company also sees reputation as integrity of what one says and does. The retailer sees reputation as the behaviour of the company, based on what it has done in the past.

On the other hand, the State-owned and the construction corporation see reputation as how the organisation is perceived by the stakeholders. The bank, the retailer and the telecommunications corporation seem to have a strong corporate identity in order to have a good reputation; each company has to behave with integrity, in accordance with its identity. In this way, a good or bad reputation would be the product of management behaviours and organisation-public relationships (Grunig & Hung, 2002), whereas the state-owned and the construction corporations seem to be more concerned about ‘what do other people think of me?’ instead of with how their behaviour could affect the way they are perceived. By defining reputation as a perception, the organisation can easily confuse the concept of reputation with image. Instead of emphasising its corporate behaviour and responsibilities, it emphasises its communication and persuasion practices.

Despite the fact that these organisations define corporate reputation differently-the banking, retailer and the telecommunications enterprises relate it with behaviour and the other two with perception-all organisations agree that the only way to manage corporate reputation is through the relationships they have with each stakeholder through communication strategies. They also emphasise the role of CEOs and communications practices in building those relationships. In regard to the diversity of stakeholders, these companies see the media as an especially powerful tool, to build or to destroy reputations.

> [We can manage our reputation] by behaving openly and honestly, by being transparent, by developing good relationships with the stakeholders, by understanding their needs and expectations and trying to meet them. But then, so much of your reputation is artificially created by the media (Stakeholder Engagement Manager, state-owned corporation, 8 August, 2003).

The relationships between the organisation and its publics should also be constructed at the individual level. These organisations argue that instead of seeing the publics as groups of people, such as activists, employees, or government, each person from these groups should be dealt with as individuals, in order that each individual hold a good reputation based on their own personal experiences.

Corporate Reputation Measurement

In terms of corporate reputation measurement, the banking corporation measures its reputation through indicators, such as trust in its name, reliability, environmental and social performance, benchmarking, consumer satisfaction and consumer complaints, staff morale, and health and safety issues. The corporate responsibility committee reports these indicators to the board of directors regularly. According to the bank, '…there is not one measure of reputation, there are a dozen or so different ways of looking at it, different aspects of what manages corporate reputation, of makes a reputation' (Stakeholder Engagement Manager, banking corporation, 8 August, 2003).

The state-owned and the construction corporations mainly measure their reputation through media research (how well they are covered in the media) and also by consumer satisfaction surveys. One can notice how important it is to define reputation as *behaviour* and not only as a *perception*. In the case of the state-owned and the construction corporations, since reputation is defined as a perception, it is measured through perception: how do the media and our customers see us? Although this kind of research could call for corporate changes, it is not as committed as regular environmental scans. By scanning the environment, organisations can develop strategies and plan ahead in order to prevent crises; organisations can predict and manage emerging issues of a social or environmental nature, frame scenarios, act pro-actively, and respond through public relations campaigns, socially responsible programs, or reputation management initiatives (Newsom et al., 2000; L'Etang, 1996).

The telecommunications corporation, nevertheless, does not think that research will help enhance one's reputation, nor by the same token, measure it. They believe that the way to measure a company's reputation is by how much the stakeholders feel they are part of the organisation. Therefore, it is based on the level of relationship that the stakeholders have with the organisation:

> So if people believe that they can stand up and say something, and not be harassed for saying something that might be controversial … then those people will be more rewarded, refreshed, …[they will say] I want to be the best. We want this company to be the very best. That is what enhances reputation. It is not something that is tangible…That is why I say that the challenger mentality is very important to us (Public Communications Manager, telecommunications corporation, 22 September 2003).

Interestingly, for the telecommunications, the retailer and the construction companies, the *Good Reputation Index* has very little credibility as a way of measuring company's reputation, as they think it lacks accuracy and is biased.

Reputation and better financial performance

Although many studies have been done attempting to develop a relationship between reputation and better financial performance, the results vary immensely. In the case of the *Top 100 Sydney Morning Herald/Age Good Reputation Index*, the selection of participants is based on their financial performance. From the *Top 100,* financially speaking, community stakeholders and experts provide their opinions on the performance of each company according to their management of employees, environmental performance, social impact, ethics and corporate governance, financial performance and market focus. However, despite its 'good reputation' in 2002, the state-owned corporation was not selected to participate in the *Index 2003*, as they did not perform well financially. The retailer affirms that there is an obvious link between reputation and financial improvement, as a poor reputation will impact on staff and customers. When asked if reputation management would increase financial performance, the banking corporation simply answered: 'it is a leap of faith' (Stakeholder Engagement Manager, banking corporation, 8 August 2003).

Conclusion

There is increasing evidence to suggest that public pressure has forced companies to deliver more scrutiny of corporate performance beyond just the balance sheet and the share price (Lester, 2003). Socially responsible organisations are most successful when they try to contribute to a sustainable future for all.

According to the organisations studied, and the literature, the only way to manage corporate reputation is if the organisation manages the individual relationships it has with all its stakeholders, especially with the media. On one hand, the concept of image making is often associated with a favourable perception and a mistaken understanding of public relations. On the other hand, the definition of reputation as organisational behaviour and relationships results in better reputational outcomes, as the whole organisation becomes involved and committed. Communication managers are facilitators of reputation. Through research and relationship building, they negotiate with the diverse publics and ensure the organisation is behaving in accordance with its values.

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Address for correspondence

Rosa de Carvalho
Department of Public Communication
University of Technology of Sydney - UTS
PO Box 123 Broadway
City Campus, Broadway NSW
Sydney

Australia
Rosa.C.Decarvalho@uts.edu.au

Submit your paper electronically to: <anzca04@arts.usyd.edu.au>