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CORPORATE REPUTATION IN THE INFORMATION TECHNOLOGY INDUSTRY:

A SOUTH AFRICAN CASE STUDY

by

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Declaration

I declare that the Master's dissertation, which I hereby submit for the degree MCom Communication Management at the University of Pretoria, is my own work and has not previously been submitted by me for a degree at another university.

____

Johanna Regine Josèphe le Roux

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Abstract

This study focuses on measuring the corporate reputation of an organisation within the information technology (IT) industry in South Africa. An empirical investigation was conducted to identify the elements that influence corporate reputation. The research design selected was a case study. For purposes of confidentiality, the organisation used in this dissertation will be referred to as The Group.

There were three specific objectives to this study; firstly to identify the channels of communication between the organisation's stakeholders; secondly to identify the specific elements that influence corporate reputation for each stakeholder group, and finally to provide The Group with recommendations to develop an investor-orientated image and reputation within the South African business environment.

This research study consisted of four phases: initial qualitative exploratory research, problem finalisation and re-conceptualisation, quantitative data collection and finally analysis reporting. Stakeholders included in this study were The Group's employees, The Group's executive board, clients, non-clients, financial analysts, trade and business media, partners and suppliers, public relations houses and the general public.

The main conclusions drawn from the study are that the channels of communication internally and externally to the organisation influence corporate reputation. The most important disseminators of information regarding The Group are its employees. Corporate communications, clients and the media also play a vital role in influencing corporate reputation. These stakeholders should be targeted to receive the bulk of the reputation improvement activities so that a change in their perceptions can be filtered through to the stakeholders. Four specific business processes have been identified that have an impact on corporate reputation, namely general business management, financial management, corporate marketing and corporate communications.

Recommendations emanating from this study to improve corporate reputation within the IT industry suggest that The Group create a stronger public awareness. Communication initiatives need to assure stakeholders that The Group is performing well although the share price is low. An extensive black economic empowerment (BEE) programme will enhance the corporate reputation. Finally, The Group needs to agree on a set of actionable initiatives across corporate functions, marketplaces and service lines to enhance the corporate reputation.

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Chapter 1: Orientation and background

1.1 Introduction

This introductory chapter will provide an outline of the aim and goals that were pursued in this study. It will also offer the conceptualisation and contextualisation for the research. The latter part of Chapter 1 will provide an outline to the rest of the study.

The general aim of the study was to determine what elements in terms of general business management, financial management, corporate marketing and corporate communication had an impact on the corporate reputation of an organisation within the information technology (IT) industry in South Africa.

1.2 Problem statement

The rationale for this study is that there has been a significant change within the South African IT industry over the past three years, contributed to significantly by the woes of the international technology environment.

Over the past 18 months organisations within the IT industry have experienced extraordinarily negative adjustments to their share prices. A large part of these adjustments can be attributed to market industry conditions, which are related to economic and financial performance. An important component of the perceived value of an organisation lies with the corporate marketing and corporate communication of an organisation, which have an impact on corporate reputation and how the organisation is portrayed and viewed within the marketplace. Different attributes of corporate reputation are evident in various stakeholder groups.

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Since the formation of The Group in 1999, the management's attention has been focused on effectively positioning the organisation to serve the IT industry in both Southern Africa and Australia. It is understood that financial performance as well as macro-economic and industry economic cycle trends form the basis of investment decisions taken by both private and institutional investors. Although it is acknowledged that these factors form a major portion of the aspects that influence investment decisions, it is important to understand that these factors should not be regarded in isolation when a perception of an organisation is formed. Investor decisions are also driven strongly by the general business management, corporate marketing and corporate communication of an organisation.

With The Group now firmly established and its strategy firmly in place, the executive management's attention is turning to organisational confidence-building activities recently articulated to the investment community by The Group's executive chairman. With this in mind, cognisance needs to be taken of the non-financial aspects of The Group and how their stakeholders perceive the organisation in the marketplace. The stakeholders included for the purposes of this study were The Group's employees, The Group's executive board, clients, non-clients, financial analysts, trade and business media, partners and suppliers, public relations houses and the general public.

The focus of this study is to benchmark and provide a measure of The Group's corporate reputation. This will enable steps to be taken to develop an investor-orientated image and reputation of The Group in the South African business environment; it also provides the basis for future measures to enable improvements to be tracked.

1.3 Research objectives

The general aim of the study was to determine what elements have an impact on corporate reputation within the IT industry in South Africa. Three specific objectives burgeoned from this general aim, namely:

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- To understand the internal and external channels of communication of The Group so as to determine the flow of communication between stakeholder groups. The purpose of this was to determine which of the stakeholder groups has the greatest impact on corporate reputation in terms of disseminating information about the organisation.

- To identify the specific elements in terms of general business management, financial management, corporate marketing and corporate communication that influence corporate reputation for each stakeholder group. These perceptions were measured by means of a comparative multi-item measuring instrument (SERVQUAL, also known as a gap analysis, which was modified for the purposes of this study), determining what the gap is between the expectations of the elements versus the current performance in terms of corporate reputation.

- To advise The Group on actions that needs to be taken to develop an investor-orientated reputation within the South African business environment through corporate marketing and corporate communication so as to have a positive influence on shareholder value.

1.4 Definition of corporate reputation

Klein (1999:32), Bromley (2001:316), Gotsi and Wilson (2001:30), Mastal (2001:57) as well as Gardberg and Fombrun (2002:305) define corporate reputation as a collective representation of an organisation's past actions and results that describes its ability to deliver valued outcomes to multiple stakeholders. Reputation represents a value judgement about the organisation's qualities built up over a period of time and focuses on what it does and how it behaves. Thus, reputation has a historical dimension as it represents the estimation of the consistency over time of an attribute of an organisation based on its willingness and ability to perform an activity repeatedly in a similar fashion.

According to Ettorre (1996:36) and Dollinger in Goldberg, Cohen and Fiegenbaum (2003:268), many elements go into an organisation's reputation. These elements emanate from areas within the organisation such as the general business management, financial management, corporate marketing and corporate communication.

1.5 Conceptual framework

Clarification of concepts as they are used in the study to define corporate reputation will be provided in this section.

There are four concepts that contribute to corporate reputation, namely general business management, financial management, corporate marketing and corporate communication. This conceptual framework is illustrated in Figure 1.

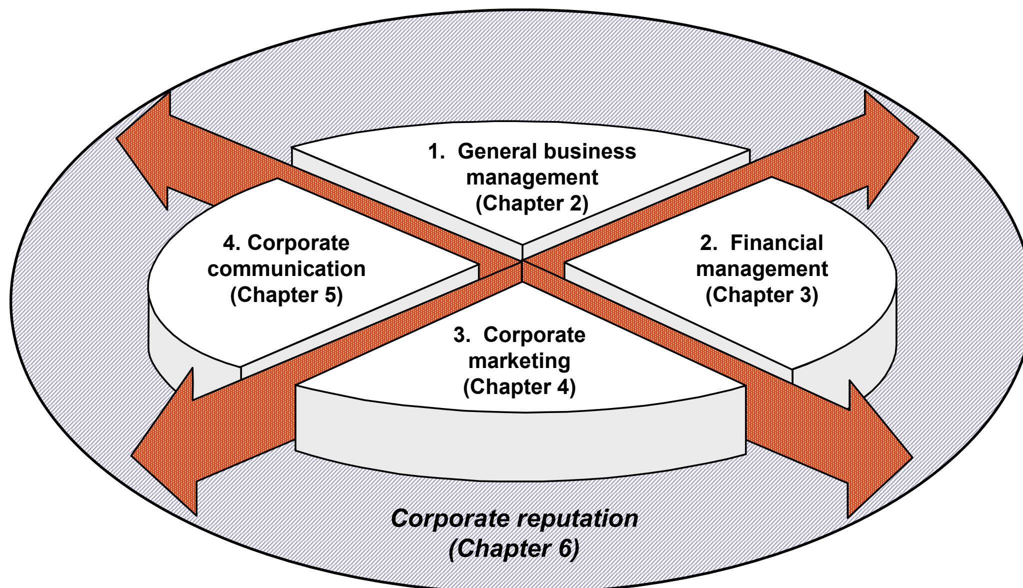

Figure 1 Conceptual framework of corporate reputation

The figure above illustrates the relationship between the concepts that have an impact on corporate reputation. All the concepts illustrated above are interrelated and have an

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influence on one another. For the purpose of this study, the order of discussion will first be general business management, followed by financial management, then corporate marketing, corporate communications and finally a closer look will be taken at a combination of these processes culminating in corporate reputation. This figure will be provided at the beginning of each chapter, as it forms a guide in terms of the specific concepts being focused on.

1.5.1 Concepts

The concept of corporate reputation consists of four main business parameters, namely general business management, financial management, corporate marketing and corporate communication, which have been identified for the purposes of this study. Each of these parameters has been elaborated on in terms of its constructs in the following section. It is important to note that these parameters are interrelated and has an influence on one another; therefore a holistic view needs to be taken of the parameters with regard to corporate reputation.

1.5.2 Constructs

Each of the parameters illustrated in the conceptual framework in Figure 1, namely general business management, financial management, corporate marketing and corporate communication, has constructs (elements) that have an impact on corporate reputation. The following section provides an understanding of the figure in terms of the concepts and relevant constructs, as well as a guide to the chapters in the rest of the study.

- **General business management**

  General business management provides the foundation for structuring an organisation. This has been elaborated on in Chapter 2 and focuses on an

organisation being in the IT industry, leadership style, the quality of management, sustainability of strategy, vision and mission clarity, core competencies, corporate management process alignment, delivery on promise, innovativeness of the organisation in terms of intellectual property, corporate benchmarking, globalisation, business ethics, black economic empowerment (BEE) initiatives and finally trustworthiness. An important component of general business management is financial management.

- **Financial management**

Financial management emanates from the business' general management. It is understood that financial performance as well as macro-economic and industry economic cycle trends form the basis of investment decisions taken by both private and institutional investors. Chapter 3 focuses in detail on financial management in terms of share price, shareholder value, investor attractiveness, profitability, sustainability, commercial viability and transparency of an organisation. Although it is acknowledged that these factors form a major portion of the aspects that influence investment decisions, it is important to understand that the factors should not be regarded in isolation when a perception of an organisation is formed. Investor decisions are also driven strongly by corporate reputation in terms of corporate marketing and corporate communication. Therefore Chapter 3 is the shortest chapter in terms of elements influencing corporate reputation.

- **Corporate marketing**

Corporate marketing is driven to a certain extent by financial management, as budget and money spent on marketing are prescribed by the financial aspects of an organisation. Corporate marketing is described in greater detail in Chapter 4, focusing specifically on corporate identity, corporate image and corporate brand.

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Only three of the four "P's" of the marketing mix have been taken into consideration for the purposes of this study. Where products and services are concerned, the quality, flexibility and innovativeness of these are discussed; pricing is discussed in terms of the value of offerings and the section on promotions focuses on integrated marketing communication, which is discussed in greater detail in Chapter 5 – Corporate communication.

- **Corporate communication**

Corporate communication has evolved from corporate marketing, in terms of developing from the "promotions" element of marketing. The difference between corporate marketing and corporate communication is that marketing sells a product or service to a specific target audience; corporate communication focuses on building mutually beneficial relationships with a wider stakeholder audience. Corporate communication is discussed in detail in Chapter 5, with specific focus on public relations communications, corporate culture, quality of employees, employee satisfaction, employee loyalty, client relationships, client loyalty, client satisfaction and corporate social responsibility.

- **Corporate reputation management**

Corporate reputation is discussed in Chapter 6. All the above-mentioned constructs (elements) contribute to an organisation's corporate reputation. However, not all of these constructs have the same impact on corporate reputation. Only those that have the biggest influence on corporate reputation have been included in this chapter. These include leadership and management qualities, organisational ethics, shareholder value, organisational sustainability, corporate branding, the marketing mix, public relations and relationships with stakeholders. This is in line with

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Schreiber (2002:211), who comments that these elements are similar to those used in the yearly Fortune magazine rankings of "America's most admired corporations".

1.6 Definition of terms

This section is aimed at clarifying terms that have been used in this study.

- **Organisation**

  This term depicts any entity within the business arena.

- **Stakeholders**

  According to Freeman in Steyn and Puth (2000:5) a stakeholder is defined as an individual or group of individuals that is affected by the decisions of an organisation or whose decisions affect an organisation. Depending on their power and impact on a market, they have a significant impact on the perceived value of the organisation in the marketplace.

- **The Group**

  This study has been documented as a case study. For the purposes of confidentiality, the organisation will be referred to as The Group.

- **LSM 9 and LSM 10**

  This refers to the "living standard measurement", which means that the respondents are above the age of 35, have a matric (grade 12) or higher qualification, are urbanised and earn between R9 000 and R13 000 per month as a minimum

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personal income. They have full ownership of durables, which include a personal computer and satellite dish.

1.7 Delimitation of the study

- This study relates only to the IT industry within the borders of South Africa.

- Only four business parameters influencing corporate reputation have been identified for the purposes of this study. These parameters are general business management, financial management, corporate marketing and corporate communication.

- Only specified stakeholders have been included in the study, namely The Group's employees, The Group's executive board, clients, non-clients, financial analysts, trade and business media, partners and suppliers, public relations houses and the general public.

- Shareholders of The Group were not included in this study; as such information was confidential and unobtainable.

1.8 Demarcation of study

Corporate reputation is this dissertation's core focus. There are various parameters within an organisation that have an impact on corporate reputation, namely general business management, financial management, corporate marketing and corporate communication. Chapter 2 focuses on the elements of general business management that have an impact on corporate reputation. An important element of general business management is financial management, which is discussed in Chapter 3. Financial management has an impact on the organisation's corporate marketing, discussed in Chapter 4, and corporate

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communication, discussed in Chapter 5. All the elements in each of these processes that have the greatest impact on corporate reputation culminate in Chapter 6. The research methodology used for this study is outlined in Chapter 7, followed by the findings discussed in Chapter 8, with the conclusion and recommendations discussed in Chapter 9.

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Chapter 2: General business management

2.1 Introduction

This chapter will focus on the general business management of an organisation and the elements (constructs) that influence corporate reputation. Figure 2 illustrates the relationship of general business management in relation to other business processes and corporate reputation.

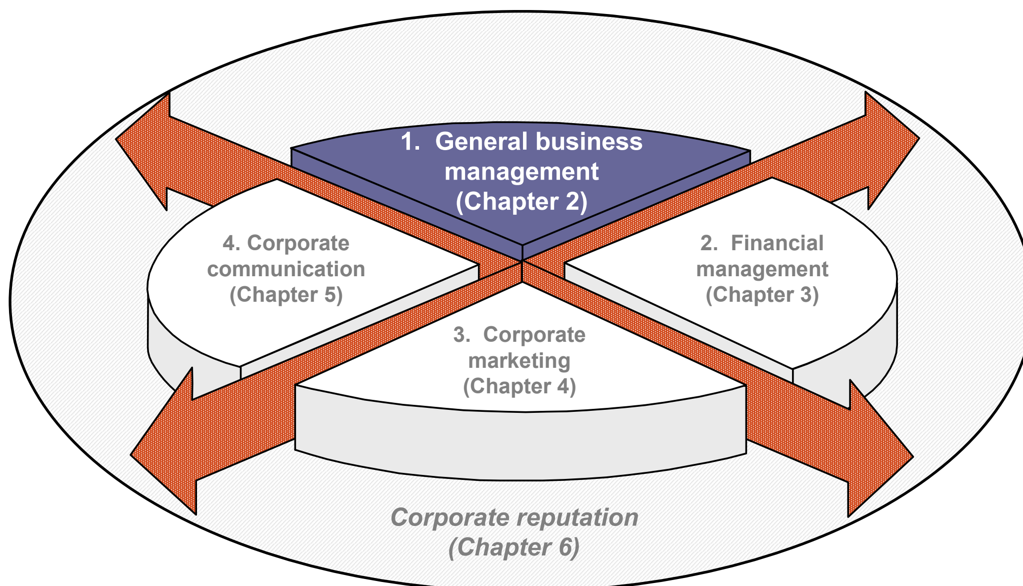

Figure 2 General business management in relation to corporate reputation

General business management provides the foundation for structuring and understanding an organisation. In general, business management focuses on delivering the right product to the right people at the right time in the right place at the right price. In order to ensure successful business management, various elements will be discussed. Firstly, the IT industry needs to be understood. This is followed by an understanding of the leadership and management of an organisation as these determine the strategy of the organisation,

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which includes the vision and mission. The organisation needs to have clear core competencies to enable it to deliver its products and services. Through the alignment of processes, the organisation will be able to deliver on its promises. The organisation needs to be continually innovative and be able to take advantage of opportunities, thus striving towards corporate benchmarking, which in turn may lead to globalisation. These business processes need to be supported by business ethics so as to have the best interest of all stakeholders involved at heart. Being ethical will have an influence on an organisation's black economic empowerment (BEE) initiatives and will create trustworthiness for the organisation. It needs to be noted that there are many elements that contribute to general business management, but for the purposes of this study, only these elements will be explored further. These elements will be discussed in greater detail in the following section.

2.2 Being in the IT industry

According to the South African Information Technology Industry Strategy (SAITIS) (2000:30), conceived under the auspices of the Department of Trade and Industry, South Africa already has an established IT industry. It comprises of a small number of thriving large indigenous organisations, some of which have achieved multinational status. There are several state-owned enterprises that are major players in the IT industry, a growing base of IT small and medium enterprises as well as a number of foreign-owned multinational enterprises that have established a presence and business relationships in South Africa. The IT industry has a small but growing presence in local and export markets. It is recognised that a powerful stimulus to this industry's development could be achieved through the stimulation of the local market for IT products, services and applications. Furthermore, such stimulation could have substantial socio-economic benefits for other South African industries, through the enabling impact of adopting IT, particularly new and innovative applications that pave the way for the realisation of an information society.

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Alvesson in Goldberg *et al.* (2003:168) notes that IT organisations are particularly dependent on a positive reputation, since they lack tangible assets and face more rapid obsolescence of products than organisations in other industries. They are often judged while their products are still in the development phase, against more established organisations that benefit from network externalities.

Barber and Campbell (2001:13) comment that to create shareholder value and take full advantage of the opportunities before them, IT executives need to take a fresh look at their organisations and realise that in the parts that are people-intensive, capital-based measures may not provide the insights they need. The risks of not understanding employee performance and failing to set up differentiated rewards based on value creation are substantial. The values of today's technology-based organisations are driven by intellectual capital, quality of services and the ability to attract and retain the most productive employees. Executives who rely on intuitive methods of measuring the contributions of human capital put their organisations at a competitive disadvantage. Knowing how to quantify the impact of people is essential to managing a successful technology organisation; therefore the leadership style within the IT organisation is crucially important.

2.3 Leadership style

Grunig (1992:233) describes excellent organisations as having leaders who rely on networking and "management-by-walking-around", as opposed to authoritarian systems. Excellent leaders give people power to minimise power politics. At the same time, excellent leaders provide a vision and direction for the organisation, creating order out of chaos that empowerment of people can create.

Bromley (2002:222) and Lam (2003:13) note that very often the corporate brand of an organisation is infused with the personal attributes of its leaders; the more senior the

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executive, the closer the fit between corporate brand and personal brand. Grupp and Gaines-Ross (2002:20) add that the reputation of the organisation's leader, for example the chief executive officer (CEO), is integral to an organisation's reputation and overall success. Research shows that the leader's reputation is estimated by influential businesspeople, such as peer CEOs, business executives, financial analysts, business media and government officials, to account for 48% of an organisation's reputation. Just like any other wealth-creating asset, the leader's reputation needs to be invested in, managed and leveraged over the long-term to reap enduring benefits, which include attracting more investors, partners, clients, job applicants and trust in corporate decisions. Key elements of the leader's reputation are credibility, integrity and high-quality communication with internal audiences about the direction of the organisation.

Organisational leaders must, according to Testa (2002:262) and Wilson (2003:16), understand how internal and external stakeholders perceive them if the relationship is to be maximised. The leader must earn the trust of all stakeholders, which is a difficult balancing trick, as each stakeholder group has different needs, therefore very often, as mentioned by Lam (2003:13), the leaders communicate without making much of an impression. Either they do not say anything memorable, or they are remembered for all the wrong reasons such as a bad media quotation, poor slides or annoying body language. Worst case: their communication is mistrusted and misinterpreted, achieving exactly the opposite of what they intend. As leadership within an organisation has an influence on corporate reputation, it is vital to ensure that leaders set the right tone.

Ettorre (1996:36) states that intelligent organisations make perception management part of their senior executive training regimen. Consequently, Davis and Dunn (2002:26) and McNaughton (2003:13) note that the organisation's leader has to be the ultimate brand ambassador and must take responsibility for the brand as the business asset that can define and build real value, but cannot build the brand alone. Leaders can provide the motivation and the spirit. However, they lack the widespread muscle required to bring the brand to life because their reach into the organisation can only go so far. They have to

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have the right human and financial support and resources to back up their brand building and to inspire employees.

Therefore, Bromley (2002:222) adds that it is important that the senior management team develop a deeper understanding of brand and its role within strategy so that it can be effectively communicated throughout the organisation. They also need to have the ability to execute the business model; this is critical to corporate reputation in most industries. The quality of management will be discussed in the next section.

2.4 The quality of management

Leaders are the ultimate brand ambassadors, as mentioned in the previous section. They do, however, need to be supported by their management team to be able to run a successful organisation. This section focuses on the quality of management in the organisation and the impact it has on corporate reputation.

Doyle (2000:295) states that the development of a communications strategy for an organisation enables management to build knowledge and an understanding for its markets and various stakeholders. This enables the organisation to enhance the effectiveness of its core business processes. Powerful brands, marketing expertise and strong relationships with stakeholders enable it to be more effective at launching new products, maintaining client loyalty and running an efficient supply chain. O'Connor (2001:58) notes that within the context of modern management, it is a prerequisite that CEOs must be equally at ease with corporate communications issues as with technical accounting details. Successful organisations, according to Schultz and De Chernatony (2002:110), thrive because their management is keen to discover and enact new ideas.

As stated previously, Ettorre (1996:36) mentions that intelligent organisations make perception management part of their senior executive training regime, thus enabling a

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greater understanding of corporate branding and resultant corporate reputation. De Chernatony (2002:115) explains that with clearer expression of the corporate brand, managers are better equipped to develop the brand. The success of a brand depends on the extent to which there is harmony between the managerially defined values, effective implementation of values by employees and appreciation of these values among clients. Schreiber (2002:210) debates that executives often misunderstand how reputations are achieved and maintained and as a result, they are likely to rely too heavily on corporate advertising, while at the same time not doing enough about reputation-building activities with stakeholders. These are elements and activities that need to be addressed by the leadership as well as the management team of the organisation in terms of organisational strategy, which is the focus of the next section.

2.5 The sustainability of strategy

Testa (2002:262) and Wilson (2003:16) note that good organisational leaders will outline the future state of the business beyond their own tenure, putting in place building blocks for a sustainable organisation for their successors.

Strategy is described by Steyn and Puth (2000:29) as a direction. It can be seen as an approach, design, scheme or system that directs the course of action in a specific situation. Strategy provides a unified sense of purpose to which all members of the organisation can relate. Where there is no clear strategy, decisions are made either subjectively or intuitively, without regard to other decisions. Strategy is concerned with developing a proactive capability to adapt to environmental changes. Although strategy is seldom reflected on the organisational chart, it is linked to operations. The main purpose of strategy is to ensure that the organisation is capitalising on its distinctive competencies, i.e. its strengths, taking advantage of opportunities in the environment, thereby providing a competitive advantage.

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Van der Walt, Strydom, Marx and Jooste (1996:540) state that in order to develop a strategically managed organisation, corporate management must work towards developing an innovative, self-regenerating organisation based on factors such as sound structures, effective systems, excellent employees and shared values. This will also have a positive impact on an organisation's reputation. Nakra (2000:39) agrees that corporate reputation emanates from everything it, its employees, and others say about it, how it behaves and what strategies it tries to enact. Schreiber (2002:211) deliberates that when organisations do not achieve the reputation they believe they deserve, considerable blame is often placed on marketing and communication, when often the problem exists because of poor corporate strategy and vision. Therefore organisations' strategy and vision need to be carefully formulated, communicated and implemented.

