Chapter 5: Corporate communication

5.1 Introduction

This chapter will focus on the corporate communication of an organisation and the elements (constructs) that have an influence on corporate reputation. Figure 6 illustrates the relationship of corporate communication in relation to the other business processes and corporate reputation.

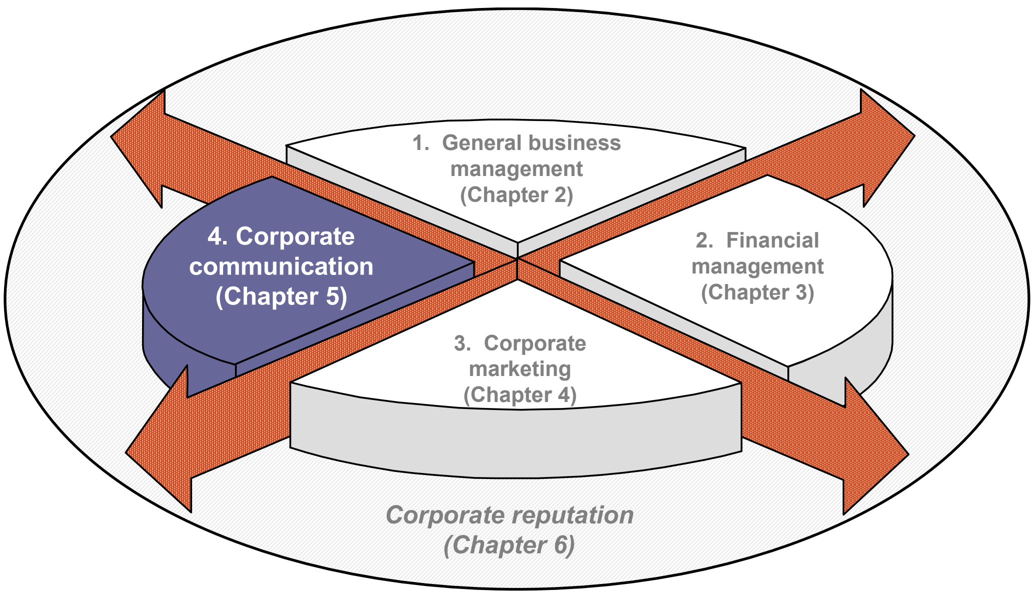


Figure 6 Corporate communication in relation to corporate reputation

This chapter provides an insight into corporate communication and how it relates to corporate reputation. Included is an overview of public relations communication and the quality and satisfaction of employees, which will have an impact on employee loyalty, as well as providing an understanding of client relationships in terms of client satisfaction and loyalty. Insight will also be given into social responsibility, which also falls within the realm of corporate communication. It is important to note that corporate communication comprises of many elements, but only the elements mentioned above will be investigated for the purposes of this study.

5.2 Public relations communication

In order to gain a clearer understanding of public relations and ultimately corporate communication, a brief background will be provided regarding the evolution and various paradigm shifts of communication management.

An understanding of public relations in terms of corporate communication will then be provided.

5.2.1 Background to public relations

Four models of public relations are introduced by Grunig (1992:39), namely press agentry, public information, two-way asymmetrical and two-way symmetrical. The first three are asymmetrical models; that is, they attempt to change the behaviour of publics without changing the behaviour of the organisation. Under the press agentry model, public relations strive for publicity in the media in almost any possible way. With the public information model, public relations use journalists in residence to disseminate objective but only favourable information about the organisation. With two-way asymmetrical public relations, the organisation uses research to develop messages that are most likely to persuade publics to behave as the organisation wants. In contrast, an organisation that uses the two-way symmetrical model uses research and dialogue to manage conflict, improve understanding and build relationships with stakeholders. With the symmetrical model, both the organisation and publics can be persuaded and both may change their behaviour. Excellent organisations stay close to their clients, employees and other strategic constituencies i.e. stakeholders.

Symmetrical communication takes place though dialogue, negotiation, listening and conflict management rather than through persuasion, manipulation and giving orders. Doyle (2000:295) argues that communication is increasingly being seen as a two-way, interactive process. It is not just about the organisation broadcasting information about itself and its products, but also about finding ways to encourage clients to talk to the organisation about their needs and their degree of satisfaction with the organisation's current products and services, thereby to build mutually beneficial relationships in this way.

