



# **Understanding Corporate Reputation**

**By**

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## **UNDERSTANDING CORPORATE REPUTATION**

### **What is Corporate Reputation?**

Many people create summary evaluations of products, companies and countries as a way of thinking about them. Rather than weigh up the pros and cons of every attribute of a product or company as a 'rational economic person' might do, most people make choices on the basis of limited information. They also form summary evaluations or stereotypes (beliefs) of people and professionals.

These stereotypes (beliefs) can have a profound impact on our initial and subsequent reactions to new ideas, products and services. People also form stereotypes about organizations, e.g. steel plants are noisy, hospitals are clean, etc. David Ogilvy's guiding principle was that consumers do not buy products, rather they buy products with a personality. Therefore each 'brand' must have a distinct personality that fits with the 'self image' of the target.

The notion of 'brand image' can easily be generalised to companies and other types of organizations. While the management literature uses the terms corporate image and corporate reputation interchangeably, it is useful to make distinction between these two concepts. It is also useful to define the third concept namely corporate identity.

### **CORPORATE IDENTITY**

The symbols (logos, colour scheme) an organization uses to identify itself to people.

### **CORPORATE IMAGE**

The total impressions (beliefs and feelings) an entity makes on the minds of the people.

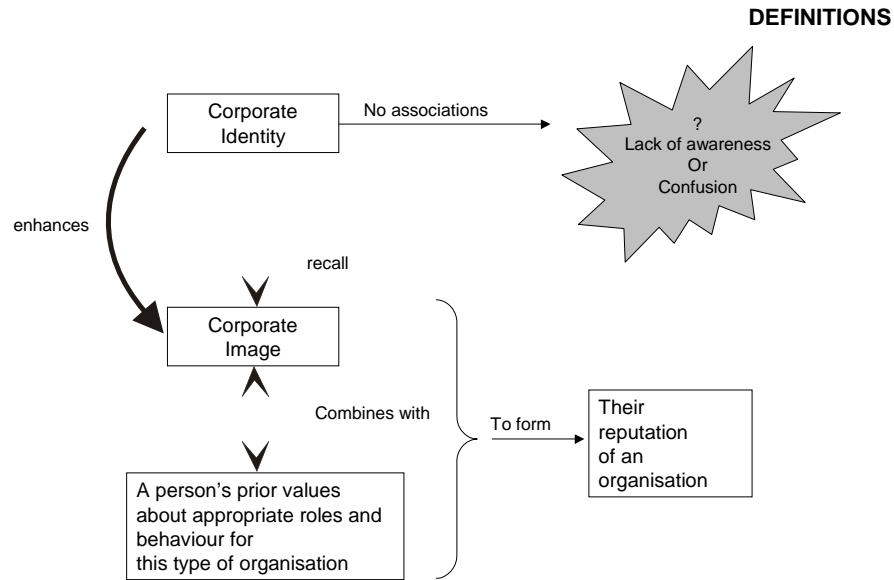
### **CORPORATE REPUTATION**

The evaluation (respect, esteem, estimation) in which an organisation's image is held by the people.

If the total impressions of a company fit with a person's values about appropriate behaviour for that company, then the individual will form a good reputation of that company.

Figure 1.1 illustrates this connection.

