

## CHAPTER 5

# CORPORATE REPUTATION, IDENTITY AND TRUST

*“Character may almost be called the most effective means of persuasion.”*

*– Aristotle*

### 1 INTRODUCTION: REPUTATION DEPENDS ON CHARACTER

A credible, sustainable corporate reputation – one that will earn a for-profit organisation its stakeholders’ trust and support – is determined by more than reputation-building activities such as accomplished corporate advertising, public relations activities and visual displays to present itself favourably to its stakeholders.

While these and other corporate communication activities certainly play a vital role in familiarising stakeholders with the organisation, this study posits that a reputation that will enhance the opportunities for stakeholders to get to know the organisation, to assess its past behaviour in a positive light, and ‘convince’ them to trust and support it, is evidently dependent on the authentic identity of the organisation, which it strategically and consistently reveals and presents through its aligned behaviour and self-presentation. Its stakeholders then come to know and form an opinion of the organisation based on its collective, institutionalised self-presentation of its identity, which makes it at once recognisable and distinguishable from other organisations (Hatch & Schultz, 2008:13; Olins, 2003:56).

The key point, however, is that it is not only authenticity and consistency in behaviour and appearance that is important, but rather the intrinsic characteristics of the organisation’s identity, based on ethical values and normative rules (Argandoña, 2008:438) that stakeholders can identify with, that will make it worthy of having its stakeholders’ trust placed in it (Casson & Della Giusta, 2006:346; Li & Betts, 2004:7; McEvily *et al.*, 2008:559).

Since an organisation’s decisions and actions cannot always be controlled or predicted, and since it constantly has to deal with unpredicted eventualities, the organisation’s reputation (as the result of its past behaviour) provides some information about the

organisation and how it has dealt with unexpected exigencies in the past (Blois, 1999:209). In order to trust the for-profit organisation, stakeholders need to have “... a rough sense as to general principles with which unforeseen contingencies will be met” (Blois, 1999:209), and they need to know that the organisation will consistently apply those principles even when its application might not be optimal in the short run or even when it serves no direct organisational objective, “... if doing so helps preserve ... the principle” (Blois, 1999:209).

To ensure that the principles that a for-profit organisation consistently applies in its decision-making will lead to a good reputation and stakeholders’ trust, it is then posited that the very nature of an organisation’s character – its corporate identity – needs to be based on moral values. In particular, this study maintains that only when a for-profit organisation has a trustworthy, ethical, value-based identity, will its stakeholders be able to depend on and trust in its ability to consider their needs and interests in any situation, particularly in uncertain circumstances (Swift, 2001:23).

This suggestion is substantiated by the discussion of the role of ethics and decision-making theory in Chapter 2. Since human decisions cannot be scientifically predicted, the view expressed that only ethics as the ‘most profound of all sciences’ can predict the consequences of decisions for the improvement of the actual decision-maker is used as basis. By using ethics – the ‘law that governs human behaviour’ (Argandoña, 2008:435) – as its key decision-making criterion, the organisation will then ensure that its decisions are not just focused on its own short-term interest, but that the valid self-interests of its stakeholders are also taken into account. A reputation in this sense is then actually a reputation for not being opportunistic (Wicks *et al.*, 1999:112).

Basically, it is then held that an organisation that defines and institutionalises its corporate identity around its purpose and values, and uses ethics as its guide to consistent organisational decisions and behaviour (Argandoña, 2008:435; Fukuyama, 1995:25; Jones, 2007:8,20) will be able to build a good reputation that will lead to stakeholders’ trust (Argandoña, 2008:438; Hosmer, 1995:395). Unless stakeholders, who are vulnerable to the actions of the organisation, believe that they can rely on it to typically act in a manner that will also protect their rights and interests, they will not trust

it – and therefore they will not engage in trust-informed risk-taking behaviour to support it (Dietz & Den Hartog, 2006:559-560; Ingenhoff & Sommer, 2010:340; Lewis & Weigert, 2008:157; Linthicum *et al.*, 2010:161; McEvily *et al.*, 2008:559; Mouzas *et al.*, 2007:1021; Swift, 2001:19).

Since decisions are made not only on the basis of reality itself, but on the basis of their perceptions of reality, whether accurate or not, stakeholders' perception or opinion of the organisation affect the likelihood of supportive behaviours from the stakeholders (Fombrun & Van Riel, 2004:2).

A strong, sustainable corporate reputation earned on the basis of the organisation's ethical character and consistent trustworthy behaviour can then be regarded as a strategic asset, as its reputational capital (Rangan, 2011:4). It gives the organisation credibility and signals to its stakeholders that it can be trusted; that it is *worthy* of trust, which in turn will lead to trusting, mutually beneficial relationships (Swift, 2001:22-23) and, as is argued in this study, to supportive stakeholder behaviour, which will impact positively on the organisation's long-term economic sustainability.

The difference between having a good reputation and being trusted is a subtle but important one, in that a for-profit organisation with a good reputation can be relied upon to behave in a manner that is consistent with its reputation, but might not be trusted to behave ethically under uncertain circumstances (Blois, 1999:208; Swift, 2001:23). It is then held that an organisation that authentically adopts and lives an ethical, value-based identity will not just be able to build a strong corporate reputation, but will in fact be able to earn the trust of its stakeholders, which will result in their continued support for and commitment to the for-profit organisation.

Trust is then considered as an outcome of reputation, provided that the reputation is substantiated in the organisation's ethical corporate identity and congruent trustworthy behaviour (Blois, 1999:200; Casson & Della Giusta, 2006:352; Einwiller, 2003:197; Helm & Gray 2009:66; Hosmer, 1995:386; McKnight & Chervany, 2006:31,41; Nooteboom, 2002:113,141; Swift, 2001:22). Trustworthiness is then regarded as a key attribute of corporate reputation, which in turn is regarded as an antecedent of trust

(Nooteboom, 2002:141; Casson & Della Giusta, 2006:352). Furthermore it is posited that the antecedents of trust should then be the antecedents of corporate reputation.

## **2 OUTLINE OF CHAPTER CONTENT**

A working definition of corporate reputation as conceptualised by this researcher for the purpose of this study is first provided. The rest of the discussion in this chapter then aims to clarify the operationalisation of the corporate reputation construct in this study.

As a point of departure, the existent literature related to the definitions, elements and attributes of corporate reputation is reviewed. This discussion is used to guide the development of a revised conceptualisation and framework of corporate reputation, in preparation for developing a conceptual model to explain and manage the relationship between corporate reputation and trust later on in this study.

First, the developments around the corporate reputation paradigm as well as the existing approaches to define and conceptualise corporate reputation are briefly discussed in order to propose a new approach, called the strategic alignment approach, using the relational perspective (Chun, 2005:93) as the point of departure.

The difference between corporate reputation and identity, culture, branding and image and its relationship with corporate communication are then briefly discussed to clarify the use of these constructs in relation to reputation management.

A brief overview of the relevance of reputation for today's for-profit organisations is then provided. The strategic benefits of a strong corporate reputation, based on the leading views in much of the existent literature, are first outlined before the argument is made that a strong reputation in itself is not sufficient to ensure the sustainability of an organisation, unless it leads to stakeholders' trust. Reference is made to the growing awareness of and focus on corporate reputation by executives and scholars alike, particularly in the wake of the wave of corporate scandals since the turn of the century.

One of the questions that are posed is whether this increasing interest in corporate reputation includes a thorough awareness of the fact that when stakeholders assess an organisation, they do so on the basis of its perceived identity and trustworthiness. The relationship between reputation and trust, as it relates to the sustainability of a for-profit organisation, is then briefly discussed.

In line with the overview of organisational identity theory, as discussed in Chapter 2, the importance of stakeholder identification for the performance and long-term sustainability of a for-profit organisation is then considered. The key dimensions of corporate reputation as currently being presented in the literature are then outlined, in order to highlight the existence of various models with different drivers and views on trust. In making the case for a greater emphasis on and understanding of the role of trustworthiness in corporate reputation, and the role of trust as an outcome of a sustainable corporate reputation, the creation of a single corporate identity and reputation (*vis-à-vis* multiple reputations) is proposed.

The central and strategic role of corporate communication as both the foundation of and the overarching primary mechanism with which to express and represent an organisation's authentic identity through its culture, image and brand-building activities, in order to enable it to become a trustworthy organisation and establish an authentic corporate reputation, is then discussed, after which the specific link between identity and reputation is reviewed. A functional understanding of this relationship is regarded as vital to inform and clarify the development and proposal of the new strategic alignment approach to conceptualising corporate reputation, in preparation for the development of a conceptual model that explains the relationship between corporate trust and corporate reputation.

The relational approach (Chun, 2005:93) as well as the *Vision-Culture-Image (VCI) Alignment model* developed by Hatch and Schultz (2008:11) is used as point of departure to explain the new strategic alignment management approach to corporate reputation proposed by this study. This in turn forms the basis for a discussion of the key elements that influence the corporate identity-corporate reputation relationship in the new strategic alignment approach as well as the revised reputation management

framework, adapted from the *VCI Alignment model*. The key elements (reputation promise, culture, image and corporate identity) as well as the process of this new proposed approach to corporate reputation management are then defined and discussed, and the new *Strategic Alignment Reputation Framework* is offered.

The conclusion to this chapter includes a final overview of the relationship between reputation and trust, in which the importance for an organisation to build a reputation that will earn its stakeholders' trust in order to ensure its own economic sustainability, is substantiated.

### **3 DEFINING CORPORATE REPUTATION**

#### **3.1 A WORKING DEFINITION OF CORPORATE REPUTATION**

This study regards corporate reputation to be the opinion that stakeholders form and the assessment they make of an organisation – based on what they believe the organisation stands for and their associations with it – rather than their mere awareness of it (Chun, 2005:105; Fombrun & Van Riel, 2003:230). In this study, corporate reputation is regarded as a means to an end – to lead to stakeholders' trust and therefore to their continued support and commitment to helping ensure the long-term sustainability of the organisation.

Corporate reputation (one that will lead to stakeholders' trust and thus to their continued support and commitment to ensuring the long-term sustainability of the organisation) is defined by this researcher as *the collective assessment that all relevant internal and external stakeholders make of the trustworthiness of an organisation; of its character, which influences their decision to trust and their actions to support the organisation* (Chun, 2005:105; Fombrun & Van Riel, 2003:230).

This researcher holds that the organisation's trustworthiness is demonstrated by its intrinsic normative characteristics as well as the authenticity with which it consistently acts in line with its ethically value-based identity. Stakeholders' opinion of the organisation's character has developed over time based on their direct experiences with

the actual behaviour of the organisation, as well as any other forms of communication and symbolism that provide information about the organisation's actions, which shape what they believe the organisation stands for (who and what it is) and the associations they make with it, and about its ability to fulfil their expectations in the future, based on its past and present actions (Barnett & Hoffman, 2008:4; Barnett *et al.*, 2006:36; Chun, 2005:105; Fombrun & Van Riel, 1997:10; Fombrun & Van Riel, 2003:230; Gotsi & Wilson, 2001:29).

The process of managing reputation then refers to the overall activity in an organisation to authentically manage and present its identity – what it stands for – by aligning its actual behaviour (culture) and communication (image) with what it proclaims to its stakeholders to be (reputation promise), in order to build and maintain its desired corporate reputation (Chun, 2005:105; Cooren *et al.* 2011:1152; Davies *et al.*, 2010:532).

Corporate reputation is then effectively seen to be about first managing primarily what happens inside an organisation; how authentically it manages its own identity internally and presents itself externally to its stakeholders, in order to familiarise its stakeholders with who and what the organisation is (Luhmann, 1979:19; Pirson, 2009:9) and so mould and influence their perceptions and opinions (Chun, 2005:105; Fombrun, 1997:10; Fombrun & Van Riel, 2004:260) about the trustworthiness of the organisation.

It needs to be highlighted that this researcher's argument for an initial and primarily internal focus in terms of the corporate reputation management process does not mean that the values, expectations and needs of stakeholders are not to be taken into account. On the contrary, this study contends that a for-profit organisation needs to ensure that it incorporates its stakeholders' expectations into its very core – in its vision and values, its very identity. Furthermore, this researcher maintains that an organisation then needs to first focus on creating the kind of organisation that it has promised its stakeholders to be, and that it should only focus on actively communicating its progress in this regard externally once the internal structures and processes that will allow it to evoke stakeholders' trust are in place.

This researcher suggests that a good corporate reputation is regarded to be the result of consistent trust-worthy (own emphasis) behaviour (Hosmer, 1995:386), which then influences and reinforces the expectations, and therefore the trust and ongoing supportive behaviour, of its stakeholders. Trustworthiness is therefore regarded as the key precursor to reputation, which in turn is regarded as an antecedent of corporate trust (Nooteboom, 2002:141; Casson & Della Giusta, 2006:352).

## **3.2 CLARIFYING THE OPERATIONALISATION OF THE CORPORATE REPUTATION CONSTRUCT**

There are numerous definitions of corporate reputation, stemming from diverse disciplines such as marketing, communication, strategy, management, economics and accounting (Barnett *et al.*, 2006:33; Chun, 2005:93; Fombrun & Van Riel, 1997:10). These diverse views have led to some confusion between the meanings of the terms reputation, brand, image, identity and trust. This in turn has contributed to the perplexity surrounding the role and function of reputation, for example if it should be regarded as a subset of a corporate brand, as synonymous with corporate image or as the collective outcome of a number of attributes (including trust).

It is outside the range of this study to attempt to explore all the definitive concepts of reputation from the various ontological literatures. However, a comprehensive overview of the reputation construct will follow later in this chapter for the purpose of contextualising the construct of corporate reputation and its relevance to the corporate trust construct, as used in this study. For the immediate purpose, a brief overview of the developments in defining corporate reputation as well as the distinction between reputation and related constructs will be provided, in order to demarcate the exact approach being followed in this study and clarify the operationalisation of the corporate reputation construct for the purpose of this study.

### **3.2.1 Developments in defining corporate reputation**

In the inaugural issue of *Corporate Reputation Review* in 1997, editors Fombrun and Van Riel (1997:10) identified a number of distinct views of corporate reputation,

grounded in a diversity of academic disciplines. These authors observed that while each of the disciplines explored different facets of the construct, an integrative definition of the concept was lacking (Fombrun & Van Riel, 1997:6). In examining corporate reputation from an economic, strategic, marketing, organisational, sociological and accounting view, the authors noted that, jointly, these academic literatures suggested that reputations constitute subjective, collective assessments of the trustworthiness and reliability of organisations, with specific characteristics related to corporate reputation (Fombrun & Van Riel, 1997:10).

These characteristics include the assessments of past performance, current ability and future potential, by diverse and multiple evaluators (or stakeholders) who all have diverse criteria and expectations of the organisation. Based on this, the authors proposed the following definition: “*A corporate reputation is a collective representation of a firm’s past actions and results that describes the firm’s ability to deliver valued outcomes to multiple stakeholders.*” (Fombrun & Van Riel, 1997:10). As such, these authors hold that it is a measure of a for-profit organisation’s relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments.

This definition clearly highlights that corporate reputation is an assessment of the organisation by multiple stakeholders; an assessment of the organisation’s past behaviour that influences stakeholders’ perceptions about the organisation’s future ability as well as their decisions about how to behave towards the organisation in future. However, while Fombrun and Van Riel (1997:7-8) refer to key concepts related to reputation such as culture, identity, image and corporate branding in their discussions of the distinct views of reputation, their definition does not clearly address and explain the relationship between these concepts, nor does it clarify the role of these concepts in the formation of corporate reputation.

Since the early 1990s, when corporate reputation was still a relatively new academic subject (Chun, 2005:91), there has been substantial growth in research and interest in corporate reputation (Barnett *et al.*, 2006:26-27). As such, various schools of thought

have developed to explain what corporate reputation is and what benefits it holds for an organisation (Barnett *et al.*, 2006:26-28; Chun, 2005:92).

In their article *Corporate Reputation: The definitional landscape*, Barnett *et al.* (2006:26-38) reviewed and categorised prior existing definitions into three main clusters. The first cluster, namely the Asset cluster, includes all those definitions that define corporate reputation as a resource or an intangible asset that is of financial or economic value and significance to the organisation (Barnett *et al.*, 2006:33). The second cluster, called the Awareness cluster, contains those definitions of corporate reputation that focus on the general awareness or perception of an organisation on the part of observers or stakeholders, but who do not make judgements about it (Barnett *et al.*, 2006:32).

The third cluster, named the Assessment cluster, includes those definitions of corporate reputation indicating that stakeholders form a judgement, an opinion or an assessment of the status of the organisation (Barnett *et al.*, 2006:32). These authors conclude that the cluster of meaning that looks most promising for future definitional work uses the language of assessment and specific terms such as judgement, estimation, evaluation or opinion (Barnett *et al.*, 2006:36).

While this categorisation is very useful, particularly in highlighting the importance of assessment or formation of opinion to corporate reputation, which is in line with Fombrun and Van Riel's definition noted earlier, it does not give a clear enough explanation of which stakeholders need to be considered when examining corporate reputation.