2.6 Vision and mission clarity of an organisation

The vision and mission are integral to the organisation's strategy. Steyn and Puth (2000:55) describe vision as representing a realistic, credible and attractive future state of affairs: a condition that in some important way is better than the one that exists at present. The vision indicates where the organisation is going and what it wants to achieve. The organisation's goals and objectives are derived from its vision. Once a vision is achieved a new vision is developed.

Van der Walt *et al.* (1996:477) and Steyn and Puth (2000:55) define an organisation's mission as what the organisation is and what it does i.e. its purpose. They classify it as the organisation's role in society and in the economy. The definition should not be too narrow, as it will constrict the development of the organisation. The mission flows from the values of stakeholders, the people and groups with an interest in the organisation, including the public and the government. The mission is an explanation of an organisation's identity and ambition; it is the purpose of the organisation's existence. The mission statement describes the nature of the organisation's activities, including the essence of the

organisation and the nature and scope of the work performed and it communicates the business. The mission usually remains unchanged as a statement of the organisation's common and timeless cause. It is naturally difficult, especially for large organisations, to reflect the nature of their activities in a single statement. It is nonetheless important to describe this as accurately as possible, as the mission serves as direction indicator.

George (2001:39) notes that a mission-driven, values-centred organisation is able to motivate employees to create innovative products and superior client service that is sustainable over a long period. This in turns leads to increased client satisfaction, a competitive advantage that drives high revenue growth, with high profit margins and high rates of growth in profitability. In today's financial markets, these are the necessary conditions for sustainable long-term increases in shareholder value. This formula is reinforced by reinvesting significant portions of the increased profits in sustaining revenue growth. Bromley (2002:222) asserts that in addition to the CEO, the senior team must communicate the vision throughout the organisation and act decisively and collectively to meet expectations. All the stakeholders must be confident that the top team can pull together and deliver on promises made. This in turn has a positive impact on corporate reputation as noted by Bickerton (2000:42) and Schreiber (2002:210), who identify that those organisations with a positive reputation tend to project their core mission and brand in a more systematic and consistent fashion to all their stakeholders than organisations with lower reputation rankings.

2.7 Core competencies of an organisation

The organisation needs to have clear core competencies to enable it to execute its mission and vision.

According to Goldberg *et al.* (2003:171) there is a necessity to develop core competencies, for which management follows a long-term perspective, undertaking significant

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investments in building up internal capabilities. The organisation constructs a good name through marketing innovative quality products with high product value and good servicing. Efforts are directed at building a strong organisational infrastructure of skilled manpower, experienced managers and best technologies.

Porter in Goldberg *et al.* (2003:173) emphasises that there should be a long-term investment in core competencies for strengthening an organisation's functional activities and for developing a unique product based on innovativeness and quality. This is achievable through managing the alignment of processes.

2.8 Corporate management process alignment

Adendorff and De Wit (1997:15), as well as Christensen (2002:164), define business process re-engineering as the fundamental re-thinking and radical re-design of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed.

Through the alignment of management processes, the organisation will be able to ensure smooth running of the business, as it will have its processes and structures in place, enabling it to deliver on its promises. This it will also enable it to take advantage of opportunities as they arise.

2.9 Ability of an organisation to take advantage of opportunities

As stated by Steyn and Puth (2000:29), strategy provides the organisation with direction. Strategy provides a unified sense of purpose to which all members of the organisation can relate. The main purpose of strategy is to ensure that the organisation is capitalising on its distinctive competencies, i.e. its strengths, to take advantage of any opportunities the environment may provide, thus providing a competitive advantage.

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As deliberated by Moore in Testa (2002:161), market boundaries are evaporating and new players are entering the marketplace. Organisations must therefore craft novel strategies to capitalise on opportunities and develop viable organisational networks. These networks become methods for adding value, which individuals could never achieve in isolation.

The organisation needs to be able to take advantage of opportunities and to be continually innovative, thereby striving towards corporate benchmarking and in the process building its corporate reputation.

2.10 The innovativeness of the organisation in terms of intellectual property

SAITIS (2000:4) recognises that innovation is the lifeblood of developing a sustainable approach to IT development in South Africa, whether related to the development of products and services by the IT industry or the adoption of IT in other industries of the economy. There is clearly a need to build a culture of innovation and to create the need for innovation to happen.

Berman and Woods (2002:41) and Tallman and Fladmoe-Lindquist (2002:130) comment that in today's knowledge-dominated economy, perception counts. It is not enough for organisations to identify and properly nurture their intellectual property (IP); they must also convey IP strengths to key audiences in the hope of establishing a strong IP brand. Organisations that underestimate the interest and intelligence of investors regarding IP and fail to educate, quantify and communicate, are going to be in for a rude awakening. The failure to convey intellectual property strengths - such as number and types of patent assets, strategy, licensing revenue and transactions, competitive IP position and successful enforcement actions - can be a major impediment for organisations that wish to establish or to reinforce the way in which their inventions and other innovations are perceived. These organisations run the risk of being misunderstood in the product

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marketplace, or even worse, being understood too late. If the organisation does not include information about IP in its communications, it is leaving out an important aspect of the investment public's information set.

Being innovative and capitalising on its IP, an organisation will be able to strive to be leaders in the marketplace and be used for benchmarking purposes, as it will be regarded as the most effective in a specific area and laying the foundation for best practices.

2.11 Corporate benchmarking

Benchmarking is described by Ettorre (1993:10), Adendorff and De Wit (1997:16), Nakra (2000:38), Matthews (2003:95) and Sarkis (2003:1) as a systematic and rigorous examination of the organisation's product, service or work processes measured against those of organisations recognised as the best, to produce changes and improvements in the organisation. The aim is to identify best practices so as to identify gaps in the process currently in use. Comparing operations to find leaders and laggers in environmental performance is essential to moving organisations closer to effective practices. The use of performance measurement and benchmarking requires that organisations have hard, factual data, to help in setting goals and achieving those goals. This helps organisations identify their own weaknesses and enable them to develop strategies accordingly so as to enhance corporate reputation.

Ettorre (1993:10) mentions that the most effective benchmarking is continuous, as the organisation consistently seeks out feasible new areas of benchmarking, eventually integrating benchmarking into strategic planning and corporate vision. Strategic planning is a key application for benchmarking.

Edgett and Snow (1997:250) raise the concern that the success of new services cannot always be measured in the same way as tangible product success. Such traditional

quantitative guideposts as profitability and unit sales often present only part of the success equation for new services. Many other factors, such as cross-sales, client loyalty and perceived quality, are also factors in a success formula.

2.12 Going global

Van der Walt *et al.* (1996:577), Tallman and Fladmoe-Lindquist (2002:125) and The International Labour Organisation (ILO) in Harbridge and Walsh (2002:424) suggest that global organisations follow an integrated strategy in the world markets, increasing cross-border economic interdependence through managing a network of differentiated but integrated subsidiaries, affiliates, alliances and associations. They view the world as one global market and use their products, services and employees to obtain the greatest advantage for the organisation. Global integration involves a strategy of consolidating international markets and operations into a single worldwide strategic entity. It makes the product offerings and demands increasingly homogeneous and encourages organisations to restructure in response to global competitive opportunities.

Balmer and Gray (1999:172) postulate that a pervasive image and favourable reputation can be a powerful competitive weapon for an organisation expanding globally. However, Pinkham in Nakra (2000:35) cautions that as organisations move aggressively into international production and markets, hosts of public relations issues emerge, therefore Crosby and Johnson (2002:10) suggest that a critical success factor for global account management is excellent communication. Successful relationship building around the world comes down to the attitudes and culture of the people involved. These include aspects such as different laws and customs for organisational practices as well as for dealing with the news media, differences in political structures between regions and countries and a challenge of achieving consistency of image and policy across the world. A key issue when developing a global strategy is how much the strategy, particularly the marketing strategy, will be standardised across countries. The prime motivation for

standardisation is economics. The greater the standardisation, the greater the potential for scale economics will be.

Engardio, Kripalani and Webb (2001:132) and Belk in Hsieh (2002:52) as well as Tallman and Fladmoe-Lindquist (2002:117) suggest that it is necessary to learn about the local cultures and to build a presence carefully. Cultures should transform global meanings into unique local meanings; accordingly, in each country, there are differences in the meaning invested in brands and it is likely that clients consequently hold different brand beliefs. Hsieh (2002:51) concurs that the variation of clients' behaviours that are driven by national characteristics may limit the success of a marketer's global campaign.

Tallman and Fladmoe-Lindquist (2002:130) note that leading organisations in technology-intensive industries, such as the IT industry, are indeed globalising, but they are doing so to build or discover new capabilities as much as to lever their existing assets and skills further.

In order for an organisation to succeed both locally and globally, it needs to have strong business ethics.

2.13 Business ethics within an organisation

De George in Joyner, Payne and Raiborn (2002:114) defines business ethics as a field of 'special' ethics, dealing specifically with ethical dilemmas arising in the context of doing business. Watt (2001:8) and Fisher (2002:96) classify business ethics as accepted standards or codes of behaviour and practice. It is a moral perspective that asks an organisation to judge its conduct in terms of what is right and wrong, what is decent, what is good, what is honest and what is honourable. Ethical values may be voluntarily adopted, such as an individual's belief in protecting the environment or an organisation's commitment to establishing a corporate culture that enshrines social equity as a core

belief. On the other hand, developing and monitoring ethical practices may require governments and regulatory bodies to pass legislation. Shareholders in publicly listed organisations may influence the corporate culture by seeking socially responsible behaviour. According to Schwartz (2000:4) a good organisation has integrity. Anon. (2002a:8) concurs that codes of ethics not merely help employees to do what is right; research has shown that organisations with an ethical decision-maker are more effective and more productive.

Pruzan (2001:51) asserts that throughout the world the media keep a wary eye on corporate behaviour and zoom in sharply on suspected organisational misdeeds; the television news' guillotine and the Internet are ever ready to defame organisational leaders who are accused of unethical behaviour. They provide clients with information that enables them to make purchasing choices based not only on traditional parameters such as price and functionality, but also on matters such as how and where the products and services are produced and what the reputation of the organisation producing them is. Clients, the primary source of corporate income, are increasingly concerned with the environmental, social and ethical responsibility of business. There are indications that ethical investing will play an increasing role in the future.

Harrison in Fisher (2002:96) distinguishes between two schools of thought on why business ought to be ethical. The first school is that being ethical is good for the bottom line and it links with self-interest. As Kitson and Campbell in Fisher (2002:96) report, in order to survive, a business must make a profit; however, in doing so it must comply with the law and with society's moral values. The second school argues that business should be ethical because being ethical is the right thing to do. According to Grace and Cohen's analysis in Fisher (2002:97) self-preservation motivates organisations to act ethically. The risks to self-interest and the penalties that could be imposed outweigh any potential benefits of acting unethically. Thus, it is good business sense to do the right thing.

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Fisher (2002:96) notes that a particular business can be thought of as taking either a surface or a deep approach to ethics, depending on its leaders' motivation for being concerned about ethics. This approach is then implicitly and explicitly communicated to employees through the conduct of management, policies and procedures, training programmes and the corporate culture, thereby strongly influencing the behaviour of individuals within the organisation. It is argued that a surface approach to ethics will not encourage ethical behaviour. A deep approach, on the other hand, has the potential to do so because this approach promotes organisational conditions that are conducive to ethical behaviour.

Richardson and Bolesh (2002:54) suggest that reputable organisations protect their corporate images by maintaining high standards of practice, no matter what the circumstances. The most admired organisations use a combination of transparency, strong ethics and a commitment to quality products and services to build and maintain their reputations.

2.14 Black economic empowerment initiatives

Ethical practices may require governments and regulatory bodies to pass legislation, such as black economic empowerment (BEE) initiatives. Anon. (2003b:3) explains that the government has announced that organisations in industries that are not covered by BEE charters will have their progress assessed with score-cards based on criteria related to direct empowerment, human resource development and employment equity and indirect empowerment, relating to procurement policy. High scores will be required if organisations wish to be considered for government contracts. It appears that organisations will assess their own progress, which may reduce the transparency of the process, although it does suggest that the government is committed to maintaining its flexible stance over the issue. BEE targets will be set for each industry and will include broad consultation with the private industry. Furthermore, a key aspect of this strategy is to invest funds in new industries to

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increase the proportion of participation without direct redistribution. This will reduce, but not eliminate, the short-term uncertainty for organisations wary of the tax, legal and financial implications of BEE despite the government's assertion that implementation will not be 'prescriptive' i.e. failure to meet targets will not result in sanctions on a particular organisation. Anon. (2003b:1) states that the most likely scenario is that the government will introduce some incentives to encourage compliance, either tax breaks or grants linked to the fulfilment of certain goals. However, even this approach raises problems. BEE would force organisations to evaluate the cost implications of varying degrees of compliance, essentially adding another layer of complication to the corporate tax regime and encouraging creative accounting to boost 'black ownership' artificially. However, notwithstanding the possible tax implications, the policy could also dampen economic efficiency and consequently South Africa's competitiveness, if organisations source goods from second-choice suppliers, or promote people into positions they are ill-equipped to deal with, in order to meet BEE targets.

Currently South African organisations' reputations are affected positively if they are perceived to be BEE compliant.

2.15 Trustworthiness of an organisation

Anderson in Bennett and Gabriel (2001:424) as well as Raj (2003:21) note that a trustworthy relationship is one in which a partner wishes to make a long-term commitment. Trust is an important feature of any relationship; it creates the conditions under which commitment develops and organisations become willing to make relationship-specific investments capable of developing competitive advantage. Trust hinges on the belief that one partner will act in the best interests of the other. It is, however, important to note that trust in a partner is likely to build up only gradually over time, normally via small incremental stages. Metcalfe in Bennett and Gabriel (2001:424) comment that the longer

the period of exposure to a satisfactory partner, the higher the level of trust, with consequent willingness to undertake relationship-specific investments.

Pruzan (2001:50) and Testa (2002:262) state that today, trust in leaders equals trust in the organisation and its ability to get results. The CEO must earn the trust of all stakeholders, which is a difficult task as each stakeholder group has different needs. Issues such as misaligned executive compensation and rewards can influence the trust of all stakeholder groups negatively in different ways and may lead to confusion and cynicism. George (2002:39) notes that in organisations taking steps just to improve short-term shareholder value, the leadership sells it own soul to gain personal advantage and in abandoning long-held values or its mission, trust is broken and will never be regained. Frequently, it is lost with clients as well and never recaptured. This is why the process of leadership selection and grooming is so crucial to the long-term health of the organisation.

Communicators must recognise that reputations are built through actions, not only words, and encourage CEOs to provide a source of direction for stakeholders.

2.16 Conclusion

To conclude, it is clear that there are many elements within the general business management of an organisation that influence corporate reputation. It is vital that the leadership of an organisation understands the role of communications so as to enhance the corporate reputation of the organisation. Leaders and managers who have a clearer concept of the corporate brand are better equipped to develop the organisation's brand and be brand ambassadors, thus building a positive reputation for the organisation.

Vision and mission clarity as well as sustainability of strategy enables the organisation to know where it is going and what its purpose is. A mission-driven, values-centred organisation is able to motivate employees to create innovative products and superior

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client service that is sustainable over a long period. This in turns leads to an increase in competitive advantage that drives high revenue growth, with high profit margins and high rates of growth in profitability. Corporate management must work towards developing an innovative, self-regenerating organisation based on factors such as sound structures, effective systems, excellent employees and shared values. Corporate leaders must develop sustainable corporate reputation strategies to maintain the desired image and reputation.

Reputable organisations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organisations make use of a combination of transparency, strong ethics and a commitment to quality products and services to build and maintain their reputations.

It is also important for organisations to take cognisance of opportunities in the market, innovativeness, corporate benchmarking, globalisation, BEE as well as trustworthiness, in terms of their corporate reputation within the market. An important element of general business management is financial management, which will be discussed in the next chapter.

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Chapter 3: Financial management

3.1 Introduction

This chapter focuses on financial management, which is an important element of general business management, and the various elements (constructs) that have an impact on corporate reputation. Figure 3 illustrates financial management in relation to other business processes and corporate reputation.

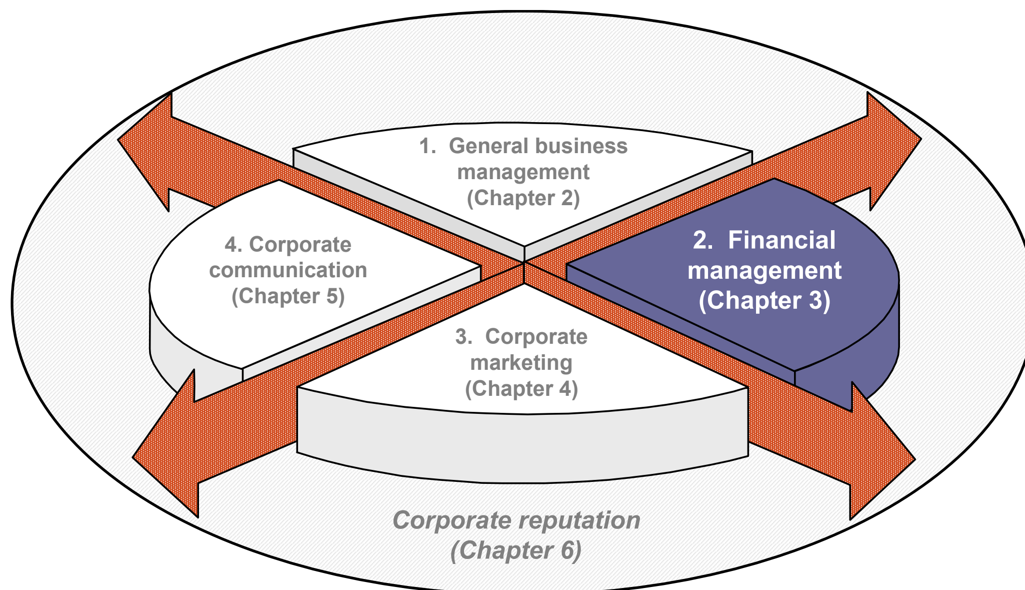

Figure 3 Financial management in relation to corporate reputation

Financial management emanates from the organisation's general business management. It is important to note that there are many elements that contribute to financial management, but that for the purposes of this study; only specific elements relating to corporate reputation will be discussed. These elements include share price, which has a direct impact on shareholder value and investor attractiveness, which influence the profitability of an organisation. A profitable organisation that is sustainable will influence

commercial viability positively, which will be enhanced through its transparency. Financial management has a significant influence on all the areas of the organisation as it dictates the budget in terms of the monetary spending of an organisation.

3.2 Share price value as influencer on corporate reputation

Einwiller and Will (2002:104) assert that although organisations have to be aware of the needs of all stakeholders, some stakeholders are more important than others. They view the financial community as the most important stakeholder group for the organisation and thus for corporate branding efforts. Gary and Smeltzer (1985:75) and McNaughton (2003:13) agree that the impact of an organisation's reputation on the financial community is dramatic. A favourable reputation is regarded as a prerequisite to succeed in the global financial marketplace. Shareholders can ultimately give or withhold their approval of management through their votes. In addition, their decisions on buying and selling influence share prices; there is a direct and measurable impact on an organisation's share price.

However, O'Connor (2001:58), Berman and Woods (2002:45) as well as Grupp and Gaines-Ross (2002:19) concur that it is widely accepted that traditional accounting models provide an inadequate means of reflecting true share value. Historically the value of intangible assets was considered as relatively modest compared with tangible assets such as buildings, inventory and equipment. The gap between book, net assets and share price can only be bridged by a more meaningful risk assessment of those factors that affect reputation. In today's fast-changing, knowledge-based economy, intangible assets such as brand strength, client relationships, intellectual property and human capital can make up a large portion of an organisation's value. It has been estimated that intangible assets can provide three times as much value as tangible assets. Reducing stock market volatility by identifying and valuing unrecorded intangible assets could help organisational stability. A more inclusive reporting system will build operational capability and enable rationalisation

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of organisational strategy to occur, which is critical to managing reputation and share price. Accounting for broader social and ethical organisational practices could not only improve transparency and accountability with stakeholders; it could also limit scope for malpractice such as insider dealing.

Share price can be directly related to shareholder value, which is the focus of the next section.

3.3 Shareholder value of an organisation

The shareholder value principle, according to Doyle (2000:20) and Froud, Haslam, Johal and Williams in Morgan and Takahashi (2002:170), describes that a business should be run to maximise the return on the shareholders' investment. The heart of shareholder value analysis is measuring whether in any one year the organisation has earned more than its weighted average cost of capital. From shareholders' point of view, this is an indicator of whether they could earn more by putting capital into money accounts rather than taking a risk on shares. Creating shareholder value is essentially about building a sustainable competitive advantage; the reason why clients consistently prefer to buy from one organisation rather than others. Marketing thus provides the tools for creating this competitive advantage. Mitchell (2002:28) concurs and adds that the only way to maximise shareholder value is by delighting clients and motivating employees.

The discourse on shareholder value, according to Morgan and Takahashi (2002:170), is crucially important to organisations and investors on a number of levels. It expresses the dominance of a particular set of shareholder interests in the process of managing the organisation. In theory, an organisation which does not deliver shareholder value (i.e. by whatever metric is being used, does not achieve higher returns than the average cost of capital) should see its share price fall as investors sell. However, where failure to achieve shareholder value is perceived to have occurred because of 'poor' management, the organisation's share price will fall and this will lead to it becoming vulnerable to takeover.

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This specific metric of shareholder value analysis provides investors with a way of deciding which organisations are providing them with value as the comparative yard-stick is already built into the measure. It then becomes the basis for action in the capital markets. Metrics act as disciplinary devices on management through the mechanism of trading in the stock and bond markets. On the basis of these metrics, investors move funds around the marketplace, with the consequence on the aggregate of weakening some organisations and strengthening others. This occurs most obviously in relation to share price but also in terms of the interest rates and conditions on short-, medium- and long-term borrowing. The pressure for shareholder value is therefore translated into a measurable form, which acts as a disciplinary force on management and strategies of organisation growth and development. Rajaji (2002:60) comments that there is no single metric that can be used on an operational level to measure shareholder value. It is a high-level, multifaceted and long-term concept, and there is no single number one can use to guide decision-making. The best way to measure shareholder value is to break it down into a series of smaller-scale metrics that, put together in the right proportions, demonstrate shareholder value. Guidelines requiring executives to own a large number of shares in their organisations do not necessarily translate into better shareholder returns. The bottom line is therefore that shareholder value is a long-term notion that is very complex to compute. Short-term indicators such as revenue, share price and growth do not necessarily say anything about shareholder value, especially when looked at in isolation.

Attractive shareholder value through the creation of competitive advantage will influence investors positively to invest in an organisation. The investor attractiveness of an organisation is discussed in the next section.

3.4 Investor attractiveness

Haller and Boyd (1981:68) comment that the primitive investor automatically assumes that an organisation with entries in many growth markets is a winner. The more pragmatic

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strategist recognises growth markets as a double-edged sword: on the one hand, it is important to be in them or else the business has no future; on the other hand, they usually produce negative cash flows. Hence, being in too many growth markets at the same time can spell disaster.

Antunovich, Laster and Mitnick (2000:1) note that individuals and organisations investing in the stock market often prefer to buy shares of high-quality or blue-chip organisations. Some asset managers advocate a policy of investing exclusively in shares of leading organisations. Investors who favour the glamour shares of well-managed organisations argue that these organisations experience superior growth and profitability, which ultimately translate into superior share price performance. A high quality organisation is indeed a high-quality investment. Buying shares in organisations with fast sales growth and attractive prospects has proved especially popular with investors. Recent academic research, however, argues that glamour shares are unlikely to yield unusually high returns. Investors are willing to accept more modest returns from investing in high-quality organisations because these organisations pose a lower level of risk. Lakonishok, Shleifer and Vishny in Antunovich *et al*. (2000:2) speculate that investors may accept a smaller return because they derive pleasure from owning shares of blue-chip organisations.

