Corporate Reputation Management: A Perspective

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Abstract:

Corporate reputation management has assumes great significance in the era of global corporatization. In India, both public and private undertaking corporate houses give a key priority for reputation management practitioners to selectively highlight legitimating features and unknowing facts of their corporations. Corporate reputation is shaped and influenced more by corporate communication strategies, corporate advertising, news media and other operational practices in our times. Corporate management scholars have observed that Reputation management and its strategies are usually referred to a big or multi- international company. They have the resources and the time to create ideas on improving and developing the corporate reputation, whereas smaller corporate companies are usually focused around the personality of the CEO in the competitive era. Corporate Reputation is one of the most important corporate assets and also very much difficult to protect according to communication and management scholars and professionals. Corporate reputation is important to modern corporations because it can provide a multiple of benefits including reduced financing, advertising and deliver costs, increased access to new strategic opportunities and partnerships, easy in recruiting skilled aspirants and also good will with stakeholders when something goes wrong. The paper primarily deals and highlights the different perception of scholars towards corporate reputation management based on comprehensive review of literature.

Keywords: *Corporate reputation, corporate advertising, news media, modern corporations, new strategic opportunities.*

Preamble:

Corporate reputation management is one of the most dominant areas in the modern times together with corporate advertising, crisis management, corporate identity, corporate image or corporate brand, all framing the self-management category. The corporate reputation is not a much new concept therefore it has been around ever since morality and ethics have been discussed by many scholars. In the business point of view, corporate reputation emerged during the 1990’s and became an organizing concept that stretched across many management areas, such as advertising, marketing, secretarial and organizational strategy. The importance of corporate reputation has increased over a period of time across the globe because of the positive effects it has on different stakeholders such as investors, employees, customers, consumers, media professionals and so on. The scholars have observed that a favorable reputation enables the setting of premium prices, it attracts both better employees and investors, and because a well-reputed organization is believed to be more loyal and secure for future earnings, the company can lower the cost of capital.

Salient features of Corporate Reputation Management

The corporate reputation is one of the crucial intangible assets for modern corporate houses. Corporate reputation is not a new born concept and issues neither in academic and corporate world. In 1996, the first academic book on 'corporate reputation' was published by Fombrum and it can be considered an initial point in the development of reputation management as a separate academic discipline and in the field of research too. Reputation management has become a part of the corporate strategy and its values. Corporate reputation is a multi-dimensional phenomenon and during these tough competitive eras its effect on the company's success should not be underestimated. Today, the corporate businesses are getting more and more global and competitiveness and at the same time it's getting more brutal. Managing corporate reputations is difficult and challenging task because the companies do not directly own or control their reputations but their stakeholders do.

According to Oxford Dictionary- it defines that Reputation means the beliefs or opinions that are generally held about someone or something: A widespread belief that someone or something has a particular habit or characteristic: Origin: Middle English: from Latin reputatio(n-), from reputare (to) think over'. According to Charles Fombrun (1996), corporate reputation has derived from the range of cross-disciplinary perspectives that have been taken. These include: economics, accountancy, sociology, marketing, organizational behavior and strategy. It shows how come a reputation can be a very vast and wide issue and cannot be limited effortlessly; different people think in a different way and while one person might think another person's actions unethical, another may think their actions as justified.

According to Wikipedia, "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."

Fombrun and Shanley (1990) have pointed out that reputations are assessed by stakeholders through both a company's activities and through informational signals and furthermore, Bromley (1993) has added that each of these stakeholders may have diverse concerns, interests, and goals, leading to multiple reputation assessments. Fombrun (1996) has identified three perceptions towards reputation namely- 1) reputation is based on the perception of stakeholders towards organizations, 2) it is based on the perception of internal and external stakeholders, and 3) it is a comparative measurement made in relation to competitors or the relevant peer group.

In the present corporate world, corporate reputation is seen as a major element and asset of an organization's provenance alongside and included in an innovation and financial performance. The academician's team of Paul Argenti and Bob Druckenmiller suggested that it is a "collective representation of multiple constituencies images of a company built up over time" said Argenti and Druckenmiller (2004). It is also linked to the organization's identity, performance and the way others respond to its behavior. Brown et al., (2006) defines corporate reputation as the set of corporate associations that individuals outside attribute to the organization.

Weber (2007) emphasizes Reputation is about building trust that an organization lives up to a set of core values, acts with integrity and reliability, gets responsibility for its mistakes by fixing them quickly, provides quality goods and services, treats employees well, and returns fair value to its shareholders. Increasingly, business organizations also are expected to also provide some societal value beyond the goods and services they offer. Plainly, building reputation involves many diverse challenges. Iwu-Egwuonwu (2011) says Reputation may be seen to arise as an output of different activities in the professions.