Furthermore, while Barnett *et al.* (2006:28-29) refer to the confusion that currently exist concerning the concepts of identity, image and reputation, their three-cluster categorisation does not clearly address and explain the relationship between these concepts, nor does it clarify the role that these play in the formation of corporate reputation. The inclusion of the Asset cluster may refer more to the *consequences* of corporate reputation, rather than attempting to define it (Barnett *et al.*, 2006:33).

### **3.2.2 Existing approaches to conceptualise and define corporate reputation**

In her comprehensive review of the multifarious definitions in an attempt to offer a clearer distinction of the reputation paradigm, Chun (2005:93-95) proposes a demarcation founded on the stakeholders as the focal point. Based on this, three broad categories – the evaluative, impressional and relational approaches – are identified. This demarcation of the three existing approaches in literature to define and conceptualise corporate reputation will be briefly discussed, in preparation for the proposal of a new approach to the reputation paradigm within the corporate identity/trust framework which follows.

#### ▪ ***Evaluative approach***

According to Chun (2005:93), one of the three main existing approaches used to examine corporate reputation is the evaluative approach. In this school of thought, which is mainly concerned with shareholders, reputation is considered based on its financial value or on the short-term financial performance of the organisation.

This approach, which is rooted in the areas of strategy and economics, is preoccupied with the economic performance of an organisation, and regards a good corporate reputation as a competitive advantage or an intangible asset. The key stakeholder focus here is on a single or explicit audience whose main interests are the organisation's financial attributes, such as shareholders, the CEO or investment advisers (Chun, 2005:93).

Chun's description of this approach to corporate reputation is similar to the group of definitions that Barnett *et al.* (2006:33) place in the Asset cluster.

#### ▪ ***Impressional approach***

A second main approach to examining corporate reputation is the impressional approach. In this school of thought, which is mainly concerned with either customers or employees, reputation is considered based on the overall impression these stakeholders

have of an organisation. Typical terms associated with this approach include image, identity and personality.

This approach also has mainly a single stakeholder view, with the key focus on either the customers or the employees (Chun, 2005:94). The distinguishing factor here would be the academic discipline in which these definitions are grounded. In the marketing literature the focus is on ideas related to customers and corporate image, while those grounded in the organisational literature focus on the relationship between employees and their organisation (Chun, 2005:93).

Chun's description of this approach to corporate reputation is similar to the group of definitions that Barnett *et al.* (2006:32) place in the Awareness cluster.

- ***Relational approach***

The third main approach to examine corporate reputation is the relational approach. In this school of thought reputation is considered based upon the stakeholder theory which maintains that different stakeholders may have different expectations of an organisation (Chun, 2005:93).

Based on the view that an organisation has multiple stakeholders with multiple opinions, the basic assumption of this approach is that an organisation has many reputations. The relational school distinguishes between internal stakeholders' views, which are rooted in the organisation's culture and identity; and external stakeholders' views, which are rooted in the organisation's image.

However, while this school emphasises differences between the views of its different stakeholders, it also contains the idea that internal and external stakeholder views are linked in the formation of an organisation's overall reputation. As such, it concerns itself with managing the relational gaps or differences particularly between its employees' and customers' views of the organisation, in order to achieve a high level of congruence between these views (Chun, 2005:94).

According to the relational approach, corporate reputation then represents a collective and multi-dimensional construct as an aggregated perception and opinion of its internal and external stakeholders; particularly of its employees and customers. Corporate reputation is then regarded as the equal reflection of the internal and external stakeholders' view and assessment of the organisation (Chun, 2005:95).

Chun's description of this approach to corporate reputation is similar to the group of definitions that Barnett *et al.* (2006:32) place in the Assessment cluster.

### **3.2.3 A new proposed approach to conceptualise and define corporate reputation**

Since the relational approach is based upon stakeholder theory and since it acknowledges that a reputation is the result of the assessment by multiple stakeholders, which includes the views of both internal and all relevant external stakeholders, not just shareholders (Chun, 2005:93; Stout & Blair, 2001:28), the relational approach is used as a point of departure in order to begin to delineate the new approach proposed by this study.

It is maintained that a new approach is required, since it is contended that, within the corporate identity/trust framework of this study, the relational approach is lacking in three main areas: its stakeholder audience focus; its description of reputation as the comparison and equal reflection of the internal and external stakeholders' views and assessments of the organisation; and its basic underlying assumption that an organisation has many reputations, which calls for an organisation to manage its reputation by managing and aligning its internal and external stakeholders' views of the organisation.

In the first place, the existing conceptualisation of corporate reputation in the relational approach is regarded to be limited in its too narrow regard of the stakeholders of an organisation. While employees and customers are certainly important stakeholder groups, this focus still implies that only these typically identifiable and clearly defined stakeholder groups are key. However, based on the definition of stakeholders in this

study, which includes *all* stakeholders who are affected by or who can affect the organisation, the stakeholder audience focus is regarded to be much wider – so wide in fact, that it would be almost impossible for an organisation to proactively identify exactly who they are and build relationships with all of them.

This links to the second perceived limitation. In the relational approach, reputation is described as the comparison and equal reflection of the internal and external stakeholders' views and assessments of the organisation; suggesting that the organisation's focus and efforts should mainly be to determine and close the relational gaps or differences in order to manage its stakeholders' perceptions (focus thus external to the organisation itself). In contrast, corporate reputation is described in this study as the collective assessment by all internal and external stakeholders of the trustworthiness of the organisation – of its intrinsic normative characteristics as well as the authenticity with which it consistently acts and communicates in line with its ethically value-based identity.

This suggests that instead of a primarily 'external' focus in managing its reputation by trying to manage stakeholders' perceptions, an organisation should first adopt a primarily 'internal' focus – directing its efforts and time mainly on managing its own identity and ensuring strategic alignment between its ethically value-based identity and everything it does and says. It is posited that an organisation that first concentrates on managing its own accountability to all of its stakeholders in a trustworthy, ethical manner, and ensures that the corporate structures and processes that will evoke stakeholders' trust are in place, will significantly increase its likelihood of building a strong and sustainable corporate reputation that will result in stakeholders' trust.

This in turn links to the third perceived limitation of the existing relational approach to conceptualising reputation. The basic underlying assumption of the relational approach is that an organisation has many reputations which it has to manage, measure and align. In contrast, this study conceptualises reputation by assuming that an organisation should focus on managing a single reputation – one that will result in all its stakeholders assessing it as being an ethical organisation that is worthy of their trust and support. This also implies that the organisation only needs to have one measure, which aims to

get feedback from its stakeholders on how well it is collectively managing its own identity, and how trustworthy it is according to them.

Based on this, the strategic alignment approach to corporate reputation management is proposed by this study as a new way in which to conceptualise and define corporate reputation. This approach will be discussed in greater detail later in this chapter, when the key elements of reputation – as defined in the relational vis-à-vis the strategic alignment approach – will be outlined.

This study then regards corporate reputation to be a collective and multi-dimensional construct which is deemed to be the aggregated assessment of the trustworthiness of an organisation by all of its multiple stakeholders. In this sense, this construct is similar to the concept of collective trust (Gillespie & Dietz, 2009:430; Inghoff & Sommer, 2010:342; Kramer, 2010:84), which was discussed in Chapter 4.

#### **3.2.4 What corporate reputation is not**

Corporate reputation in this study does not mean the same as corporate identity, corporate culture, corporate brand or corporate image.

Corporate identity is defined in this study as *an organisation's inherent character; that which it is, what it stands for and can be held accountable for, and it encompasses the vision and values of the organisation which effectively distinguish it from other organisations – its unique identity* (Balmer & Gray, 2001:979; Barnett *et al.*, 2006:28,33; King & Whetten, 2008:195). Fombrun and Van Riel (2003:230) describe corporate reputation as the external reflection of an organisation's internal identity. The leadership's articulation of the organisation's identity and character forms the basis of the promise it makes to its stakeholders, of what they can expect the organisation to be. This study also refers to this as the reputation promise.

Corporate culture is defined in this study as *the actual validation and demonstration of the organisation's identity; of how it translates into actual organisational behaviour* (Blois, 1999:211; Rangan, 2011:4).

Corporate image, which can also be referred to as the 'intended' image, refers in this study to the mental associations that the organisation wants its stakeholders to hold, and as such image is seen as "... the internal collective state of mind that underlies its corporate communications efforts (successful or not) to present itself to others" (Barnett *et al.*, 2006:29; Walsh, Mitchell, Jackson & Beatty, 2009:189). An image is then basically defined as *the 'ideal picture' that the organisation presents to its stakeholders, what they want them to see as being "... most central, enduring and distinctive about their organisation" through its communication and reputation-building activities* (Barnett *et al.*, 2006:29).

In this study corporate branding refers to both the tangible aspects of branding, such as the organisation's name, logo, slogan and design aspects, or a combination of these, which is intended to identify the organisation and differentiate it from its competitors, as well as the intangible aspects of branding, such as the symbolism used to represent the organisation (Hatch & Schultz, 2008:26). As such, corporate branding is seen to form part of the total corporate image that the organisation projects of itself to all of its stakeholders.

Corporate identity, culture, brand and image are then largely driven by the organisation, whereas corporate reputation, as an assessment that is made about the organisation, is inherently stakeholder-driven (Helm & Gray, 2009:65). Essentially, it is held that while an organisation can shape a corporate identity, culture, brand and image, it cannot control how its stakeholders experience the organisation's behaviour, or interpret the communication they receive from the organisation and about it from external sources.

Based on their total exposure to the organisation, stakeholders will form their own opinion of the organisation, resulting in the formation of the organisation's reputation (Barnett *et al.*, 2006:34). Corporate reputation then refers to the mental associations with the organisation that are actually formed and held by the stakeholders, based on their overall experience of the organisation (Walsh *et al.*, 2009:189). Reputation is therefore owned by the stakeholders of the organisation, who formulate expectations about the organisation's conduct and then monitor and sanction the organisation accordingly (Helm & Gray, 2009:65).

This study contends that a ‘good’ corporate reputation in and of itself is not sufficient, unless it results in stakeholders’ trust and support, which can only be achieved if its stakeholders consider the organisation to be trustworthy. This is argued to be dependent on the organisation’s ethical, value-based identity that stakeholders can identify with, as well as the authenticity and consistency with which it expresses its character, which, in turn, is determined by the alignment between what the organisation promises, does and says about itself.

### **3.2.5 Where corporate communication fits in**

Corporate communication as a construct is viewed by this researcher as being on a different level than the constructs of corporate identity, culture, image and brand – as simultaneously being both the foundation of the organisation’s identity and reputation as well as the overarching primary mechanism with which the organisation can establish an authentic identity and corporate reputation through its culture, image and brand-building activities.

The specific communication perspective in this study will be limited to the concept of expressive corporate communication, which focuses on the role of communication to express and represent the organisation’s authentic identity, in order to become a trustworthy organisation and establish an authentic corporate reputation (Cooren *et al.*, 2011:1153; Fombrun & Van Riel, 2004:177; Gioia *et al.*, 2000a:64). This role of corporate communication will be discussed in more detail later in this section.

## **4 THE RELEVANCE OF CORPORATE REPUTATION**

### **4.1 STRATEGIC BENEFITS OF A STRONG CORPORATE REPUTATION**

#### **4.1.1 Current views on the benefits of a strong corporate reputation**

Corporate reputation matters. Increasingly, traditional financial indicators are no longer seen as the only indicator of an organisation’s progress. According to Zabala, Panadero, Gallardo, Amate, Sánchez-Galindo, Tena and Villalba (2005:59), corporate reputation

as a measure of success "... has equalled, if not surpassed, the importance of stock market performance, earnings or the recovery of investments".

Fombrun and Van Riel (2004:20) note that a reputation matters because it affects the strategic positioning of the organisation as a whole. They equate an organisation's reputation to a mirror "... that reflects a company's relative success at convincing upstream, downstream and diagonal stakeholders about the current and future validity of its strategic direction".

Balmer and Greyser (2003c:177) agree. They note that "... a favorable reputation brings distinctiveness and a strategic advantage to a corporation that are not easily duplicated" and they underline the fact that a positive corporate reputation can significantly contribute to profits. Greyser (2003:237) identifies preference for doing business with the organisation and increasing the organisation's value in the financial marketplace as key strategic benefits of a strong corporate reputation.

There are many examples in today's business arena of the conclusive influence that a positive corporate reputation has on organisations (Davies *et al.*, 2010:530). According to Mazzola, Ravasi & Gabbioneta (2006:387), recent research has shown how an organisation's good reputation affects its market value, possibly through its positive impact on operational performance and profitability. Furthermore, these authors hold that when an organisation is held in high regard by financial analysts and its institutional investors, it is likely to become an 'investment of choice', thereby enhancing its ability to attract capital and to do it at a lower cost than its rivals. "On the one hand, market perceptions of the company's future prospects tend to influence the level of demand for its shares, hence its market capitalisation. On the other hand, analysts and investors tend to consider well-regarded companies as comparatively less risky. In these cases they seem to be willing to accept higher financial risk for the same level of returns or lower returns for the same level of risk." (Mazzola *et al.*, 2006:387).

Using the 2001 results of the *Reputation Quotient<sup>SM</sup>* (RQ) project, Fombrun and Van Riel (2004:69-70) examined the observed relationship between RQ scores and various key indicators by analysing data of 60 organisations that were measured. Their findings

included that, on average, organisations with stronger reputations have “... higher intangible wealth, significantly higher return on assets, lower debt-to-equity ratios, and higher 5-year growth rates, in each case dominating lower rated companies by a factor of nearly two to one”. Existent literature then emphasises the value of a positive corporate reputation and the contribution it can make to enhance a for-profit organisation’s economic value; reinforce a positive perception of product and service quality; and strengthen customer and employee loyalty (Lloyd, 2007:19).

Fombrun and Van Riel (2004:3) note that organisations that have strong and positive reputations invariably get a larger share of the best job applicants. Einwiller and Will (2001:4) observe that customers do not necessarily choose the cheapest product offer, but regularly buy from branded and widely known retailers even when these do not offer the lowest price. Greyser (2003:238) also notes that a “... related perceived benefit of a strong reputation in terms of business preference is the ability to charge a premium”. For example, an organisation like Woolworths in South Africa can charge a premium on its goods, because consumers know the organisation’s promise of and reputation for delivering quality products.

However, an incident at Woolworths early in 2012 raised some public ire. The incident occurred when two independent web researchers wanted to check prices at Woolworths (as they did with other retail shops) so that they could place it online to enable consumers to compare prices. Although there was no legal reason to refuse them, they were asked to leave the Fourways Woolworths shop on January 13. A spokesperson for Woolworths said this was because its products were not directly comparable with those of other chain stores.

The public comments that followed mostly deplored the incident, particularly since it created the impression that Woolworths had something to hide, and remarks related to slipping standards and quality which no longer warrant the more expensive pricing have started surfacing (Sapa, 2012). This suggests that even though an organisation can have an excellent reputation, stakeholders react emotionally to its behaviour; they form their own perceptions which in turn influence their judgements, decisions and behaviour towards the organisation (Fombrun & Van Riel, 2004:2-3).

This is particularly important if one accepts the view that corporate reputation can be described as a magnet, which either draws support from stakeholders if they like what they hear and see about the organisation or dispels support from stakeholders if they lose their trust and belief in the organisation (Fombrun & Van Riel, 2004:20). Essentially, it is then held that an organisation's reputation shapes stakeholders' anticipation of how it will behave now and in the future – a good reputation will therefore encourage its stakeholders to rely on the organisation's promises (i.e. to trust the organisation), whereas a bad reputation will warn them at the very least to be cautious (Blois, 1999:209).

#### **4.1.2 A strong corporate reputation without trust is not enough**

Balmer and Greyser (2003c:177) emphasise that a favourable reputation can act as a significant safeguard when an organisation is confronted with adverse stakeholder reactions. Greyser (2003:237) also observes that support for the organisation in times of controversy is another key strategic benefit of a strong corporate reputation. The Pick 'n Pay and Johnson & Johnson case studies discussed earlier serve as examples to illustrate this point.

However, this is not always the case, as illustrated by the Arthur Andersen case study discussed earlier, when its once sterling reputation could not safeguard it in the wake of the Enron scandal in 2001. When an organisation loses its reputation, or as posited by this researcher, when it loses the *trust* its stakeholders have placed in it, it can pay an exorbitant price. Arthur Andersen, once one of the biggest and most successful global auditing firms, had to close its doors in 2002 after the Enron scandal in the USA in 2001, in which the auditing firm was involved (Davies *et al.*, 2010:531; Fombrun & Van Riel, 2004:19-20; Jones, 2007:184).