5.2.2 Understanding public relations in terms of corporate communication

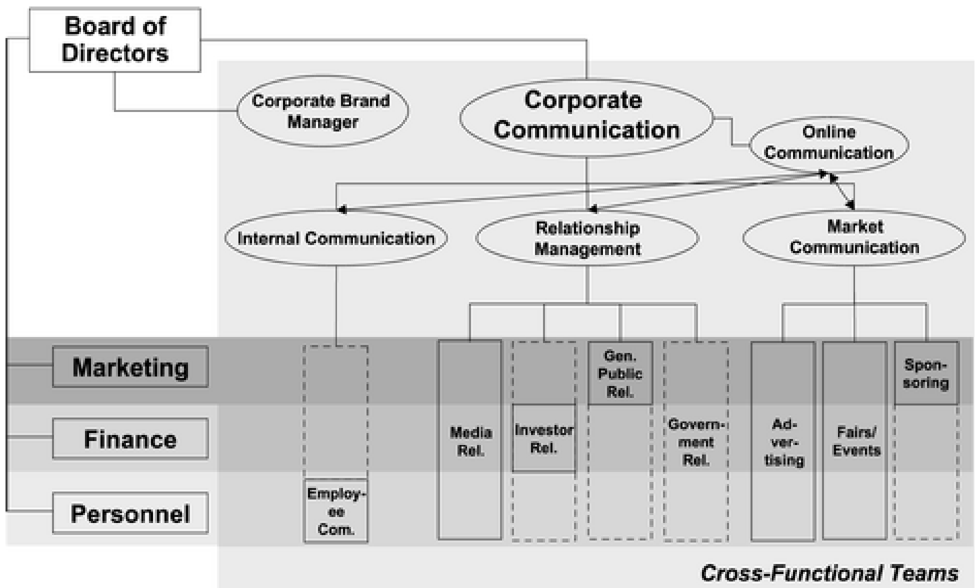
Steyn and Puth (2000:2) note that the term corporate communication is increasingly being used to describe the management function that some still refer to as public relations. One of the preferred reasons for the term corporate communication is that the term public relations suffers from negative associations because of the manner in which the discipline has been and still is practised in many organisations.

Balmer and Gray (1999:172), Grunig and Hunt in Steyn and Puth (2000:3) and Yamauchi (2001:131) describe corporate communication as the management of communication between an organisation and its stakeholders. It is the act of effectively conveying to an organisation's stakeholders the corporate philosophy that the organisation regards as the ultimate expression of its corporate culture, taking into consideration the needs of the stakeholders, thus building mutually beneficial communication relationships. Some main stakeholder groups include clients, employees, shareholders, financial analysts, suppliers, the government and members of the communities where the organisation operates. Corporate communications should be regarded and practised as a management function as it involves selectively communicating the organisation's views and objectives to those stakeholders it regards as important. Therefore corporate communication is communication on behalf of the organisation.

In order for corporate communicators to build mutually beneficial relationships with the organisation's stakeholders, they need to be boundary spanners. Grunig (1992:92) and Steyn and Puth (2000:18) define boundary spanners as individuals within the organisation who frequently interact with the organisation's environment and who gather, select and relay information from the environment to decision-makers in the organisation. Corporate communication practitioners are in touch with the real world by having one foot inside and one outside the organisation. In this context, they explain the impact of their behaviour on stakeholder opinion to top management and prevent its members from insulating themselves. Organisations must acquire timely information from a number of external arenas to be able to make strategic decisions.

Testa (2002:260) and Singh in Goldberg *et al.* (2003:170) concur that success in the new economy is more dependent on successful relationships with internal and external stakeholders than ever before. For software organisations, three stakeholder groups are crucial to their success: investors, clients and potential employees. The organisation may make a great effort to develop positive opinions regarding its activities and to establish strategic relationships with partners.

The figure below, Figure 7, illustrates the relationship between an organisation's corporate communication and its various stakeholders.



Source; Einwiller and Will (2002:8)

Figure 7 Graphic representation of corporate communication

Einwiller and Will (2002:106) emphasise that an organisation can decentralise everything, but not communication. Figure 7 above illustrates why it would not be a viable option for organisations to decentralise their corporate communication departments. It shows the degree of integration of functions of communication within a department. Corporate communication aligns various processes of communication in terms of internal communication to employees, relationship communication in terms of media relations, investor relations and government relations, and finally market communication comprising advertising, fairs and events, and sponsorships. According to Riel, Yeshin and Goodman in Christensen (2002:162) and Schreiber (2002:215) being centralised enables the organisation to have consistency and continuity over time and to project one uniform and unambiguous image of what the organisation stands for. Testa (2002:260) states that improved communication should help to maximise the outcomes of interdependent relationships among collaborating organisations, as well as improve relations with internal and external stakeholders.

Building and maintaining relationships with stakeholders are critical for the success of an organisation. The most important stakeholders identified in this chapter that have the greatest impact on corporate reputation are employees, clients and shareholders.