Martin de Castro (2006) hints that corporate reputation is compartmentalized into three major areas, as follows: a. Managerial reputation b. financial reputation; and c. Product reputation. On-going issues within the corporate reputation research literature center on the definition of the reputation and corporate reputation, and it study outcomes of corporate reputation.

The concept of Reputation has expands over a period of time, reflecting past behaviors or final output that are salient features to stakeholders. In other words, in an evaluating and judging a firm's reputation, stakeholders are selective in the information they use and the inferences they make about that information. Underlying this process of judgment and evaluation, stakeholders assume that the present and future behavior of a company can be assessed by looking at its past performance.

MacMillan et al., (2005) have identified that Corporate reputation has two components: mainly, sympathy - emotional identification and liking- and secondly, competence- the quality of products and services delivered. Corporate reputation has the following building blocks which are emotional appeal, vision, leadership and integrity, social responsibility, and a workplace environment supporting performance. Reputation comes from direct experiences with an organization, word of mouth, advertising and media coverage. It takes considerable time to develop an outstanding reputation; yet reputations can be damaged in an instant.

Corporate scholars have emphasize that Reputations can be positive or negative, but are generally stable and enduring rather than changing with each event or new piece of information. Others have argued that it is not feasible to talk of an aggregate reputation among a diverse set of stakeholders, because each stakeholder may have different concerns and ways of interpreting the focal firm's behaviour. For instance, the firm could be highly profitable and viewed favorably by investors but have a reputation as a tough employer and be viewed less favorably in the labour market. Therefore, reputation must be stakeholder-specific according to Jensen, Kim and Kim (2012). Scholars also proposed that the agenda-setting effect of the news media can also be applied to corporate reputation. The media affect the level of attention paid to corporations, as well as the substantive and affective images people have about the corporation.

On the other hand, Reputation measurement tools are based on the following elements which are quality of management, financial performance, market leadership, quality of products and services, customer orientation, attractiveness, ethical behavior, reliability, fair attitude towards competitors, transparency and openness, and also credibility. The aim of management should be to enhance a good reputation and build it into the marketing strategy of the organization. It requires an understanding of the factors which contribute to a good reputation in the eyes of stakeholders. Where reputation is regarded as a liability then the objective should be to contain or reduce the threat of damage. This leads to a protection policy and ultimately a turnaround of fortune.

Components of corporate reputation management

The good reputation matters for a multiple of reasons, some are measurable and some are not. Researchers have stated that Reputation is an important component of an organization's value. Corporate executives surveyed by Weber-Shandwick (2010) estimated that 63 percent of their companies' market value is due to reputation. Professional analysts utter good reputation accounts for an even larger share of value for consumer product firms. Consumers and customers cast verdicts on reputation with their pocketbooks, withholding business from companies they believe are ethically deficient and rewarding those with good reputations.

According to the survey by Deloitte (2010) nearly half of workers who plan to seek out a new job say they have been motivated by a loss of trust in their employer. Some 46 percent also complain about a lack of transparency in internal communications and four of ten members say they have been treated unethically in the modern corporate houses.

Fombrun (1996) has identified six key components to building corporate reputation in the competitive era- 1) Information from the organization, 2) audit data, 3) investment analysis, 4) media professionals insights, 5) rumour, 6) brand activities which are customer image, community image, investor image, employee image. Image inputs are clearly recognized as clients, community, shareholder and employee targeted activities. Performance inputs are identified as information from the company, audit data, investment analysis and media professionals insights. Information from the organization can be included in internal or external communications as a result of media professional's insights, rumour and brand communications.

Fortune magazine compiles an annual survey America's -Most Admired Companies via a poll among industry analysts and managers. The *Fortune* magazine annual survey provides an index based on an assessment of companies with regard to: financial soundness, degree of innovativeness, product quality, ability to develop and keep key people, management quality, asset use, community and environmental friendliness, and investment value.

Pruzan (2001) has pointed out that there are two perspectives of corporate reputation. 1) pragmatic perspective, in which protecting and improving corporate reputation is perceived as a necessary condition for maintaining the corporation's license to operate and harmonious relationships with its many stakeholders and most importantly for competitive economic performance. 2) The reflective perspective on reputation primarily mirrors an organizational-existential concern which arises with the existential questions dealing not with superficial appearances but with identity, integrity, accountability and fundamental purpose. The distinction between pragmatic and reflective perspective is that the first is primarily external in its orientation and deals with corporate image, while the other is primarily internal and deals with corporate identity and integrity. In two perspectives on corporate reputation need not be in opposition to each other so as to enable an improved and more inclusive depiction of the corporation and its performance.