This was not due to the fact that the organisation suddenly lost the grounds for its reputation, since it still had its entire personnel complement and other tangible assets, such as its physical, financial and intellectual capital which collectively contributed to its reputation (Fombrun and Van Riel, 2004:32). Instead, it is held that the organisation's ruin was rather due to the fact that it lost its credibility in the eyes of its stakeholders

(Fombrun and Van Riel, 2004:34). It is then posited that it was the loss of the trust that its stakeholders had placed in it (rather than the loss of the organisation's reputation per se) that led to the withdrawal of its stakeholders' support for the organisation, and ultimately to its downfall.

Jones (2007:32) observes that Enron and WorldCom also collapsed in a similar fashion when their illegal actions became public, and when their stakeholders withdrew their support and contributions: "Shareholders sold their stock, banks refused to lend money, and debtors called in their loans."

Fombrun and Van Riel (2004:94) refer to the impact of the wave of corporate scandals that hit the financial markets in 2002, which began with Enron. The impact included a definite and direct effect on the share prices of the organisations in question, as well as a significant indirect effect on perceptions of the corporate sector as a whole due to the loss of public faith (trust) it occasioned. These authors cite an economic analysis done in September 2002, which estimated the indirect cost of the corporate scandals in the USA at that time at over \$35 billion. In addition, the study "... further judged that loss of faith [trust] in the transparency of the financial system would produce another 1 to 2.5 percent decline in the economy as a whole".

#### **4.1.3 Growing awareness of relevance of reputation and trust**

The severe negative impact of these scandals can possibly help to account for the increase in the focus and attention of executives and scholars on reputation management at the start of the twenty-first century. In 2005, Zabala *et al.* (2005:59-60) reported on a global study which showed that senior executives regard reputation management as one of the leading factors to be considered when formulating an organisation's strategy, second to product and service quality.

In 2006, Barnett *et al.* (2006:26-38) reported on the progress that had been made since 1997 in terms of reputation management research and practices, and particularly in terms of how the study of corporate reputation had intensified at the turn of the century. Their research indicates that during the period 2001 – 2003 the average number of

scholarly articles on corporate reputation more than doubled in frequency compared to the year 2000, and that it was nearly five times as large as the average for the period 1999 – 2000. According to them, this indicates the importance of corporate reputation.

However, despite the demonstration of growing awareness of the relevance and importance of corporate reputation, Balmer and Greyser (2003d:356) also note that there are still many people in today's business and academic circles who perceive the relevance, dimensions and importance of corporate meaning (including corporate reputation) to be "... obtuse, ethereal, immaterial, or simply hogwash!"

As such, the question can be asked if today's business leaders as a general rule regard it as critical to ensure that they manage their corporate reputations, and more seriously, if they are fully aware that when an organisation's stakeholders assess it, they do so on the basis of its identity and its trustworthiness. In addition, it can be asked if they fully appreciate the crucial link between their organisation's identity, behaviour and self-presentation and its desired corporate reputation and recognise the need for strategic alignment in this regard. More critically, it can also be asked what leaders need to do to manage their organisation's corporate reputation so that they can realise the strategic benefits of a strong reputation that will lead to engendering stakeholders' trust in and ongoing support for the organisation.

#### **4.1.4 Relationship between reputation and trust: sustainability**

The relationship between reputation and trust is patently related. It is posited by this study that an organisation that authentically adopts and lives an ethical, value-based identity will not just be able to build a strong corporate reputation, but will in fact be able to earn the trust of its stakeholders, which will result in their continued support for and commitment to the organisation.

However, it is also presumed that, although it is critical, it is not sufficient for a for-profit organisation just to become a trustworthy, responsible corporate citizen, in that it also has to ensure that its stakeholders are familiar with and sufficiently informed about what the organisation stands for to inform their judgement of the organisation, if it wants to be

able to earn their trust and support in maintaining the organisation's sustainability (King, 2009:21,101; Jones, 2007:67-68).

As it is not always possible for stakeholders to directly observe trust-warranting behaviour on the part of the organisation, the stakeholders often have to infer the trustworthiness of the for-profit organisation from the available evidence, such as observable signs from and about the organisation, that the stakeholders believe to be correlated with the unobservable trust-warranting properties of the organisation (Kramer, 2010:93).

These observable signs can include any form of communication and symbolism that a for-profit organisation uses to present itself to its stakeholders, its corporate image (Nootboom, 2002:75; Nootboom, 2006:249), as well as any kinds of structural, procedural and social indicators that stakeholders can observe. Kramer (2010:93-94) notes that such signs "... represent, in a sense, proxies for individuating knowledge about specific trustees. In that sense, they resemble stereotypes – but positive stereotypes rooted in a considerable body of converging, supportive evidence of underlying general trustworthiness."

It is within this context that the importance of corporate reputation is situated. In this study corporate reputation is regarded as more than just stakeholders' awareness of an organisation – it is regarded as stakeholders' opinion or assessment of an organisation. As such, corporate reputation then refers to the subjective and collective opinion of all relevant internal and external stakeholders, based on what they believe the organisation stands for (i.e. its identity) and the associations they make with it (Chun, 2005:105; Fombrun & Van Riel, 2003:230).

The need for an organisation to become an ethical and trustworthy organisation and to build its reputation on the back of its ideal identity is in line with King III (2009:22), who emphasises that "... the Board should ensure that the company *is* and *is seen to be* [own emphasis] a responsible corporate citizen". The most important factor here is that the Board should ensure that the organisation *is* trustworthy (engender trust) and then that it should *be seen to be* trustworthy (build reputation).

In this sense, a corporate reputation provides an organisation with a strategic advantage – it gives the organisation credibility and means it can be trusted (Rangan, 2011:4). However, a good reputation that is not authentic, and is not aligned with what the organisation in fact says it is, will not be sustainable when adversity strikes.

Concepts such as reputation and trust signify that organisations are judged to be responsible and accountable for their actions by various stakeholders (Gao & Zhang, 2006:724; Whetten & Mackey, 2002:396). Reputation is an important dimension of the organisation-stakeholder trust relationship, particularly where the stakeholders do not necessarily have direct experience and knowledge of the organisation. Stakeholders' trust will be based on the assumption that the organisation will act in a trustworthy manner to avoid losing its good corporate reputation, which they know is to the longer-term economic benefit of the organisation (Ingenhoff & Sommer, 2010:341).

In the theories of new institutional economics, reputation has been called a 'hostage' in the hands of the customer. This term implies that reputation is an asset in the hands of an organisation's stakeholders which is built up, shared, and also destroyed among them. To foster and build trust, information to be shared among the organisation's stakeholders should then relate to characteristics and actions that affect their trusting beliefs (Einwiller & Will, 2001:7).

Stakeholders develop their opinion of the organisation over time, and they base their assessment of the organisation's character on their direct experiences with the organisation's behaviour, as well as any other forms of communication and symbolism they receive from the organisation or from other sources, that indirectly provide information about the organisation's actions. These in turn shape what they believe the organisation stands for (who and what it is), and their assessment of its ability to fulfil their expectations in the future, based on its past and present actions (Barnett *et al.*, 2006:36; Caruana, 1997:109; Chun, 2005:105; Fombrun & Van Riel, 1997:10; Fombrun & Van Riel, 2003:230; Gotsi & Wilson, 2001:29).

Helm and Gray (2009:66) note that a corporate reputation exists "... in the minds of the firm's stakeholders who monitor past performance and develop expectations about

future conduct”. The critical point to keep in mind here is that corporate reputation is “... strictly a product of co-creation, of communicated and perceived behaviour, of actual and vicarious experience” (Helm & Gray, 2009:66). As stakeholders share and interpret the organisation’s actions and intentions, the for-profit organisation’s corporate reputation is then subject to the interpersonal influence and subjective views of its stakeholders.

Therefore, based on their total exposure to the organisation, stakeholders will form their own opinion of the organisation and its conduct, resulting in the organisation’s reputation (Barnett *et al.*, 2006:36; Chun, 2005:105; Fombrun & Van Riel, 1997:10; Fombrun & Van Riel, 2003:230; Gotsi & Wilson, 2001:29; Swift, 2001:22).

While an organisation can then shape the image and the brand it portrays and projects to its stakeholders, it cannot control how its stakeholders interpret the communication they receive from the organisation and about it from external sources. Furthermore, since it cannot directly ‘control’ how its employees will behave, it also cannot control how its stakeholders experience the organisation itself (Helm & Gray, 2009:65).

This then highlights the critical importance of creating an ethical, value-based identity and instilling this as a culture throughout the organisation. In this manner, the organisation can deliberately enable its employees to behave in a consistent, ethical and trustworthy manner, and it can ensure that its symbolic presentation of and communication about itself is focused and managed to enable greater consistency in how the organisation presents its identity to its stakeholders (Pirson & Malhotra, 2008:23)

Casson and Della Giusta (2006:352) note that, for an organisation to acquire a reputation, “... it is normally necessary to do more than simply demonstrate a desire to invest in it”. Stakeholders will observe and assess the actions of and communication from and about the organisation, and it is held that only when they believe the organisation’s moral commitment based on all the signals they have received, will they come to believe that the organisation “... will stick resolutely to the same pattern of behaviour” in future.

Helm and Gray (2009:66) also hold that it is the organisation's corporate reputation, based on its trustworthiness, which makes it possible for stakeholders to anticipate the future behaviour of an organisation. This study supports this view, but expands it to include trust in the equation.

It is therefore to ensure its own economic sustainability that an organisation will want to maintain a good trust relationship with its stakeholders and act in the interest of its stakeholders' expectations. Since there is not necessarily a direct relationship between the organisation and its stakeholders, it becomes even more imperative for the organisation to establish and cultivate a relationship with its stakeholders (albeit indirectly), by introducing and making itself known to its stakeholders, and getting to know them, through its corporate communication and reputation-building activities and its consistently aligned trustworthy behaviour (Ingenhoff & Sommer, 2010:340).

The requirement of establishing a sustainable corporate reputation is then closely interrelated with all the requirements for creating a sustainable and trustworthy for-profit organisation as discussed earlier (Jones, 2007:68). It is posited by this study that a reputation, which can also be called a stakeholder assessment, will only lead to the desired outcome, namely to influence stakeholders' decision to trust and therefore continue to support the organisation, when their perceptions of what the organisation has promised and communicated itself to be is in fact in line with its actual behaviour (adapted from Hatch & Schultz, 2008:67).

▪ ***The focal point in reputation is trustworthiness; the outcome is trust***

This study contends that a good reputation can be undermined when there is a lack of trust, or distrust, in the organisation (Gillespie & Dietz, 2009:127; Schoorman *et al.*, 2007:350). Based on extensive empirical evidence from social dilemma games, Stout and Blair (2001:43) note the effect that the defection of some players have on the rest of the players: "As cooperators learn that other players are defecting, they become increasingly willing to defect themselves."

The relevance of these results for this study is that the distrust of one stakeholder can influence and lower the levels of trust of other stakeholders.

Trust in an organisation is a temporal phenomenon – it is built up over time, based on the experiences and interactions with as well as the perceptions of the organisation, and it forms the basis for future action (Ingenhoff & Sommer, 2010:341). Examples of such future action can include customers who will continue to buy from, investors who will continue to invest in and employees who will continue to work for the organisation.

Trust, which ensures the fulfilment of the present outcome of the relationship and, more importantly, forms the basis for intended future action, then speaks to the ability of the organisation to sustain its business operations into the future. This is because no organisation would be able to remain economically sustainable without the support and commitment of all its internal and external stakeholders (Jones, 2007:32; King, 2009:9).

Essentially, it is then held that trust is the outcome of a good corporate reputation (which allows the stakeholders to become familiar with the organisation), as well as the consistency with which the organisation acts and communicates to showcase its value-based identity (which allows the stakeholders to believe that the organisation is worthy of its trust). These two elements combined (reputation and trustworthiness) then lead to the formation of trust, and therefore to the outcome where stakeholders will feel safe in predicting or anticipating the future behaviour of an organisation, and acting on their decision to trust and support the organisation.

It is therefore posited that an improved corporate reputation, which is based on how the organisation presents its identity to its stakeholders and lives it consistently with integrity (Jones, 2007:67; Pirson & Malhotra, 2008:23), will lead to a reputation for being trustworthy (Helm & Gray, 2009:66), which will therefore lead to increased stakeholder trust in the organisation. It is further held that the increased trust will lead to more supportive stakeholder behaviour (Jones, 2007:68) and that this sustainable systemic behaviour will in turn enable and safeguard the for-profit organisation's long-term economic viability and success in a sustainable manner.

Reputation is seen as a for-profit organisation's most valuable asset, since it can give the organisation credibility, which means it can be trusted (King, 2009:22; Jones,

2007:67), but it is also the organisation's most fragile asset, which means it can easily be lost (Kramer, 2010:05; O'Connor, 2001:53; Rangan, 2011:4).

Warren Buffet, chairman of Berkshire Hathaway, arguably one of the world's richest people and one of the most celebrated investors in the twenty-first century (Goldsmith, 2012), is often quoted on his view regarding the fragility of reputation, which is: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently." (Keh & Xie, 2009:732).

This study regards corporate reputation to be the assessment that stakeholders make of the identity and character of the organisation – an assessment that influences their decision to trust the organisation to continue to be what it has set out to be. However, when the for-profit organisation is found to have violated that trust, stakeholders will withdraw their trust.

This explains why, in Buffet's terms, a 'reputation can be ruined in five minutes'. The key elements that contributed to the corporate reputation 'over a period of 20 years' will still, to a large extent, be in place: the people, the performance, the products, the profits, the quality processes, and so forth. What has been lost, and therefore is seen as the loss of the reputation, is the stakeholders' trust in the organisation, because it has been found not to act consistently with the values and identity that it has been presenting to its stakeholders – it has been found to be untrustworthy (Pirson & Malhotra, 2008:10).

This is in line with Hardin's observation that was noted earlier that "... the focal problem is trustworthiness, not trust" (Hardin, 2002:30).

## **5 CORPORATE IDENTITY AND STAKEHOLDER IDENTIFICATION**

### **5.1 AN ORGANISATION'S SUSTAINABILITY LINKED TO ITS IDENTITY**

In the overview of organisational identity theory provided in Chapter 2, the link between an organisation's long-term sustainability and its corporate identity was made.

In brief, the argument is that an organisation's performance and sustainability is dependent on the approval, commitment and support of its stakeholders, since it is the stakeholders who grant the organisation its legitimate right to operate; and that stakeholders' support and commitment in turn is largely dependent on the identity the organisation adopts and presents.

Based on this, it is then posited that by establishing its identity as a trustworthy and ethical organisation, it ensures that its stakeholders will connect emotionally with its core values, thus increasing the opportunity for its stakeholders to positively identify with it and its values, prompting their feelings of support or approval. The need for an organisation's identity to be value-based will be summarised briefly, before the importance and process of stakeholders' identification with an organisation's identity is discussed.

#### **5.1.1 An organisation's identity needs to be value-based**

In the view of the organisation as a social actor, organisational identity is regarded "... as an organization's coherent self-definition (roughly: 'who we are as an organization'), invoked as a common frame of reference by 'member-agents' in the course of acting or speaking on behalf of their organization" (King & Whetten, 2008:194).

Identity is then regarded as the fundamental concept used to explain the organisation – its distinguishing features and attributes which reflect the organisation's membership in self-defining social categories or social identities (King & Whetten, 2008:193-194).

Research has shown that corporate reputation can be managed, altered and affected by external and internal factors such as industry forces, culture and corporate behaviour (Balmer & Greyser, 2003b:235). It is held that in order to realise the strategic benefits of a reputation (stakeholders' trust and support), the organisation's reputation should be grounded in an ethical and trustworthy, value-based identity (Einwiller & Will, 2001:4; Mazzola *et al.*, 2006:385).

Gagliardi (in Gioia *et al.*, 2000a:64) argues that the main strategy of an organisation is usually geared to maintaining its identity, particularly under threatening conditions of change. Moss Kanter (2011:69) agrees, and notes that by providing the organisation with a coherent value-based identity, its leadership is effectively creating a buffer against uncertainty and change.

Even though this institutional grounding involves efforts to cultivate and reinforce the organisational culture, and may not immediately lead to business results, it is a proactive investment in activities and relationships that emulate the values the organisation stands for and will help it to endure. As such, Moss Kanter (2011:70) maintains that it is institutional grounding that "... can separate the survivors from those subsumed by global change". This is because, she observes, a sense of purpose "... infuses meaning into an organisation, 'institutionalising' the company as a fixture in society and providing continuity between the past and the future. The name can change, but the identity and purpose will live on."

### **5.1.2 Stakeholders' identification with an organisation's identity**

More than 60 years ago, Selznick (1948:29) already emphasised the need for a for-profit organisation to appreciate that it exists as a whole in relation to social forces in its environment if it wants to maintain itself as a system and ensure its survival. Based on the earlier discussion of the increasing power and capability of stakeholders to act against organisations, this need is even more pronounced today. This is why King III states that the inclusivity of stakeholders is essential to achieving sustainability and that the legitimate interests and expectations of stakeholders therefore need to be taken into account in a for-profit organisation's decision-making processes and strategy (King, 2009:100).