5.3 The importance of quality employees within an organisation

Employees are one of the most important stakeholder groups for an organisation. David (2002:351), Davis and Dunn (2002:18), De Chernatony (2002:113) as well as McNaughton (2003:13) all agree that brand certainty influences employee recruitment and retention. They state that strong brands offer internal focus and clarity within an organisation. Brand strength is a lever for attracting the best employees and keeping satisfied employees with lower turnover rates.

De Chernatony (2002:119) states that employees are not passive participants who absorb management edicts and pass them on to clients. Rather they interpret messages, become inspired by particular visions and create a brand atmosphere as they work with external stakeholders. Gatewood in Goldberg *et al.* (2003:173) states that management must define reputation-building strategies for attracting competent employees.

Davis and Dunn (2002:156) note that organisations have to strive for competent, consistent and professional interaction with clients at all times, regardless of how and where the interaction is taking place. Gotsi and Wilson (2001:99) declare that employees and their behaviour represent the reality of the organisation to the clients. If their behaviour does not live up to the expectations created through the organisation's external communication campaigns, the organisation's overall reputation will be damaged. Bernstel (2003:15) comments that an organisation cannot deliver on its brand promise if the employees do not know or care about it. A successful organisation focuses on taking care of employees. Employee morale has an effect on everything from frontline service to negative word-of-mouth.

Anon. (2002a:26), Harris and De Chernatony (2001:441) and Davies and Chun (2002:147) all agree that if employees express negative views about their organisation or if what they say does not reflect the image the organisation is trying to project through its advertising, friends will believe the employees rather than the publicity. Organisations need to ensure that there is no gap between what the organisation is saying in the outside world and what people believe inside the business. Mastal (2001:58) agrees that employees are “brand ambassadors” and only if they “live the brand” will the reputation management efforts succeed.

Mastal (2001:58) and Anon. (2002a:26) reinforce that during the last 20 years, senior managers have recognised more acutely that building and sustaining a favourable corporate reputation helps to create corporate competitive advantage. Organisations now see more clearly the part that employees can play in this process. In this more sophisticated refinement of their roles, employees must project consistent and positive images of the organisation to internal and external stakeholders. Strong internal communications programmes that build understanding and buy-in of the organisation’s position are critical in best-practice organisations.

Ettorre (1996:36), Post and Griffin in Gotsi and Wilson (2001:99) as well as Kennedy in Harris and De Chernatony (2001:441) agree that at the most basic level, employee involvement influences an organisation’s reputation, for good or bad. Every employee in the entire organisation is a reputation manager, from the top down. Successful implementation will be made possible through senior leadership attitudes as well as organisational design. Aligning brand value with employee value will contribute to employee satisfaction. This will be explored in the next section.

5.4 Employee satisfaction

Pfeffer in Testa (2002:262) states that the relationship that develops between an organisation and its employees can be the key factor in the organisation’s success. Testa

(2002:262) notes that the relationship that develops between an organisation and its employees may be an indicator of its relationships with other stakeholders. It can be argued that if organisational leaders do not truly know how their internal stakeholders feel, they are probably not in touch with external stakeholders such as clients, partners or suppliers either. Leaders are generally in closest proximity to employees compared to other groups of stakeholders. Locke in Lund (2003:221) states that in general, overall work satisfaction has been defined as a function of the perceived relationship between what employees want from their work and what they perceive it as offering

Schlesinger and Heskett in Silvestro (2002:33) and Taina (2002:22) comment that low employee morale may lead to high absenteeism, high labour turnover, drop in productivity rates, negative attitudes and finally client dissatisfaction. This is attributable to minimal investment in training, poor rewards and declining levels of client service. A worker who is badmouthing the organisation to anyone who will listen may be a malcontent, but a group of employees who gripe for years put out a very different message. They are telling the world their organisation is uncaring, unprofessional, or worse, unethical.

Dilenschneider in Ettorre (1996:36) has hit on a central theme of reputation management, namely employee pride. Nakra (2000:37) and Harris and De Chernatony (2001:441) agree that if employee attitudes are favourable, they contribute consciously or unconsciously to enhancing the image and reputation of the organisation among their various stakeholders, including current and potential clients. If employees are happy where they work, they project an equally positive view to the world. This notion goes beyond decent salaries and good working conditions. It has everything to do with a feeling that the organisation is fair, open and honest in all internal and external dealings. Even a downsized organisation, for example, can put its reputation on the line with its remaining employees by dealing with their anxiety, anger and guilt in an aboveboard manner. Organisations interested in maintaining a good reputation take pains to hire the kind of people they want to represent them. By means of proactive hiring techniques such as careful and sophisticated interviewing and thorough background checks, organisations can help ensure that those hired are those they want. They can also include reputation management in the orientation and training of new employees.