Fig. 1.1



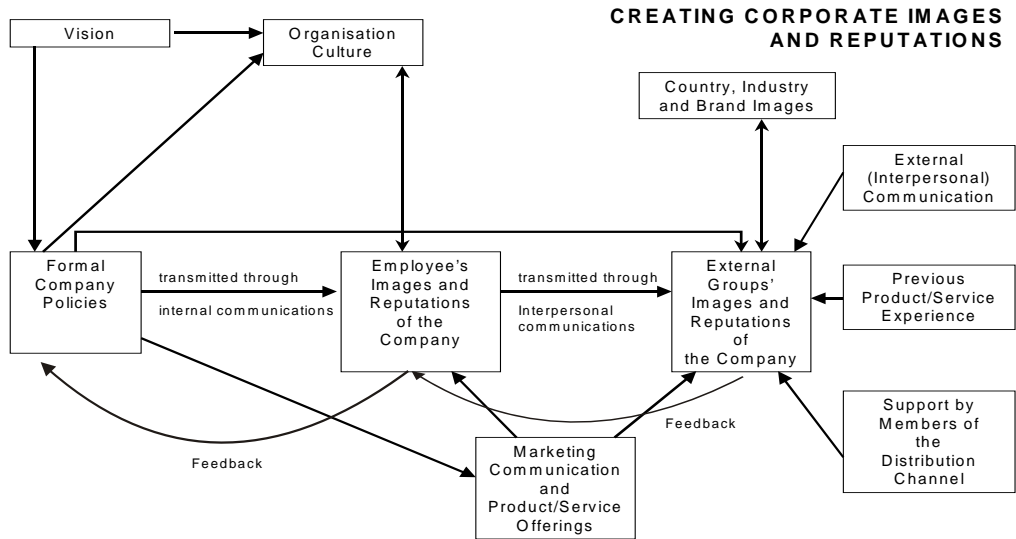
It is important to appreciate that Reputation is a convergence of three things:

1. Good Business
2. Good Communication
3. Goodwill

Unless a company does not show good business around these key components consistently over a period of time, one cannot build a 'sustainable' reputation.

Figure 1.2 illustrates this.

**Fig. 1.2**



This diagram illustrates that by simply changing the organisation's marketing communications is unlikely to have a major impact on the reputation held by the employees and external groups. To achieve **significant** change in the way people think about the organization usually requires changes to some very basic organizational activities.



## **IMPROVING CORPORATE REPUTATION**

The first step in dealing with a reputation is to recognize that it can be managed. This can only occur if it is understood that *reputations exist in the minds of the key stakeholders*.

The second step in dealing with reputation is to develop the framework identifying the major factors which combine to influence the reputation of the organization. An organizations reputation is formed by what people are saying about it and what the organization does and says about itself. To fully understand these factors it is necessary to identify the activities which influence every aspect of how a typical organisation communicates with both its internal and external stakeholders.

There are ten widely accepted components of corporate reputation.

1. **Customer Focus:** ( a company that..) cares about customers, is strongly committed to customers.
2. **Quality:** (a company that..) offers high quality products and services.
3. **Reliability:** ( a company that..) stands behind its products and services, provides consistent service.
4. **Leadership:** ( a company that..) is a leader rather than a follower, is innovative.
5. **Management:** ( a company that..) is well managed, has high quality management, has a clear vision for the future.
6. **Financial Performance:** ( a company that..) is financially strong, has a track record of profitability, has growth prospects.
7. **Employee/Workplace:** ( a company that..) has talented people, treats them well and is an appealing workplace.
8. **Social Responsibility:** ( a company that..) recognizes its social responsibilities, supports good causes.
9. **Ethical:** ( a company that..) behaves ethically, admirable, is worthy of respect, is trustworthy.
10. **Emotional Appeal:** ( a company that..) I feel good about, is kind, is fun.

## **THE VALUE OF A GOOD REPUTATION**

There are a broad range of benefits that a company with a good reputation enjoys:

### **Marketing Benefits**

1. Ability to charge a premium for its products and services
2. Increased sales
3. Greater Customer Loyalty
4. More purchase recommendations
5. Greater ability to introduce new products or enter new markets

### **Business Operations Benefits**

1. Facilitating employee recruitment, commitment and retention
2. Greater Employee satisfaction that influences customer satisfaction
3. Greater ability to successfully put together business deals
4. Help in supporting share price and financial performance
5. Facilitating good relationships with suppliers

### **Business Environment Benefits**

1. Greater Investment, higher stock price
2. Encouraging or discouraging regulation and legislation
3. Facilitating community relations
4. Increased media coverage
5. More favourable industry comments

### **Goodwill Benefits**

1. Greater ability to cause negative things NOT to happen ( e.g. negative news coverage, legislation)
2. Greater ability to gain 'the benefit of doubt' in questionable situations

This would form the basis of any 'measurement system' for reputation measurement and evaluation.

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