Contrary to the earlier theoretical view that uncertainty can be reduced when the organisation makes itself less dependent on the personal knowledge and skills of individuals involved in the organisation (Selznick, 1948:25), this researcher holds that the reduction of organisational uncertainty (Oliver, 1991:147) relies on the for-profit

organisation's acknowledgement and acceptance of its *complete* dependency on its employees and key stakeholders.

Enabling the creation of a sustainable and trustworthy for-profit organisation is then related to the need for the leadership to ensure that the organisation, as a strategic imperative, acknowledge the role and impact of its internal and external stakeholders on the sustainability of the organisation (King, 2009:21). This in turn implies that the organisation should endeavour to communicate effectively (Murphy, 2005:187-188) and establish an authentic relationship with all its stakeholders in order to earn their trust and support, which is regarded as vital for its operations and success (King, 2009:21).

Authentic communication will allow for stakeholders to identify with the organisation. Identification in the context of trust relates particularly to value congruence, and the importance of shared goals, values, norms and beliefs. Corporate trust and organisational effectiveness are held to prosper in those instances where stakeholders can identify with an organisation based on value congruence (Pirson, 2009:8-9).

Effective communication and an authentic relationship with stakeholders are of particular importance to a for-profit organisation when the empirical results of the meta-analytic review of 39 studies to determine when trust increases over time by Vanneste *et al.* (2011:23) are taken into account. In their analysis, the authors found that there was only a weak positive bivariate correlation between relationship duration and trust. However, they also found evidence for the existence of important unobserved moderators of this relationship, and in particular that two of these mechanisms, namely identification between trustor and trustee, and trust-based selection "... lead to an unambiguous prediction that trust increases with relationship duration".

The important role of effective communication and stakeholder-relationship management is also supported by empirical evidence from social dilemma games, where it has been found that a variety of purely social factors such as personal contact, perceptions of another's dependence and of own contribution to the group's welfare as well as group identity appeared highly influential in determining the degree of cooperation observed between participants in the games (Stout & Blair, 2001:45).

Effective and authentic communication to internal and external stakeholders, however, is not sufficient. The for-profit organisation should also cultivate and maintain an authentic relationship with its stakeholders, and this involves more than just inviting key stakeholders to social events or sending them newsletters. Bandsuch *et al.* (2008:111) note that "... business is primarily a function of relationships with key stakeholders". This study, however, contends that a for-profit organisation needs to focus on managing its own character in order to be able to deliver on its accountability to all its stakeholders, which suggests that it needs to focus on building a single, authentic relationship with all its stakeholders, instead of trying to manage multiple stakeholder relationships.

▪ ***Stakeholder-identification translates into stakeholder commitment and support***

In keeping with a key tenet of social identity theory – that individuals seek to increase or sustain their positive self-esteem by identifying themselves with an identifiable group whose members have the same definition of who they are and share similar attributes, and by positively differentiating their ingroup from a comparison outgroup on some valued dimension (Cooren *et al.*, 2011:1159; Hogg & Terry, 2000b:151) – it is held that both internal and external stakeholders can then identify with an organisation, based on its core identity and values.

Identification is conceptualised here as the familiarity of the organisation's identity that develops over time, as a stakeholder and a for-profit organisation interact with each other. In particular, stakeholders' identification with the values of an organisation leads to attraction and evokes positive attitudes (Pirson, 2009:9; Vanneste *et al.*, 2011:23).

Through effective corporate communication (provided it is authentic and symmetrical), the stakeholders begin to identify with the organisation, which in turn leads to the internalisation of the organisation's values and preferences – to the two parties becoming more similar. The effect on the stakeholders is that over time and with repeated communication and interactions their trust in the organisation will increase. Essentially, it is then also suggested that the stronger the identification, the stronger stakeholders' commitment and support for the organisation would be (Hogg & Terry, 2000a:126).

Conventional research on organisational identification does not distinguish identification from internalisation or cognition from behaviour and affect. Ashforth and Mael (1989:23) cite Hall *et al.*, who defines organisational identification as “... *the process by which the goals of the organization and those of the individual become increasingly integrated and congruent*”, as well as Patchen who defines identification as *shared characteristics, loyalty and solidarity*.

While there are some scholars who do not regard identification and commitment as being equal, the view that is supported in this study is more in line with the conventional view, which equates identification with commitment – where organisational commitment is defined as *the relative strength of an individual's identification with and involvement in a particular organisation* (Ashforth & Mael, 1989:23). Commitment is then characterised by an individual's belief in and acceptance of the organisation's goals and values, his willingness to exert effort on behalf of the organisation and his desire to maintain membership. Internalisation, behavioural intentions and affect are therefore included in this formulation of identification (Ashforth & Mael, 1989:23).

Based on the social identity literature, identity fosters trust, and according to Lewicki and Bunker (1996:123), trust also helps to strengthen identity, particularly when it develops into the final stage of trust, called identification-based trust (Friedman & Miles, 2006:71; Lewicki & Bunker, 1996:124; McEvily *et al.*, 2008:564; Möllering, 2006:367). When an organisation and its stakeholders reach this stage of trust, it indicates that the two parties have come to know each other so well that they can begin to identify strongly with the other party's values and needs.

The important point here is that the for-profit organisation also needs to identify with its stakeholders – it needs to cultivate and strengthen its relationship with them by also listening and incorporating their values and preferences. Vanneste *et al.* (2011:23) found that the faster a trustee (the for-profit organisation) identifies with its trustors (the stakeholders of the organisation) and the trustors recognise this, the faster trust in the trustee (i.e. the organisation) will increase over time. As a consequence, the effect of identification for the organisation as trustee is that over time and through repeated relationship interactions it becomes more trustworthy, and its benevolence may

increase. Higher trustworthiness should lead to higher perceived trustworthiness by the stakeholders.

This links to the second mechanism that Vanneste *et al.* (2011:24) identified as leading to an increase in trust within the relationship duration, namely trust-based selection, which basically means that a trustor (stakeholder) will primarily choose to have and stay in a relationship with a trustee (organisation) that he regards as being trustworthy. In other words, the long-lived relationships of stakeholders as trustors will be primarily with trustworthy for-profit organisations as partners, because over time stakeholders will discover the untrustworthy partners and will terminate their relationship with those partners. As a result, trust will be high in long-lived relationships. “With the possibility of exiting a relationship, a trustor will continue relationships only with partners who are trusted.” (Vanneste *et al.*, 2011:24).

The key point here for an organisation is that at the stage where stakeholder identification increases and a shared identity with the organisation is developed, the strength of stakeholders’ commitment towards the organisation also expands (Lewicki & Bunker, 1996:123; McEvily *et al.*, 2008:564). Furthermore, a shared identity also amplifies the perception of interdependence and a common goal, which are key elements of commitment and cooperation. When stakeholders share a commitment to an organisation, they tend to be more loyal to the organisation and more willing to invest their time, effort and attention on behalf of the organisation (Lewicki & Bunker, 1996:122).

Nooteboom (2006:256) observes that identification-based trust affects the tolerance of behaviour that deviates from expectations: “One can more easily forgive someone’s breach of trust or reliance when one can sympathize or identify with the lack of competence or the motive that caused it.” He also notes that while empathy and identification are both forms of affect-based trust, affect is the strongest in the latter.

A for-profit organisation that wants to realise the benefits related to stakeholder-identification needs to start its reputation-management process by revisiting and refining its corporate identity, to ground its reputation in an ethical and trustworthy identity

(Einwiller & Will, 2001:4; Mazzola *et al.*, 2006:385), and then ensure that it consistently communicates that identity in everything that it does and says, in order to familiarise its stakeholders with who the organisation is and what it stands for. Most importantly, it needs to ensure that it consistently acts in line with its stated identity and character, since it cannot control all the ways in which its stakeholders get to know about the organisation.

▪ ***Stakeholders' perceptions also informed by sources outside the organisation***

Contrary to the more traditional cognitive and social psychological contributions to organisation studies, which tend to offer accounts of organisational identity as packaged outputs reflecting relatively stable and predictable meaning systems and categorisations, contemporary communication and organisational identity research, particularly from a discourse perspective, emphasise the fundamentally dynamic and socially situated signification processes around identity and identification.

As such, organisations are regarded as "... socially constructed from networks of conversations or dialogues, the inter-textuality, continuities and consistencies of which serve to maintain and objectify reality for participant" (Cooren *et al.*, 2011:1159).

A corporate reputation develops mainly from stakeholders' experience with and information about an organisation and its reputation-building activities (Einwiller & Will, 2001:8). The critical point to keep in mind with regard to the development of corporate reputation is that an organisation cannot control how its stakeholders perceive it, since it cannot control all the ways in which stakeholders experience or get to know about it.

This becomes particularly clear when the following is considered: while personal experience is the most powerful source for the formation of impressions, stakeholders often do not have the opportunity to personally interact with the for-profit organisation, yet they still develop impressions and make evaluations about the organisation without ever having experienced direct personal contact with it, its products, services or representatives (Casson & Della Giusta, 2006:352; Einwiller & Will, 2002:8).

As such, information from other sources than direct experience forms an important part in the development of corporate reputation. This highlights the importance of corporate communication and reputation-building activities in order to familiarise stakeholders with the organisation, particularly with the values that the organisation stands for – its identity. Trust is held to be most effective when beliefs are shared (Casson & Della Giusta, 2006:352). It is then possible for stakeholders to trust an organisation even if they do not personally know it, because they can form their opinions about the organisation based on its corporate reputation, or to be more accurate, on its stated reputation promise.

However, it is critical for an organisation to keep in mind that stakeholders do not form their opinions about the organisation based just on what the organisation communicates and presents about itself. A corporate reputation is also influenced and formed by signals that stakeholders receive from sources other than the organisation, which once again emphasises the need for alignment between the organisation's words and behaviour.

Signals that are particularly influential are those that come from sources that are not controlled by the organisation, such as the media or specialised groups like government agencies, financial-rating agencies, corporate-conscience agencies and consumer agencies. Messages from these sources are regarded to be more credible than official corporate communication messages, because the sources of these messages do not have a direct stake in the organisation's reputation (Einwiller & Will, 2001:8).

Furthermore, informal sources like peers, friends, family members, colleagues and employees of an organisation in an informal situation are particularly persuasive (Einwiller & Will, 2001:8). As put forth in sociology and social psychology, most behaviour, including economic activity, is closely embedded in networks of interpersonal relations. Granovetter (in Einwiller & Will, 2001:8) strongly emphasises the influence of networks of social relations on economic transactions and sees them as being 'mainly responsible' for the production of trust in economic life. Casson and Della Giusta (2006:348) agree, and note that networks play an important role in promoting trust in the organisation, in that they support the spreading of its external reputation.

An important aspect of reputation-building therefore lies in the role of social networks, which refers to the emergence of a reputation as a result of such network effects, when information about an organisation's behaviour in one relationship spreads to others via an information network. It is then considered that corporate reputation is partly a result of a social interaction process where stakeholders exchange their individual beliefs about an organisation within their social network, which in turn influences a potential trustor's trusting beliefs and eventually his trusting intention. As such, Casson and Della Giusta (2006:352) note: "Reputation therefore helps to spread trust."

Einwiller and Will (2001:9) hold that terms such as 'wide recognition for one's deeds', 'high standing among others' and 'public estimation' imply that "... not only one individual, the one planning a transaction, knows of the market partner's reputation. It implies that the social network knows of the reputation and greatly shares and exchanges the attitude towards the respective person or organization." As such, corporate reputation can then also be considered to be a product of social relationships and the embeddedness of its actions. This accentuates the critical need for alignment between what an organisation promises, what it does and what it says.

It is then posited by this researcher that a for-profit organisation whose leaders establish a corporate identity as a trustworthy and ethical responsible corporate citizen will enable identification with the organisation and is able to guide the behaviour of its employees, and indirectly the behaviour of its stakeholders, accordingly.

## **6 KEY DIMENSIONS OF CORPORATE REPUTATION**

### **6.1 VARIOUS MODELS WITH DIFFERENT DRIVERS AND VIEWS ON TRUST**

There are numerous models and descriptions of the key dimensions or drivers that influence corporate reputation, such as the *CORPerceptions* reputation model developed by Opinion Research Corporation International (ORC), which identifies the key drivers as competitive effectiveness, market leadership, customer focus, familiarity/favourability, corporate culture and communication (Greyser, 2003:236) and the *Reputation Quotient<sup>SM</sup>* (RQ) model, developed by Charles Fombrun and Harris

Interactive in 1999 (Fombrun & Van Riel, 2004:52; Lloyd, 2007:54; Walsh & Wiedmann, 2004:305).

The underlying assumption of the multi-dimensional RQ measurement tool is that corporate reputation has a range of reputation dimensions on which individuals base their judgements of an organisation, as expressed by six key dimensions. In the original RQ model, developed in 1999, the six key dimensions were: corporate appeal, products and services, financial performance, vision and leadership, workplace environment, and social responsibility (Fombrun & Gardberg, 2000:13).

In describing these dimensions, the authors make no reference to trust or trustworthiness as a key characteristic of the organisation's identity that influences its corporate reputation. The corporate appeal dimension, which was later changed to 'emotional appeal' (Fombrun & Van Riel, 2004:52), was originally defined as "How much the company is liked, admired and respected". 'Trust' as an attribute was only added when the dimension was changed to emotional appeal.

Another model, which is more recent, is the *Global RepTrak™ Pulse* model, developed by the Reputation Institute in 2006. According to this model, the key dimensions or drivers of corporate reputation include products and services, performance, leadership, citizenship, governance, workplace and innovation, as well as emotional appeal – defined as the degree of trust, admiration, good feeling and overall esteem that stakeholders have in and for an organisation. This model positions emotional appeal at the centre of the model to indicate its influence on all the other dimensions (Hatch & Schultz, 2008:37; Reputation Institute, 2012).

## **6.2 REPUTATION DRIVERS AND THE ISSUE OF TRUSTWORTHINESS/TRUST**

Despite the consensus about the importance and positive effects of a favourable reputation, as well as the expanding interest and focus by researchers and practitioners on corporate reputation, disparate knowledge remains about how reputation should be defined, what its key dimensions or drivers are, what the relationships between those are and how it should be measured (Helm, 2007:238; Lloyd, 2007:x).

Essentially, this study contends that it is a possible lack of understanding of the relationship between corporate reputation and trust that contributes notably to the fact that consensus concerning the core meaning and the building-blocks of corporate reputation still eludes academics and leaders alike.

Furthermore, it would appear that in much of the existent literature a corporate reputation seems to be generally regarded as an end in itself. This study, however, regards reputation to be only a means to an end – to earn the trust, and therefore the commitment and support, of its stakeholders, by ‘familiarising’ stakeholders with who the organisation is, what it stands for and can be held accountable for (Balmer & Gray, 2001:979; Barnett *et al.*, 2006:28,33; King & Whetten, 2008:195).

### **6.2.1 Trustworthiness as a key antecedent of reputation underestimated**

In many of the existing reputation models the concepts of trustworthiness and trust are either not linked to the key dimensions of reputation, or trust (not trustworthiness) is merely indicated as an attribute of one of the key dimensions of reputation. For example, in both the *Reputation Quotient<sup>SM</sup>* (RQ) model (as described in 2004) and the *Global RepTrak<sup>TM</sup> Pulse* model, trust is indicated as an attribute of emotional appeal (Fombrun & Van Riel, 2004:52; Lloyd, 2007:65; Walsh & Wiedmann, 2004:305), suggesting that trust contributes to building an organisation’s reputation.

Furthermore, neither of these models identifies the critical role of an ethical, value-based identity with regard to both reputation and trust, nor do they purposefully emphasise the need for strategic alignment with the organisation’s inherent identity. However, in the *CORPerceptions* model, ethical standards are identified as important, but then only regarded as an attribute of corporate culture as a key dimension (Greyser, 2003:236,239).

Since corporate reputation is defined in this study as *the collective assessment that all relevant internal and external stakeholders make of the trustworthiness of an organisation; of its character, which influences their decision to trust and their actions to support the organisation* (Chun, 2005:105; Fombrun & Van Riel, 2003:230), identity is

regarded as the 'backbone of reputation' (Walsh *et al.*, 2009:188). As such, it is then held that corporate reputation is dependent on how well its stakeholders know who it is, and how strongly they can identify with it.

This concept is suggested in the *Global RepTrak™ Pulse* model. A key differentiating factor between this model and the other reputation models discussed earlier is the emphasis that the *Global RepTrak™ Pulse* places on emotional appeal as a dimension, which includes the degree of trust that stakeholders have in an organisation. In the *Global RepTrak™ Pulse* model, corporate reputation is regarded as developing on the basis of the emotional bond that stakeholders feel for an organisation. According to this model, the degree to which a particular dimension affects the emotional bond between a stakeholder group and an organisation determines in turn which dimensions have the highest impact on stakeholders' support and recommendations (Reputation Institute, 2012).