Anon. (2001:42) lists factors contributing to employee satisfaction. Trust reflects an employer's confidence in the employee's ability to succeed. Getting the opportunity to do the type of work the employees want to do and having the power to make decisions that affect their own work are regarded as important. Employees who feel they have some flexibility in when, where, or how they get their work done are more satisfied with their work. It is also important for employees to achieve a reasonable balance between their personal and professional commitments; this helps employees feel a sense of control over their lives and work. Another aspect that is very important for employees is that they are eager to receive training and counselling to help them excel in their work. By fostering the career mentality through training, employers demonstrate commitment to an employee that could result in employee loyalty.

5.5 Employee loyalty within an organisation

Pruzan (2001:53) comments that there is increasing evidence that good employees demand more from their place of employment than a competitive wage, professional development and a career path. Bright, dynamic, independent and creative employees want to feel that the corporate values are in reasonable harmony with their personal values, that the organisation provides them with an arena for meaningful work and personal development and that they can be proud of their place of work. These aspirations, directly or indirectly, are related to the corporate reputation. Although it is possible for employees to be proud of the organisation they work for even if it does not receive public recognition, it is far easier to be proud of one's place of work in an organisation that has a fine reputation. Employee pride in the workplace is becoming an increasingly important indicator of effectiveness. The opposite is also true; in those organisations where the employees are not proud of their employer, there is a lack of trust, confidence, enthusiasm and willingness to offer one's best.

In order to enhance employee loyalty, Reichheld (2001:3) suggests that small teams help provide the necessary focus. Leaders must ensure that team structures facilitate loyalty. The dynamics of small teams bond members to one another. Perks are also nice; they can even help an organisation to attract and retain the talent they want most. However, the source of genuine employee loyalty lies elsewhere. Employee loyalty and client loyalty are closely linked: to reap the benefits of client loyalty, the employees' loyalty must first be earned. Loyalty is not about putting the comfort of employees first; it is about putting their welfare first. The author continues that in good times, business leaders too often give undue attention to employee comfort, in the belief that employee satisfaction surveys hold the key to loyalty. This confusion of satisfaction with loyalty constitutes one of the greatest betrayals in the business world. The strongest organisations, it turns out, are those with the most loyal employees and clients, are the ones in which employees are frequently dissatisfied. It is about making sure that employees are dissatisfied with the level of service they are able to provide to clients, and as a result, motivated to reach a higher level.

George (2001:39) notes that when an organisation offers a sense of purpose consistently over a long period, without deviating and without vacillating, employees will buy into the organisation's mission and make the commitment to fulfilling it. They will go the extra mile to serve clients. That may mean working well into the night or accelerating the timetable for a crucial new-product introduction. Davis and Dunn (2002:221) comment that many employees do not have a sense of pride in, ownership of, or personal connection with their organisation, its brand or its clients. There is no energy, excitement, empathy, passion, purpose or conviction. Getting the employees to understand the brand promise and align their behaviour to that promise is an essential part of building a brand-driven organisation that delivers sustainable, profitable growth.

Lars (2001: 949) notes that satisfied and loyal employees represent value to an organisation, but they also represent security for the results of the future. An organisation's success will therefore depend on its ability to attract and hold on to employees who, in the future, will be among the most competent, productive and motivated employees, that is, employees who are loyal to the organisation and its values, and who develop concurrently with the organisation. It is essential to be able to understand and measure employee satisfaction and loyalty. Areas that directly drive loyalty are issues that involve the individual person, how the daily leader and colleagues interact with and behave towards them, to what extent self-development takes place, whether they have a positive attitude and are committed to their work and proud of what they do. Employees want more communication, support and involvement from top management than they are experiencing today. Anon. (2003b:4) states that it is necessary to recognise the value of effective ongoing communication; it must not be treated as an afterthought or an extra. The four most important leadership skills that need to be improved are motivation through own performance; communication of expectations to the individual; treating suggestions and ideas seriously and giving feedback on employees' performance.

May and Kahnweiler (2002:49) notices that many organisations are discovering how flexible work structures, work-family programmes and similar measures can attract and retain desired talent. Such practices are not just "nice to have" benefits but are driven by real organisational needs, such as stemming the talent drain, especially to competitors, and retaining the skills the organisation needs to succeed. There are concrete and visible ways to enhance loyalty if the organisation's culture truly values work-life balance. Likewise, valuing, propagating and effectively applying intellectual capital may sound lofty, idealistic and useless to a hard-minded CEO. However, when one tears through the fabric of that statement, what it says is that if an organisation taps into its huge brain trust, the organisation and the people whose brains are tapped will benefit. In most instances when people are challenged by their work and asked to bring their heads as well as their hands to the task, productivity increases.