Doyle (2000:15) states that the value of an organisation measures the views of professional investors on the ability of management to master this changing market environment. When investors perceive an organisation to be stuck in unattractive markets (such as the current IT industry in South Africa) and to be lacking a competitive advantage they naturally do not want to invest. The value of the organisation then declines, making it difficult for the organisation to attract resources and making it prone to being acquired. The key to economic value creation is the organisation's ability to achieve or maintain competitive advantage in a changing market environment.

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Attracting investors to an organisation is driven to a certain extent by the organisation's profitability; this will be discussed in greater detail in the following section.

3.5 Profitability of an organisation

According to Schwartz (2000:4) and Kitson and Campbell in Fisher (2002:96) a good organisation is profitable. If one is not profitable, one is not in business and the organisation will not survive. La Berge and Svendsen in Testa (2002:260) add that relationships lie at the heart of corporate profit making and sustainability in today's global economy.

George (2001:39) states that the mission-driven, value-centred organisation is able to motivate employees to create innovative products and superior client service that is sustainable over a long period. This in turns leads to increased client satisfaction and a competitive advantage that drives high revenue growth, with high profit margins and high rates of growth in profitability.

In today's interlinked world as described by Mastal (2001:57) corporate reputation, which is the cumulative perceptions of an organisation by its key stakeholders, is increasingly recognised for its bottom-line impact. In fact, a large body of research shows that organisations with good reputations achieve higher-than-average profitability compared to their peer groups. Therefore reputation ultimately has an influence on the organisation's sustainability.

3.6 Organisational sustainability

To be competitive, to survive and to grow in the market, according to Van der Walt *et al.* (1996:544) the organisation must have competitive advantages over competitors. In all cases the advantage must be sustainable over a certain period. A sustainable competitive

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advantage can be defined as the ability to deliver superior value to the market for a protracted period of time. Sustainable competitive advantages are necessary to outperform the competition.

Barney in Kowalczyk and Pawlish (2002:163) adds that an organisation with a positive reputation can enjoy a significant competitive advantage, whereas an organisation with a negative reputation, or no reputation, may have to invest significant amounts over long periods to match the differentiated organisation.

An organisation that proves to be profitable and sustainable will also prove to be commercially viable.

3.7 The commercial viability of an organisation

Grupp and Gaines-Ross (2002:18) explain that calculating a return on investment (ROI) puts a financial value on achieving the organisational objective, which is usually revenue. Corporate reputation becomes increasingly dependent on an organisation's ability to execute an organisational model. Execution results in good reputation and correlates highly with strong financial performance and overall success. Therefore a favourable organisation reputation delivers financial payoffs. Corporate reputation correlates with financial performance and return on investment.

3.8 Transparency of an organisation

Christensen (2002:162) and Mayo (2002:1) articulate that organisations face increasing pressure to report publicly, not just on financial performance, but also on non-financial, social, environmental and ethical performance and on remuneration policies. In turn, reporting of non-financial performance is becoming increasingly more specific and measurable and more subject to independent scrutiny and audit. While advertising

standards and the law provide some regulation of the standards of reporting, the challenges remain to keep the focus on substance as well as form and to balance law and best practice.

There seems to be, according to Christensen (2002:164), an implicit assumption in literature on the subject that external stakeholders in general want or even demand organisational transparency. As Fombrun and Rindova in Christensen (2002:166) point out, a primary mechanism for achieving transparency is expressive communication with stakeholders. This expressiveness is organised around the organisation's identity. If internal and external audiences agree on interpretations, there is in effect transparency. Since this transparency is established through the means of communication, external stakeholders demand more and more communication. Bickerton (2000:43) postulates that communication benefits may result not only from the amount and frequency of communications but from the variety of issues about itself that an organisation reveals through its communications. Communication that makes an organisation transparent enables shareholders to appreciate the organisation's operations better and so facilitate ascribing it a better reputation.

Pruzan (2001:57) comments that perhaps the major single characteristic that accounting reports share is that almost all are either built around the concept of stakeholder dialogue or profess that they will be in the future. They are not just one-way communications prepared by experts; almost all the reports invite the stakeholders to participate in the development of the reports, the methodology employed and the development of new actions to improve corporate performance. In other words, rather than being solely based on management's perceptions of what is important to measure and on 'objective' measures of performance, the reports also focus on the values and aspirations of the various parties who affect and/or are affected by the organisation's decisions and actions. Anon. (2003a:10) notes that organisations that release these financial results earlier than their industry peers achieve an average 15.5% premium in their price-to-earnings ratio.

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Christensen (2002:162), De Chernatony (2002:106) as well as Einwiller and Will (2002:105), comment that the possibility for every stakeholder to access almost any information directed at other stakeholder groups, for example clients or activists accessing investor information, has led to much greater transparency than ever before. The consequences of these new possibilities are evident: any contradiction in what is being communicated to different stakeholder groups can be unveiled without a person having to undertake great efforts. Apart from information conveyed by the organisation itself, Kartalia in Nakra (2000:36) comments that the growing commercialisation of the World Wide Web (www) has led to the increased availability of corporate information via the Internet, enhancing the organisation's transparency. The plethora of Internet sources available includes independent sites for corporate information, client communities, anti-corporate sites and discussions in newsgroups, to mention only a few.

Morgan and Takahashi (2002:173) postulate that as critical accounting research has revealed that financial accounting is not simply a reflection of an underlying reality, it constitutes that reality by giving it a particular shape and form of visibility to both insiders and outsiders. In this sense the claim of shareholder value discourse to create an objective measure of performance based on the transparency of organisation accounts is spurious because all accounting systems are constructs with various forms of biases which can be exploited by corporate management. High levels of transparency and frequency of information disclosure are therefore crucial to enabling investors to make choices between various shares, bonds and other financial instruments. Without such transparency, investors are cautious because they are uncertain about what they are buying into. The information released to outside investors drives the internal process of information collection and analysis. The shareholder value discourse is integrally related to the ability of managers to engage in rapid and major organisational restructuring in order to respond quickly to poor figures.

Anon. (2002b:[5]) notes that it is essential for organisations to make shareholder value a key management goal to improve competitiveness and to push for greater transparency

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and corporate governance. Investors appreciate the value of more comprehensive information from organisations as this helps them evaluate future financial performance. To attract capital, organisations need to understand the importance of good corporate governance and focus on areas that create shareholder value, which employs both financial and non-financial information.

3.9 Conclusion

It can therefore be concluded that the impact of an organisation's image on the financial community is dramatic. A favourable reputation is regarded as a prerequisite to succeed in the global financial marketplace as it influences financial payoffs. Corporate reputation correlates with financial performance and ROI.

Although it is acknowledged that all these factors form a major portion of the aspects that influence investment decisions, it is important to understand that these factors should not be regarded in isolation when a perception of an organisation is formed in terms of corporate reputation. Investor decisions are also driven strongly by the corporate marketing and corporate communication of an organisation.

Financial management drives the money spent throughout the organisation, especially in terms of marketing and communication initiatives, influencing intangible assets of the organisation, which in turn affect profitability and shareholder value positively, increasing commercial viability and sustainability, all culminating in a positive corporate reputation.

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Chapter 4: Corporate marketing

4.1 Introduction

The corporate marketing of an organisation and the elements (constructs) that have an impact on corporate reputation will be the focus of this chapter. The relationship of corporate marketing to the other business processes and corporate reputation is illustrated in Figure 4.

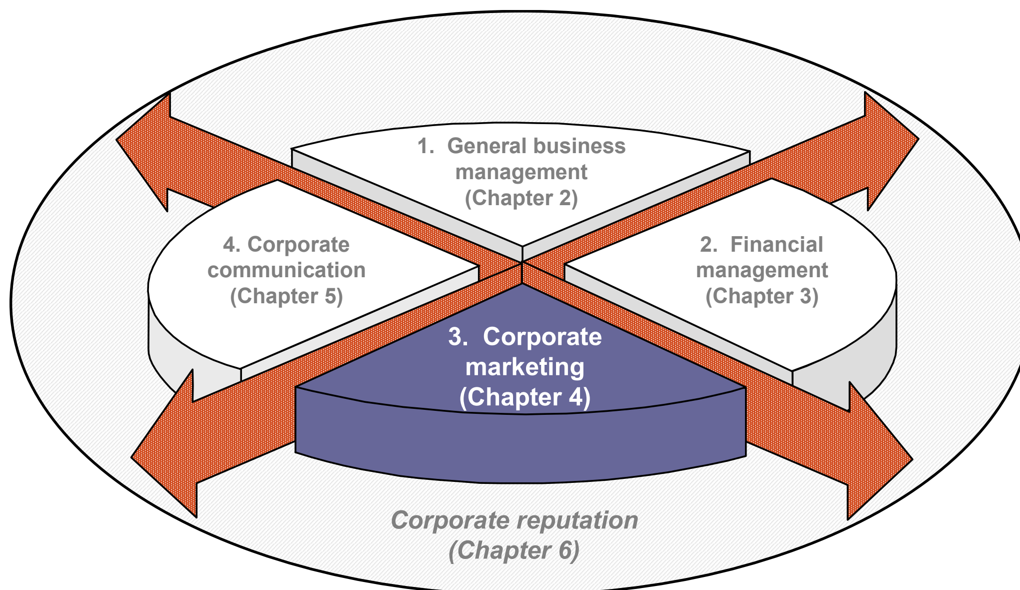

Figure 4 Corporate marketing in relation to corporate reputation

Marketing, according to the American Marketing Association in Belch and Belch (1999:6), is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives. Van der Walt *et al.* (1996:8) declare that these four variables can be referred to either as the marketing instrument or marketing mix.

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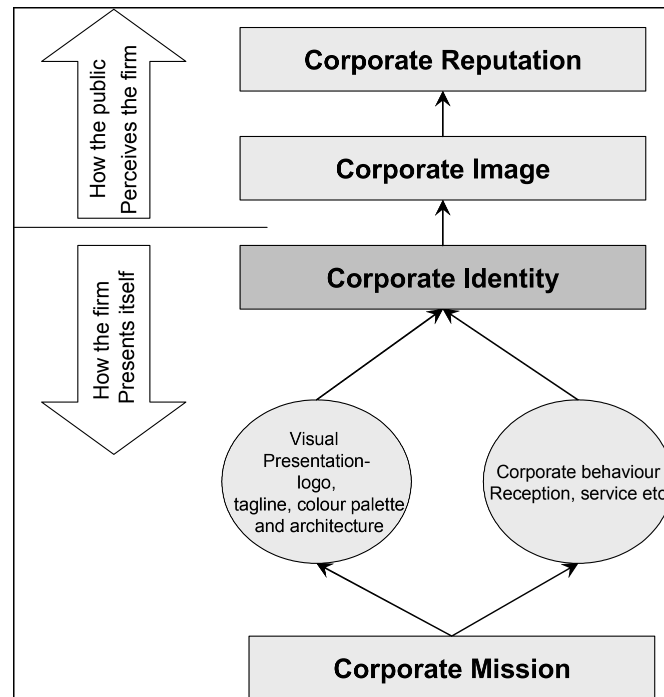
Corporate marketing is driven to a certain degree by financial management, as the budget for marketing is prescribed by the financial aspects of an organisation. This chapter focuses specifically on corporate identity and corporate image, which culminate in corporate brand. Only three of the four "P's" of the marketing mix have been taken into consideration for the purposes of this study, namely product, price and promotion. In terms of products and services, the quality, flexibility and innovativeness of these are discussed; pricing is discussed in terms of the value of offerings and the section on promotions focuses on integrated marketing communication. There are many elements that are related to corporate marketing, but only the ones listed above will be explored for the purposes of this study.

4.2 The corporate identity of an organisation

According to Abratt in Christensen and Askegaard (2001:295) and Bromley (2001:316), corporate identity is that set of attributes that enables an audience to recognise and distinguish one organisation from another, especially homogeneous organisations. The figure below, Figure 5, illustrates how corporate identity relates to corporate image and corporate reputation.



Source: Westcott (2001:173)

Figure 5 Relationship between corporate identity, image and reputation

Westcott (2001:173) describes the corporate mission assumed in Figure 5 as the organisation's philosophy. This philosophy is personified through the visual presentation of the organisation as well as the behaviour of the organisation; these two complementary parts form the corporate identity. These two elements - the corporate mission and the corporate identity - make up the lower half of Figure 5, which encompasses the presentation of the organisation in all instances. Van Heerden and Puth (1995:13), Bennett and Kottasz (2000:225) and Christensen and Askegaard (2001:295) agree that corporate identity relates to the self-presentation of an organisation and thus consists of the cues that it offers via its symbols, communications and other signals. Every organisation has a personality, which can be defined as a set of characteristics - behavioural and intellectual - which serves to distinguish one institution from another. It should be noted that behavioural cues could be projected unintentionally through inadequate internal and external communication, client dissatisfaction and low employee morale and performance. These

corporate identity cues create a set of beliefs, experiences, feelings, knowledge, attitudes and perceptions about the institution in the minds of different stakeholders.

Davies, Chun, da Silva and Roper (2001:114) add that identity is taken to mean the internal; this implies the employees' view of the organisation. The image according to Bernstein in Davies and Chun (2002:147) is taken to mean the client's perception of the corporate brand. Their definition contrasts with definitions that equate corporate identity with factors such as corporate design and logos. To Margulies in Christensen and Askegaard (2001:301) identity means the sum of all the ways an organisation chooses to identify itself to all its publics, namely the community, clients, employees, the press, present and potential shareholders, security analysts and investment bankers.

The next section will focus on the two specific elements of corporate identity as described by Westcott (2001:173), namely organisational behaviour and the visual presentation of the organisation with specific focus on corporate logo and the location of the organisation's head office.

4.2.1 Organisational behaviour contributes to corporate identity

Organisational behaviour will be discussed in relation to an organisation's corporate culture. Wasmer, Bruner and Gordon (1991:37) declare that top management is the most important role model for developing a strong corporate culture. Grunig (1992:236) states that employees of excellent organisations share a sense of mission. They are integrated by a strong culture that values human resources, organic structures, innovation and symmetrical communication.

Deshpande and Webster (1989:4), Wasmer *et al.* (1991:38), Steyn and Puth (2000:56), Christensen (2002:164) as well as Schein in Kowalczyk and Pawlish (2002:166) characterise corporate culture as a set of shared values, which conveys symbolic means such as stories, myths, legends and anecdotes. These characteristics are artefacts

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forming the core identity of the organisation, which underlies the values, beliefs, assumptions and feelings shared by the members of the organisation. These shared values and beliefs help individuals to understand the functioning of the organisation. Corporate culture usually involves goals of the organisation, the preferred means to reach the goals, the expected behaviour patterns of employees and a set of principles that maintains the identity and integrity of the organisation. The values that make up corporate culture are seldom written down.

Davies *et al.* (2001:116) state that in literature on organisational behaviour it is not uncommon to read about an organisation having a personality. This personality manifests energy and adds to the importance of organisational behaviour. An organisation has its own traits, habits and attitudes that become familiar to its stakeholders. The organisational personality may be seen as an extension of the concept of corporate culture.

As stated by Wasmer *et al*. (1991:37) and Gotsi and Wilson (2001:102), corporate culture building makes use of both internal and external communication. This suggests that communication in all of its forms is a critical element in corporate brand building. In order to ensure that the organisation is internally projecting values that are consistent with the desired external image; organisations need to align their internal communication activities and human resource management practices with these brand values. Since organisations are increasingly recognising their employees as an important audience in corporate reputation management, they should include their employees in their corporate communication activities to ensure that they are "living the brand" consistently on a daily basis, across functional areas, divisional boundaries and geographical markets so as to ensure that a consistent message gets across to all the stakeholders. Recruitment and selection processes also play a major role in the reputation management process. This is to ensure that the right people whose personalities and skills fit the organisation's brand values join the team.

Gofton in Gotsi and Wilson (2001:99), Harris and De Chernatony (2001:442), as well as Davis and Dunn (2002:221), all agree that building a brand-based culture is not just about creating short-term buzz. It is also about developing a genuine and continuous commitment to the organisation's brands.

4.2.2 Visual presentation of the organisation influencing corporate identity

Van Heerden and Puth (1995:13), Bennett and Kottasz (2000:225) and Christensen and Askegaard (2001:295) agree that corporate identity relates to the self-presentation of an organisation and thus consists of the cues that it offers via its symbols, communications and other signals. The organisation's logo as well the location of corporate head office will be the focus of this section.

- **Organisation logo**

  Gary and Smeltzer (1985:73) comment that some organisations are addressing the concept of identity by changing their logos. Such has been the influence of graphic design that it has almost become axiomatic that any change of corporate identity will have an attendant change of visual identity. However, whereas a visual audit may reveal symptoms of inherent corporate malaise, many organisations fall into the trap of resorting to the initiation of a new visual identity as a means of correcting what may be profound organisational difficulties. This suggests a degree of naivety on the part of senior managers and consultancies in failing to differentiate between the causes and the symptoms of poor corporate identity.

  Balmer (2001:250) comments on the importance accorded to graphic design in the corporate identity literature. Some writers with backgrounds in marketing and communication have accorded symbolism the same importance as other corporate

identity elements such as behaviour. The emphasis given to graphic design in corporate identity studies has been perpetuated by many so-called corporate identity consultancies that are to all intents and purposes, graphic design consultancies. This has had the unfortunate effect of stifling a broader, more sophisticated and scholarly appreciation of corporate identity. What is not refuted by the author is that visual identification does, unquestionably, have power.

Gary and Smeltzer (1985:73) and Bromley (2002:319) note that an organisation's visual identity is assumed to be a very important aspect of corporate communications. Logos may express an organisation's internal identity in terms of how its leaders conceptualise it, rather than its external image, which is how the organisation is perceived by others outside the organisation. Included in the contextualisation of a logo are the tangible and intangible elements that make any organisation distinct. Gray and Balmer in Goldberg *et al.* (2003:173) note that a perception of a thriving organisation may be based on an attractive logo.

- **The location of the organisation's head office**

Gary and Smeltzer (1985:73) note that a building gives a message about what the organisation does, how it works, and what it believes in. Architecture has therefore increasingly played a larger role in the projection of corporate identity. Gray and Balmer in Goldberg *et al.* (2003:173) state that a perception of a thriving organisation may be based on luxurious offices, location in an upscale neighbourhood and the professional demeanour of representatives of the organisation.

Jarmel (2003:20) mentions that in all stages of the design process, corporate culture, marketing and branding are intertwined with the creation of individual products. Therefore the same principles need to be applied when it comes to designing facilities, such as an office. An organisation's brand positioning strategy

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has a dramatic impact on the design of its estate. Large and small organisations alike use the design of their offices to convey a positive image, which they aim to communicate to their employees, shareholders, clients and peers. With the design of office space, most organisations want to impart a certain type of culture and corporate story. The author suggests that technology-based organisations, such as those based in the IT industry, need to convey a cutting edge mentality and image, often leading to a more modern, deconstructionist style incorporating brighter colours and metals.

The corporate image of an organisation emanates from its organisational behaviour and visual presentation. Corporate image will now be explored further.

4.3 Corporate image of an organisation

Easton (1966:168), Gary and Smeltzer (1985:73), Bickerton (2000:42) as well as Christensen and Askegaard (2001:295) summate that the corporate image is based on the collective impressions of all the stakeholders of the organisation. These impressions are derived from an organisation in its surroundings, such as an individual's personal contact with the organisation, hearsay, mass media, communication media and psychological predispositions not controlled by the organisation.

According to Davies *et al.* (2001:114), image is taken to mean the view of the organisation held by external stakeholders. Ettorre (1996:36) and O'Connor (2001:59) acknowledge that there are many factors to consider when examining a corporate image, as it is very complex. The cross-functionality needed to sustain the good reputation of corporate identity is central to management. Put simply, a client may be delighted with a product but may find the marketing material, the sales technique, the billing mechanism or the after-sales care substandard. Reputation is a problem for all managers from human resources departments to finance offices.

Dowling in Gotsi and Wilson (2001:24) considers corporate image and corporate reputation to be identical; image is defined as the total impression of the organisation. However, Bennett and Gabriel (2001:425) as well as Westcott (2003:173) argue that corporate image concerns the knowledge, feelings and beliefs about an organisation that exist in the thoughts of its audiences. A powerful image carefully crafted via an effective corporate identity programme, advertising and public relations might not be matched by a sound and cogent reputation. An image can be created relatively quickly; whereas a reputation needs to evolve over time. It could, however, be stated that corporate image contributes to corporate reputation.

Gary and Smeltzer (1985:73) and Gray and Balmer in Goldberg *et al.* (2003:173) state that management, focusing on image management, is able to build a positive reputation by investing in symbols of quality and indicators of a successful organisation. A strong positive image with the general public is regarded as being strategically beneficial. With respect to the IT industry, a greater public awareness of the organisation's existence may be obtained through public relations releases and advertisements and by participation in international exhibitions, such as software exhibitions. Marketing an organisation's software with attractive packaging and well-written instructions creates the impression of a quality product. A weak or negative image perceived by any of the organisation's publics indicates either an inappropriate strategy or failure to communicate that strategy effectively. If the client stakeholders develop a negative perception of an organisation and its products, sales are likely to be depressed. The image that each of these stakeholder groups has of the organisation will affect its willingness to support the organisation or withhold support.

Mastal (2001:57) comments that image may not be everything; a good image does however help the share price and attract employees. Richardson and Bolesh (2002:54) add that reputable organisations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organisations

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use a combination of transparency, strong ethics and a commitment to quality products and services to build and maintain their reputations.

The combination of corporate identity and corporate image fuses into corporate branding.

4.4 Corporate branding of an organisation

This section will define branding and focus on more specific aspects such as the "living the brand" ethos of brand-driven organisations as well as brand equity.

Lam (2003:13) states that the brand communicates who the organisation is. De Chernatony (2002:117) adds that a brand is a promise to stakeholders, enabling them to appreciate rapidly how the brand can enhance their experience. In addition Parry (2003:5) and Ritson (2003:16) state that branding is about the ownership of ideas: giving clients a new way to think about things, and in the process transferring the values of this experience to a situation or commodity. Typically, when marketers talk about branding, they are referring to the unique identity of a product or service that enables clients to distinguish it from competitors.

Sellers (2002:38) mentions that generally the word brand makes people think logo, tagline, even advertising. But a corporate brand is much more than that. A brand is the collective perception of an organisation based on client experience. The aggregate of those experiences accumulates over time, creating an overall perception in the minds of everyone who encounters the brand. That perception generates a set of expectations, which the brand must live up to. A brand needs to be developed over time through a four-step process: intelligence gathering, brand strategy, communication and management. The first phase of intelligence gathering involves gaining understanding and insight into the corporate brand and provides the foundation and information necessary to develop the brand strategy. The second phase defines the true essence of a brand's promise,

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personality, attributes, and messages. The strategy must be based on reality and reflect the organisation's true character. It must be true of the organisation's current equities but aspirational enough to provide room for growth. The strategy provides a single source of differentiation, guides the development of brand expressions, and acts as a touchstone for decision-making. Communication, the third and most visible phase in the process, brings the strategy to life. It is the creation and execution of all expressions of the brand to the internal and external stakeholder. It must convey both the purpose and the personality of the organisation clearly and consistently. The final phase, management, is a long-term initiative, requiring commitment, time and intellect, as well as the infrastructure to measure, support and protect that brand to ensure a significant return on the organisation's corporate image investments.

Peklo (1995:30) comments that the worst mistake a brander can make is to try to appeal to all people. However, Mitchell in Harris and De Chernatony (2001:443), Hallawell in Davies and Chun (2002:144), LePla and Parker (2002:02) as well as McNaughton (2003:13) all agree that any corporate brand needs to appeal at an emotional level to both internal and external stakeholders. Different stakeholders may have different perceptions of the corporate brand.

Harris and De Chernatony (2001:441) suggest that corporate branding requires a holistic approach to brand management, in which all members of an organisation behave in accordance with the desired brand image. Mitchell and Urde in Bickerton (2000:42) concur that the corporate brand must be viewed as both an organising proposition that helps to shape an organisation's values and culture and as a strategic tool of management which can guide the organisational processes that generate and support value creation.