The Corporate reputation is a well strategic asset and a source of economic value for investors and influences other stakeholders in the age of globalization. The corporate reputation management highly affects corporate business result since it's both most valuable and intangible asset for corporate world. Managing company's most valuable asset is one of the main subjects of corporate jeopardy and crisis management in sustainable way. A business's reputation can influence components which are as follow: Quality of the management, Excellence team of employees, financial performance, Quality of Products and services, Corporate Social responsibility, Market leadership, online performance

Corporate Image versus Corporate Reputation

Last few decades scholars have highly witnessed significant growth in interest, conceptual development and empirical research in the areas of corporate identity, corporate branding, and corporate image and now it's about corporate reputation. The scholars have made different types of image and reputation surveys. The past studies on image, the terms reputation and image are used interchangeably. Reputation as an administrative and managerial field inside organizations is a rather new phenomenon. For past few decades, reputation and its consequences to a company's success has been researched by many scholars, but, in between the 1950's and 1980's reputation was mainly looked at as an image-based theme and was mainly used in marketing and in psychological researches. In the age of economic globalization, the spotlight shifted inside the organizations. It was realized that a more efficient way of benefiting from a reputation was to first implement the appropriate strategies inside a company by concentrating on the company's identity, culture, and personality. Aula and Mantere, (2005) have given One of the earliest examples of reputation management being used in a company's strategy is from 1997 when a company called Sandwich claimed to have coined the term "reputation management".

Scholars have stated that the Image and reputation were handled as synonymous early. Still there is no commonly known, academically approved separation between these two concepts. Nonetheless, today there are many different views on how image differs from reputation and generally reputation and image are not thought of as same thing. At the same time other scholars also argued that Reputation can firstly be separated from image by considering what it is usually associated with; reputation has to do with "esteem and favorability towards the company". Whereas, image is most often connected to the brand.

Fombrun (1996) makes a distinction between image and reputation and he describes an organization's reputation as the sum of various stakeholders' images of the organization. The scholar raises an extremely important element in the discussion on corporate image by stating that organizations should never believe that they have only one image. In fact, they have numerous images as they have stakeholders. And each of these images is dependent on the stakeholders' relationship to the organization. Organizations that focus their attention on the customer and on another hand, ignore the effect of their activities on other groups, are in for a big surprise when the other groups start influencing the images customers have. In most of the organizations, stakeholders also overlap. For example, an employee may be a shareholder, a member of the local community, and a customer. This same employee has a different impression of the organization in each of these roles.

Smaiziene and Jusevicius, (2009) corporate image is boldly related to brands and marketing, impression management and public relations decisions and actions; as reputation of a company is interconnected with its character and credibility, and none of the departments may be segregated. There is also the fact that image can be built and changed in a rather short time, whereas reputation takes a long time to evolve and development. And in case a company's reputation is harmed it takes a lot of effort and also time to bring it back to where it used to be. And other scholars Aula and Mantere (2005) have righty pointed out Image and reputation are also targeted in different ways to different parties; image is usually indicated for consumers whereas reputation takes into account all which includes consumers, employees, business partners, investors, communities, and so on.

Kenneth E. Boulding (1975) defines corporate image building is something that forms inside the perspectives of the people towards the company or business institution. This includes the way they view the management, goods and services of the organization in business as well. Good corporate image can contribute to organizational branding development and create faith and accountability with future stakeholders.

The Final argument made by Dalton (2005) cited in Smaiziene et.al. (2009) on separating reputation from image: While a company image can be created, reputation must be earned. He has also conveys that No matter how hard you try to convince the outside world of your company's good reputation, if people do not believe your message, your reputation cannot carry the company. On another side, image is something that nobody has to believe in, it is just something that consumers see. Whether they like what they perceive is another matter.

Scholars have analyzed the differences between corporate image and reputation and they present the key influences on image and reputation. Abratt and Shee (1989) rightly argued that corporate image stand for how an organization is perceived by its stakeholders. Corporate image is not what a company presumes to be, but it is composed of the existing opinions which include the feelings and the convictions in the mind of the different stakeholders.

Doorley and Garcia (2007) in their book *Reputation Management*, gives a different approach to defining reputation. They acknowledge that reputation is the aggregation of the perceptions and images that various stakeholders have of a firm, but they do not stop here. He also bought a fresh formula:

Reputation = Sum of Images = (Performance and Behavior) + Communication**.** This formula accounts for the fact that reputation is the sum of the images of all of an organization's stakeholders and then delves even deeper. The formula also explains where these images come from; the performance and behavior of the firm and how they are communicated.