Heskett, Sasser and Schlesinger in Koys (2001:109) propose that work force capability, satisfaction and loyalty would lead to clients' perceptions of value. That value perception would lead to client satisfaction and loyalty, which would lead to profits and growth. Koys (2001:110) comments that employee attitudes cannot influence organisational effectiveness on their own; employees must also behave appropriately. Two employee behaviours that are important to many managers are work performance and retention; this will also have a positive impact on relationships with clients.

5.6 Client relationships

Traditionally, clients in terms of their relationship, satisfaction and loyalty are discussed within the realm of marketing. However, as clients form a critical stakeholder group in terms of communication as well, the focus in this section will be on them. Davis and Dunn (2002:51) assert that the development of new strategic brand thinking begins with the recognition that clients are complex and respond to situations, interaction and relationships on many different levels – emotional, intellectual, rational, intuitive and social.

Richardson and Bolesh (2002:55) add that clients respect organisations they trust and two-way communication builds client confidence. To encourage interaction, organisations may develop listening posts through service centres, sales efforts and web-based programmes. Actively listening to clients enhances an organisation's reputation for accessibility and accountability. Employees at all levels are attuned to feedback and use the information to address problems and secure happy clients. Active listening does not stop with acknowledgement of client comments, however. Reputable organisations use incoming data to shape strategy and identify improvement opportunities. Comments and criticism from real clients drive decisions on strategy, processes and product design.

Hall (2002:9) notes that clients are the source of value and most organisations do not have a set of metrics that accurately reflects where value is being created and where it is being destroyed. If clients are the source of revenue, cash flow, profits and ultimately, equity, then it is crucial that all parties to the relationship, including shareholders, management, employees and clients, know where value is currently being created and destroyed, what is planned for in the future and how well it is working out.

As stated in section 4.4.1, integrated branding is an organisational strategy used to drive organisation and product direction, where all actions and messages are based on the value the organisation brings to its line of business. LePla and Parker (2002:05) state that it creates a single focus and direction that allow organisations to differentiate around what their clients' value. This focused differentiation turns into higher margins and market share over the long-term. If a brand is to succeed in the long-term, that brand must drive actions as well as communications; an organisation must buy into the premise that retaining existing clients is one of its highest objectives. Integrated branding builds the most important asset any organisation has – its relationship with its clients. The brand is controlled mutually by both the organisation and the client, but it is the organisation's responsibility to provide the place and take the actions necessary for the brand relationship to develop. Client relationships are built in the same way as personal relationships. Relationships built through interactions that reinforce trust and common goals create an emotional and intellectual bond between the client and the brand. People purchase products from those brands that reflect their views, goals and emotional temperaments. A good relationship is worthwhile because it leads to long-term client retention and market share leadership. An organisation's raison d'être is profit, and by dominating the market, the organisation will be less vulnerable to competitors and will be able to maintain leadership with less additional investment.

Doyle (2000:4) remarks that organisations succeed when they meet the wants of clients more effectively than their competitors. The information age has brought a marked rise in client expectations. Buyers have grown to expect quality, competitive processes, and better and faster service. Schilling (2003:31) maintains that truly satisfied clients will be the first to recommend one's organisation to family, friends and neighbours. A single dissatisfied client will tell dozens of others about his/her problems with the organisation.

One can be rest assured that whenever the organisation's name is mentioned in conversation, a disappointed client will be quick to rant and rave about the negative experiences.

Anderson in Durvasula *et al.* (2000:433) points out that a damaging aspect of inferior service is bad word-of-mouth. Studies do show that dissatisfied clients engage in more word-of-mouth than satisfied ones. Davis and Dunn (2002:180) and Peklo (1995:29) affirm that word-of-mouth happens outside the organisation's horizon and control, but is often a huge element of brand perceptions. Existing clients are the biggest and most legitimate generators of both good and bad word-of-mouth about brand encounters. Many studies have demonstrated that, at least in Western cultures, people are likely to tell a story about a bad brand experience eight times more frequently than one about a positive experience. When an organisation's clients can explain why it benefits them to use their specific products rather than the competitor's, the organisation will have branded the service well and the client's word-of-mouth will help to build market share.

Specific client relationship aspects will be discussed in greater detail in terms of client satisfaction, which in turn has an impact on client loyalty.