Ritson (2003:16) notes that a good product brand helps with self-identification, identification of needs and image. Brand building associates a product with values and meanings that the target audience can aspire to. Once clients identify with a product, they

will be willing to pay more to maintain that affiliation. The product will no longer be considered a commodity. Good brands can create the illusion of luxury and people pay extra for luxury items. Lam (2003:13) asserts that personal branding can increase mindshare among stakeholders as much as branding for products can increase market share. The brand leverages the power of clear non-verbal messages and helps determine the verbal messages the organisation wants to convey. Personal branding allows the organisation to speak with authenticity.

There are two important factors of branding that will be explored further, namely "living the brand" and brand equity.

4.4.1 "Living the brand" through integrated branding

Einwiller and Will (2002:1002) and LePla and Parker (2002:31) agree that the more an organisation's actions are conveyed through behaviour, communication and symbolism, which reflects its underlying brand strengths, the more integrated the brand will be. 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. In other words, it means that everything is in line, namely the product's industrial design, the way the telephone is answered or e-mail responded to, the quality of paper of a direct mail piece and even the not-for-profit organisation to which it donates. By focusing actions and messages on organisation and product strengths, an organisation is much more likely to create a deep, long-lasting relationship with each of its clients. At the heart of any organisation is the promise that it makes to its clients. Organisations keep their promises by understanding their brands and acting on that understanding in every endeavour. That promise is carried out by people at all levels of the organisation, from the CEO to the line worker, so that integrated branding is much more than a communications strategy or set of messages. When the brand promise meets clients in an integrated way, through products, services, communications and culture, it

produces unique and valuable client relationships. An integrated brand is only as strong as the people who live it. Harris and De Chernatony (2001:441) affirm that corporate branding requires a holistic approach to brand management, in which all members of an organisation behave in accordance with the desired brand image. Lam (2003:13) reiterates the importance of "living the brand".

Aaker in Harris and De Chernatony (2001:442) asserts that the brand's emotional characteristics are represented by the metaphor of personality, which, among other sources, evolves from the brand's core values. Managers need to ensure that a brand's personality is conveyed consistently by both its employees and external communications.

Schultz and De Chernatony (2002:106) claim that employees are often regarded as executors of brand communication. In corporate branding; the attitudes and behaviour of employees play a central role in brand delivery. For employees to fulfil their role in bringing brands to life more effectively, they will have to be more aware of their brands' values. Capitalising on employees as critical stakeholders will be high on managers' agendas for the next few years. Barrett in De Chernatony (2002:113) adds that the new focus is no longer just on defining an externally centred promise, but also considers whether and how employees can be orchestrated to be genuinely committed to delivering the promise of integrated brands. De Chernatony (2002:124) notes that one of the problems with corporate branding programmes is that employees see them as "one-off" activities. The management team needs to work continually with its employees to reinforce the principle of what is acceptable "on-brand behaviour" and unacceptable "off-brand behaviour".

4.4.2 Brand equity

Doyle (2000:62) indicates that for many organisations, it is clear that most of their market value derives from the earning power of their brands. Brands are enormously valuable assets but as yet they do not appear on the balance sheet. The brand equity is defined as

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the net present value of the future cash flow attributable to the brand name. Lam (2003:13) agrees that a personal brand ensures that an organisation is consistent - reliably the same in all situations, which creates trust. Brand equity therefore arises from the trust that clients place in the organisation’s brand. This trust creates a relationship between the brand and the client that encourages preference, brand loyalty and willingness to consider the new products and services that the organisation may offer in the future under its brand name. There is clear evidence that strong brands create value for shareholders as well as for clients.

Davis (2002:351), Davis and Dunn (2002:16), LePla and Parker (2002:34) and Mazur (2002:18) concur that besides adding to margin, brand has an impact on an organisation’s bottom line through increased sales. Integrated brands have created a promise that clients believe from past experience of particular aspects of quality, service and commitment to the category. These higher margins translate into greater shareholder returns. Nelson and Vogler (2002:32) agree that the most successful brands own carefully selected positive attributes in order to create a bond with their clients and to command a price premium.

Another important asset of an organisation is the tangible one, namely the product and service. This will be the first of the four “P’s” of the marketing mix to be discussed in the following sections.

4.5 Products and services of an organisation

The first “P” of the marketing mix to be discussed will be the organisation’s tangible asset in terms of the product and service. For the purposes of this study, specific focus will be placed on services opposed to product, as the organisation used for this study is a services-orientated organisation.

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LePla and Parker (2002:04) explain that when an organisation is brand-driven from the beginning, it is able to leverage all the skills of all workers in a direction that makes best use of their strengths. This process provides immediate strategic direction for product and service development. An organisation that builds products that correspond more exactly to its strengths builds value, trust and loyalty among clients far faster than the competition.

The aspects to be discussed in terms of product and services will be quality, flexibility and innovativeness.

4.5.1 Quality of products and services

According to Grunig (1992:243) total quality is a priority not only in words or in the organisation's philosophy statement but a priority when actions are taken, decisions are made or resources are allocated. The extent to which an organisation pays attention to quality is a characteristic of excellence provided by the total quality movement.

Van der Walt *et al.* (1996:172) note that from a marketing point of view, a product in the broadest sense can be defined as a collection of need-satisfying utilities, offered to a market so that the market can pay attention to it, buy it or consume it. Physical objects, services, personalities, places, institutions and ideas are all products.

Lesle and Sheth in Durvasula, Lysonski and Mehta (2000:434) note that over the last decade, service organisations have identified quality as a driving force in the success of their organisations and in developing a sustainable competitive advantage. Services are different from tangible products, as they are produced and consumed simultaneously and the delivery of the service is often inseparable from the employees that provide it. While it is impossible for service organisations to provide flawless service delivery in every transaction, the way an organisation responds to a client's post-consumption dissatisfaction may have a crucial impact on retaining the client and lead to positive word-of-mouth and referrals for future business. Edvardsson in Durvasula *et al.* (2000:442)

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suggests that if quality service is to be rendered, the following are necessary: the employees must be quality driven, be considerate to existing clients, attentive to signs of dissatisfaction among clients and discover quality defects before the client complains. The employees should make complaining easy.

Richardson and Bolesh (2002:54) state that reputable organisations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organisations use commitment to quality products and services to build and maintain their reputations.

Goldberg *et al.* (2003:174) comment that public certification of product quality, especially within the IT industry; can be sought from accrediting agencies, assistance obtained from prestigious product development funds and prizes won at international software competitions. Marketing an organisation's software with attractive packaging and well-written instructions creates the impression of a quality product.

4.5.2 Flexibility of products and service offered

Haller and Boyd (1981:67) state that segmentation strategies can improve the product market matrix. Rather than appear as a haphazard chaser after new product ventures, the organisation that pursues a coherent, calculated programme of segmentation development might create a better image for itself than its less strategically orientated competitors.

With specific reference to the IT industry, Teece in Goldberg *et al.* (2003:172) observes that software products are particularly difficult for buyers to evaluate properly because they are conceptual entities with no physical properties. In most cases, the user must first become familiar with the software before making a judgment, and even then, it is difficult to consider all virtues of the product. A positive reputation, possibly based on strong relationships with pre-eminent organisations in the industry, may be crucial for buyers who will become dependent on a particular organisation's software.

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4.5.3 Innovative products and services within an organisation

There are clear advantages to the dynamic exploitation of available assets in the rapidly changing software market, according to Barney in Goldberg *et al.* (2003:173). A contemporary option, according to the author, is capitalising quickly on new opportunities, allowing an organisation with an imperfect product nevertheless to capture a substantial share of a developing market and to contribute to the visibility and legitimacy of the organisation. In the short-term, investors will be pleased with speedy shipments of initial products and an early cash flow and as a result they may provide the additional capital necessary for greater financial independence. In contrast, Porter in Goldberg *et al.* (2003:173) emphasises that it would be of greater benefit for an organisation to consider a long-term investment in core competencies to strengthen the organisation's functional activities and develop a unique product based on innovativeness and quality.

Crawford in Avlonitis and Papastathopoulou (2000:27) believes that establishing a programme for developing new products may be the most profitable growth strategy compared to mergers, acquisitions or joint ventures. In addition Craig and Hart in Avlonitis and Papastathopoulou (2000:27) declare that innovation is a necessity instead of a strategic option, which is particularly true as organisations face an increasingly turbulent external environment, shorter life cycles, industry maturity and eroding margins, as well as the ever-quickening pace of technological advances.

Davis and Dunn (2002:17) claim that strong brands allow for greater new product success because of the implied endorsement. Strong brands lend immediate credibility to new product introductions. A brand can further its value by extending to sub-brands and endorsed brands.

However, Booker (2002:8) states that there has always been tension between corporate brand and product marketing proponents, as an economic downturn tends to push organisations toward short-term, tactical choices that maximise revenue. Slashing

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research and development or business development budgets also belongs in this category. These expenses lose in an equation in which future assets such as "an innovative product" or "a familiar brand" are much more difficult to quantify than current assets such as "sales in the pipeline."

Goldberg *et al.* (2003:171) identified the necessity to develop core competencies, according to which management follows a long-term perspective, undertaking significant investments in a build-up of internal capabilities. The organisation constructs a good name through marketing of innovative quality products with high product value and good servicing.

4.6 The value of offerings

As stated by Van der Walt *et al.* (1996:306), price is the only element which produces income. It has the most immediate and direct impact on an organisation's profitability. Organisations need to be sensitive to the price expectations of the specific stakeholders. Factors that influence the price decision of the organisation are clients, the authorities and competitors. Price does not function in isolation.

Doyle (2000:295) asserts that it is not enough for an organisation to produce a good product; it also has to communicate its values effectively to potential clients. The organisation has to invest in communication to make people aware of the product, with specific emphasis on the value of what is offered.

Davis and Dunn (2002:17) concur that there are definite benefits tied to leveraging the brand more effectively, namely that strong brands allow for premium pricing versus competitive products and strong brands give an organisation protection against price wars, which leads to a strong corporate reputation.

Alsop in Nakra (2000:36) states that product quality, innovation and good value are all keys to a good reputation in an industry.

4.7 Promotions of an organisation

Once there is an understanding of products and services and the value of these, it is necessary for the organisation to determine how to promote them successfully to the specific target audiences. The final "P" of the marketing mix to be discussed will therefore be promotion. This section will specifically investigate integrated marketing communications and the media.

4.7.1 Integrated marketing communications

The traditional view of promotion as part of the marketing mix is that an organisation has various promotional tools to persuade a target audience to purchase a product or service. However, Belch and Belch (1999:9) note that during the 1980s many organisations came to see the need for a more strategic integration of their promotional tools. These organisations began moving towards the process of integrated marketing communications, which involves co-ordinating the various promotional elements and other marketing activities that communicate with an organisation's clients. A task force from the American Association of Advertising Agencies developed one of the first definitions of integrated marketing communications. They state that it is a concept of marketing communications planning that recognises the added value of comprehensive planning that evaluates the strategic roles of a variety of communication disciplines, for example general advertising, direct response, sales promotion and public relations. When these disciplines are combined they provide consistency and maximum communications impact on various stakeholders, hence integrated marketing communication.

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Van der Walt *et al.* (1996:305) and Dowling in Christensen and Askegaard (2001:306) explain marketing communications as being interpreted as an attempt by the organisation to project its 'ideal self-image' to both internal and external stakeholders.

Van der Walt *et al.* (1996:317) claim that advertising is the most important element of a business marketing communication strategy. Advertisements reach masses of clients with only one marketing communication message. Therefore it is no surprise that South African organisations pay millions of rands annually to reach the mass market with messages about their products. Advertising's purpose is not only to convey factual information; on the contrary, advertisers must persuade potential clients to buy, and often remind them to buy again. However, LePla and Parker (2002:22) advise organisations to guard against confusing advertising campaigns with the brand. Advertising is an effective way to communicate brands, but it is not the basis for communication. Advertising cannot facilitate the integration of action and message. An integrated brand creates differentiation, deepens client relationships at all levels of an organisation and puts everyone on the same page regarding the actions and messages being presented to clients.

4.7.2 The media

Morsing and Kristensen (2001:25) state that the media's role in communicating a corporate brand has not gained any significant attention in literature on branding. Emphasis has been on the content of the corporate brands and how these brands are designed and communicated to the organisations' outside world by top management, communication or marketing departments. It is argued that the media hold the potential to exceed traditional ambitions of corporate branding strategies, namely to build an image among external stakeholders. The media introduce a further ambition of simultaneous communication to another significant stakeholder in corporate branding strategies: managers and employees. The business media play a significant role in furnishing modern organisations with a day-to-day self-description. A newspaper article may have an immediate impact on

an organisation's reputation, its shareholder value and its trustworthiness, etc. The business media are a strong and effective communicator to organisational members who usually read about their own workplace with particularly keen interest. Involving the business media immediately brings organisational identity issues to the fore, as employees are strongly prejudiced selective readers, whose motivation and engagement may be provoked by the media.

Trade media focus extensively on industry-specific, technical and product-related articles, whereas business media focus more on the financial side of an organisation and general business practice.

Hanson and Stuart (2001:132) suggest that the manner in which the media portray events is more relevant for organisations than ever before. The fact that mass media play a major role in social issues and social change in the way they frame events is the essence of the notion of media framing. Media framing, therefore, creates meaning over time. Journalists pay heed to public concerns when writing, while individuals in society construct their own meaning out of their experience of a world that includes significant elements of media reporting. Morsing and Kristensen (2001:24) suggest that the more subtle and unpredictable shifts between themes in the media play a significant role in the shaping of a strong corporate brand. Pruzan (2001:51) asserts that throughout the world the media keep a wary eye on corporate behaviour and zoom in sharply on suspected corporate misdeeds; the television news' guillotine and the Internet are ever ready to defame business leaders who are accused of unethical behaviour. They provide clients with information which enables them to make purchasing choices that are based not only on traditional parameters such as price and functionality, but also on matters such as how and where the products and services are produced and what the reputation of the organisation producing them is.

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There is an impact of the breakdown of the internal and external barriers of an organisation, as described by Hatch and Schultz in Hanson and Stuart (2001:132), which implies that there is increasing pressure on organisations to respond to external pressures. Society's expectations have changed; people are becoming increasingly disillusioned with governments and are therefore looking to organisations to fulfil their expectations. The media have responded to this trend by becoming a 'watchdog' of organisational reputations and their framing of events is of particular significance. People expect more from organisations in terms of representing their aspirations and taking social responsibility. The media have grasped the importance of these trends as the basis for newsworthy items, framing their stories about organisations accordingly.

Schultz and De Chernatony (2002:110) comment that owing to the rich variety of interactions between stakeholders, it is difficult for managers to protect their corporate brand against the potentially harmful impact of gossip and erroneous inferences. In the bricks and mortar environment, conversations are notably influenced by the interactions between the linkages of organisation to media to clients. Wilson (2003:16) states that the opinion formers need to be managed as this group has an influence on corporate reputation. While some may believe that the media are the most influential opinion formers, in many cases they are not particularly influential in the long term. Perhaps the most critical stakeholder in rebuilding corporate trust will soon be employees. Donlon (1998:50) adds that CEOs should take nothing for granted particularly concerning their employees, as it is suggested that this is where the news media look first for ammunition when attacking an organisation or its products.

4.8 Conclusion

With specific reference to the IT industry, software products are particularly difficult for buyers to evaluate properly in terms of quality and value, because they are conceptual entities with no physical properties. Public certification for these products' quality can be

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sought from accrediting agencies, assistance obtained from prestigious product development funds and prizes won at international software competitions. Marketing an organisation's software with attractive packaging and well-written instructions creates the impression of a quality product. The product quality, innovation and good value are all crucial to a reputation within any business industry.

In conclusion, it is clear that there are several elements within the corporate marketing realm that influence corporate reputation. However, not every one of the elements has the same impact. It is also important that these elements are not viewed in isolation, but viewed holistically in terms of the other business processes. Corporate marketing is very closely related to corporate communication, which will be discussed in Chapter 5.

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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.

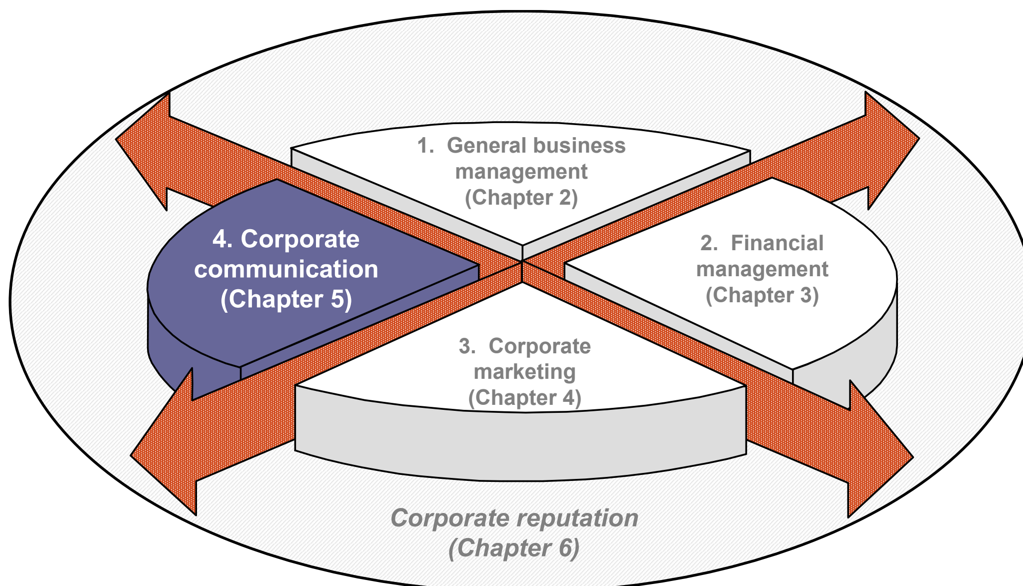

Figure 6 Corporate communication in relation to corporate reputation

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

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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.

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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.

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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.

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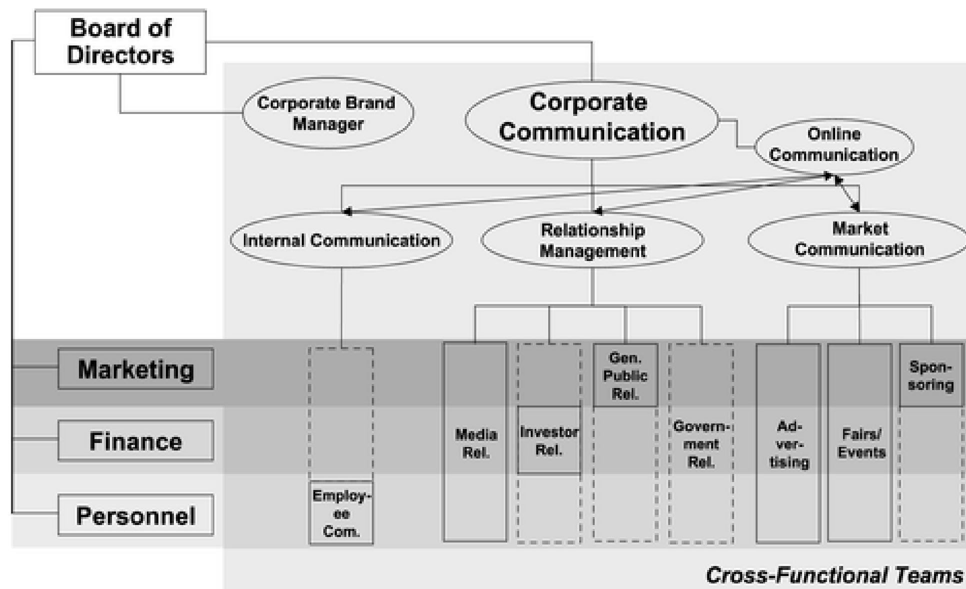

Source; Einwiller and Will (2002:8)

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.

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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

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(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

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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.

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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.

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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.

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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

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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

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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.

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5.9 Relationship with shareholders

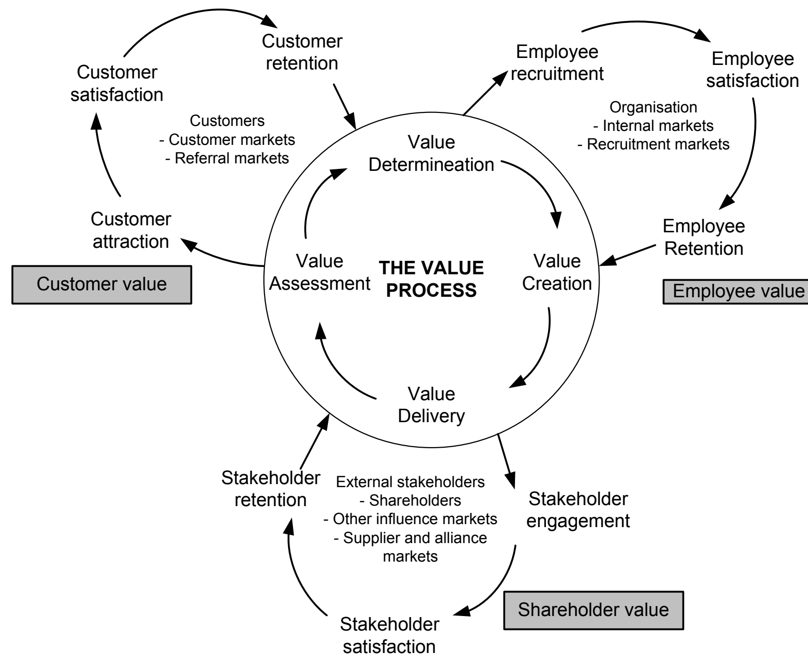
The third important stakeholder group to be discussed in terms of corporate communication, relating to corporate reputation, is shareholders.

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

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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.

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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

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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

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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.

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Chapter 6: Corporate reputation

6.1 Introduction

This chapter will focus on the main organisational elements in terms of general business management, financial management, corporate marketing and corporate communication that have an impact on an organisation's corporate reputation. The relationship between these organisational elements has been illustrated in Figure 9.

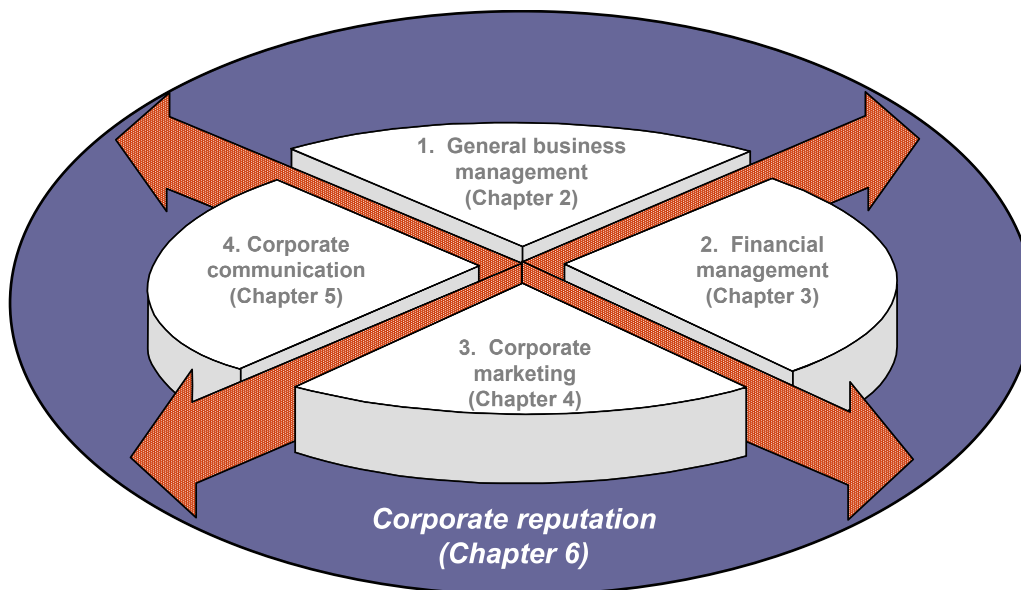

Figure 9 Corporate reputation in relation to other organisational processes

As stated by Haapaniemi (2000:153) and Schwartz (2000:4), it takes a long time to build a reputation, but it can be destroyed overnight in a single event. Devine (2001:42) adds that reputation acts as a gauge, defining and giving an organisation its sense of identity. Hanson and Stuart (2001:129) and Barney in Kowalczyk and Pawlish (2002:163) concur that corporate reputations, once created, are relatively steadfast. Of all bases of differentiation, none is more difficult to duplicate than an organisation's reputation.