The appeal of this model for this study lies in the emphasis that it places on the emotional bond between an organisation and its stakeholders and on trust in particular, as well as its underlying rationale that business success depends on support from stakeholders; that support depends on trust; and that trust is therefore at the heart of a strong reputation.

However, in contrast to the *Global RepTrak™ Pulse* and the other models discussed earlier, this study contends that it is trustworthiness, rather than trust, that lies 'at the heart of a strong reputation'; that helps to build a strong corporate reputation. Trustworthiness, regarded by this study as an objective characteristic of an organisation; as an integral part of its identity which makes it worthy of having its stakeholders' trust placed in it, is then believed to be an antecedent of reputation (Casson & Della Giusta, 2006:346; Li & Betts, 2004:7; McEvily *et al.*, 2008:559).

Trust, regarded as the subjective attitude, expectation and belief of stakeholders that they can rely on the statements, promises, as well as the moral character of the organisation to act in a manner that will also protect their own rights and interests, is then regarded as the ultimate *outcome* of an organisation's efforts to build a strong

corporate reputation, provided its reputation-building efforts are also strategically aligned with its behaviour and self-presentation – with its inherent ethical, value-based identity (Dietz & Den Hartog, 2006:559-560; Ingenhoff & Sommer, 2010:340; Lewis & Weigert, 2008:157; Linthicum *et al.*, 2010:161; McEvily *et al.*, 2008:559; Mouzas *et al.*, 2007:1021; Swift, 2001:19).

Trustworthiness is then regarded as a key driver that influences both reputation and trust, which means that neither reputation nor trust is sustainable without trustworthiness (Li & Betts, 2004:7; McEvily *et al.*, 2008:559).

### **6.2.2 Traditional reputation drivers becoming blurred, fusing with trust drivers**

The argument of the perceived disparity in much of the existent literature of the exact nature and relationship between reputation and trust is then also extended to reason that this disparity will similarly be evident in the key dimensions or drivers that are put forth as guidelines for leaders to build a strong reputation.

It is interesting to note in more recent reputation literature that the focus and emphasis with regard to the traditional key dimensions of reputation are changing, and increasingly many of the antecedents that are presented as the foundations of corporate reputation can be argued to be more closely and more accurately related to the construct of trust.

A possible explanation for this perceived misclassification can be related to the existing leading view that it is corporate reputation *per se* that is important. Instead, it is held that reputation should be recognised as a means to an end, which is to earn stakeholders' trust and support. As such, it is posited that the importance of corporate trust, as the outcome of a strong corporate reputation, needs to be acknowledged, based on the view that it is stakeholders' trust, rather than a corporate reputation, that will enable an organisation to ensure its own long-term corporate and economic sustainability.

The five-star model presented by Fombrun and Van Riel (2004:86), representing the key ingredients for building strong corporate reputations, serves as an example to

substantiate the point that dimensions or drivers that are being presented as reputation drivers can more accurately be regarded as being related to corporate trustworthiness and trust.

Fombrun and Van Riel (2004:xxi-xxiv) start the introduction of their book, *Fame and Fortune: How winning companies build winning reputations*, by listing a number of organisations that have been in the news since 2003 due to scandals, fraud and other irregularities, which severely damaged these organisations' reputations. While these authors note that the scandals produced "... a serious crisis of confidence" in the corporate sector, they do not refer specifically to the loss of stakeholders' trust, nor do they link the loss of trust directly to the impact of these scandals, which "... led to the demise of major corporate names such as Enron, Andersen, and Adelphia, [and which] jeopardized the continued existence of others such as WorldCom and Martha Stewart's Omnimedia" (Fombrun & Van Riel, 2004:xxiv).

Fombrun and Van Riel then note (2004:xxv) that some organisations, "... who know the value of their reputations and manage them accordingly", have been able to maintain their strong reputations and they link this to the key tenet of their book: "That reputations reflect how companies are perceived across a broad spectrum of stakeholders, and that's a function of how companies communicate both with the media and with the public." (Fombrun & Van Riel, 2004:xxvii). While this study also regards communication as undoubtedly critical, it does so within the framework of consistently communicating and presenting an organisation's identity, particularly since stakeholders get to know about the organisation from many sources that are beyond its control.

While Fombrun and Van Riel do not refer directly to the critical role of identity and trustworthiness in building a reputation in their model, the drivers of the model they present can be interpreted to hint at this. In addition, based on their more detailed descriptions of each of these drivers, it would seem that there is a much greater alignment between the views expressed by these authors and the key tenets of this study, except for the fact that Fombrun and Van Riel focus on corporate reputation per se as contributing to and ensuring the long-term economic sustainability of a for-profit organisation.

In contrast, this study conceptualises corporate trust, as an outcome of a strong corporate reputation, as the essential prerequisite for any organisation that wants to sustainably enable and safeguard its long-term economic and organisational performance in a competitive environment (Ingenhoff & Sommer, 2010:339).

Based on their analysis of the 2001 RQ data, Fombrun and Van Riel (2004:86) observe that organisations with high RQ scores “... appear to be substantially different from lesser rivals on five dimensions”. These authors identify five key principles or characteristics as “... key ingredients for building star-quality reputations”, which include corporate visibility, transparency, distinctiveness, consistency and authenticity. In contrast to the original key dimensions of reputation in the RQ, these new dimensions can be argued to be more closely related to the antecedents of trust; or to be the characteristics of trustworthiness. A comparison, outlined in Table 2, is offered by way of explanation.

**Table 2: Antecedents of reputation becoming blurred, merging with trust drivers**

<b>Antecedents of reputation</b> Fombrun and Van Riel (2004:86)	<b>Antecedents of trust</b> as posited by this study
<p><b>Visibility</b></p> <p>RQ analyses confirm that stakeholders' familiarity with an organisation positively influences reputation (Fombrun &amp; Van Riel, 2004:87).</p>	<p><b>Identification</b></p> <p>Identification includes, but is greater than, the concept of general familiarity and visibility. Stakeholders' identification with an organisation is dependent on their familiarity with <i>who</i> the organisation is and what it stands for (its identity) – the reputation that it wants to be known for (Lewis &amp; Weigert, 2008:161; Möllering, 2006:367; Pirson &amp; Malhotra, 2008:10), and their identification with the organisation's values/character.</p>
<p><b>Distinctiveness</b></p> <p>A corporate reputation is built when an organisation comes to occupy a distinctive position in the minds of stakeholders; when it focuses its actions and communications around a core theme, i.e. Johnson &amp; Johnson, who makes trustworthiness the focal point of all its communications and who invariably scores high in rankings of trust (Fombrun &amp; Van Riel, 2004:89,90).</p>	<p><b>Ethical behaviour</b></p> <p>Ethical behaviour is the set of moral principles or values of an organisation, which lie at the core of its goals, decision-making and behaviour. The organisation uses its ethical framework as its governing ethos – as its core theme – to direct its decision-making, actions, business operations and commercial activity to ensure that it acts fairly, honestly and responsibly towards all its stakeholders (Cacioppe <i>et al.</i>, 2008:682; Cartwright &amp; Craig, 2006:743; Jones, 2007: 43,188; Kapstein, 2001:117; Murphy, 2005:183; Wood, 2002:63). It also uses ethics as its core theme that underlies</p>



	all its corporate communication messages and reputation-building activities.
<p><b>Authenticity</b></p> <p>“The public appreciates authenticity, and to be well regarded, you can’t fake it for long – you’ve got to be real. Authenticity creates emotional appeal, and there’s no reputation building without emotional appeal.” (Fombrun &amp; Van Riel, 2004:91).          “In the long run, efforts to manipulate external images by relying purely on advertising and public relations fail if they are disconnected from the company’s identity. A strong reputation is built from <i>authentic</i> representations by the company to its stakeholders.” (Fombrun &amp; Van Riel, 2004:92).</p>	<p><b>Emotional attraction</b></p> <p>Affective states such as liking or admiration are particularly likely to increase people’s motivation to trust because they motivate behaviours to approach, connect, interact, enter into and maintain relationships with an organisation (Williams, 2001:387). Trust occurs because an emotional bond is created between an organisation and its stakeholders, enabling them to move beyond the expectations that reason, knowledge and experience warrant and to take a ‘leap of faith’ that their trust will be honoured by the organisation (Bachmann, 2006:395; Mishra, 1996:265; Möllering, 2006:370-371; Wicks <i>et al.</i>, 1999:100). This is dependent on the organisation’s ability to develop and maintain an authentic relationship with its stakeholders, and align and use its corporate communication and reputation-building activities to authentically express itself so that its stakeholders are able to get to know and identify with the organisation and what it stands for.</p>
<p><b>Transparency</b></p> <p>A strong reputation develops when an organisation is transparent in the conduct of its affairs, and when it communicates widely about itself. Transparency helps build, maintain and defend reputation (Fombrun &amp; Van Riel, 2004:93,94).</p>	<p><b>Transparency</b></p> <p>Transparency, governance and accountability together are powerful disincentives to exploitation, provided they are entrenched in the culture of the organisation (Turnbull, 2002:34). Transparency engenders trust, when an organisation is actively transparent, in order to avoid being, and being seen as, an opaque organisation, which reinforces the ethical governance of the organisation (Bandsuch <i>et al.</i>, 2008:113).</p>
<p><b>Consistency</b></p> <p>“Top-rated companies are also consistent in their actions and communications to everyone, [and are] more likely to orchestrate and integrate their initiatives cross-functionally.” (Fombrun &amp; Van Riel, 2004:94).</p>	<p><b>Integrity</b></p> <p>An organisation acts with integrity when it consistently honours its word, which consists of what is said among the people in the organisation and what is said by or on behalf of the organisation. Integrity then relates to the extent in which the organisation’s actions are congruent with its own words and corporate communication (Erhard <i>et al.</i>, 2009:2; Ingenhoff &amp; Sommer, 2010:343; Mayer <i>et al.</i>, 1995:719). The route to create trust lies in an organisation’s ability to consistently act with integrity. “Consistency and congruency between words and actions build trust across stakeholder groups.” (Pirson, 2009:7).</p>

Ability and benevolence are also two trust antecedents identified by this study (see Chapter 4), but these are not discussed here since there is no direct correlation in Fombrun and Van Riel’s five-star reputation model.

As indicated in the overview in Table 2, the five reputation drivers presented in Fombrun and Van Riel's model (2004:86) are comparable with the drivers of trust, as presented by this study. Although labelled differently, the underlying message of what an organisation needs to do to build a 'star-quality' reputation (as held by Fombrun and Van Riel) *in order to* earn stakeholders' trust and support (as held by this study) is similar, except for the fact that Fombrun and Van Riel focus on corporate reputation per se as contributing to and ensuring the sustainability of an organisation, while a reputation is regarded by this researcher as a means to an end, which is to earn stakeholders' trust and support, and so enable a for-profit organisation to safeguard its own corporate sustainability in the long-term (Ingenhoff & Sommer, 2010:339).

A few excerpts from Fombrun and Van Riel's book serve to show that their underlying message is similar to this view, although they do not directly label it as such:

- "A good reputation improves a company's credibility [trust]..." (Fombrun & Van Riel, 2004:9).
- "If stakeholders like what they hear and see, they support [i.e. trust] the company – and an upward spiral results that attracts more resources to the company. If stakeholders withdraw their support, a downward spiral results that can lead to bankruptcy, as demonstrated by the speedy demise of the giant auditor Arthur Andersen following its reputation-damaging criminal indictment in the United States in 2001." (Fombrun & Van Riel, 2004:20).
- "Comparable market losses occur, however, even when no physical assets are actually lost and the crisis can be attributed solely to changed perceptions [i.e. loss of trust] of the company by key resource-holders." (Fombrun & Van Riel, 2004:34).
- "Knowingly or not, consumers psychologically support companies that they perceive as behaving fairly and responsibly towards employees and communities [i.e. those that they trust]." (Fombrun & Van Riel, 2004:59).
- "Communications increase the probability that a company will be perceived as genuine and credible [i.e. trustworthy] – and so attract support and advocacy from stakeholders." (Fombrun & Van Riel, 2004:87).
- "The RQ Project shows that strong reputations arise when companies focus their actions and communications around a core theme. Consider again the U.S. medical products group Johnson & Johnson. The company invariably scores high in consumer rankings of trust. This is no accident: *Trustworthiness* [own emphasis] is a focal point of all its communications." (Fombrun & Van Riel, 2004:90).
- "Perceptions of a company's authenticity have much to do with reputation management. To earn the benefit of the doubt [i.e. be trusted], companies have to convey absolute honesty in

all of their interactions with stakeholders – otherwise, any discredit by one stakeholder [i.e. loss of trust] will instantly be communicated to all of them, reducing the degree of support they feel for the company.” (Fombrun & Van Riel, 2004:163).

- “In order to influence how a company wants to be perceived, the company must change who it believes itself to be [i.e. identity]. In doing so, it shifts from impression management to expressive communication, which stakeholders are likely to reward with deeper trust and commitment. Thus, the sustainability of a company’s reputation as an asset is also better ensured.” (Fombrun & Van Riel, 2004:178).
- “Authenticity builds reputation. At heart it comes from consistently doing the right thing over a long period of time [i.e. to be ethical and trustworthy].” (Fombrun & Van Riel, 2004:181).
- “Remain true to yourself! Don’t compromise your core purpose and core values in order to more quickly respond to pressures put on the company by short-sighted groups of investors, activists, or consumers [i.e. trustworthy identity].” (Fombrun & Van Riel, 2004:181).

Another example that indicates that trust, in relation to corporate reputation, is increasingly coming to the fore can be found in a review of the US-based *Edelman Trust Barometer*, which was developed in 2000 by the research firm StrategyOne, a subsidiary of the Edelman Public Relations firm. As noted in Chapter 1, although this measurement is called a trust barometer, it sets out to measure corporate reputation, where trust is merely regarded as one of the factors that influence corporate reputation. Furthermore, it uses dimensions that are related to those used in the RQ.

It is interesting to note though that in the 2010 survey the question related to trust was changed quite substantially (Edelman, 2010a). In the 2006 survey, respondents were asked to indicate how much each of the factors given contributed to trust. In the 2010 survey, respondents were asked how important they regarded the factors given to overall reputation. In this instance, trust and transparency were added as factors to be rated, in relation to its importance to reputation. It is notable that the 2010 results indicated some points that are significantly relevant to this study. The following extracts (Edelman, 2010b) from the results of the 2010 *Edelman Trust Barometer* – as a reputation measure – highlight the growing importance and impact of trust in relation to corporate reputation:

- “A vastly different set of factors, led by trust (sic) and transparency, now influence reputation.” [Trust, not trustworthiness, is viewed as an antecedent].

- “Trust has emerged as the new line of business, one to be developed and delivered.” [Trust, not trustworthiness, is viewed as an antecedent].
- “It is now a stakeholder world, no longer a shareholder world.” [52% of respondents indicated that interests of all stakeholders should be considered in CEO’s decisions].
- “The new reality, where the interests of all stakeholders need to be considered equally, will result in a rise of trust and credibility.” [Trust is viewed as an outcome].

These extracts again underline the premise of this study, namely that the nature of the conceptual relationship between corporate reputation and trust is not clear. In the illustrative extracts used above, trust is presented as both antecedent and outcome, with no reference to the concept of trustworthiness.

A statement from Fombrun and Van Riel is borrowed and slightly adapted [in brackets] to conclude the view of the role of corporate reputation by this study: “... transparency [*reputation*] is not a goal in itself, but a means to an end – the need to increase trust and reduce stakeholder uncertainty about the company” (Fombrun & Van Riel, 2004:188).

### **6.2.3 New antecedents/drivers for reputation proposed**

Based on the discussion above, where the argument was made that the role of trustworthiness as a key antecedent of corporate reputation is underestimated and that the traditional reputational drivers are increasingly becoming blurred with trust drivers, as well as the argument that an organisation should focus on building a single identity and reputation (to be discussed in detail later in this chapter), it is proposed that the seven key drivers or antecedents for trust, as discussed in Chapter 4, should also be regarded as the key antecedents or building blocks for corporate reputation.

As such, it is held that when an organisation focuses on building its reputation using the same antecedents with which it can display its trustworthiness, it will be able to build a strong, enduring reputation that will result in earning stakeholders’ trust and continued support. These antecedents include ability, benevolence, integrity, ethical behaviour, identification, transparency and emotional attraction. These drivers will not be discussed in detail again, as they were defined and explained in Chapter 4.

However, it bears to be re-emphasised that stakeholders' perceptions and assessment of the trustworthiness of an organisation would be based on how they evaluate and perceive the organisation in terms of each of the seven key drivers with which the organisation can display its trustworthiness. While each of the antecedents is important, it is even more crucial to appreciate their interrelationship, since each driver's perceived presence and the level at which stakeholders judge the organisation to perform in this regard has an impact on the level of perceived trustworthiness of the organisation.