5.7 Client satisfaction

Durvasula *et al.* (2000:433) assert that an essential ingredient for a successful organisation is to keep the client satisfied on a long-term basis. The key to relationship management is to develop, maintain and enhance the dynamics of a relationship with a client; the end result is likely to be a loyal client. Relationship management requires an organisation to view its transactions with clients in the long-term. Strategic competitive advantage cannot be guaranteed by having only a superior service or product. A relatively new body of research has established that it is more profitable to retain clients in the long-term. Organisations that do not focus on retaining clients find that they must expend higher levels of marketing and communication activities to replace dissatisfied clients who have “defected” because of dissatisfaction with the organisation. The author adds that service organisations must be attentive to service recovery issues and their connection with client satisfaction. A service organisation must be proactive in developing systems that minimise service failure while also building mechanisms to ensure that service recovery is not impeded by complacent attitudes and lack of understanding.

Newman (2001:128) asserts that in service organisations profitability and growth are stimulated mainly by client retention. Retention is a direct result of client satisfaction and satisfaction is primarily influenced by the value of services provided to clients. Client retention leads to repeat purchase, increased scope for relationship building and word-of-mouth recommendation. According to Reichheld and Sasser, in Newman (2001:128), a 5% increase in client retention can increase profitability by between 25% and 85%.

In order to keep clients loyal, client satisfaction needs to be measured to understand what clients’ needs are and how to build mutually beneficial relationships successfully. Testa (2002:261) claims that by focusing on the client-end of the value chain rather than simply on core competencies, organisations are better able to understand and facilitate clients’ needs.

Douglas (2003:22) states that success in client satisfaction initiatives is not merely obtaining client feedback. Rather, it requires turning that information into relevant action plans, then implementing them and effectively seeing them reflected in improved business results. There are four success factors that the author believes necessary for client satisfaction initiatives to deliver higher long-term profits. Firstly the organisation must, from the outset, have top-management commitment and this commitment must be the driving force behind the initiative. Secondly, the design and implementation system must be organisationally unified, integrating management, researcher, employee and client into the process throughout. Thirdly, a well-conceived communication plan must keep clients and employees aware of the initiative's implementation and successes, and finally the action planning and implementation must be credible and actionable and must focus on a limited number of short-term and longer-term efforts.

Schilling (2003:31) mentions that generating genuine client satisfaction is often more of an exercise in psychology than a series of marketing ploys. True leaders in client satisfaction have found subtle ways to remind clients continually of the outstanding service they provide. Periodic communication with clients using a vehicle such as a newsletter not only provides a means of cementing that informal-professional image, but also allows the organisation to create a sense of belonging for their clients, an important aspect for client satisfaction.

5.8 Client loyalty

Doyle (2000:62), Reichheld and Sasser in Bowen and Chen (2001:213) and Davis and Dunn (2002:18) comment that when clients are highly loyal to a brand, there is minimal consideration of similar brands in the purchase process. When clients are highly loyal, they request a brand by name, recommend brands to their friends and colleagues and are more accepting of new products or services offered by that brand. They refuse substitutes and will wait longer or travel further to get their brand of choice. Loyal clients will continue to pay a premium for that brand. Peklo (1995:29) comments that when clients are so loyal to an organisation's services that they will not change to a competitor's, even if it costs more to use the services, the organisation has found the right formula that will work into the next millennium.

Durvasula *et al.* (2000:433) as well as Raj (2003:21) comment that it is known to be more profitable to retain an existing client than it is to acquire a new one. Referral from a loyal client is the most effective tool to gain new business. Fundamental to gaining loyalty is an understanding of the needs and preferences of clients, their buying process and key decision-making criteria.

However, Ross (2002:19) and McEwen and Fleming (2003:1) argue that behavioural measures of loyalty are often misleading because they cannot differentiate between clients with brand allegiance and those with no commitment. The uncommitted may appear to be loyal, but they only remain clients out of habit or because the organisation continues to bribe them. They are susceptible to rewards such as incentives and discounts competitors will offer to induce them to switch. The quality of the product that users buy, the experience they have buying it, the service they get in both purchase and post-purchase are all significant factors in changing the perception of the organisation providing these products. Poor experiences in any of these areas will affect the loyalty of a user. All these experiences help users to build up an emotional loyalty to the brand. Emotional loyalty is true loyalty. When users have a connection to the brand, it is superior in their minds and they prefer dealing with that brand above others. Repeat purchase does not equate to client loyalty, although it does help to build it.

Davis (2002:351) comments that clients are more likely to be forgiving if an organisation makes a mistake when the clients have a consistently positive experience with the brand. This translates into loyalty over the long-term and gives organisations some measure of protection from crises. Needleman (2003:6) notes that in these tough economic times, gaining client loyalty is more important than ever. Many organisations cannot survive without repeat business. Knowledgeable organisations have adopted a three-pronged approach. The first is to have a product that clients want and need. The second is to have great marketing, so clients know that the organisation has what they want. The third, and perhaps most important facet, is being able to care for them after the sale has been made.