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Four business parameters that influence corporate reputation were identified, namely general business management (Chapter 2), financial management (Chapter 3) corporate marketing (Chapter 4) and corporate communication (Chapter 5). These parameters were collated and the main elements that have most influence on corporate reputation are discussed in this chapter. These elements include leadership and management qualities, organisational ethics, shareholder value, organisational sustainability, corporate branding, the marketing mix, public relations and relationships with stakeholders. This is in line with Schreiber (2002:211) who comments that these variables are similar to those used in the yearly Fortune magazine rankings of “America’s most admired corporations”.

6.2 Defining corporate reputation

As defined in Chapter 1, corporate reputation is created by a combination of elements within the organisation such as general business management, financial management, corporate marketing and corporate communication, as defined by Ettorre (1996:36) and Dollinger in Goldberg *et al.* (2003:268).

These elements will be analysed in the next section in terms of those that have the greatest impact on corporate reputation.

6.3 General business elements influencing corporate reputation

There are two main general business elements that have a major impact on corporate reputation, namely leadership and management quality as well as organisational ethics. It is, however, critical to understand that these elements can only be successful in building corporate reputation if they are supported and related to the other general business management issues mentioned in Chapter 2; they do not function in isolation.

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6.3.1 Leadership and management qualities influencing corporate reputation

Klein (1999:32) and Grupp and Gaines-Ross (2002:20) note that the reputation of an organisation's leader is integral to the organisation's reputation and overall success. Research has shown that the leader's reputation is estimated by people influential in business to account for 48% of an organisation's reputation. Just like any other wealth-creating asset, the leader's reputation needs to be invested in, managed and leveraged over the long-term to reap enduring benefits, which include attracting more investors, partners, clients, work applicants and trust in corporate decisions. Key elements of the leader's reputation are credibility, integrity and high-quality communications to internal stakeholders about the direction of the organisation.

Klein (1999:32) reports that financial executives believe that a CEO's reputation would influence them to buy shares in the organisation, believe the organisation if it should be under pressure in the media and recommend the organisation as a good business partner. Nakra (2000:39) maintains that successful global leaders earn a reputation for credibility among investors by showing profitability to individual and institutional shareholders, maintaining a stable return on investment and nurturing financial growth prospects.

Ettorre (1996:36) suggests that intelligent organisations make perception management part of their senior executive training regime, enabling a greater understanding of corporate branding and resultant corporate reputation, however, Schreiber (2002:210) debates that executives often misunderstand how reputations are achieved and maintained. As a result, they rely too heavily on corporate advertising, while at the same time not doing enough about reputation-building activities with stakeholders.

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6.3.2 Organisation ethics influencing corporate reputation

Donlon (1998:50) asserts that to gain a good corporate reputation, one must not only have integrity at the top, but also be ruthlessly intolerant of those who undermine the integrity and values of the organisation. In a cynical age CEOs should do more than merely “walk-the-talk” and insist on ethical behaviour. Communicating the organisation’s message to the public and most importantly, repeating the message to employees, is seen as critical. As participants are painfully aware, the price of a good corporate reputation is eternal vigilance. Pinkham in Nakra (2000:39) adds that commitment to ethical practices will help corporations attract and retain star employees, reduce hostility toward the organisation and help employees make critical business decisions.

According to Schwartz (2000:4) a good organisation has integrity. Anon. (2002a:8) agrees that codes of ethics do not merely help employees to do what is right; research has shown that organisations with an ethical decision-maker are more effective and more productive.

Richardson and Bolesh (2002:54) state that reputable organisations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organisations use a combination of transparency, strong ethics and commitment to quality products and services to build and maintain their reputations.

Schreiber (2002:209) explains that corporate reputations are built, maintained and enhanced by several elements, such as being part of the corporate strategy, not merely a public relations or advertising slogan. Secondly they are built from differentiating, sustaining activities of the organisation. Organisations often fail to achieve their desired reputations because of two primary factors, firstly the failure to identify a clear core competency, relying instead on claims of superiority that have little value to the intended audience and secondly continuing to do the same things that made the organisation successful, despite the fact that these things are no longer relevant to the current situation.

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Hall (2002:9) states that if any one of the parties has a distorted view of the value of the organisation, it will cause behaviour that is damaging to all and will be difficult to alter. However tempting it is in the short run to conceal unpleasant truths, falsehoods lead to distrust in the relationship.

O'Connor (2001:53) and Wilson (2003:17) concur that a key reason to set metrics for reputation management is to meet today's demand for transparency and governance structures. In this context, reputation, of which the public relations practitioner is custodian, is now an organisation's most valuable and fragile asset.

6.4 Financial management elements influencing corporate reputation

Klein (1999:32) asserts that the motivation to rush to reputation management and measurement is evidence that a good reputation can dramatically affect an organisation's results. Psychologically, an organisation with a solid reputation earns the benefit of the doubt in times of crisis. Good public relations professionals know that a lot is at stake in their work of protecting and enhancing corporate reputation, especially in terms of building and maintaining relationships with stakeholders.

Financial management elements are acknowledged to form a major portion of the aspects that influence investment decisions and corporate reputation. However, it is important to understand that these factors should not be regarded in isolation when a perception of an organisation is formed. Investor decisions are also driven strongly by corporate marketing and corporate communication.

Gary and Smeltzer (1985:75) and McNaughton (2003:13) agree that a favourable reputation is regarded as a prerequisite to success in the global financial marketplace. Shareholders can ultimately give or withhold their approval of management through their votes based on their perception of an organisation's corporate reputation.

The two elements that have the greatest influence on corporate reputation are shareholder value and organisational sustainability.

6.4.1 Shareholder value as influence on corporate reputation

Sobol, Farrelly and Taper (1992:3) postulate that corporate reputation is a very important asset for an organisation. According to Paster in Donlon (1998:50), people sometimes confuse financial performance and reputation. Financial performance is very important, but so are values and the manner in which stakeholders are dealt with and communicated to. Corporate image is particularly valuable in terms of an organisation's ability to raise debt and equity capital. Cooper in Bennett and Kottasz (2000:224) suggests that between 8% and 15% of an organisation's share price may be ascribed to corporate reputation.

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

6.4.2 Organisational sustainability influencing corporate reputation

To be competitive and to survive and grow in the market, according to Van der Walt *et al.* (1996:544), the organisation must have competitive advantages over competitors.

In today's interlinked world as described by Mastal (2001:57), corporate reputation, which is the cumulative perceptions of an organisation by its key stakeholders, is increasingly recognised for its bottom-line impact. In fact, a large body of research shows that organisations with good reputations achieve higher-than-average profitability compared with their peer groups.

Grupp and Gaines-Ross (2002:18) explain that calculating a return on investment puts a financial value on achieving the organisational objective, which is usually revenue.

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Corporate reputation becomes increasingly dependent on an organisation's ability to execute an organisational model. Execution results in a good reputation and correlates highly with strong financial performance and overall success. Therefore a favourable organisation reputation delivers financial payoffs.

Kowalczyk and Pawlish (2002:163) mention that ultimately, reputations have economic value to organisations because they are difficult to imitate. Rivals simply cannot replicate the unique features and intricate processes that produced those reputations. Reputations are therefore a source of competitive advantage. Sustaining that relative advantage requires commitment to the ongoing management of an organisation's reputation.

Davies *et al.* (2001:113) note that many existing approaches to the measurement of corporate reputation have been criticised as being overly focused on the financial performance of organisations and on the views of external stakeholders. Therefore when corporate reputation is measured, the organisation's financial management must not be viewed in isolation. Other business processes also need to be taken into consideration in terms of corporate marketing and corporate communication.

6.5 Marketing elements influencing corporate reputation

There are various elements that influence corporate reputation through corporate marketing, as discussed in Chapter 4, but only the elements that have the greatest impact on corporate reputation will be documented in this section.

6.5.1 Corporate branding influencing corporate reputation

Bennett and Gabriel (2001:437) and De Chernatony (2002:117) note that reputation is an overall cognitive impression of an organisation based on its corporate branding and various marketing communication tools. A favourable reputation creates expectations of

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the organisation in terms of promises that are made to stakeholders and confers a competitive advantage in that it can help the organisation to survive occasional adverse publicity.

Mitchell and Urde in Bickerton (2000:42) concur that the corporate brand must be viewed as both an organising proposition that helps to shape an organisation's values and culture and as a strategic tool of management which can guide the organisational processes that generate and support value creation. This contributes to corporate reputation. Harris and De Chernatony (2001:441) suggest that corporate branding requires a holistic approach to brand management, in which all members of an organisation behave in accordance with the desired brand image.

6.5.2 The marketing mix influences corporate reputation

Only three, namely product, price and promotion, of the four "P's" of the marketing mix have been included for the purposes of this study.

- **Product and services**

  Richardson and Bolesh (2002:54) state that reputable organisations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organisations use commitment to quality products and services to build and maintain their reputations.

- **Price in terms of value of offerings**

  As stated by Van der Walt *et al.* (1996:306), price is the only element which produces income. It has the most immediate and direct impact on an organisation's profitability, which has an influence on corporate reputation.

Alsop in Nakra (2000:36) summates that product quality, innovation and good value are all crucial to a reputation within an industry.

- **Promotion of an organisation**

Van der Walt *et al.* (1996:305) and Dowling in Christensen and Askegaard (2001:306) explain marketing communications as being interpreted as an attempt by the organisation to project its 'ideal self-image' to both internal and external stakeholders, which will have an impact on corporate reputation.

Nakra (2000:39) notes that corporate reputation emanates from all the business activities and communications it undertakes intentionally and unintentionally in the marketplace, such as advertising, promotion, direct marketing, personal selling, trade relations, public relations and community relations. Different stakeholders view a corporation differently because they focus on and look at different parts of the organisation. Saxton in Nakra (2000:39) comments that all stakeholders, however, are affected by the brand image and ultimately the corporate reputation created through advertising and other marketing communications activities. Miller in Donlon (1998:50) suggests that one way to help reputation is to deal effectively with the media. The organisation needs to respond while the news is breaking and not after there has been time to decide what is to be said. Mastal (2001:58) notes that an organisation's message strategy should reflect its corporate position as well as the position it is taking on the issues. Organisations that have strong reputations generally have three or four key messages they recite over and over in all media and to all key stakeholders.

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6.6 Corporate communication elements influencing corporate reputations

There are various corporate communication elements that influence corporate reputation, as discussed in Chapter 5, but only the elements that have the greatest impact on corporate reputation will be documented in this section.

6.6.1 Impact of public relations on corporate reputation

Grupp and Gaines-Ross (2002:19) affirm that those who are responsible for corporate communications within an organisation are challenged with communicating the value of their organisation's intangible assets that contribute to enhancing reputation and driving market value. Top-ranked, highly regarded organisations spend significantly more on communications than those organisations that are less highly regarded. It is necessary for organisations to measure how communication of corporate and product messages are linked to a change in perceptions and behaviour among their key stakeholders, as well as to financial and shareholder returns. By identifying public relations objectives at the outset, qualitative and quantitative research can be applied to measure changing stakeholder attitudes and behaviour over time.

6.6.2 Relationships with stakeholders contribute to corporate reputation

Zyglidopoulos and Phillips in Goldberg, Cohen and Fiegenbaum (2003:172) comment that an organisation must be aware of the different concerns of various stakeholders when choosing a reputation-building strategy.

Klein (1999:32), Harris and De Chernatony (2001:442) and Einwiller and Will (2002:102) all agree that a good gauge of an organisation's reputation considers the views of all its different stakeholders. A good measurement of corporate reputation includes more than

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investors' views. De Seguna in Hanson and Stuart (2001:130) as well as Einwiller and Will (2002:100) state that in order to implement a system of reputation management it is necessary to ensure that all stakeholders have a realistic image of what they can and cannot expect from an organisation. Creating a coherent perception of an organisation in the minds of its various stakeholders is a major challenge faced by many organisations. Incoherence in messages and difficulties in co-ordination are often fostered by communication representatives' narrow focus on their particular stakeholder groups. It is necessary to ensure that the organisation delivers what it promises and only promises to deliver what it can realistically undertake.

There are many stakeholders that play a role and have an impact on corporate reputation. However, for the purposes of this study the main stakeholders to be focused on in this chapter with whom relationships need to be built and strengthened in terms of corporate reputation are an organisation's employees and clients.

- **Employee relationships influencing corporate reputation**

  Gotsi and Wilson (2001:99) declare that employees and their behaviour represent the reality of the organisation to the clients and therefore, 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.

  Mastal (2001:58) notes that successful organisations with strong reputations use employees as a means of "humanising" the organisation and fostering public trust. Klein (1999:32) comments that it is especially important that employees' beliefs and attitudes are quantified. An organisation's reputation starts within the organisation. Ettorre (1996:36) notes that even 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. A corporate reputation is not purely something for shareholders at the annual meeting. It is

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rooted in trust and is ethically shaped over time. The character of an organisation is continually fostered by its employees in every external and internal action. It is a reflection of the healthy attitude those employees have towards the organisation.

Sobol *et al.* (1992:59), Balmer and Gray (1999:173), Devine (2001:42) and Einwiller and Will (2002:103) agree that an organisation's reputation plays a crucial role when it comes to winning talent. What work aspirants are looking for most is a "great organisation" that has at its core an appealing culture and inspiring values. Corporate reputation assists in attracting good people and good partners; attracting skilled and motivated employees will enable an organisation to remain competitive, whereas a poor reputation can undermine motivation within the organisation. Sullivan in Donlon (1998:50) adds that an organisation's reputation is its trust, and this is not only from the client, but the employees as well.

Nakra (2000:39) maintains that global strategic leaders must achieve a reputation for trustworthiness among employees through exemplary management practices - empowering and retaining employees, and instilling shared pride. 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.

- **Client relationships influencing corporate reputation**

Johnson says in Donlon (1998:50) that what an organisation wants is to have a good reputation with its clients. That, in effect, is the key to driving any successful business. Richardson and Bolesh (2002:55) comment that clients respect

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organisations they trust, and two-way communication builds client confidence. Active 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 clients' comments. 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. The level of motivation of any organisation can only rise as high as the level of trust. It is therefore necessary to start out by building trust with employees, through policies and procedures. When there is a great reputation with clients, the by-product of that is a reputation in the financial community.

6.7 Conclusion

This chapter focused purely on the elements that have the greatest impact on corporate reputation with respect to all the business processes within an organisation, namely general business management, financial management, corporate marketing and corporate communication.

As noted by Miller in Donlon (1998:50) and Richardson and Bolesh (2002:54), there is no magic formula for reputation, just a combination of strategic and operational initiatives that maintain and reinforce an organisation's standing. To build and sustain a good reputation, organisations must adhere to four principles, namely:

i) To make a corporate reputation strategy part of the overall business plan, so that everyone within the organisation can understand what elements of the general business process have an impact on corporate reputation. This will have a positive impact on the organisation's reputation.

ii) To identify the financial management issues that contribute to an organisation's corporate reputation, and where possible to manage elements that undermine corporate reputation actively.

iii) To understand what the corporate marketing elements are that influence corporate reputation, in terms of the image that needs to be portrayed to the various stakeholders of the organisation and the most effective incorporation and use of the marketing mix in terms of building the corporate reputation.

iv) To have a clear understanding of the corporate communication elements that influence the corporate reputation. To build a corporate culture that attracts top talent. Organisations with positive reputations are able to attract employees of high calibre, who in turn have a positive impact on the organisation's reputation. It is necessary to make environmental and social responsibility initiatives part of the strategic planning process. In terms of understanding corporate reputation, it is necessary to have an understanding of corporate social responsibility; to devise a crisis management strategy to defend corporate reputation. This will enable the organisation to be proactive in protecting its reputation in crisis times as well as to disseminate the organisational 'story' to internal and external stakeholders. This will enable stakeholders to have a clear understanding of what exactly the organisation is and what they can expect from it.

These activities foster the delicate alignment of strategy, communication and leadership that drives positive reputation in both good and bad times. Communication that makes an organisation transparent enables shareholders to appreciate the organisation's operations better and so facilitate ascribing it a better reputation.

Sobol *et al.* (1992:51) and Winkleman in Nakra (2000:35) conclude that an organisation's reputation affects its ability to sell products and services, to attract investors, to hire talented employees, increase goodwill and to exert influence in government circles. The

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most significant consequence of a negative corporate reputation is the adverse effect on share price and market capitalisation. Reputation management is a slow-burn campaign that needs to be tended to regularly. In today's interlinked world as described by Mastal (2001:57) corporate reputation, which is the cumulative perceptions of an organisation by its key audiences, is increasingly recognised for its bottom-line impact. In fact, a large body of research shows that organisations with good reputations achieve higher-than-average profitability compared with their peer groups and that their reputation ultimately has an influence on their sustainability.

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Chapter 7: Research methodology

Klein (1999:32) explains that in order to manage an organisation's reputation, it is necessary to measure it first. In order to understand and measure the corporate brand, image and reputation of an organisation, it is believed that the use of a scientifically based research process is of the utmost importance to obtain credible results from questioning techniques, ensuring that the resultant data are both reliable and valid.

7.1 Research design

This study has been documented as a case study. The organisation that was used for the purpose of this study is based within the information communication technology (IT) industry. For purposes of confidentiality, the organisation will be referred to as The Group.

The study has been based on data collected from The Group's stakeholders during August 2002. The research focused on the current reputation of this IT organisation as perceived and experienced by the various stakeholder groups, namely The Group's employees, The Group's executive board, clients, non-clients, financial analysts, trade and business media, partners and suppliers, public relations houses and the general public.

7.2 Case study perspective

To understand case study methodology, one needs to take note that May (1984:3), Easton (1992:1) and Hussey and Hussey (1997:65) all describe a case study as an extensive examination of a single instance of a phenomenon of interest and an example of phenomenological methodology. It is an account of problem situations and events in a real or imagined organisation. A case study approach implies a single unit of analysis, such as a company or a group of employees, an event, a process or even an individual. It involves

gathering detailed information about the unit of analysis, often over a long period, with a view to obtaining in-depth knowledge.

There is not only one type of case study, according to Hussey and Hussey (1997:65), but five different types, namely:

- **Exploratory case study**

  An exploratory case study means that there are few theories or a deficient body of knowledge.

- **Descriptive case study**

  Descriptive case studies are undertaken where the objective is restricted to describing the current practice.

- **Illustrative case study**

  Research attempts to illustrate new and possibly innovative practices adopted by particular companies through illustrative case studies.

- **Experimental case study**

  An experimental case study is undertaken where the researcher examines the difficulties in implementing new procedures and techniques in an organisation and evaluating the benefits.

- **Explanatory case study**

  The existing theory is used to understand and explain what is happening.

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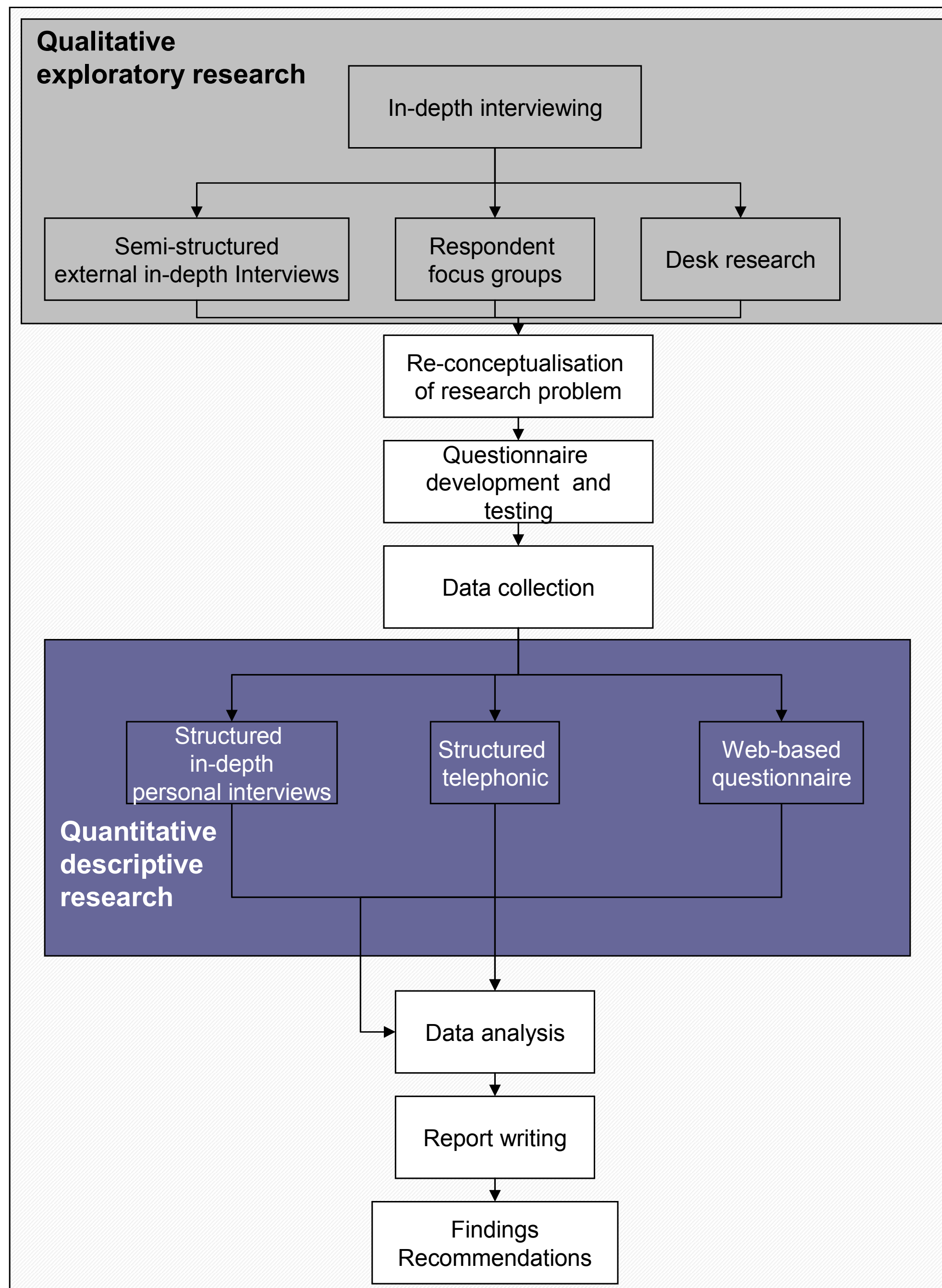
The case study documented for the purposes of this research paper can be described as explanatory i.e. the existing theory is used to understand and explain what is happening.

Yin in Hussey and Hussey (1997:66) identifies the following characteristics of case study research: the research aims not only to explore certain phenomena, but to understand them in a particular context, and it uses multiple methods for collecting data, which may be both qualitative and quantitative.

7.3 Research strategy

Wilson (2003:17) comments that one way to begin measuring an organisation's reputation is to conduct a stakeholder analysis. This exercise is designed to understand and track stakeholders' attitudes towards an organisation. It uses qualitative and quantitative data to produce an aggregate picture of where an organisation's reputation stands, as well as providing insight into the priorities and perspectives within stakeholder groups.

The following approach was used for this study to ensure that the results were both reliable and valid. The research model consisted of four major phases. These phases have been illustrated in Figure 10 below.



Source: Access Market International working document

Figure 10 Research methodology process

Figure 10 above gives an overview of the research process used for the purposes of this study. The process was divided into four phases, namely:

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- Phase 1: Qualitative exploratory research
- Phase 2: Problem re-conceptualisation and questionnaire development
- Phase 3: Sampling and quantitative data collection
- Phase 4: Analysis reporting

7.4 Phase 1: Qualitative exploratory research

The purpose of this phase was to collect qualitative inputs in the form of focus groups and qualitative interviews to determine what the elements are that have a significant influence on corporate reputation. The secondary research in this phase was used to identify any historic published reports that provided opinions and inputs to establish The Group's corporate reputation. All the information collected in this phase was subject to content analysis then used as input into the next phase, which was the questionnaire development phase. These elements were examined both within and outside The Group and excavated the underlying attributes of investment decision-making and employee orientation towards The Group.