Stakeholders' assessment of the level of trustworthiness should be thought of as being on a continuum, which ranges from perceiving and assessing the organisation as not trustworthy at all to it being perceived and assessed as very trustworthy, based on the presence and level of the seven key antecedents. To be assessed as being very or even somewhat trustworthy, *all* seven antecedents need to be perceived to be present in the organisation's character and actions.

The difference between being perceived as very or only somewhat trustworthy will lie in whether stakeholders perceive and judge the organisation's performance to be high in all or only some of the seven antecedents. When not one or very few of the antecedents are perceived to be present and none is perceived as being high in performance, stakeholders will perceive and assess the organisation not to be trustworthy at all (Greenwood & Van Buren III, 2010:429; Mayer *et al.*, 1995:721; Mishra, 1996:269).

Since trust is multi-dimensional, complex and difficult to manage, this is an important guideline for an organisation's leadership in order to fully realise the value being invested in trust-building initiatives, or not to inadvertently destroy trust with an ill-advised initiative. In Chapter 4 the following questions were posed: "Should organizational decision-makers build reputations for kind-hearted benevolence or fair-minded integrity? Which is more critical for building trust: managerial effectiveness or technical competence? When does value congruence matter? Are initiatives aimed at increasing transparency worth the effort?" (Pirson & Malhotra, 2008:3-4). This discussion of the interrelationship between the seven antecedents provides an answer to the question as to which dimension the leadership of a for-profit organisation needs to focus on: all the antecedents are important, since all of them need to be perceived to be

present and all of them need to be judged as high in performance by the organisation's stakeholders.

However, it is also argued that a for-profit organisation that wants to increase the likelihood of being perceived as trustworthy needs to pay particular attention to ethical behaviour and integrity, contextualised within a value-based identity framework, as the two most critical antecedents of them all (Greenwood & Van Buren III, 2010:429).

Ethical behaviour is defined as *the set of moral principles or values, the guiding philosophy and standards that a for-profit organisation has and uses to direct its commercial activity, decision-making, actions and business operations, to ensure that it acts fairly, honestly and responsibly towards all its stakeholders in everything it does* (Cacioppe *et al.*, 2008:682; Cartwright & Craig, 2006:743; Jones, 2007:43,188; Kapstein, 2001:117; Murphy, 2005:183; Wood, 2002:63). Integrity is defined as *the level of congruence between the organisation's words and actions; its ability to consistently honour its word*.

While both of these antecedents are important for building trust in any situation, they become the most important and significant factors in the perceived trustworthiness of a for-profit organisation where the stakeholders do not personally know or have an existing relationship with the organisation (Greenwood & Van Buren III, 2010:429; Pirson & Malhotra, 2008:11).

It is then argued that an organisation should focus on all seven of these drivers, paying particular attention to the importance of ethical behaviour and integrity, when it develops its corporate vision, mission, strategic objectives as well as its reputation and communication management strategies. By taking each driver, and its different attributes, into account when developing its various strategies, an organisation can ensure that it will consistently focus on creating a single corporate identity and reputation as a trustworthy, ethical organisation; and on managing and communicating its performance in each of these key drivers so that its stakeholders can get to know it and what it stands for. By effectively managing these drivers, which are within the organisation's locus of control, it can ensure that how it is experienced and perceived

will lead to its stakeholders' identification, commitment and support; to stakeholders' trust.

In order to determine how well it is managing its corporate reputation, an organisation will then need to measure its performance in this regard. Although the development of a measurement tool lies outside the scope of this study, one of the research objectives is to identify the dimensions and variables of measuring corporate trust, in relation to reputation, which can be used as a guide to develop a valid trust and reputation measurement instrument, subsequent to this study.

Based on the proposal of establishing a single ethical, value-based corporate identity and reputation, and the proposal to regard the antecedents for trust as antecedents for reputation, it is then posited that an organisation will only need one measure – a Corporate Trust Index (CTI). It is envisaged that the CTI will measure the organisation's perceived performance in each of these seven antecedents; which will provide the leadership with feedback on how well it is managing its corporate identity, by determining how trustworthy it is perceived and assessed to be. In this regard, its reputation is regarded as the external reflection of an organisation's internal identity (Fombrun & Van Riel, 2003:230).

It is then within this context that the Corporate Trust Index is proposed as the one outcome measure a for-profit organisation will need when it wants to determine the level of trust of its stakeholders; which will be an indication of the likelihood of their commitment and supportive behaviour, and therefore of the impact on the organisation's long-term economic sustainability.

Next, the question of multiple reputations versus a single corporate reputation is discussed.

### **6.3 CORPORATE IDENTITY/REPUTATION: MULTIPLE OR SINGLE?**

Based on the drivers in the models discussed above and in much of the prevailing literature on corporate reputation, it would appear that current thinking generally

suggests that by attending to each of the identified drivers or dimensions, an organisation will achieve a strong corporate reputation, which will lead to all the benefits as outlined earlier in this section.

In addition, the current literature generally seems to indicate that different drivers would be of greater or lesser importance to different stakeholders, suggesting that an organisation needs to build multiple reputations to meet the needs of its various stakeholders.

In reference to his study regarding the development of an ontology and a more effective way to measure corporate reputation that takes into consideration the orientations of an organisation's various stakeholders, Lloyd (2007:x) reports that the results of the study indicate that, in the eyes of its stakeholders, an organisation's reputation is driven by nine factors. However, Lloyd observes that the nine drivers do not share the same degree of relevance for stakeholders and that different stakeholder groups rank the importance of the dimensions of corporate reputation differently, which indicates, according to Lloyd, that they evaluate the reputation of the same organisation differently. "The drivers of stakeholders' overall evaluations of a company's reputation vary by stakeholder segment. Stakeholder groups are seen to display the characteristics of segments."

In remarking on the diverse perspectives in the literature that deal with stakeholder-specific reputations, Helm (2007:239-240) distinguishes between those authors who assume that an organisation has multiple reputations (such as Lloyd), since they believe that reputational perceptions are matched within stakeholder groups, and another group of authors who assume that reputational perceptions converge across stakeholder group boundaries, forming a general (single) reputation of the organisation.

Based on the results of an empirical study that she conducted in 2007 to determine if and how reputations differ between stakeholder groups, Helm (2007:243) concludes that no evident need could be found to build stakeholder-specific (and therefore possibly incomparable) reputations and reputation measures for a single organisation.

To substantiate her conclusion, Helm (2007:249-250) reports that there are no significant differences between the stakeholder groups when rating the multi-faceted measure of reputation; that the different facets (based on the key reputation drivers) seem not to represent the entire set of reputational criteria that are relevant to form an overall impression of corporate reputation; that not all stakeholders have a discernible knowledge of the various drivers of the reputation of a specific organisation and that stakeholders often use 'intuition' when they assess an organisation. This means that when they have insufficient knowledge about some reputational driver, they may judge the organisation according to the characteristics that are familiar to them.

This study contends that a for-profit organisation that wants its stakeholders to trust and support it, even (and especially) when they do not have all the facts at their disposal, needs to focus on building a single, overall reputation on the back of its identity as an ethical and trustworthy organisation in everything that it does.

Stakeholders' trust, as an 'expression of faith' in the organisation (characterised by affect, based particularly on their belief in the moral character or 'goodwill' of the organisation as the trustee in the trusting relationship) occurs because an emotional bond is created between stakeholders and the organisation, enabling them to move beyond the expectations that reason, knowledge and experience warrant and to take a 'leap of faith' that their trust will be honoured by the organisation (Bachmann, 2006:395; Mishra, 1996:265; Möllering, 2006:370-371; Wicks *et al.*, 1999:100).

This view is supported by Helm and Gray (2009:66), who observe that although it can be argued that an organisation could have "... as many reputations as there are distinct social groups (collectives) that take an interest in them", based on the diverse perspectives, expectations and needs of the various stakeholders that an organisation has, a single reputation, based on the trustworthy identity of the organisation, is more fundamental to meeting the diverse needs of all stakeholders. Helm and Gray (2009:66) note: "... if there were an underlying consensus, a general understanding of the core of what makes the reputation of a specific firm, it is more likely to be based on perceived trustworthiness than on competence".

While scholars such as Balmer and Greyser (2003:18,250), Pratt and Foreman (2000:141) and Brickson (2000:147) contend that organisations tend to possess multiple identities, this study supports the alternative view that most organisations will also be characterised by one overarching or meta-identity that most participants would recognise (Brown & Starkey, 2000:149).

The idea of a single corporate identity – or what Hogg and Terry (2000b:150) refer to as a ‘salient superordinate identity’ – is in line with Gestalt psychology, which holds that holistic perceptions of the whole lead to a more intense mental effect than the summed perceptions of the parts (Helm, 2007:250). Examples of the type of organisation in which individuals across subunits share a common identity include Ouchi's Theory Z organisation, where leadership styles are blended and diffused through the entire organisation, and Mintzberg's missionary organisation, in which members strongly subscribe to a common set of values (Ashforth & Mael, 1989:22).

Organisational trustworthiness can be viewed as a comprehensive construct that allows stakeholders to make sense of an organisation in a pragmatic manner, since the sum of collective impressions can operate as a shared reputation of the organisation (Gillespie & Dietz, 2009:130). As such, it is posited that instead of a for-profit organisation trying to merge and manage the different perceptions of its different stakeholder groups, it should rather set out to adopt a single identity that is core to its strategic business objectives (becoming a trustworthy, ethical corporate citizen in everything it does, to realise the many benefits inherent in such a strategic approach, best of which is that it ensures its own sustainability), and then consistently focus on making that identity an authentic reality.

In doing this, the organisation will then focus on managing *its accountability* to and its relationship with its stakeholders, rather than trying to manage *its stakeholders and their perceptions* or multiple relationships (Owen *et al.*, 2000:89). Changing its strategic focus to manage its own accountability and demonstrate its trustworthiness to all its stakeholders, rather than trying to manage its different stakeholders and expectations (Owen *et al.*, 2000:89), will best enable a for-profit organisation to meet its stakeholders' needs and resolve any possible conflicting interests (Bañon Gomis *et al.*, 2011:185),

whilst building a strong corporate reputation, one that will help it to earn the trust and support of its stakeholders and so ensure its own sustainability.

In accepting the view of a single corporate identity, the idea is extended to a view of a single corporate reputation. A single corporate identity and corporate reputation can also be referred to as a general or overall identity and reputation. It is held that a single identity and reputation will also be a more valuable asset and stronghold in any crisis that the organisation is might find itself in (Helm, 2007:243). This concept of a single corporate reputation differs from those authors who support the idea of devising a separate measure of corporate reputation for each stakeholder group, and then weighing the importance of each group and combining the multiple assessments to arrive at a single reputation score (Bromley, 2002:41; Caruana, 1997:110).

## **7 THE ROLE OF COMMUNICATION IN IDENTITY/REPUTATION**

### **7.1 CORPORATE COMMUNICATION AS FOUNDATION AND PRIMARY MECHANISM**

As mentioned earlier, corporate communication as a construct is regarded as being on a different level than the constructs of corporate identity, culture, image and brand – as being simultaneously both the foundation of the organisation’s identity and reputation, as well as the overarching primary mechanism with which the organisation can establish an authentic identity and reputation through its culture and image-building activities.

The primary role of communication to express and represent an organisation’s authentic identity, enable it to become a trustworthy organisation and establish an authentic corporate reputation will now be discussed (Cooren *et al.*, 2011:1153; Di Maria & Iwata, 2007:6,7; Fombrun & Van Riel, 2004:177; Gioia *et al.*, 2000a:64).

#### **7.1.1 Communication as the foundation of corporate identity**

In order to influence how an organisation is perceived according to how it wants to be perceived, it needs to change who it believes itself to be (Fombrun & Van Riel,

2004:178). It is held that an organisation that wants to earn its stakeholders' trust, approval and support needs to fulfil both actions: to become and build a reputation as a trustworthy, responsible organisation (King, 2009:22).

This study maintains that corporate communication fulfils a strategic function that is much more crucial than just informing stakeholders about who it is – it is argued that communication actually *constitutes* who it is (Di Maria & Iwata, 2007:16,24; Fenton & Langley, 2011:1172,1192). According to Cooren *et al.* (2011:1150-1151), organisations are 'communicatively constituted', in that communication is not just something that happens in an organisation, but something that constitutes, produces or alters organisational forms and practices, whether these are strategies, policies, operations, values, formal or informal relations, or structures.

Since an organisation is constituted through communication, and the use of language within it, it is therefore only possible to conceive and talk of an organisational identity as "... grounded in language and as having 'no existence other than in discourse, where [its] reality is created, and sustained, to believe otherwise is to fall victim to reification'" (Cooren *et al.*, 2011:1159).

Corporate communication should then be seen as the ongoing, dynamic, interactive process of employing symbols toward the creation, maintenance, destruction, and/or transformation of meanings that are principal (and not marginal) to organisational existence. Cooren *et al.* (2011:1152) emphasise that human beings live by inference, which means that "... any performance will never be reducible to the way it was intended or meant by its producer. For instance, what policies, decisions or job descriptions mean and cause is certainly something that organizational authorities try to control, but a constitutive view ought to take into account how their meaning and action are negotiated, translated and/or debated".

Corporate communication generally concentrates on signifying, denoting, representing and achieving a collective identity (Cooren *et al.*, 2011:1160). Whereas communication studies used to be a matter of merely showing how symbolic activity generates social realities, contemporary communicative thinking considers "... how the ideational and

material – as in those buildings, strategies, statuses, operations, bodies, conversations, art, photographs, and documents – are co-implicated and co-constituted in organizing” (Cooren *et al.*, 2011:1153).

This means that everything an organisation does, from its vision statement to the buildings it occupies, helps to constitute the organisation, in that it communicates meaning. In this sense, the organisation itself, its rules and processes, is an ongoing product of its own meaning-making practices (Cooren *et al.*, 2011:1153).

Collective sense-making, to the extent that it involves communication, “... takes place in interactive talk and draws on institutionalised resources of language in order to formulate and exchange through talk symbolically encoded representations of the jointly experienced circumstances. As this occurs, a situation is talked into existence as the basis for collective action.” (Cooren *et al.*, 2011:1158). This means that communication and the collective sense-making that transpires from it “... is an act of turning circumstances ‘into a situation that is comprehended explicitly in words and that serves as a springboard to action’”.

According to Cooren *et al.* (2011:1154), the central concern of organisation is process, and as such they note that it is only in and from the ongoing flow of interaction that organisation emerges. Communication, its process of sense-making and organising, is then an important force of organising and can actually be regarded as the building block of organisations (Cooren *et al.*, 2011:1157-1158).

A general assumption underlying scholarship in strategy-as-practice, organisational sense-making, organisational identity and theory of organisations, is that communication organises – that it creates order out of potential disorder. As such, the function of communication is held to be “... essential in solving important social problems, particularly those related to a perceived lack of community, a threat to cultural continuity, or a need for a smoothly-functioning social system” (Cooren *et al.*, 2011:1160).

With this perspective of organisational sense-making, an organisation is therefore not taken as a given, but is rather seen to be emerging in, and indeed constituted by or

personified in public episodes of communication. According to Cooren *et al.* (2011:1158), this means that organisations are constantly (re)produced, (re)incarnated, and (re)embodied in local interactions, and are thus subject to change and renewal.

This is in line with the suggestion made by Gioia *et al.* (2000a:63-64) that an organisation's identity is not fixed and enduring, but that it is dynamic since it is influenced by the organisation's image (its communication). These authors' definition of image is similar to Grunig's definition, and the definition used in this study, where image is defined as "... *something that a communicator creates – constructs and projects or gives to other people – who are often called receivers*" (Grunig, 2003:210). In this sense, image refers to a message that is developed and produced by the organisation.

Gioia *et al.* (2000a:64) argue the importance of 'adaptive instability' in organisational identity, suggesting that leaders can enhance the adaptability of their organisations through their unique influence over the interrelationship between corporate identity and image (Brickson, 2000:148). These authors differentiate between an enduring identity and an identity that has continuity, where an identity with a sense of continuity "... is one that shifts in its interpretation and meaning while retaining labels for 'core' beliefs and values that extend over time and context" (Gioia *et al.*, 2000a:64).

While an organisation's identity is imputed from its expressed mission and central values which stay the same, the interpretation of those values is not necessarily fixed or stable, and the representations and translations of those values into action take different forms over time. Thus, even though the core appears stable, it is effectively in flux because of its practical ambiguity (allowing for flexible interpretations), and its complexity (allowing a repertoire of values to fit many instances) (Gioia *et al.*, 2000a:64). An organisation can also intentionally change its identity, as proactive preparation for envisioned change that it wants to implement to maintain its viability (Gioia *et al.*, 2000a:77) or in order to respond to stakeholders' needs (Scott & Lane, 2000b:144).