5.9 Relationship with shareholders

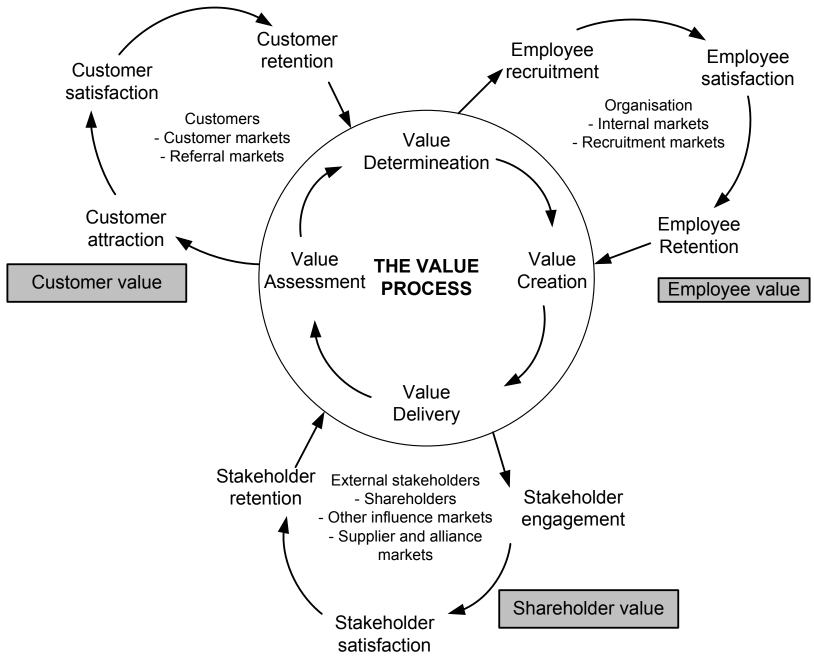
The third important stakeholder group to be discussed in terms of corporate communication, relating to corporate reputation, is shareholders.

Antunovich *et al.* (2000:4) state that the relationship between corporate reputation and share returns suggests that reputation plays an important long-term role in shaping investment results.

Austin (2002:42) notes that investors often ignore environmental issues at their own peril. An organisation’s environmental performance is relevant not just for shareholders wishing to invest responsibly, but for any shareholder interested in a return on investment. Environmental issues can have a significant influence on an organisation’s bottom line and share price and the impact on corporate reputation.

5.10 Summary of relationships with stakeholders

The epitome of the relationships with stakeholders in terms of value creation and the impact it has client satisfaction and loyalty, can be summarised in the figure below. Employee relationships as well as client relationship have an impact on an organisation’s shareholder value as well as corporate reputation.



Source: Payne, Holt and Frow (2001:785)

Figure 8 A framework for relationship value management

Payne, Holt, and Frow (2001:785) categorise three key stakeholder groups. Each of the three major stakeholder groups represents opportunities for value creation and delivery. Within these there are a number of key activities that have been represented as three circular sub-processes. Within the organisation group, there are employee recruitment, employee satisfaction and employee retention. The external stakeholder activities involve stakeholder engagement (engaging the right stakeholders, e.g. investors, suppliers and alliance partners), stakeholder satisfaction and stakeholder retention (retaining them and ensuring that their needs are satisfied). The activities within the client group are client attraction, creating client satisfaction and ensuring client retention through client loyalty. The external stakeholder group of shareholders is, for most organisations that of greatest significance in terms of value management. While these three stakeholder groups are shown as separate sub-processes, their interdependence also needs to be taken into account. Organisations need to focus on these groups not just for managing their relationships, but also for creating and delivering value (employee value, client value and shareholder value) and for maximising and measuring their profitability and performance, which influence corporate reputation. The authors note that if the value process in the relationship value management framework is implemented for each stakeholder group, the outcome should be the creation and delivery of value for each group; employee value, client value and shareholder value. In implementing a value management approach, organisations need to take an integrated approach to managing these stakeholders by focusing not only on the relationships but also on the linkages between employee value, client value and shareholder value.

5.11 An organisation's corporate social responsibility (CSR)

An organisation's corporate social responsibility (CSR) also contributes to its corporate reputation.

The CSR model, which was introduced in the 1960s, focuses on "doing good" rather than improving profit and other economic goals as documented by Halal (2000:10). Zairi (2000:172), Frankental (2001:18), O'Connor (2001:57) and Joyner *et al.* (2002:113) comment that CSR is the contribution that an organisation makes to the larger society within which it operates. Many regard it as equally important as the profits the organisation makes. Moir (2001:16) and Wood in Zyglidopoulos (2001:5) remark that organisations can only contribute fully to a society if they are efficient, profitable and socially responsible. Anon. (2002b:2) and Mayo (2002:1) suggest that one way to ensure that markets reward ethical organisations is to change accounting systems so that organisations are audited not only according to their financial performance, but also according to a wide range of environmental and social indicators. The reporting of non-financial performance is becoming increasingly more specific and measurable and more subject to independent scrutiny or audit. There are six key responsibilities of CSR to be managed, namely clients, employees, organisational partners, the environment, communities and investors.