This phase consisted of 14 in-depth qualitative interviews. A total of four qualitative focus groups, each consisting of ten respondents, were conducted. Two of these focus groups consisted of The Group's employees and the other two comprised general public (LSM 9 and LSM 10) respondents. Once all the qualitative information had been obtained from this first phase, a generic quantitative questionnaire was developed for all the stakeholders of The Group to be used in the quantitative data collection phase. The questionnaire contained 39 different elements, which had been identified in the exploratory qualitative and quantitative phase as influencing corporate reputation. The stakeholders who were included in the study were The Group's employees, The Group's executive board, clients, non-clients, financial analysts, trade and business media, partners and suppliers, public relations houses and the general public.

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7.5 Phase 2: Problem re-conceptualisation and questionnaire development

All the information collected in Phase 1 was collated, conceptualised and then crystallised into research questions in order to compile a quantitative questionnaire.

A multi-item uni-dimensional scale exploring the non-financial performance issues in connection with investment decisions that relate to corporate reputation, which arose from the qualitative phase of the study, was included in the questionnaire.

The questionnaire was then pilot-tested for reliability and validity to ensure that the instrument (the questionnaire) provided an accurate picture of what the various stakeholder groups were saying. The reliability of the questionnaire according to Cronbach Alpha was 0.9515. (The ideal score for Cronbach Alpha is 1.00). The average inter-item correlation was 0.45445 (the ideal score being above 0.4).

7.6 Phase 3: Sampling design and data collection

7.6.1 Sampling design

Testa (2002:264) states that the groups of stakeholders selected for assessment are dependent on a number of variables including the goal of the assessment, as well as the number, accessibility and types of stakeholders. The essential issue in selection is finding those stakeholders who are best able to assess the leadership of the organisation on the dimensions of interest. Random selection is ideal for employees and clients so that no bias exists in the sample; however, suppliers and partners are in much shorter supply. Selection may therefore be better based on the importance and impact of the feedback. Following the 80/20 rule which suggests that small percentages of causes create disproportionate levels of consequences, those external stakeholders who contribute most to the organisation's success are preferable. Ideally, every stakeholder would be included

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in the assessment, but this may be impractical. In such cases, those partners who are most connected to the organisation and generate most revenue or the largest market share should be included. Suppliers who maintain long-term contracts with the organisation or who are the primary sources of vital supplies are best suited for inclusion.

The following table indicates the sample respondents realised for this study:

Respondents	Qualitative in-depth interviews	Qualitative focus groups	Telephonic interviews	Intranet-based interviews
The Group's employees	-	2 (2x10)	-	133
The Group's executive board	5	-	-	-
Clients and non-clients	4	-	38	-
Financial analysts	1	-	15	-
Media (business and trade)	2		9	-
Partners and suppliers	-	-	8	
PR houses	2	-	6	-
Public (LSM 9 and LSM 10)	-	2 (2x10)	20	-
Others (Competitors)			2	
TOTAL	**14**	**40**	**98**	**133**

Table 1 Sample respondents realised for this study

The stakeholders included in this study were The Group's employees, The Group's executive board, clients, non-clients, financial analysts, trade and business media, partners and suppliers, public relations houses and the general public. These stakeholders are indicated in Table 1. Each will be briefly described below to allow for the data that have been collected to be put into context.

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- **The Group's employees**

  An Intranet-based questionnaire was sent out to a randomly selected sample of employees of The Group. All the business units within the organisation were included.

- **The Group's executive board**

  Personal interviews were conducted with the executive management of The Group. This part of the study consisted of five personal face-to-face interviews.

- **The Group's clients**

  Personal and telephonic interviews were conducted with The Group's clients.

- **Non-clients**

  Personal and telephonic interviews were conducted with non-clients. The purpose of interviewing non-clients was to determine what their perception was of the organisation, which would allow The Group to understand how best to approach this group in the future.

- **Financial analysts**

  This group was interviewed telephonically. The financial analysts comprised respondents from FTNIB, Credit Source Trust Boston, JP Morgan, Barnard Jacobs Mellett, Investec, HSBC, Ford Asset Management, African Harvest, Sanlam Investment Management, Coris Capital, Prudential, SCMB, Equitos and Metropolitan.

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- **Suppliers and partners**

The suppliers and partners included in this study were interviewed telephonically.

- **Media**

This study included both trade media and business media. Trade media focus extensively on industry-specific, technical and product-related articles, whereas business media focus more on the financial aspects of an organisation and general business practice. More articles are published in trade media as opposed to business media, as these media only have limited space for articles and only place articles that will help sell the specific publication. The media respondents comprised representatives of Beeld, Computerweek, Moneyweb, Jacaranda FM, Financial Mail, Finance Week, Technews Trading, Engineering News and IT Web. These respondents were interviewed telephonically.

- **PR houses**

Some of the PR houses approached for this study were Profile Management, Arcay Financial Communications, Communications Consultants, Cyan Communications, Southgro Investor Relations and Trilogy Communications. Approximately 50 different organisations were approached, of which only the organisations mentioned above were familiar with The Group and able to complete the questionnaire.

A separate questionnaire was then developed to determine what the general awareness of IT organisations in South Africa is.

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- **Public**

  This group of respondents comprised LSM 9 and LSM 10 classification, which means that the respondents were required to be above the age of 35, have a matric (Grade 12) qualification or higher, be urbanised and earn between R9 000 and R13 000 per month as a minimum personal income. A database of managers and directors of large South African organisations was used to target the appropriate people. The interviews were conducted telephonically.

  It needs to be noted that a limited number of interviews were conducted with the public stakeholder group, as most of the interviewees were not familiar with The Group. A separate questionnaire was then developed to determine the public's general awareness of IT organisations in South Africa.

- **Competitors**

  Two personal interviews were conducted with competitors of The Group.

7.6.2 Data collection

Intranet-based questionnaires were used for The Group's employees in order to keep the data collection costs to a minimum, while speeding up the data collection time without sacrificing data quality. This collection method was restricted to employees of The Group.

The external stakeholders were interviewed telephonically against a standard set of attributes for the quantitative phase as mentioned above.

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7.6.3 Qualitative research methods

A total number of four focus groups, each consisting of approximately 10 respondents, were conducted in order to obtain background to the study. The first group comprised The Group's employees and the second The Group's management. The two other focus groups each consisted of members of the general public LSM 9 and LSM 10. These sessions took place on a weekly basis from 10 July 2002 to 31 July 2002. Qualitative in-depth interviews were also conducted with communication and reputation specialists. Institutions such as Moneyweb and IT Web were interviewed to determine the current perception of The Group in the market. Davies *et al.* (2001:117) state that respondents are typically asked to imagine that a brand 'comes to life' and to state what its characteristics should be. This enables the researcher to understand the associations of a particular brand. This personification technique was used during the focus groups. The information obtained from these sessions was used to formulate the questionnaire. Please see Appendix A for the discussion guides used during these sessions.

7.6.4 Quantitative research methods

After all the focus groups and in-depth interviews were conducted, the quantitative questionnaire was formulated. An Intranet-based questionnaire in Excel format was sent to a randomly selected sample of employees within The Group amounting to over 1 000 respondents. A total of 133 responses were returned. The poor response could be attributable to respondents' scepticism towards questionnaires and lack of implementation of results. A total of 98 telephonic interviews were conducted with various stakeholder and interest groups of The Group. Please refer to Appendix B for the quantitative questionnaire.

The questionnaire was divided into two major sections. The first section focused on the internal and external channels of communication of The Group so as to determine the flow of communication between stakeholder groups. The purpose of this was to determine

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which of the stakeholder groups had the greatest impact on corporate reputation in terms of disseminating information about the organisation and secondly the elements influencing an organisation's reputation were evaluated.

7.7 Phase 4: Data analysis

Before the analysis of the data could commence, the reliability of the questionnaire according to Cronbach Alpha was tested. The result was 0.9515. The closer the score is to 0.9 the higher the reliability of the questionnaire. According to economics.about.com (2003) Cronbach Alpha assesses the reliability of a rating summarising a group of survey answers that measure some underlying factor. A score is computed from each test item and the overall rating, called a 'scale', is defined by the sum of these scores over all the test items. Reliability is defined as the square of the correlation between the measured scale and the underlying factor the scale was supposed to measure.

After reliability and validity had been tested, descriptive analysis of the data set that had been used to describe the opinions across the established set of attributes within the different stakeholder groups took place. This was followed by an analysis encompassing the development of recommendations to provide guidance to the different executives in The Group to manage the issues that had been raised in this survey.

The purpose of this study is to provide input into the executive management's decision-making process and provide an essential guide for corporate communications and The Group's sales and marketing initiatives to influence corporate reputation positively.

Extensive use was made of Excel to capture and analyse the data. A gap analysis in terms of SERVQUAL was used to analyse the data.

Parasuraman *et al*. in Newman (2001:128) describe service quality as perceived by the client as the degree and direction of discrepancy between client service perceptions and

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expectations. It is this gap between perceptions and expectations that underpins the formulation of SERVQUAL.

The measurement of perceptions of service lie across five service quality dimensions as identified by Parasuraman et al (in Robinson, 1999:21), namely tangibles, reliability, responsiveness, assurance and empathy. The instrument consists of two sets of 22 statements. The first set aims to determine a client's expectations of a service organisation, while the second set seeks to ascertain the client's perceptions of the organisation's performance. Respondents are asked to rate their expectations and perceptions of the various elements contributing to service quality. The gap between expectations and performance perceptions (perceived service quality) is measured by the difference between the two scores (performance minus expectations).

The service quality for each respondent for each dimension is calculated as follows:

$$SQj = \frac{\sum_{i=1}^{nj} Pij - Eij}{nj}$$

Figure 11 Equation for SERVQUAL

The formula illustrated above can be interpreted as follows:

SQj – Service quality of dimension j

Eij – Expectations of the organisation for item i in dimension j

Pij – Perceived performance of the organisation on item i in dimension j

nj – Number of items in dimension j

An average score for each dimension is then calculated across all respondents. Positive scores show better than expected service while negative scores show poor quality. A zero

score implies that quality is satisfactory. Robinson (1999:21) acknowledges that SERVQUAL continues to be one of the most widely recognised methods of measuring service quality. For the purposes of this study, this research tool, SERVQUAL, was modified and refined to test specific aspects of corporate reputation, determining the gap between the impact and performance of specific corporate reputation constructs.

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Chapter 8: Findings

8.1 Introduction

The hypotheses for the study will first be explained, followed by the findings, which will focus on three areas. Stakeholder communication will investigate the channels of communication of The Group and its various stakeholder groups. Thereafter reputation performance will be explored and various elements influencing corporate reputation will be tested.

8.2 Hypotheses

The hypotheses for the purposes of this study, which have been deducted from the research objectives, are as follows:

- **H1:** The use of internal and external channels of communication to an organisation's stakeholder groups has an impact on corporate reputation.
- **H2:** There is a correlation between an organisation's corporate reputation in terms of general business management, financial management, corporate marketing and corporate communication.

8.3 Layout of the findings explained

The next section will explain how the findings of the study will be reported, i.e. the stakeholder communication channels will be discussed, followed by the perceived elements influencing corporate reputation. After this section, each of the stakeholder groups within this study will be explored in detail regarding these areas.

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8.3.1 Stakeholder channels of communication

According to Klein (1999:32) a good gauge of an organisation's reputation considers the view of all its different stakeholders. A good measurement of corporate reputation includes more than investors' views. The perceptions of employees, clients, vendors and business partners are essential. A good reputation measurement tool will also look at all the messages the organisation is sending, intended and otherwise, through all the interaction it has, and how those messages are being received. Therefore, for the purposes of this study the following stakeholder groups were included to provide input: The Group's employees, The Group's executive board, clients, non-clients, financial analysts, trade and business media, partners and suppliers, public relations houses and the general public.

The findings in this section will focus on the communication channels of the stakeholders, i.e. who communicates with whom - where stakeholders get information on The Group from and with whom they in turn communicate this information. The amount of information they obtain from these sources and how credible they perceive the sources to be will also be discussed.

As employees, clients and financial analysts are regarded to be the most important stakeholders in terms of impact on corporate reputation through communication, as illustrated in the literature, diagrams will be included in the sections where these stakeholders are discussed.

8.3.2 The Group's corporate reputation performance

The second section will focus on specific elements that have an impact on The Group's corporate reputation. Several qualitative interviews were conducted to determine what the various elements are that have an impact on corporate reputation.

The respondents were required to indicate whether according to them a specific element had an impact on corporate reputation. The respondents were then required to evaluate

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The Group's performance of the specific element in terms of corporate reputation. (This list of elements can be viewed in the quantitative questionnaire in Appendix B).

A performance matrix has been developed to illustrate the impact and performance gap of specific elements. The figure will illustrate the respondents' perception of a specific element's impact on corporate reputation, compared to the actual organisation's performance of these elements. The ideal situation for an organisation to strive to in terms of corporate reputation is where both the impact and the performance are high. This will indicate that the respondent is satisfied with the current situation. Should a specific element's impact be high and the performance low, it will be under-performing. These will be the elements that The Group will need to focus on, as they undermine corporate reputation. If an element is over-performing, in other words, the impact is low and the performance is high; unnecessary effort and funds are being spent on something that is not really regarded as particularly important. The money, time and effort used for any element in this area should rather be reinvested in elements that fall into the under-performance area.

This section will discuss each of the performance areas, i.e. under-performance area, area of concern and where applicable over-performance of the elements that influence corporate reputation. Diagrams have been included of employees, clients and financial analysts, as these stakeholders were identified in the literature as having the greatest impact on corporate reputation in terms of their channels of communication.

8.4 The Group's employees' perception of corporate reputation

In order to understand the perception that employees have of The Group's corporate reputation, it is important to first establish what the channels of communication are. The elements that have a negative impact on corporate reputation, as perceived by the employees, will then be discussed in terms of the under-performing areas and areas of concern. All the business units in The Group were included in this study.

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8.4.1 Employee channels of communication

As stated by De Chernatony (2002:119), 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.

The figure below, Figure 12, illustrates the inflow of communication that employees of the organisation use to obtain information on their place of work. The information flow diagram has been used to illustrate the flow of information from various sources. The blue area is an indication of information sources within the organisation; green areas represent information sources outside the organisation. The percentages within each information source indicate the amount of information collected from the specific source and the number on the outside of the information source indicates how credible the collector of the information deems it to be. The respondents were required to rate the credibility on a scale of 0 to 5. A rating between 0 and 2 means a low credibility, 3 represents a medium credibility and a score of 4 to 5 means a high credibility.

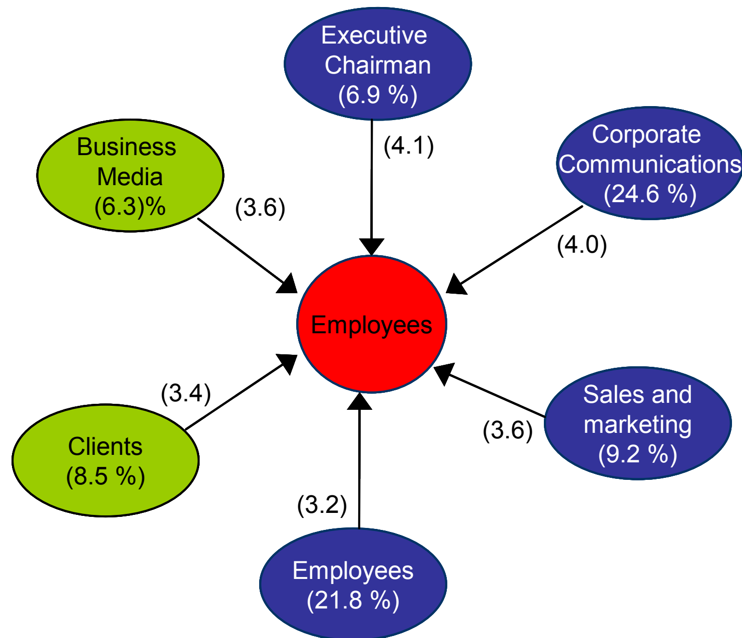

Figure 12 The Group's employee inflow of communication

From the figure above it can be seen that The Group's employees get most of their information about their organisation from the corporate communications department (24.6%). They deem this specific source to be highly credible (4.0). Employees also get most of their information on the organisation from their colleagues, with a medium (3.2) credibility rating. The role of the corporate communications department can be seen as very important.

Gary and Smeltzer (1985:76) concur that present employees are a final constituency that an organisation must consider when communicating corporate image. It is generally believed that a positive identity in the eyes of employees is a prime causal factor of high morale and efficiency. 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.

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Employees seem to use mainly internal channels of communication as well as the grapevine to get most of their information. This could be seen as a possible opportunity for The Group's management to channel information to employees. Some current blockages in terms of communicating to employees through the management channel could be due to the broadcasting nature of current information sources as well as the lack of information cascading through the management structure.

The figure below, Figure 13, illustrates the distribution of communication from employees to various stakeholders of The Group.

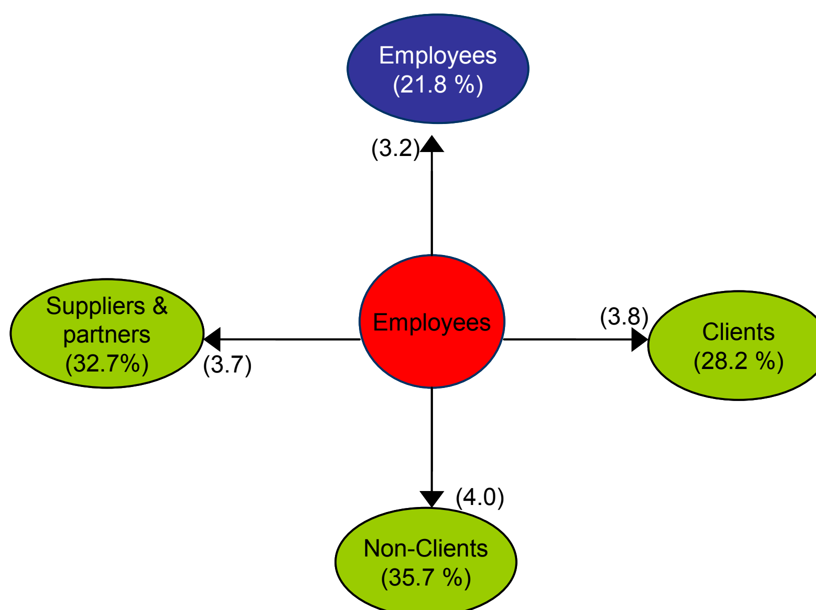

Figure 13 Distribution of communication from The Group's employees

Figure 13 illustrates the distribution of communication that flows from employees to the other stakeholder groups of the organisation. It is valuable to understand the flow of information from employees, as this will allow the organisation to optimise the utilisation of this channel of communication in terms of influencing corporate reputation. The Group's employees disseminate most information to non-clients, suppliers and partners.

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Non-clients obtain 35.7% of all the information they collect on The Group from employees. This could be attributable to the personal relationship that is developed between prospective clients and employees while the employees try to convert them to clients. It is therefore imperative that the employees get accurate information to communicate to this group. The non-clients have rated the credibility of this source of information as 4.0, which is high; therefore the employees are crucial in the conversion of non-clients to clients and building the reputation of the organisation.

Another stakeholder group that gets most of its information from The Group's employees is the suppliers and partners; 32.7% of their information about The Group is collected from employees. They regard this source of information as of medium credibility (3.7). This could also be attributable to the close relationship that is built between these two groups.

Employees also obtain a large amount of information about The Group from their colleagues (21.8%). This source was also rated as of medium credibility (3.2).

The Group's employees are most probably the most important source of information for all stakeholders and should be treated as such. This implies that employees as a stakeholder group should probably be the responsibility of the executive chairman to underpin the importance of this group and to ensure that the information provided to this group is as accurate as possible. This stakeholder group has the ability to improve or damage the reputation of The Group and has probably done most of the damage in the past.

8.4.2 Employees' perception of The Group's reputation performance

This section will focus on the elements that build the corporate reputation as perceived by the employees of The Group. The figure below (Figure 14) illustrates the performance matrix of the employees within the organisation. The bottom left area of the figure is the under-performance area (i.e. the impact on corporate reputation is high, but the actual

performance is low). This is currently influencing the perception of corporate reputation negatively, according to the employees.

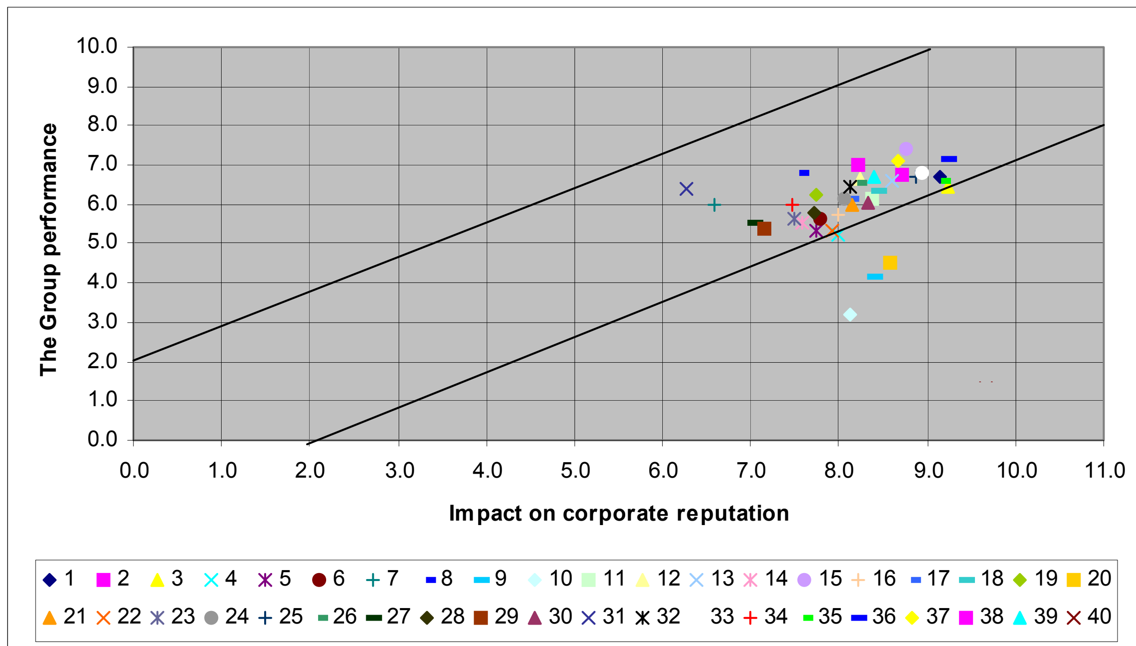

Figure 14 Performance matrix of corporate reputation according to employees

Two areas will be discussed: the area of under-performance, which leads to a negative perception of The Group that is created when the impact of a specific element is higher than its actual performance. Secondly, the area of concern will also be highlighted. These are elements that may have a negative impact on corporate reputation if left unattended in the future. These elements lie very close to the area of under-performance.

- **Under-performance area**

  The under-performance area indicates a specific element's impact on corporate reputation to be high, but the actual performance is low.

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Specific elements that currently lie within the area of under-performance, undermining corporate reputation, according to The Group's employees, are described below.

The greatest concern for this group in terms of negative impact on corporate reputation is financially orientated, namely the share price, shareholder value and investor attractiveness. These are the elements that are currently under-performing and should be The Group's primary focus in an attempt to rectify the perception where possible. The perception of these various elements is what The Group employees are currently communicating to various stakeholder groups, thus influencing the manner in which these stakeholder groups view The Group. It needs to be noted that although all the elements falling in this area are financial, they are not all under the control of The Group, as some are market-driven. Communication on these elements needs to be handled sensitively.

- **Area of concern**

Elements that lie very close to the area of under-performance need to be monitored and managed. If left unattended, these elements may have a negative impact on the corporate reputation in the future.