It is suggested that this adaptive instability in identity is beneficial to an organisation because it allows better adaptation to the demands of an environment that is itself undergoing continuous change (Brown & Starkey, 2000:149; Gioia *et al.*, 2000a:64). As

Gioia *et al.* (2000a:64) observe: “On the one hand, the creation and maintenance of an apparently enduring identity are essential to long-term success; ... on the other hand, organizations must possess the ability to adapt quickly to increasingly turbulent environments as an essential condition for well-being and even survival”. As such, it is argued that organisations must learn to change and yet somehow stay the same.

The leaders of an organisation play an especially important role in shaping identification processes, in that they are formally charged with authority over identification processes, have access to the necessary organisational resources to have an impact and can actively question, alter and define their organisation’s identity (Scott & Lane, 2000a:47). Leaders can also flexibly choose and construct the organisational image for presentation to stakeholders for strategic reasons.

“Corporate reputation building is principally concerned with promoting attractive organizational images for purposes of goal attainment, and it is the primary job of leadership to manage organizational identity toward that end.” (Scott & Lane, 2000a:47). As Brickson (2000:148) observes, “... this form of managerial discretion has profound and far-reaching consequences for the well-being of individuals and for the livelihood of organizations” (Brickson, 2000:148).

According to Scott and Lane (2000b:143), both identity change and identity endurance are adaptive responses to the needs and demands of an organisation’s stakeholders, and they hold that an enduring organisational identity can result from an organisational community that is “... built on common values and norms, characterized by social entanglements and commitments, in which group members reinforce each other’s beliefs and participation”.

Values can then be regarded as the ‘glue’ that shapes behaviour and unites organisational goals in an authentic organisation (Di Maria & Iwata, 2007:29). A stable, authentic corporate identity is then held to be a function of an enduring organisation/stakeholder relationship (Scott & Lane, 2000b:143) as well as authentic communication (Di Maria & Iwata, 2007:21).

Commenting on the strategic role of corporate communication, Di Maria and Iwata (2007:16,20,21,24) emphasise that the role has changed fundamentally, in that the focus has moved from corporate communicators trying to change stakeholders' perceptions, to a focus on helping the leaders to change realities and the culture in the organisation. Corporate communicators should then no longer only focus on trying to 'position' their organisations – they should help to define them.

### **7.1.2 Role of communication in corporate reputation**

The concept of communicative constitution is critical for the development of a corporate reputation that is aligned with the organisation's corporate identity. Cooren *et al.* (2011:1152) note that "... organizational values, knowledge, or ideologies can be conveyed, incarnated and constituted not only through what people say and write, but also through what they wear, how they look, and how they gesture or behave. Furthermore, such values, knowledge, or ideologies should not be understood as only carried out by human agents, but also by nonhuman ones – that is, documents, architectural elements, pieces of furniture, and technologies." As such, an organisation cannot just attempt to create a façade by trying to portray itself as something that it is not. There are too many ways in which it can betray itself, by communicating (verbally or non-verbally; directly or indirectly) who it really is.

Stakeholders' opinion of the organisation, developed over time, is based on their direct experiences with the organisation's behaviour, as well as any other forms of communication and symbolism they receive from the organisation or from other sources, that indirectly provide information about the organisation's actions. These in turn shape what they believe the organisation stands for (who and what it is), and their assessment of its ability to fulfil their expectations in the future, based on its past and present actions (Barnett *et al.*, 2006:36; Caruana, 1997:109; Chun, 2005:105; Fombrun & Van Riel, 1997:10; Fombrun & Van Riel, 2003:230; Gotsi & Wilson, 2001:29).

This perspective makes a definitive link between identity and reputation, in order to build a trustworthy organisation to ensure corporate sustainability.

In this study the concept of expressive corporate communication is highlighted. In essence, expressive communication holds that an organisation that wants to establish a sustainable corporate reputation should utilise effective communication with all its stakeholders, in order to establish and present an authentic corporate reputation and become a trustworthy organisation (Cooren *et al.*, 2011:1153; Di Maria & Iwata, 2007:6,7,29,21; Gioia *et al.*, 2000a:64).

According to Fombrun and Van Riel (2004:177), a primary mechanism for achieving authenticity is expressive communication, which "... seeks to represent the organization's identity rather than to grab attention and manipulate impressions". It is then posited that the challenge for a for-profit organisation that wants to earn a reputation as an ethical and trustworthy organisation is to ensure that all its communicative products "... condense a myriad of conversations into a single abstract representation of collective identity and intention" (Cooren *et al.*, 2011:1154).

In this case, authenticity can then be described as "... a state in which the internal identity of the company reflects positively the expectations of key stakeholders and the beliefs of these stakeholders about the company reflect accurately the internally held identity" (Fombrun & Van Riel, 2004:177).

Communication is then necessary to coordinate and control collective action in the organisation, and to present a single, authentic identity to its stakeholders (Di Maria & Iwata, 2007:21). "In doing so, it shifts from impression management to expressive communication, which stakeholders are likely to reward with deeper trust and commitment. Thus, the sustainability of a company's reputation as an asset is also better ensured." (Fombrun & Van Riel, 2004:178). Expressive communication then helps to explain the relationship between the constructs of corporate trust and reputation, as defined in this study.

Strategic corporate communication then means that it is no longer only about telling the same 'good' stories, it is about helping the leaders of an organisation to create an authentic, trustworthy organisation. Since an organisation's true character is expressed by its people, corporate communicators play a crucial role in helping to change the

culture of an organisation. Di Maria and Iwata (2007:21) refer to the corporate communicators of today as the ‘shepherds’ of an organisation’s reputation and authenticity.

In this study, corporate reputation is then seen to be about managing primarily what happens inside an organisation – how it manages its own identity internally – and how it presents itself externally to its stakeholders, in order to guide and influence their perceptions and opinion (Chun, 2005:105; Fombrun, 1997:10; Fombrun & Van Riel, 2004:259) about the trustworthiness of the organisation by familiarising them with who and what the organisation is (Luhmann, 1979:19; Pirson, 2009:9) through its collective and aligned corporate communication activities.

This in turn influences stakeholders’ assessment of and regard for the organisation; their levels of trust – and on this basis their future behaviour towards and support of the organisation is determined.

## **8 THE LINK BETWEEN IDENTITY AND REPUTATION**

Since corporate identity is viewed as the very foundation of an organisation’s corporate reputation, the key elements that influence the corporate identity/reputation relationship will now be discussed in order to identify what an organisation needs to do to build and sustain a strong corporate reputation; one that will lead to earning its stakeholders’ trust.

Corporate reputation is defined in this study as *the collective assessment that all relevant internal and external stakeholders make of the trustworthiness of an organisation; of its character, which influences their decision to trust and their actions to support the organisation* (Chun, 2005:105; Fombrun & Van Riel, 2003:230). As such, identity is regarded as the very foundation of reputation (Walsh *et al.*, 2009:188). A reputation is then dependent on how well its stakeholders know who it is, and on how strongly they can identify with it.

There is an array of definitions and models depicting the concept of corporate identity and its link to corporate brand and reputation management. Many of these are quite

complex, involving a multitude of different forms of corporate identities, such as Balmer's AC<sup>2</sup>ID Test™ and AC<sup>3</sup>ID TEST™, which deal with five and six identity types respectively, described as Actual, Communicated, Conceived, Ideal, Desired and Covenanted identities. In addition to the conceptualisation of multiple identities, these models also suggest that certain types of identity affect certain stakeholder groups to a greater or lesser degree (Balmer & Greyser, 2003:12,16-18,250-251).

This researcher proposes a more modest and simpler definition and approach to organisational identity and identity management, particularly with a link to a corporate reputation management process that will lead to earning stakeholders' trust. Although Balmer and Greyser (2003:16) consider the premise of corporate identity as a monolithic phenomenon as being "... narrow and inadequate", the concept of a single, core corporate identity (Helm, 2007:243) is proposed in this study; one that is value-based, in order to enhance the likelihood of stakeholder identification with the organisation, as held in identity theory.

Since the loss of stakeholder trust is regarded as one of the most significant threats to the long-term economic sustainability of a for-profit organisation in today's society, it is argued that it is not sufficient for an organisation merely to have a good corporate reputation, but that it needs to develop a reputation that will enhance stakeholders' trust. It is further held that this will only be possible if the organisation actually becomes an ethical organisation, which proves itself worthy of its stakeholders' trust by becoming (identity) and by being seen to be (reputation) a trustworthy and ethical organisation (King, 2009:26).

Essentially, this study posits that a for-profit organisation's ability to ensure its long-term economic success in a sustainable manner, in fact its own long-term economic corporate sustainability, is unequivocally linked to the organisation's ability to be trustworthy (Ingenhoff & Sommer, 2010:339; King, 2009:100).

Gillespie and Dietz (2009:430) note that while organisational trustworthiness is a collective construct that originates at the level of individuals' perceptions, it can in the aggregate of collective impressions operate as a shared reputation of the organisation.

Mayer *et al.* (1995:728) note that "... a reputation evolves from patterns of previous behaviour". Since consistent trustworthy behaviour by the organisation results in a good corporate reputation (Hosmer, 1995:386), it is therefore critical for organisations to understand and embrace this close relationship between trust and reputation.

Corporate reputation is regarded in this study as the assessment that multiple stakeholders make of an organisation, where their opinion or assessment of the organisation is intimately related to the identity of the organisation (King & Whetten, 2008:193). This is based on the view that an organisation cannot directly control how its stakeholders perceive and assess it (its reputation), but that it can control who it is (its identity or character) – or rather, who it promises its stakeholders to be, how it behaves and how it presents itself – in order to provide the basis on which stakeholders can make their assessments of the organisation (Barnett *et al.*, 2006:36; Chun, 2005:105; Fombrun & Van Riel, 1997:10; Fombrun & Van Riel, 2003:230; Gotsi & Wilson, 2001:29).

In essence, corporate reputation can then be seen as stakeholders' assessment of how well the organisation is managing its own identity – of how well it is delivering on its reputation promise. It is held that the smaller the gaps, as perceived by the stakeholders, are between that which the organisation presents as its identity (the ideal, or reputation promise), its actual behaviour and the image that it presents of itself through its total corporate communication activities, the stronger and more credible its reputation would be.

In other words, the greater the alignment between what the organisation promises, what it does and what it says, the greater the likelihood that stakeholders will positively assess and regard the organisation (Chun, 2005:105; Davies *et al.*, 2010:532). This forms the basis of the new strategic alignment approach towards corporate reputation management proposed by this study.

In explaining this new approach and in order to develop the new *Strategic Alignment Reputation Framework*, the *Vision-Culture-Image (VCI) Alignment model* as developed by Hatch and Schultz (2008:11), which is in line with the relational approach discussed

earlier, is used as point of departure. A brief overview of the *VCI Alignment model* is provided next, after which the key elements of the new model are discussed.

## 8.1 THE *VCI ALIGNMENT MODEL* AS POINT OF DEPARTURE

The *Vision-Culture-Image (VCI) Alignment model* (see Figure 7) has at its centre the organisational identity construct (Hatch & Schultz, 2008:11). Olins, who pioneered the concept of corporate identity, defines it as a central idea or set of ideas; a combination of names, symbols and experiences; as well as qualities, emotions, attitudes and style (Hatch & Schultz, 2008:29). “Corporate identity is about these things. It is about how behaviour and appearance symbolize the reality, reflect the reality and underline the reality all at the same time.” (Olins, 2003:56).

In this study corporate identity is regarded as being held objectively – that is, it has a reality independent of individual observers, although it is arrived at subjectively (Scott & Lane, 2000a:43). It is argued that the ‘real’ identity of an organisation only emerges or comes into being at the intersection of that which the organisation promises its stakeholders to be, what it says and how it behaves (Hatch & Schultz, 2008:13; Olins, 2003:56).

This idea also informs the *VCI Alignment model*, in which Hatch and Schultz (2008:12) propose that the strength and authenticity of an organisation’s identity or brand is determined by the level of alignment between the strategic vision of the organisation (its brand promise), the organisational culture and stakeholder images. Hatch and Schultz (2008:12) describe these three concepts as “... pieces of a jigsaw puzzle” – each a separate yet intimately related concept – which collectively reflect the identity or brand of the organisation. “Put into place, they form an integrated, expressive, and satisfying whole that builds strong corporate reputations while integrating organizational behaviour behind delivery of the brand promise to all the stakeholders who make up the enterprise.” (Hatch & Schultz, 2008:12).

Hatch and Schultz (2008:xviii) developed this as a diagnostic model to assist an organisation to determine how well it is managing its corporate brand. The basic

principle of the *VCI Alignment model* is that the greater the coherence of vision, culture and images, the stronger the brand (Hatch & Schultz, 2008:11). “The combination of vision, culture, and images represents in one way or another everything the organization is, says and does” (Hatch & Schultz, 2008:13), in other words its organisational identity.

The *VCI Alignment model* then suggests that the greater the alignment between what an organisation wants to be (vision), how it behaves (culture) and how it is perceived by its stakeholders (images), the stronger its brand would be.

**Figure 7:** The *VCI Alignment model* – developed by Hatch and Schultz (2008:11)



Since corporate identity is regarded as the foundation of corporate reputation (King & Whetten, 2008:193), the basic concept of the *VCI Alignment model* as proposed by Hatch and Schultz is supported in this study, but their model, focus and definitions are adapted to be in line with the new strategic alignment approach to corporate reputation management proposed by this researcher.

As discussed earlier, in contrast to the basic underlying assumption of the relational approach, namely that an organisation has many reputations which it has to manage, measure and align, the basic underlying assumption of the strategic alignment approach to corporate reputation management proposed by this researcher is that an organisation should focus on managing a single reputation – one that will result in all its stakeholders assessing it as an ethical organisation that is worthy of their trust and support.

In line with this, three main differences between the new *Strategic Alignment Reputation Framework* proposed by this researcher and the *VCI Alignment model* of Hatch and Schultz (2008:11) are identified.

In the first place, the strategic focus is different. While Hatch and Schultz (2008:11) developed their model to assist an organisation to determine how well it is managing its corporate *brand*, the new *Strategic Alignment Reputation Framework* aims to assist an organisation to manage and measure how well it is managing its corporate *reputation* (of which branding is argued to be a subset).

In the second place, two key elements (Strategic vision and Stakeholders' images) are positioned and defined differently, as will be discussed later.

In the third place, the *VCI Alignment model* includes the image or opinions of stakeholders inside the model, while this is excluded in the new *Strategic Alignment Reputation Framework*, which positions how stakeholders perceive and assess an organisation external to the reputation management process, since it is argued that stakeholders' assessment is based on the total outcome of the organisation's reputation management process. Instead, only that which is within an organisation's *direct* control

– that which it can manage – is incorporated into the strategic reputation management process, as a new way to conceptualise and define corporate reputation.

The key elements of reputation, as defined in this researcher's new strategic alignment approach/*Strategic Alignment Reputation Framework* vis-à-vis the relational approach/*VCI Alignment model*, are now outlined.

## 9 KEY ELEMENTS OF NEW STRATEGIC ALIGNMENT APPROACH

In the new strategic alignment approach to reputation management, it is held that stakeholders' collective assessment of an organisation, which is its corporate reputation, is based on and determined by the organisation's intrinsic normative characteristics as well as the authenticity with which it consistently expresses its ethical, value-based identity. The core assumption of this new approach then lies in the statement that it is the level of congruence and alignment between all the ways in which it expresses itself to its stakeholders (between all the key strategic reputation elements – who it sets out to be; how it is seen to behave; and what it says and presents about itself) that collectively contributes to who it really is and is perceived to be by its stakeholders.

This study argues that the identity of an organisation does not consist of a solitary element, but that it is the sum total of a number of elements that collectively constitute the organisation's identity; how stakeholders can 'see' and 'experience' its character, or as Fombrun and Van Riel (2004:44) observe *what* the organisation is recognised for. As such, it is held that the real identity of an organisation only emerges when that which the organisation promises its stakeholders to be, how it behaves and what it says and how it presents itself to its stakeholders converge (Hatch & Schultz, 2008:13; Olins, 2003:56).

Based on this proposition, three key elements in the corporate identity-corporate reputation relationship can then be identified that have a crucial impact on how stakeholders perceive and ultimately assess an organisation. Although these elements are similar to the elements included in Hatch and Schultz's *VCI Alignment model* (2008:11), this researcher defines them differently. The changes in defining these elements also change the intrinsic focus of the new proposed approach.

### 9.1.1 Reputation promise: 'Who we set out to be'

The first key element in the new strategic alignment approach is similar to the element of 'Strategic vision' in the *VCI Alignment model* (Hatch & Schultz, 2008:11), but is defined as the 'Reputation promise' of the organisation by this researcher. Since the organisation's core identity is regarded as forming the foundation of its corporate reputation (King & Whetten, 2008:193), the organisation's articulation and collective self-definition of its core identity or character – that which it sets out to be, in fact which it promises its stakeholders to be; that which it stands for; that which it is willing to commit to and be held accountable for (Balmer & Gray, 2001:979; Barnett *et al.*, 2006:28,33; King & Whetten, 2008:195) – is regarded to be the first element that has an impact on the corporate identity-corporate reputation relationship, and as such constitutes the first key element of the strategic alignment approach to corporate reputation management.