Therefore Weldon (2003:4) implies that communication plays an integral part in making CSR happen.

Kowalczyk and Pawlish (2002:162), Maignan and Ralston (2002:497) and Smith (2002:42) as well as Schiebel and Pöchtrager (2003:116) add that many organisations are choosing to make an explicit commitment to CSR in their mission, vision and values statements. Such statements frequently extend beyond profit maximisation to include an acknowledgement of an organisation's responsibilities to a broad range of stakeholders, including employees, clients, communities and the environment. Wood in Zyglidopoulos (2001:5) adds that an organisation committed to CSR has principles and processes in place to minimise its negative impacts and maximise its positive impacts on selected stakeholder issues. Many organisations are eager to display their CSR principles and processes in order to convey a positive image of their identity and to gain legitimacy along with support among stakeholders.

Joyner *et al*. (2002:117) maintain that management itself must be personally committed to such values and commitments and be willing to act accordingly. Managers must be willing to review and assess their own behaviour. Consistency in decision-making is essential to avoid employee cynicism and rejection of the ethics programme. In addition, managers must be accountable for their decisions and ethical obligations. Mayo (2002:1) adds that there is an increasing trend to impose personal liability on organisational leaders as a means of obtaining socially acceptable behaviour. The next element of success in the integrity strategy is therefore the integration of these values into the normal channels of strategic decision-making.

Wood in Moir (2001:16), Carroll in Joyner *et al*. (2002:115), Costin in Joyner *et al.* (2002:113) and Lantos (2002:205) are all in agreement that organisations practicing CSR help to alleviate various social ills within a community or society, such as lack of sufficient funding for educational institutions, inadequate money for the arts, chronic unemployment, urban blight, drug and alcohol problems, and illiteracy, to mention a few. The justification lies in the fact that the modern organisation has been entrusted with massive economic and human resources and has the power to affect many parties beyond the participants in its transactions. Thus, there is an implicit corporate social contract between an organisation and society, in terms of which organisations agree to be good stewards of society's resources. Ethical CSR is sometimes framed as a way to respect stakeholders' rights. Values, ethics and CSR are not mutually exclusive; rather, they are interrelated and are somewhat interdependent. An organisation's ethical responsibility is influenced by the values of society.

According to Balmer and Gray (1999:172), O'Connor (2001:57) and King in Howarth (2002:5) an organisation that enjoys a reputation for being a proactive corporate citizen is more likely to gain real long-term competitive advantage by building improved operational and process efficiency, focusing on these key issues, protected share liquidity, positive engagement with investors, lenders, insurers and indexers as well as protection against negative external scrutiny. Building up a reservoir of goodwill towards an organisation could also act as a protective buffer to sustain an organisation against threats to and attacks on its reputation in times of crisis. Conversely, by failing proactively to demonstrate behaviour that is perceived to be socially responsible, organisations can jeopardise their reputation. Although increasing numbers of organisations have responded to the perceived value clients attach to socially responsible behaviour, CSR is not without its critics on opposite sides of the capitalist divide. Hardened economists argue that paying too much attention to CSR can lead organisations down a blind alley of philanthropy that enables the competition to edge ahead.

Wilson (2003:17) asserts that in order to understand corporate reputation, it is necessary to understand CSR. Corporate social responsibility initiatives have become a board-level concern across all markets. People believe that organisations can really make a difference in terms of creating a better society or a more sustainable environment. However, delivering on the commitment to CSR requires a long-term view and the ability to deal with short-term volatility such as conflict and economic uncertainty without neglecting the future needs of the organisation.

5.12 Conclusion

In conclusion, in order to create value for the organisation, two-way symmetrical communication is critical in terms of building mutually beneficial relationships through dialogue, negotiation, listening and conflict management rather than through persuasion, manipulation and giving orders with the organisation's stakeholders. In order for corporate communicators to build mutually beneficial relationships with the stakeholders, they need to be boundary spanners.

Another important element of corporate communication is corporate social responsibility. In terms of understanding corporate reputation, it is necessary to have an understanding of CSR. Successful CSR can only be implemented through effective corporate communication initiatives.

Relationships through the creation of value for stakeholders as well as corporate social responsibility play an important role in the creation of corporate reputation.