An element that may become a concern in the future and will need to be managed is client satisfaction, where the current perception of the impact on corporate reputation is higher than the actual performance. This is an indication that the employees feel that they are not optimally satisfying their clients' needs, which may be a concern. As Durvasula *et al.* (2000:433) assert, an essential ingredient for a successful organisation is to keep the clients satisfied on a long-term basis. The key to relationship management is developing, maintaining and enhancing the dynamics of a relationship with a client; the end result is likely to be a loyal client.

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The organisation's marketing and sales are rated as performing much lower compared to the high impact these are regarded as having on corporate reputation. Most of the employees feel that not enough is being done to market the organisation and that it is not visible enough in the marketplace. Gary and Smeltzer (1985:73) and Gray and Balmer in Goldberg *et al.* (2003:173) state that a strong positive image among the general public is regarded as strategically beneficial. With respect to the IT industry, greater public awareness of the organisation's existence may be obtained through public relations releases and advertisements and by participation in international exhibitions, such as software exhibitions.

The organisation's corporate communication is also close to under-performing. Although there is ample internal communication throughout the organisation, this rating could be an indication that current communication initiatives are not necessarily effective and it may not be information that the employees want to hear. The concern with this rating is that the content, channel or timing of any communication initiative is not right and not reaching the intended stakeholder group.

Delivery on promises is perceived to have a low performance compared to the impact. This element may be a concern, as it indicates that the employees do not currently feel that they are keeping their promises to clients, or could be an indication that they do not have the necessary competencies to deliver on promises. The latter is something that management may need to focus on in the near future.

Black economic empowerment (BEE) initiatives are also a concern. If these are not managed they will undermine the credibility and trustworthiness of the organisation, leading to a negative corporate reputation.

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8.5 The Group's executive board's perception of corporate reputation

In order to understand the perception that the executive board of The Group has of The Group's corporate reputation, it is important first to establish what the channels of communication are internally and externally. The elements that have a negative impact on corporate reputation as perceived by The Group's executive board will then be discussed. Five personal face-to-face interviews were conducted with the executive management of The Group.

8.5.1 The Group's executive management's channels of communication

The members of the executive board of The Group were required to indicate where they got most of their information about The Group.

The executive board of The Group indicated that they make use of a large number of sources. However, they predominantly get their information from their employees, which they rate as of medium credibility (3.8). They also get a large part of their information from the executive chairman, which they rate as of high credibility (4.5).

It is interesting to note that the executive board also got a fair amount of information from their organisation's suppliers and partners (12.5%), which they regarded as of medium credibility (3.4).

When the channels of communication were explored in terms of with whom the executive board of The Group communicates, the following was determined:

- **The executive chairman:**

  Employees use most of the information communicated by the executive chairman as one of their main sources of information about The Group. Employees get approximately 6.9% of all their information from the executive chairman and regard

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him as very credible (4.1). This represents a major opportunity to influence the employees and to provide them with the correct information to influence the stakeholders that use them as a source of information.

Of the media respondents interviewed, 40% indicated that they got a large amount of all the information they gather on The Group (17.9%) from the executive chairman, and regard him as having high credibility (4.0).

Financial analysts also get a large portion of their information from the executive chairman (17.2%). However, it is interesting to note that this group does not regard the information communicated by the chief executive as very credible (2.8).

Organisational leaders must according to Testa (2002:262) and Wilson (2003:16) understand how internal and external stakeholders perceive them if the relationship is to be maximised. The leader must earn the trust of all stakeholders, which is a difficult balancing act, as each stakeholder group has different needs.

- **The executive board**

Clients make the most use of this source, 10.9% of all the information they collect on The Group is through the executive board. They regard this source as having a high credibility (4.0). Financial analysts get 11.8% of all their information of The Group from the executive board. However, they regard this source's credibility as medium (3.2). The total percentage of information that suppliers and partners get from this source is 7.4%, and they also regard the executive board as having medium credibility (3.4).

Worrying though, is the low level of client and non-client interaction with The Group's executive board as well as interaction with the media. In general the board

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is perceived as a credible source and this should be used to The Group's advantage.

8.5.2 The Group's executive management's perception of The Group's corporate reputation performance

The executive board team of The Group was required to indicate what their perception was of the impact of certain elements on corporate reputation, and then indicate their perception on how The Group was performing on these elements. It needs to be taken into consideration that an executive board usually tends to be over-critical of its organisation and therefore a greater amount of elements fall within the area of under-performance. This is the area where the impact of an element is high on corporate reputation and the performance of the organisation on the specific elements is perceived to be much lower. The elements in this area should be the focal point for improvement in the future.

- **Under-performance areas**

  The financial elements are currently the greatest concern for this stakeholder group. This could be attributable to the low share price resulting from the dip in the whole IT industry and they feel that they have a responsibility towards their shareholders and employees. The financial elements are, however, market-driven and out of the control of the executive board, but all the relevant parties need to be kept up to date and informed as to what is happening on this front.

  The elements that are currently the greatest concern, are therefore the share price, The Group's shareholder value, investor attractiveness and profitability, because the impact that these elements have on corporate reputation is perceived as being much higher than The Group's current performance.

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The corporate image of The Group is currently also perceived to be under-performing. The executive board feels that much could be done to improve the current image of the organisation. Easton (1966:168), Gary and Smeltzer (1985:73) and Bickerton (2000:42) as well as Christensen and Askegaard (2001:295) summate that the corporate image is based on the collective impressions of all the stakeholders of the organisation. These impressions are derived from an organisation in its surroundings, such as an individual's personal contacts with the organisation, hearsay, mass communication media and psychological predispositions not controlled by the organisation.

The general organisational elements that are under-performing are aspects such as BEE initiatives and The Group's lack of globalisation. The element of delivering on promises falls into the area of under-performance. Although the difference between the impact on corporate reputation and The Group's performance is slight, this is still an element that will need this stakeholder group's attention in order to change the current perception of The Group. The Group's corporate management process alignment is also under-performing. The stakeholder group was under the impression that the location of the corporate head office may have an impact on the reputation of an organisation.

Leadership style also fell within this area, which could be a possible concern for the organisation, as the members of the executive board indicated that they are concerned about the manner in which their colleagues are leading the organisation.

The product-related elements that fall within the area of under-performance are the value of offerings and the flexibility of products and services. Richardson and Bolesh (2002:54) suggest that reputable organisations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organisations use a combination of transparency, strong ethics

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and a commitment to quality products and services to build and maintain their reputations.

The executive board is also concerned about the current PR communication initiatives within the organisation, as it has rated the impact that this element has on corporate reputation as much higher than The Group's current performance. This could be due to the negative publicity of the IT industry in the media recently, lack of employee morale in the organisation and failure to communicate the right message through the right channel to the right stakeholder groups at the right time. Gary and Smeltzer (1985:73) and Gray and Balmer in Goldberg *et al.* (2003:173) state that management focusing on image management is able to build a positive reputation by investing in symbols of quality and indicators of a successful organisation.

Employee satisfaction was rated low. This could be an indication of low employee morale within the organisation, which could be attributable to the share price that is currently not regarded as an incentive but is viewed as a loss. It could also be as a result of ineffective internal communication initiatives and attributable to a fair amount of internal politics in the various business units. 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. 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.

Two client-related elements fall within the area of under-performance, namely client relationships and client satisfaction.

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- **Areas of concern**

Areas of concern are elements of which cognisance needs to be taken and actively managed to prevent it from having a negative impact on corporate reputation and becoming under-performing areas. Areas of concern for this stakeholder group include:

Social responsibility; in order to understand corporate reputation, there is a necessity, according to Wilson (2003:17), to understand CSR. CSR 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.

The corporate brand will also need to be monitored, to ensure that it does not become an under-performing element that has a negative impact on corporate reputation.

8.6 The Group's clients' perception of corporate reputation

In order to understand the perception that clients have of The Group's corporate reputation, it is important to establish first what the channels of communication are. The elements that have a negative impact on corporate reputation as perceived by the clients will then be discussed. Personal and telephonic interviews were conducted with The Group's clients.

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8.6.1 The Group's clients' channels of communication

The larger clients of The Group were approached and were required to indicate where they got the majority of their information about The Group. Through this it was determined that the clients collect most of the information about The Group from employees, probably as a result of direct contact with employees working on projects within their organisations. They regard this source of information as of medium credibility (3.8).

Anon. (2002a:26), Harris and De Chernatony (2001:441) and Davies and Chun (2002:147) all agree that if staff members 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, other stakeholders will believe the employees rather than the publicity. Employees are "brand ambassadors" and only if they "live the brand" will the reputation management efforts succeed. Organisations have to encourage employees to "buy into" the organisation's vision and values; they have to make sure that everyone within the organisation clearly understands what the common set of values is, for employees to be able to reflect them through their own behaviour and communication. For this to happen, reputation has to be based on reality in order to be credible.

The clients of The Group regard the executive board and other clients as the most credible sources of information (averaging 4.0). It also appears that The Group's clients make extensive use of trade media (17.4%). This is an indication that industry-specific, technical and product-related articles are very important to them.

The stakeholders to whom clients disseminate most of their information about The Group are external stakeholders such as other clients (11.9), non-clients (10.8%), suppliers and partners (11.6%), as well as employees (8.5%). The fact that clients talk to one another could indicate a snowball effect that could be either to The Group's advantage or detriment. Referrals are extremely powerful to obtain non-clients as clients; therefore clients are a very credible source of information.

8.6.2 The Group's client's perception of corporate reputation performance

The clients of The Group were required to indicate what they regarded as having the greatest impact on an organisation's corporate reputation. They were then asked to give their perception of The Group's performance on the specific element.

According to Doyle (2000:221) brand equity arises from the trust that clients place in the organisation's brand. This trust creates a relationship between the brand and the client that encourages preference, brand loyalty and willingness to consider the new products and services that the organisation may offer in the future under its brand name. There is clear evidence that strong brands, through corporate reputation, create value for shareholders as well as for clients. The figure below, Figure 15, illustrates the elements influencing corporate reputation as perceived by the clients of The Group.

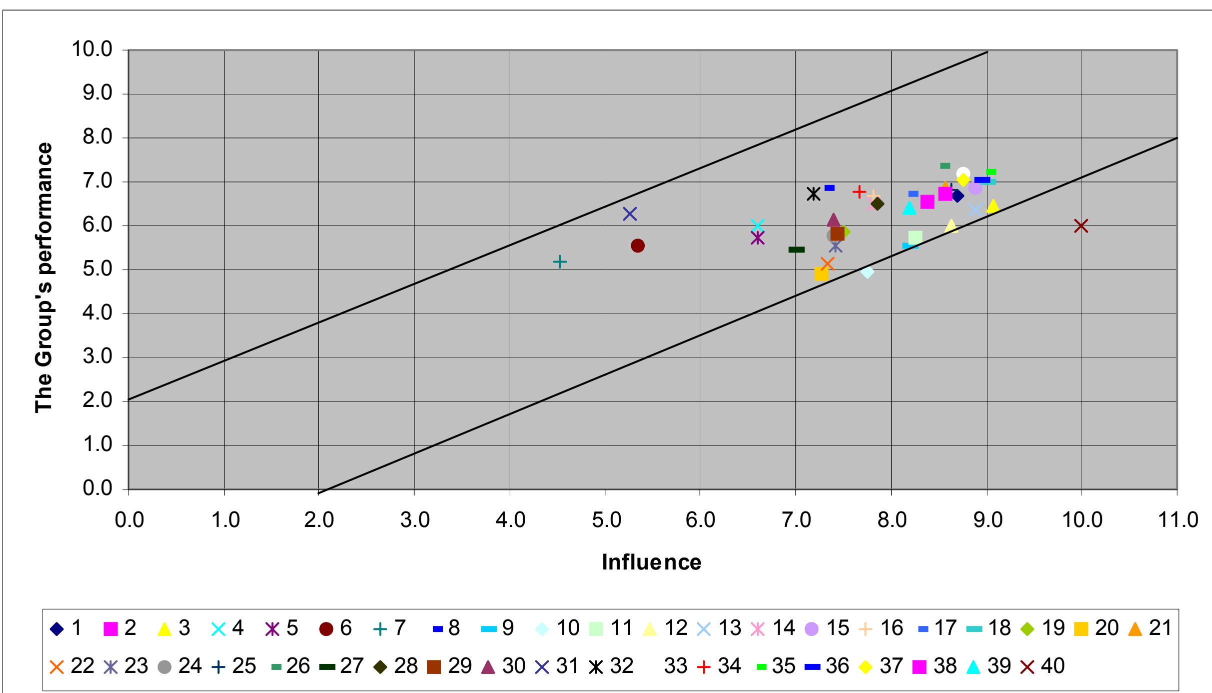

Figure 15 Performance matrix of corporate reputation according to their client

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There are two areas that will be discussed: the area of under-performance, which leads to creating a negative perception of The Group when the impact of a specific element is higher than its actual performance. Secondly, the areas of concern will also be highlighted. These are elements that may have a negative impact on corporate reputation if left unattended in the future. These elements lie very close to the area of under-performance.

- **Under-performance areas**

  There was only one specific element that the respondents felt was under-performing: corporate management process alignment, where it was indicated that there needs to be greater business intimacy

- **Areas of concern**

  Areas of concern are elements of which cognisance needs to be taken and actively managed to prevent them from having a negative impact on corporate reputation. These elements will be discussed in this section:

  The Group's client satisfaction needs to be monitored to prevent this element from under-performing. This element was perceived to have a very high impact on an organisation's corporate reputation and was perceived to be performing lower in comparison to its perceived impact on corporate reputation. As noted by Durvasula *et al.* (2000:433) 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.

  Shareholder value and share price are also two important elements to be monitored as best possible. Although these are elements that The Group management has no

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control over, the appropriate communication should be disseminated to the right stakeholders with regard to developments and changes in this area.

8.7 Non-clients' perception of corporate reputation

In order to understand the perception that non-clients have of The Group's corporate reputation, it was important to establish first what the channels of communication are. The elements that had a negative impact on corporate reputation as perceived by the non-clients are then explored. Personal and telephonic interviews were conducted with non-clients. The purpose of interviewing non-clients was to determine what their perception was of The Group. This will enable The Group to determine what the best way would be to convert the non-clients to clients in the future.

8.7.1 Non-clients' channels of communication

Non-clients or alternatively, potential future clients, were required to indicate the sources of information they use when gathering information about The Group.

The potential new clients got most of their information about The Group from The Group's employees. This could result from negotiations between the prospective clients and The Group's employees. Unlike The Group's clients, the prospective clients made more extensive use of business media as opposed to the trade media used by clients. This could be attributable to the fact that non-clients would be more interested in the financial side of an organisation and the general business practice. Therefore communications from The Group should focus more on business media in order to convert non-clients to clients. As noted by Morsing and Kristensen (2001:25), business media play a significant role in furnishing modern organisations with a day-to-day self-description.

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Employees, business media and clients present a major opportunity to communicate with non-clients by re-enforcing the current messages as well as providing support to the current sales effort.

8.7.2 Non-clients' perception of The Group's corporate reputation performance

Non-clients were interviewed to understand what their current perception and view was of The Group. They were also asked to evaluate a list of elements that had an impact on The Group's corporate reputation. They were required to give their perception of the impact that the specific element had on corporate reputation and then evaluate The Group's performance on the specific element.

There are two areas that will be discussed: the area of under-performance, which is created when the impact of a specific element is higher than its actual performance. Secondly, the areas of concern will also be highlighted. These are elements that may have a negative impact on corporate reputation if left unmanaged in the future. These elements could become under-performing areas if they remain unattended to.

- **Under-performance areas:**

  No elements fell in this area, The Group's perceived performance was therefore in line with the perceived impact that the specific elements had on an organisation's reputation:

- **Areas of concern**

  Areas of concern are elements of which cognisance needs to be taken and actively managed to prevent them from having a negative impact on corporate reputation. These elements will be discussed in this section.

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Areas that management will need to supervise to prevent the elements from falling into the under-performance area are BEE initiatives, delivery on promises and the quality of products and services. These three elements will also contribute to the credibility and trustworthiness of the organisation.

8.8 Financial analysts' perception of corporate reputation

In order to understand the perception that financial analysts have of The Group's corporate reputation, it is important to establish first what the channels of communication are. The elements that have a negative impact on corporate reputation as perceived by the financial analysts will be identified. This will be followed by an understanding of the financial analysts' knowledge of the core competencies within the organisation. Financial analysts have a significant effect on corporate reputation in terms of influencing the perception of shareholders and thus indirectly contributing to share price, shareholder value and profitability, which are the three most important elements affecting corporate reputation in terms of financial management.

8.8.1 Financial analysts' channels of communication

Financial analysts were required to indicate which sources of information they used to get information about The Group.

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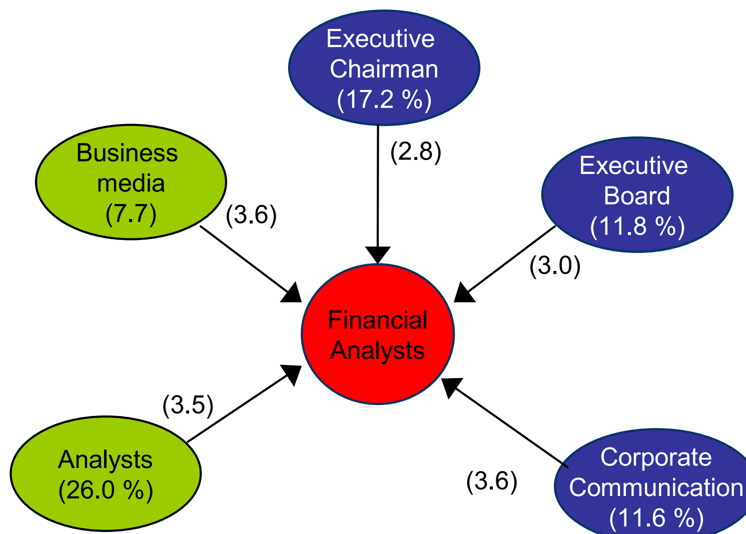

Figure 16 Financial analysts' channels of communication

There was a clear indication that the financial analysts obtained most of their information about The Group from internal sources to The Group, i.e. the executive chairman (17.2%), the executive board (11.8%) and the corporate communications department (11.6%). Financial analysts also get information from other financial analysts (26%). Business media provided financial analysts with 7.7% of all the information they collected about The Group and were rated as having medium credibility (3.6).

It is interesting to note that even though a fair amount of information is collected from the executive chairman, his credibility was rated low (2.8). The interaction between the financial analysts and the corporate communications department could possibly be due to the annual report that is compiled by this department.

Klein (1999:32) states that a CEO's reputation accounts for 40% of how an organisation is viewed by stakeholders and outsiders. A CEO's reputation influences shareholders to buy stock in the organisation, increases the credibility of the organisation if it should be under pressure in the media and will recommend the organisation as a good business partner.

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In terms of disseminating information about The Group, financial analysts distributed most of their information about The Group to other financial analysts (26%). This could provide an opportunity to target the opinion leaders within the financial analysts and use them to inform the rest of the analysts.

8.8.2 Financial analysts' perception of The Group's corporate reputation performance

Financial analysts were required to give their perception of The Group's current corporate image and reputation. They first needed to indicate what impact various elements had on an organisation's reputation and they were then required to give their opinion on how they perceived The Group to fare according to the various elements. Doyle (2000:221) indicated that there is clear evidence that strong brands create value for shareholders.

The elements have been represented graphically in Figure 17 in terms of over-performing and under-performing.

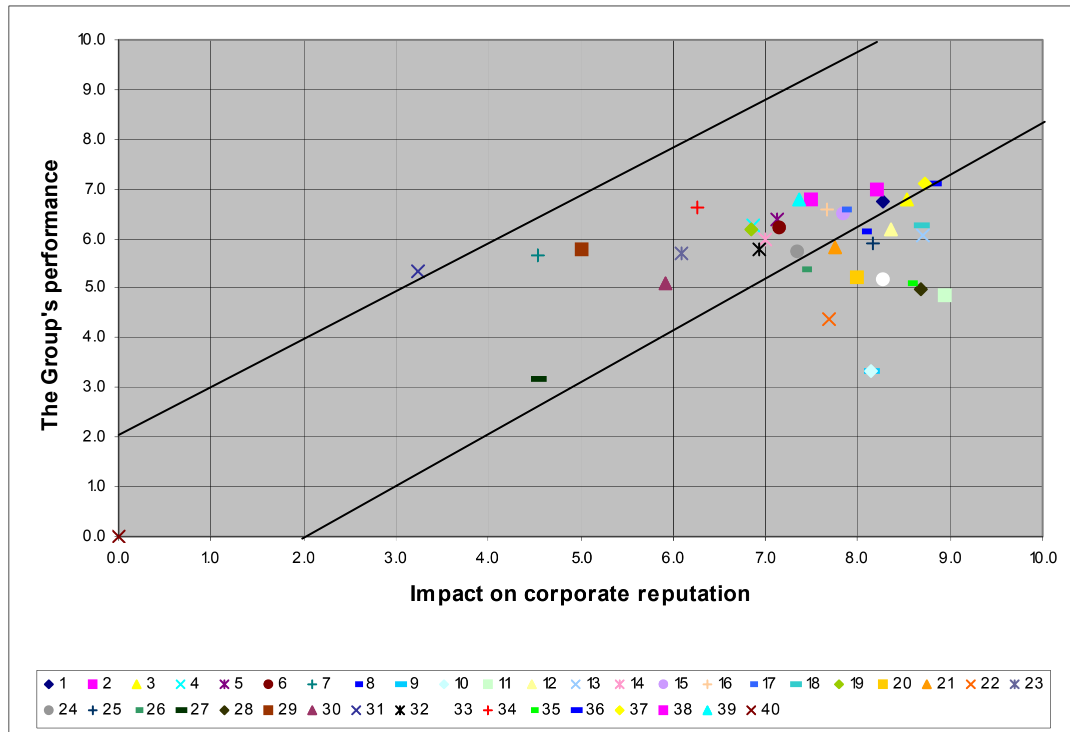

Figure 17 Performance matrix of financial analyst

The performance matrix illustrated above is a representation of the various elements that have an impact on an organisation's corporate reputation as perceived by financial analysts.

- **Over-performance areas**

The over-performance area is the area where the impact of a certain element is low and the performance of the organisation is high in terms of corporate reputation. In this area, management should guard against spending too much time, money and effort on a specific element, as it will have no impact on the improvement of the organisation's corporate reputation.

The element perceived as over-performing was the location of the head office. The financial analysts did not feel that the location of an organisation's head office had a

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great impact on how an organisation is perceived in the market. It would therefore not be worth The Group's while to relocate its head office, as this will have no effect on the current perception of The Group from the point of view of financial analysts. Therefore the concern that the executive board had regarding their corporate head office is therefore justified in terms of staying in their current location.

- **Under-performance areas**

Under-performance areas are areas indicating that a specific element is regarded as having a high impact on the organisation's corporate reputation, but the perception of the respondent is that The Group's performance of this specific element is low.

The financial elements are the greatest concern for the financial analysts. They have rated The Group to be under-performing in the following areas: shareholder value, share price, transparency, profitability, investor attractiveness, sustainability and delivery on promises. This could be attributable to the disappointing year-end results and commercial viability.

They also felt that quality of management, business ethics, trustworthiness and BEE initiatives needed to be enhanced before their current perception of The Group's reputation could be positively changed.

- **Areas of concern**

Areas of concern are elements of which cognisance needs to be taken and actively managed to prevent them from having a negative impact on corporate reputation. These elements will be discussed in this section:

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Elements that need to be monitored to prevent them from moving into the area of under-performance are client satisfaction, being in the IT industry, sustainability of strategy and having the ability to take advantage of opportunities.

8.9 The media's perception of corporate reputation

In order to understand the perception that the media have of The Group's corporate reputation, it is important to establish first what the channels of communication are. The elements that have a negative impact on corporate reputation as perceived by the media will be explored.

8.9.1 The media's channels of communication

Hanson and Stuart (2001:132) suggest that the manner in which the media portray events is more relevant for organisations than ever before. The fact that mass media play a major role in social issues and social change in the way they frame events is the essence of the notion of media framing. These frames, while largely unspoken and unacknowledged, organise the world both for journalists who report and to some important degree, for the general public who rely on their reports. Media framing, therefore, creates meaning over time. It does not directly cause changes in public opinion but forms a system with public opinion as the other element.