Rindova and Fombrun (1997) emphasized that a good reputation favors the collaboration and the loyalty of the stakeholders, with positive effects on the profitability and on the economic-financial performances of the organizations. And also Reputation allows economizing the investments in advertising, to attract customers and differentiate the company in comparison to the competitors. Moreover, reputation allows customer satisfaction, these consents to apply a premium price to the products or services of the organization, to achieve and to justify elevated margins, to select and satisfy organizational employees. And also Reputation permits to develop advantageous relations with the proper investors and with the suppliers and the distributors according to Shapiro (1983) and Porter (1991). Besides that, a good reputation can consolidate the relations with the public authorities, the media and the opinions leaders, who can influence the perceptions of the public opinion. Reputation strengthens, at long last, the ability to overcome moments of crises stated by Markwick and Fill (1997).

Reputation is based on fiduciary elements, considered as the cognitive antecedents of the brand equity according to Aaker (1991). But another thinker, Fillis (2003) argued that Unlike corporate image, which can be limited only to one episode of perception and refers to the way the stakeholders perceive the organization in a certain instant, corporate reputation represents the result of a series of perceptions along the time, and can be considered the result of a long period of time, which allows the stakeholders to know in depth the company and to evaluate its degree of respect.

Keller (1999) discusses a number of images that are associated with the organization. These are Common Product Attributes, People and Relationships Customer/Stakeholder Orientation, Benefits or Attitudes Quality, Values and Programs Concern with Environment Social Responsibility, Corporate Credibility Expertise.

Scholars have defined in seven levels which are product class, brand, company, sector, shop, country and user. It can be argued that for an organization these levels are not mutually exclusive. An organization may experience every single one of these levels in that they often overlap. The importance of each level to each organization is dependent on the organization itself. For example, Rolex on the country, shop and user levels is associated with Swiss watch making, high-end luxury shops, and wealthy people. In Norway, an example of the user and product levels is that some luxury car dealers are concerned about the purchase of their vehicles by customers associated with gangs. They believe the negative image of "gangs" and all that they represent to some people can impact the image of the brand for their target consumers.

Corporate Image and reputation both are separate issues and have its own elements to grasp the attention of the customers, investors and other stakeholders towards the company. When in the matter of an individual comes into contact with a company or its products and services, he or she may achieve an image of this organization through their own perception. Such situation is not enough to let the individual or customer mature a judgment on the reputation of the company, because of the inadequate time, that does not allow a serious assessment about the level of respect and credibility of the modern company. It is only possible for the individual to achieve a "contingent" judgment of trust in case of positive perception or of mistrust in case of negative perception about the company that, as such as a temporary validity. If any individual wants to judge the company's reputation, it needs some time, during which the individual or customer can have more touch with the organization and accumulate more signs about corporate identity, manifested during the history of the organization. Therefore, Fombrun and Van Riel (2004) opined that a historical nature, deriving from a subjective and collective evaluation on the reliability of an organization that is based, in the first place, on corporate performances. The reputation is more stable and durable in comparison to the image, since it derives on the signs expressed by an organization during its history.

Conclusion

The analysis reveals that it is imperative to protect manage a corporate reputation practice at this juncture of globalization. Corporate reputation should be managed on the basis of sound ethical considerations. The management should realize that the efficiency of corporate reputation and communication is improved through methodical research. Corporate Reputation Management and measurement has been a popular field of research since Fortune's first publication of the list of Most Admired Companies in 1983. In the present times, corporate houses are spending crores of rupees to build and maintain their corporate reputation. Financial performance, Quality of Products and services, Corporate Social responsibility, marketing leadership, online and websites performance are the prominent components of corporate reputation management. In the 21st century, corporate reputation management plays a crucial role in promoting economy of modern organizations in Indian and elsewhere. Management has the main task in reputational management, being responsible for supervising organizational behaviors and for coordinating all reputation efforts. On the other hand, corporate communication professionals have the task of projecting reputation, after reviewing information from throughout the company. According to eminent scholars, corporations are facing new challenges in the age of globalization. They need to find new ways to interact more effectively with more stakeholder groups. Reputation has become a prerequisite for an organizational success. Corporations have historically focused on brand and image management without directly addressing reputation management. But as recent events in the corporate world have demonstrated, corporate reputation is vital. Managing reputation cannot be regarded as a role for a single department working in isolation. It has to be managed across every area of the company from the CEO and the board of directors, through HR and corporate communicators, to customer relations and operations.

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