Various media commentators were interviewed for the purpose of this survey. Radio, magazine and electronic media respondents were required to indicate where they get information about The Group.

The media generally obtained most of their information from sources internal to The Group, such as the executive chairman (17.9%), the executive board (7.8%) and the corporate communications department (21.0%).

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The media disseminated the information they had collected to stakeholders in two different formats, namely trade media and business media. Trade media focus extensively on industry-specific, technical and product-related articles, whereas business media focus more on the financial side of an organisation and general business practice.

Of all the stakeholders that use trade media as a source of information, clients use this source to the greatest extent, getting 18.3% of their information from this source, which is an indication that specific IT-related articles are very important to them. Non-clients also make use of trade media but much less of their information (6.7%) is collected from this source. Suppliers and partners get 12.9% of their information from this source.

Business media are used predominantly by non-clients to obtain information about The Group (10.3%). This is an indication that they are more interested in the financial aspects of the organisation in contrast to articles written about a specific IT function, which would be found in the trade media.

8.9.2 The media's perception of The Group's corporate reputation performance

This group comprised both trade media and business media. They were required to indicate their perception of the impact that a specific element had on an organisation's corporate reputation, and then to indicate how they rated The Group's performance on this specific element. They first needed to indicate what impact various elements had on an organisation's reputation and were then required to give their opinion on how they perceived The Group to fare according to the various elements.

Two areas will be discussed. Firstly, the area of under-performance leads to a negative perception of The Group that is created when the impact of a specific element is higher than its actual performance. Secondly, the area of concern will also be highlighted. These are elements that may have a negative impact on corporate reputation if left unattended and not managed in time.

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- **Under-performance areas**

  The elements that have been rated as under-performing at present are the financial-specific elements such as shareholder value and share price. The quality of management, business ethics and trustworthiness also fall within this area.

- **Areas of concern**

  Cognisance needs to be taken of elements that are very close to under-performing. Action needs to be taken to manage these elements actively to prevent them from having a negative impact on corporate reputation. These elements will be discussed in this section:

  The elements that need to be monitored and where necessary managed, to prevent a negative impact on corporate reputation, are marketing and sales, being in the IT industry, profitability, investor attractiveness, BEE initiatives, leadership style, quality of products and services and the value of offerings.

8.10 Suppliers and partners' perception of corporate reputation

In order to understand the perception that suppliers and partners of The Group have of its corporate reputation, the channels of communication first need to be established. The elements that have a negative impact on corporate reputation as perceived by the suppliers and partners will be explored.

8.10.1 Suppliers and partners' channels of communication

Various suppliers and partners of The Group were approached to take part in this study. They were required to indicate where they got their information about The Group. Gary

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and Smeltzer (1985:75) comment that suppliers and partners play an intermediate role in the distribution of the product and can influence the purchasing decisions of clients; therefore they play an important role in an organisation's corporate reputation.

Most information on The Group is collected from The Group's employees, since the suppliers have close contact with The Group's employees. The suppliers and partners rated this source of information as medium (3.7). Suppliers also tend to get more information from trade media as opposed to business media. Using trade media as a channel of communication will enable The Group to build a stronger reputation, enhance the manner in which it is viewed by its suppliers and partners and ensure long-term contracts, loyalty and sturdy relationships. Increasing published articles in the trade media could possibly lead to new and more partners and suppliers.

8.10.2 Suppliers and partners' perception of The Group's corporate reputation performance

The major suppliers and partners of The Group were approached to take part in this study and give their opinion on how The Group performs on various elements that have an impact on an organisation's corporate reputation.

They were required to indicate what impact various elements had on an organisation's reputation and then to give their opinion on how they perceived The Group to fare according to the various elements.

Two areas will be discussed. Firstly, the area of under-performance, which leads to a negative perception of The Group, is created when the impact of a specific element is higher than its actual performance. Secondly, areas of concern will also be highlighted. These are elements that may have a negative impact on corporate reputation if left unattended and not managed in time.

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- **Under-performance areas**

There are currently several elements falling within the area of under-performance. This should pose a great concern for The Group's executive board and needs to be managed appropriately.

The under-performing areas include client relations and client satisfaction. This indicates that the suppliers of The Group are concerned that The Group is unable to satisfy its clients with the services currently provided to them.

The suppliers and partners are also concerned about The Group's performance of various financial elements, such as shareholder value, share price and profitability. BEE initiatives and social responsibility are also aspects to be taken into consideration that are currently under-performing and undermining The Group's corporate reputation. The Group will also need to concentrate on corporate management process alignment and business ethics.

The quality of services and products and the value of offerings also fall within this area of concern, which is an indication that the suppliers and partners of The Group do not perceive The Group to be performing very well in this regard. If The Group wants to retain its current suppliers and partners base and to attract new suppliers and partners in the future and to improve its corporate reputation and the way in which its suppliers and partners currently view it, these are elements that will need to be improved.

- **Area of concern**

Areas of concern are elements of which cognisance needs to be taken and which must be actively managed to prevent them from having a negative impact on corporate reputation. These elements will be discussed in this section

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The current elements that are reasons for concern include client loyalty, being in the IT industry (this is, however, an element that The Group has no control over), commercial viability, sustainability, investor attractiveness, globalisation and trustworthiness. These elements need to be monitored to ensure that they do not become areas of under-performance, which will have a negative impact on The Group's corporate reputation.

8.11 Public relations houses' perception of corporate reputation

In order to understand the public relations (PR) houses' perception of The Group's corporate reputation, it is important to first establish what the channels of communication are. The elements that have a negative impact on corporate reputation as perceived by the PR houses will be investigated.

Approximately 50 different PR houses were approached, of which only eight were familiar with The Group and able to complete the questionnaire. A separate questionnaire was then developed to determine what the general awareness of IT organisations in South Africa is.

8.11.1 Public relations' houses channels of communication

Of the PR houses approached to participate in the sample, only 11% were familiar with The Group and were able to complete the questionnaire. It was therefore decided to interview a random sample of 20 PR houses, to determine what their market awareness is of various IT organisations in South Africa.

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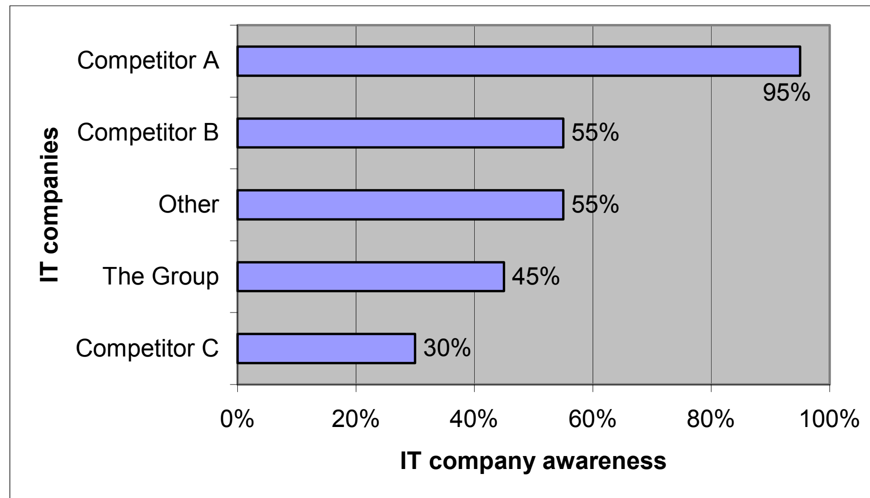

Figure 18 PR houses' awareness of IT organisations in South Africa

From the table above, it is clear that almost all the respondents in this group were aware of Competitor A (95%). Competitor C rated the lowest, with 30% market awareness; Competitor B rated 55% compared to The Group's market awareness of 45%.

8.11.2 PR houses' perception of The Group's corporate reputation performance

As the respondents interviewed had very little or no exposure to The Group, they were not required to complete this section of the questionnaire.

8.12 The public's perception of corporate reputation

In order to understand the general public's perception of The Group's corporate reputation, it was important to establish what the channels of communication were. The elements that have a negative impact on corporate reputation as perceived by the public relations houses will also be discussed.

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A limited number of interviews were conducted with this group, as most of the interviewees were not familiar with The Group. A separate questionnaire was then developed to determine what the public's general awareness of IT organisations in South Africa is.

8.12.1 The public's channels of communication

A random sample of the general public falling between LSM 9 and LSM 10 was taken. However, a limited sample was familiar with The Group and was able to complete the whole questionnaire. It was therefore decided to develop an additional question to determine whether the public knew of other IT organisations in South Africa.

A sample of 29 general public respondents was contacted, to determine which South African IT organisations they were familiar with.

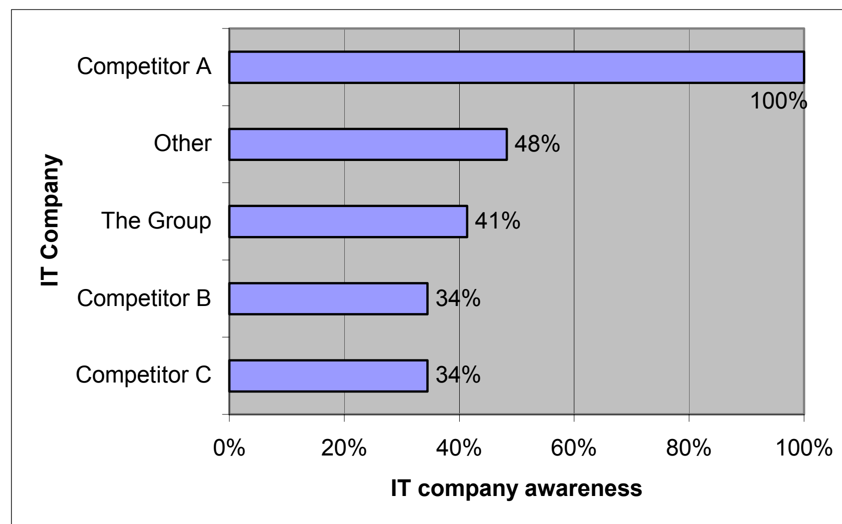

Figure 19 Public awareness of IT organisations in South Africa

The figure above indicates that the general public has a very high awareness of Competitor A. The general public awareness of IT organisations is very low.

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8.12.2 The public's perception of The Group's corporate reputation performance

As the respondents interviewed had very little or no exposure to The Group, they were not required to complete this section of the questionnaire.

8.13 Conclusion on the perception of The Group's corporate reputation

8.13.1 The Group's communication model

In order for The Group to improve its communication it will be necessary for them to take its current communication model into consideration.

Its primary focus should be its employees, as most of the stakeholders interviewed get their information about The Group from the employees. Therefore corporate communications will also need to be improved and enhanced, as employees get most of their information about The Group from this source.

Trade media are also a source of information that can be used to The Group's advantage to enhance the perception of The Group, especially how clients and suppliers perceive the organisation.

Business media articles could be a possible source of information that can be used to convert non-clients into clients and also to enhance how suppliers and partners view the organisation.

Much more public awareness needs to be created and this could be done through more sponsorships and media coverage of the organisation. Van der Walt *et al.* (1996:380) note that sponsorships are a popular means of gaining publicity. These sponsorships could include, golf, cycling, rugby or cricket.

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From all the information collected above it would appear that The Group is currently very reliant on its employees for communicating with the various stakeholders.

8.13.2 Conclusion on The Group's corporate reputation performance

All the results from the section focusing specifically on the corporate reputation performance of The Group have been collated and the major elements that are currently performing worst are illustrated in the table below. These elements need to be managed in a manner that would prevent any further damage to the corporate reputation of The Group.

	Customer satisfaction	Shareholder value	Share price	Investor attractiveness	BEE initiatives
The Group's employees	✔	✔	✔	✔	✔
The Group's Executive mangement	✔	✔	✔	✔	✔
Clients	✔	✔	✔		
Non-clients					✔
Financial Analysts	✔	✔	✔	✔	✔
Media		✔	✔	✔	✔
Suppliers and partners	✔	✔	✔	✔	✔
Frequency	5	6	6	5	6

Table 2 Under-performance elements that have a negative impact on corporate reputation

The figure above indicates the major elements that are currently under-performing. The elements that most respondents selected as having a negative impact on the corporate reputation of The Group were shareholder value, the share price and investor attractiveness. However, poor share price and shareholder value are not the only elements that undermine an organisation's reputation. Communication initiatives need to be undertaken to assure the various stakeholders that although the share price is low, the organisation is still performing well, The Group is still profitable and the positive aspects of

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the organisation should be focused on, highlighted and reiterated. Not only the negative aspects of an organisation should be communicated. The good areas also need to be communicated in order to make the stakeholders aware of the various offerings in terms of the core competencies the organisation is able to offer.

An extensive BEE programme will need to be implemented in order to enhance the corporate reputation of The Group, thus also enhancing the trustworthiness and credibility of the organisation, which will have a positive impact on its corporate reputation.

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Chapter 9: Conclusion and recommendations

9.1 Introduction

This last chapter will critically evaluate whether the hypotheses stated have been proved. i.e.

H1: The use of internal and external channels of communication to an organisation's stakeholder groups has an impact on corporate reputation; and

H2: There is a correlation between an organisation's corporate reputation in terms of general business management, financial management, corporate marketing and corporate communication.

9.2 Conclusions

9.2.1 Channels of communication influencing corporate reputation

The figure below, Figure 20, illustrates the entire network of communication flow internally and externally. It illustrates which stakeholders communicate with whom.

The very fine dotted line indicates less than 5% communication between parties.

The thicker stippled line indicates communication between 5% and 20%.

The thickest line shows more than 20% communication between the various stakeholders.

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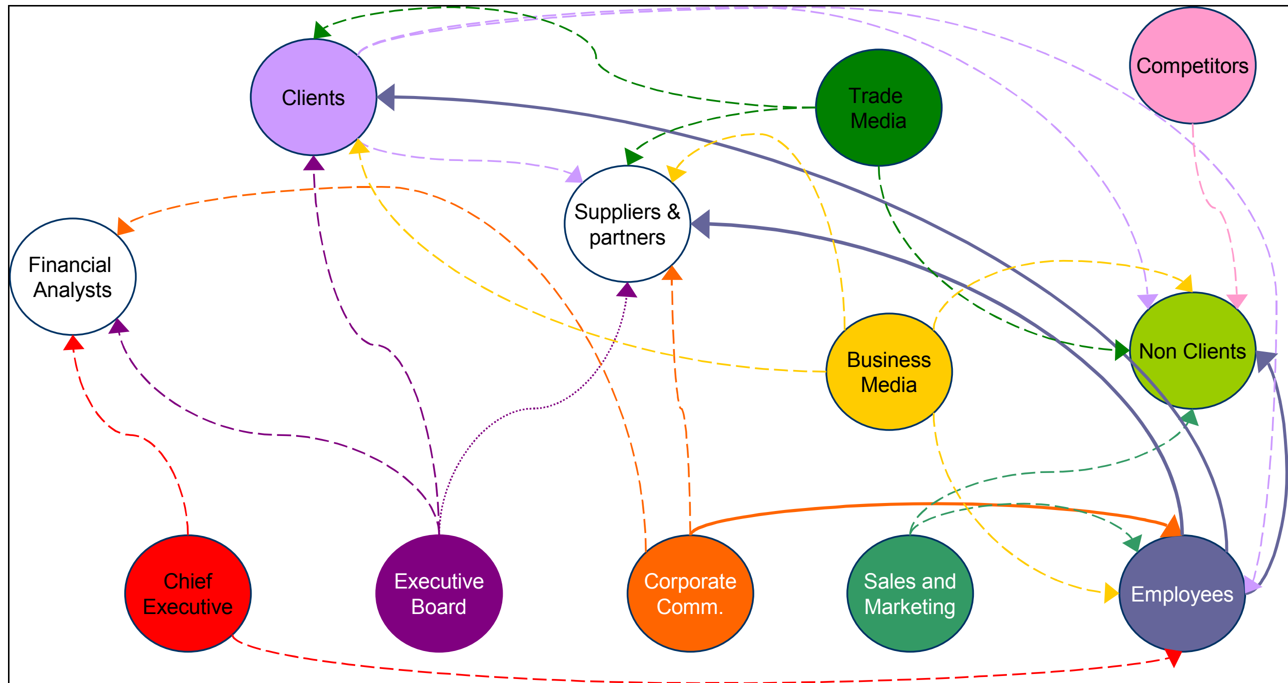

Figure 20 Total communication structure for The Group

In Figure 20 above the flow of information is clearly depicted. Most of the communication flows from the employees to the suppliers and partners, clients and non-clients. A large amount of information is gathered from corporate communication by the employees.

From all the information collected it would appear that The Group is currently too reliant on its employees for communicating with the various stakeholders. There are several other channels of communication that have been identified, which are also used by stakeholders to obtain information on the organisation and play an important role in forming opinions and perceptions of the stakeholders regarding corporate reputation. These channels of communication include external sources such as financial analysts, trade media and business media, clients, suppliers and partners.

Therefore the first hypothesis has been proved: the use of internal and external channels of communication with an organisation's stakeholder groups has an impact on corporate reputation.

9.2.2 Elements influencing corporate reputation

The figure below, Figure 21, illustrates The Group's overall performance score on corporate reputation in terms of all the elements of business processes, i.e. general business management, financial management, corporate marketing and corporate communication, influencing corporate reputation. This figure shows that The Group's corporate reputation performance of all the elements measured in total is 61%.

The blue area indicates internal sources, such as the employees; management and various departments within The Group and the green areas indicate external sources, which include clients, financial analysts, competitors, suppliers and partners, media and the public etc.

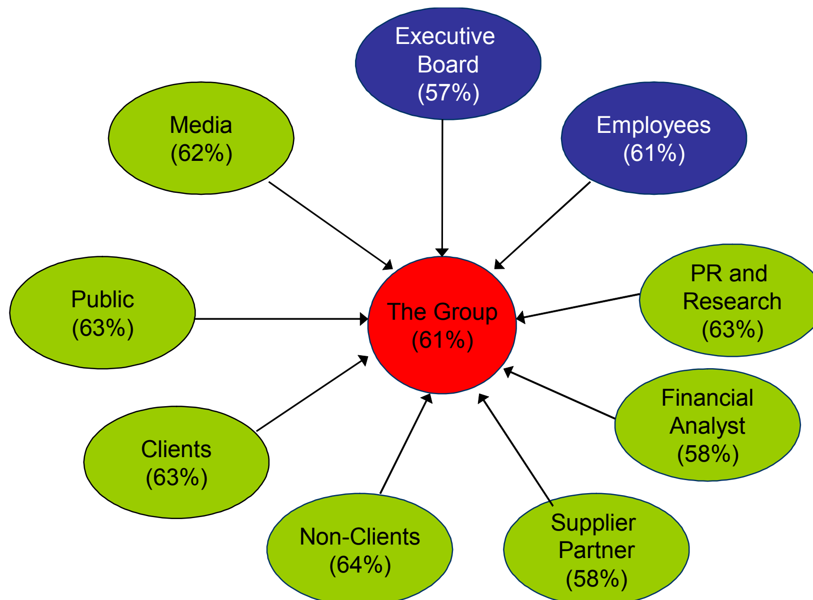

Figure 21 The overall performance of The Group's corporate reputation

The four business processes, namely general business management, financial management, corporate marketing and corporate communication, are interrelated in terms

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of impact on corporate reputation. These business processes do not influence corporate reputation in isolation; they are related and must be viewed holistically. It can therefore be concluded that there is a correlation between an organisation's corporate reputation in terms of general business management, financial management, corporate marketing and corporate communication, proving the second hypothesis.

9.3 Recommendations for The Group to improve its corporate reputation

- **Leaders and management**

  Just like any other wealth-creating asset, the leaders' reputation needs to be invested in, managed and leveraged over the long-term. Key elements of the leaders' reputation are credibility, integrity and high-quality communication with internal stakeholders about the direction of the organisation. The Group needs to make perception management part of its senior executive training regime, thus enabling greater understanding of corporate branding and resultant corporate reputation.

- **Employees**

  As The Group's employees have been identified to play a crucial role in disseminating information, they should be specifically targeted with appropriate action to be able to disseminate the correct information effectively. This implies that employees as a stakeholder group should probably be the responsibility of the executive chairman to underpin the importance of this group and to ensure that the information provided to this group is as accurate as possible. This stakeholder group has the ability to improve or damage the reputation of The Group and has probably done most of the damage in the past.

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Employees get most of their information about The Group from the corporate communications department. It is therefore very important that the corporate communications department should disseminate correct, accurate, reliable and timely information to this group.

Employees need to be quality-driven, be considerate to existing clients, attentive to signs of dissatisfaction among clients and to discovering quality defects before the client complains. The employees should make complaining easy.

Employees must project consistent and positive images of the organisation to internal and external stakeholders. Strong internal communication programmes that build understanding and buy-in of the organisation's position are critical in best-practice organisations.

- **Clients**

Clients disseminate most of the information about The Group to external stakeholders. Referrals are extremely powerful to convert non-clients to clients, as current clients are regarded as a very credible source of information.

- **Financial analysts**

Financial analysts disseminate most of their information among other financial analysts. This could provide an opportunity to target only the opinion leaders among the financial analysts and use them to inform the rest of the analysts.

- **Media**

The Group needs to make more extensive use of trade and business media. Trade media, which are used more frequently by clients, non-clients, suppliers and

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partners, focus extensively on industry-specific, technical and product-related articles, whereas business media focus more on the financial side of an organisation and general business practice. These media could be used quite successfully to convert non-clients into clients. However, as only a few articles get published in business media, it may be necessary to use other vehicles, such as advertorials or normal advertising. Advertisements reach masses of clients with only one marketing communication message. Advertising's purpose is not only to convey factual information; on the contrary, advertisers must persuade potential clients to buy, and often remind them to buy again.

- **Public**

A number of sources suggest that the creation of public awareness for The Group will have a positive effect on the organisation and hence have a positive impact on corporate reputation. Significantly more public awareness needs to be created and this could be done through more sponsorships and media coverage of the organisation. A strong positive image among the general public is regarded as strategically beneficial. With specific reference to the IT industry, greater public awareness of the organisation's existence may be obtained through public relations releases and advertisements and by participation in international exhibitions, such as software exhibitions.

- **Communication initiatives**

Communication initiatives need to be undertaken to assure the various stakeholders that, although the share price is low, the organisation is still performing well. The positive aspects of the organisation should be focused on and highlighted. Performance areas also need to be communicated to make the stakeholders aware of the various offerings.

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An extensive BEE programme needs to be implemented in order to enhance the corporate reputation of The Group. It will also create credibility and trustworthiness for the organisation.

Finally it is recommended that The Group should agree to a set of actionable, implementable initiatives across corporate functions, marketplaces and service lines to enhance its corporate reputation, which has been benchmarked in this study.

A specific marketing and communication campaign focusing purely on corporate reputation, taking the various elements discussed in this study into consideration, needs to be developed and implemented in order to enhance the corporate reputation of The Group.

9.4 Limitation of the study

This study was limited to the IT industry within the borders of South Africa.

It is important to note that a limited number of public relations houses and public stakeholders were interviewed, as most of the respondents interviewed indicated that they were not familiar with The Group.

The planned sample of The Group's employees was not realised as only a limited number of the questionnaires were returned within the allotted timeframe. It needs to be noted that only a very small percentage (4%) of The Group's employees returned their questionnaires.

It was established that the empirical findings reflect and confirm the theoretical construct of the study. This study does, however, present a few deficiencies that offer scope for future research.

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The questionnaire was based purely on theory and the literature summarised in the larger part of this study. It is therefore possible that other elements might exist that were not identified.

9.5 Recommendations for future research

A possibility for future study is to test a greater variety of organisations in different industries. Another area for future research is to repeat the study with the same respondents from the same organisations over time to track advances or any decline in corporate reputation.

The identification and inclusion of more business parameters could be included in the next study.

The most probable next step related to the current study would be to test and compare various IT organisations in terms of their corporate reputation.

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Appendices

Appendix A: Questionnaire: Qualitative……………………………………………………………II

Appendix B: Questionnaire: Quantitative………………………………………..………………III

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Appendix A: Questionnaire: Qualitative

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Appendix B: Questionnaire: Quantitative