While this element undeniably incorporates the leadership's strategic vision for the organisation – the term that Hatch and Schultz (2008:11) use in their model – the term reputation promise is preferred by this researcher for two reasons. The first is because an articulated promise should reflect the essential core of the leadership's strategic vision for the organisation and the second is because it describes the close relationship between an organisation's corporate identity and its corporate reputation more accurately.

- ***Reputation promise reflects the essential core of leaders' strategic vision***

A for-profit organisation's strategic vision and the identity or character that it wants and sets out to develop will inevitably need to address the challenge of dealing with the diverse perspectives, expectations and needs of the various stakeholders of the organisation. In order to overcome this challenge, it is argued that the leadership should rather set out to adopt a single, value-based identity, as discussed earlier in this section. This will allow the leadership to authentically align the organisation's strategic vision and business objectives to its identity.

In this study, and in line with social and organisational identity theory, the crucial role of values in an organisation is highlighted. It is then held that leaders who want to create

and maintain a sustainable and trustworthy for-profit organisation and establish a sustainable corporate reputation that will earn its stakeholders' trust and support need to start the journey by revising their organisation's identity, its inherent character.

According to Moss Kanter (2011:68), leaders of today's great organisations do not view organisational processes merely "... as ways of extracting more economic value, [but rather] create frameworks that use societal value and human values as decision-making criteria" (Moss Kanter, 2011:68). This then calls for the leaders to develop an institutional perspective and to define their organisation around its purpose and values. "Purpose and values – not the widgets made – are at the core of the organization's identity, and they can guide people in their efforts to find new widgets that serve society." (Moss Kanter, 2011:69). As such, she holds that leaders are fulfilling their central leadership function, which is to make meaning and provide a purpose that gives coherence to the organisation, by providing employees with an identity that is grounded in something larger than transactions or business portfolios (Moss Kanter, 2011:70).

This is also in line with Fukuyama's (1995:34) view of identity and definition of culture as "... inherited ethical habit", which he emphasises is something that cannot be acquired through rational means. He cites Aristotle's differentiation between 'intellectual virtue' and 'ethical virtue', and notes that "... ethical virtue [ēthikē] is for the most part the product of habit [ethos], and has indeed derived its name, with a slight variation of form, from that word" (Fukuyama, 1995:36, citing Aristotle from *Nichomachean Ethics* Book II i.8).

In further drawing on Aristotle's explanation that "... our moral dispositions are formed as a result of the corresponding activities", Fukuyama notes that Aristotle held that "... for people to be truly virtuous, they must habituate themselves to virtuous behaviour such that it becomes a kind of second nature that is pleasurable in itself, or if not pleasurable something that the virtuous man takes pride in" (Fukuyama, 1995:36,369, citing Aristotle from *Nichomachean Ethics* Book II iii.2).

Fukuyama then argues that the close relationship between moral virtue (as a rational choice) and habit is evident in the concept of character, when he notes: "One can easily

know the right thing to do intellectually, but only people with ‘character’ are able to do them under difficult or challenging circumstances.” (Fukuyama, 1995:35-36; Marsden & Andriof, 1998:338). This necessitates that leaders should strive to adopt a value-based identity as the building block for the ‘character’ of their organisation, so that ethical decisions and behaviour will become ‘habitual’ in their organisation. It is then held that the adoption of a single, value-based identity will guide the organisation to make ethical decisions (that are both legal and morally acceptable to the larger community) in all it does (Jones, 1991:367).

Since the commitment of the organisation’s leaders to the strategic vision and identity of the organisation does not mean that it has been achieved already, this concept is referred to as the organisation’s reputation promise by this researcher.

▪ ***Reputation promise: leaders’ articulation of the organisation’s identity***

Leaders that want to redefine their organisation’s identity to enhance stakeholder identification need to do more than merely adopt a value-based identity – they also need to clearly articulate and spell out the desired character of the organisation, its culture, its characteristics, the relevant values and the primary behaviours that will lead to these new, desired qualities (Jones, 2007:51). As such, Cooren *et al.* (2011:1156) hold that the production and conduct of strategy in organising is increasingly seen as a communicative accomplishment.

The role of leadership in this respect is critically important, in that they need to formulate an appealing and realistic reputation promise (Murray & White, 2005:350), or what Fombrun and Van Riel (2004:133) refer to as a reputation platform, which can assist them to move beyond the rhetoric of ethics, responsibility and sustainability and “... to formulate a clearer conceptualisation of their desired sustainability outcomes and overall direction” (Jamali, 2006:817).

As Fombrun and Van Riel (2004:133) observe, although an organisation may over time “... tell multiple stories to its stakeholders, the best regarded companies tell stories that are rooted in a core reputation platform”. They cite Johnson & Johnson, the U.S. medical products group which consistently scores high in consumer rankings of trust,

and emphasise that this is not by accident, since the company has its promise of trustworthiness as “... the focal point of all its communications” (Fombrun & Van Riel, 2004:133). This researcher posits that the reputation platform or promise that will enable corporate sustainability is one where stakeholders are able to perceive and assess the organisation to be a trustworthy, ethically responsible corporate citizen within the vision it sets for itself (Moon & Muthuri, 2008:62).

It is also held that such a reputation will increase the probability for the organisation to gain a long-term competitive advantage, as well as helping it to foster and build stakeholder trust and so ensure its own corporate sustainability (O’Connor, 2001:54). This was empirically tested in the May 1999 Millennium Poll, where more than 25 000 citizens across 23 countries on six continents were interviewed. The results of this research revealed that “... impressions of individual companies are more shaped by corporate citizenship (56%) than either brand quality/reputation (40%) or business fundamentals (34%)” (O’Connor, 2001:54).

In order to develop the proposed reputation promise of being a trustworthy, responsible corporate citizen in everything the organisation does, the leadership already take their first step towards establishing this reputation when they adopt a proactive ethical stance towards sustainability (Cartwright & Craig, 2006:748; Fombrun & Foss, 2004:285).

However, the leadership then also need to demonstrate their commitment and the fact that they have fundamentally shifted their strategic priorities – away from a short-term profit focus towards a long-term sustainability focus, based on moral rather than rational norms (Cartwright & Craig, 2006:749; Moss Kanter, 2011:68). This change will be reflected in a change in the vision, mission, strategic objectives and performance measures as set by the leadership (Jamali, 2006:816), and will inform the reputation promise that the leadership articulate as their ideal. As such, their corporate strategy, objectives, decisions and actions must reflect their change in focus (Eccles *et al.*, 2006:355).

This requirement for the leaders to clearly spell out who the organisation is, what it commits to and what it promises its internal and external stakeholders to be, is aptly

demonstrated in Wood's (2002:63) description of an organisation's code of ethics: "The soul of the corporation should be exposed to its own people and those outside of the corporation with whom it deals through its code of ethics. It is within the written code that the organisation expresses what it sees itself as, what it wants to be seen as, and hopefully, what it wants to be. Codes are the public face of the corporation. They showcase the company persona to the world."

In essence, the leadership's articulation of the organisation's corporate identity can then be seen as the reputation promise that the organisation makes to its stakeholders – of that which it stands for; wants to be known for; and is willing to be held answerable for. The concept of a reputation promise is regarded as being similar to the 'brand promise' referred to in marketing management literature, which refers to the explicit promise or pledge between an organisation and its stakeholders (Balmer & Gray, 2001:982), in other words, it encapsulates that which stakeholders can hold the organisation accountable for. According to Hatch and Schultz (2008:26), Johnson & Johnson takes its commitment to its (brand) reputation promise so seriously that it calls its corporate brand a 'trustmark'.

### **9.1.2 Culture: 'How we are seen to behave'**

The second key element in the new strategic alignment approach to corporate reputation management is the organisation's actual behaviour, its culture, which is defined in this study as *the actual validation and demonstration of the organisation's identity, how it translates into actual organisational behaviour* (Blois, 1999:211; Rangan, 2011:4) and it is seen to provide employees with a guiding framework *ex ante* of how the organisation will react to circumstances as they arise (Bandsuch *et al.*, 2008:108; Blois, 1999:211).

Rangan (2011:4) maintains that when leaders transform the culture of their organisation, they "... make a durable contribution, because culture embodies the memory of the organisation". As Chun (2005:96) observes: "If identity is 'how we see ourselves' ... culture is 'how we do things around here'". This element is similar to the element of 'Organisational culture' in the *VCI Alignment model* (Hatch & Schultz, 2008:11).

Jones (2007:177-178) argues that an organisation's culture, defined as *the set of shared values that shapes and controls behaviour within the organisation as well as with external stakeholders*, can be used to achieve organisational effectiveness, gain a competitive advantage and promote stakeholder interests. He distinguishes between terminal and instrumental values, the first being defined as "... a desired end state or outcome" that the organisation seeks to achieve, which is similar to the definition of corporate identity in this study. Instrumental values, according to Jones (2007:178), are defined as *the desired modes or patterns of behaviour that the organisation encourages in order for it to achieve its end state*, or as per the definition in this study, in order for it to truly live up to its desired corporate identity.

- ***Relevance of corporate values to guide behaviour/corporate culture***

Once the leaders of a for-profit organisation have committed themselves to create an ethical and sustainable organisation, they need to start the process of changing their organisation to support this commitment. Since values exert a major influence on the behaviour of individuals it is assumed that an organisation is capable of changing the behaviour of its employees by changing the value system that guides the decisions and actions they take on a daily basis in the fulfilment of their organisational tasks (Burke, 2011:151).

According to Jones (2007:179), many of the most powerful and crucial values of an organisation are not written down. An organisation's values (with regard to its identity and its desired patterns of behaviour) then exist "... only in the shared norms, beliefs, assumptions, and ways of thinking and acting that people within an organization use to relate to each other and to outsiders" (Jones, 2007:179).

This is then where leaders play a crucial role, namely to ensure that the values related to its ideal ethical identity become internalised over time, become part of the mindsets and personal value systems of the members associated with the organisation, which will affect their interpretations of a situation as well as their decisions on how to act. By creating a culture based on institutionalised values that will guide matters that are central to its single, value-based identity and by consistently and authentically focusing

on making that identity a reality in the organisation – to transform it into actual behaviour – the leadership is ensuring an enduring organisation (Moss Kanter, 2011:69,71).

As a system, an organisation is capable of changing itself. The interdependent actions of the internal stakeholders who perform the various activities within the organisation, as well as the activities and the behaviour of its external stakeholders, lead to a constant development of the for-profit organisation as a system (Coleman, 1986:1312). This means that the goal-oriented actions and constraints of the organisation and of its stakeholders combine to bring about system-level behaviour.

Through the interdependent relationships between the various components, certain actions are facilitated and reinforced, and if these are repeated regularly over time, institutionalised patterns of thinking and behaviour are established. This in turn can change a for-profit organisation itself (Argandoña, 2008:441; Coleman, 1986:1312; Gillespie & Dietz, 2009:130; Selznick, 1948:25; Scott, 2008:442), into an ethical and a trustworthy organisation.

Moss Kanter (2011:72) refers to the role of CEOs in global organisations that she has studied, where they spent substantial resources, including their own time, to breathe new life into long-standing value statements and engage managers at different levels in the institutional task of communicating values. “The point was not the words themselves but the process of nurturing a dialogue that would keep social purpose at the forefront of everyone’s mind and ensure that employees use the organizational values as a guide for business decisions.” (Moss Kanter, 2011:72).

This is resonant of Selznick’s (1948:30) observation that a formal organisation’s maintenance and self-preservation as a system is dependent on the need for the leadership to cultivate a homogenous and consistent understanding of the organisation’s character, role and values among its employees. Cultivating a uniform understanding of what the character of the organisation is meant to be will enable the organisation to change, since it will enable employees to behave in ways that will not violate the essential character of the organisation, that which it claims to be.

The need for leaders of a for-profit organisation to instil a culture of ethical and trustworthy behaviour, by instilling and institutionalising the organisation's core values to guide employees' behaviour, also needs to translate to the external environment. Organisations should ensure that the suppliers they use also act in line with their internal values, since unethical supply practices, for example, can cause reputational damage to the organisation (Moon & Muthuri, 2008:60; Moss Kanter, 2011:74) if the organisation presents its identity and character to be an ethical one.

An organisation that acts in a manner that is not authentic and aligned with its identity (Hatch & Schultz, 2003:1041) will actually harm its own reputation and lose the trust of its stakeholders when it is found out (Einwiller & Will, 2002:105; Fombrun & Van Riel, 2004:91).

▪ ***Importance of employees' behaviour / Partners in making identity a reality***

According to King (2009:100), it is the actions of an organisation, more than its communication, which shape the perceptions of stakeholders. Thus it can be held that the reputation of the organisation is built through its credible actions (Nguyen & Leblanc, 2001:229), which are grounded in its value-based identity and culture (Burke, 2011:152; Murray & White, 2005:350). Credibility, it is held, is determined by the congruence between an organisation's messages and actions (Nguyen & Leblanc, 2001:229).

This means that the leadership has to ensure that its ethical stance becomes ingrained in the organisation's culture, and that the consideration of corporate ethics and values will lie at the core of the organisation's vision, mission, goals, decision-making and behaviour (King, 2009:20), so that the organisation, and all its employees, can conduct themselves ethically and morally in a consistent and trustworthy manner (Cartwright & Craig, 2006:743; Ethics.org, 2009).

Translating the leadership's vision, the promise it makes to its stakeholders, into reality, into the culture of the organisation, also requires the integration of the vision into the strategies, practices, processes and measurement systems of the organisation. The institutionalisation of this vision depends on a long-term commitment to systemic change

as well as the introduction of appropriate structures, practices and processes (Jamali, 2006:817).

This will involve among others working with their employees to redefine the organisational values (Fombrun & Foss, 2004:286) to align with the desired reputation promise, and implementing a corporate culture change programme, to make the desired behaviour a reality. It is believed that the principles that underlie the ideal reputation that the organisation wants to establish have to become internalised first (Jamali, 2006:816); and that the ideal reputation only gets communicated *en masse* externally when the principles supporting it are part of the fibre of the organisation.

This will require the leadership to move away from the narrow mindset of a watchdog culture because negative behaviour is expected from employees. According to Moss Kanter (2011:75), institutional logic holds that “... people are not paycheck-hungry shirkers who want to do the bare minimum, nor are they robots who can be ordered to produce high performance”.

As such, leaders should instead embrace their key role of creating a culture where positive behaviour is fostered, one that is “... tolerant of different views, as well as the inevitable errors of judgement that will occur from time to time”, so that they can create a culture that focuses on staff enhancement to assist better performance and ethical behaviour, rather than one that focuses on the need to control employees (Wood, 2002:63). This view is grounded in Selznick’s argument that control depends on the extent to which the individuals in the system can be persuaded or encouraged to participate in the organisational goals (Selznick, 1948:26).

By recognising that an organisation is made up of individuals who interact with each other and the organisation as ‘wholes’, to use a Selznick term (1948:26), as social beings guided by material self-interest based on values and ideals, the leadership will treat their employees as emotional, non-rational individuals with their own sets of beliefs, values, habits, dreams, goals and commitments, and not merely in terms of their formal roles and functions in the system (Moss Kanter, 2011:75; Paine, 1994:113; Selznick, 1948:25,26). This implies that leaders will not just try and ‘control’ their

employees to behave as they are expected, but that they will appreciate the value and contribution of employees, that they are part of creating the character of the organisation through their everyday behaviour.

The assumption that it is possible to create a corporate culture based on trustworthiness is based on the premise that people have the ability to adopt behaviour that is more focused on a regard for others, as opposed to always acting out of self-regard only. Stout and Blair (2001:83), in their review of the extensive empirical evidence that has been developed of human behaviour in social dilemma experiments, distinguish between the views of an individual as *homo economicus* – a hyper-rational and purely self-interested actor; and as *homo sapiens* – a social organism that is able to act out of concern for others.

While Fukuyama (1995:41) does not disagree with the economists' view of humans as fundamentally selfish and pursuing their selfish interests in a rational way, he also argues that humans have a moral side in which they feel obligations to others, to which they are capable of attending even when it is frequently at cross-purposes with their selfish instincts. He holds that the more developed ethical rules by which people live are nurtured through repetition, traditions and the example of others, the more these rules, which reflect a deeper adaptive rationality, are transmitted from one generation to another as a rational social habit, and that this in turn "... guarantee[s] that human beings never behave as [the] purely selfish utility maximizers postulated by economists".

The capacity that people have for socially contingent other-regarding behaviour, which is "... highly adaptive in species that rely on social interaction and exchange" (Stout & Blair, 2001:3;15,16) then also applies to corporate business relationships.

The term social in this study is therefore expanded to include the organisation's awareness and acceptance of the fact that its employees are not rational or passive actors, but rather active, social beings (Moss Kanter, 2011:75; Selznick, 1948:26). Essentially, employees are capable of making their own choices about which ideas to surface – they choose how to interpret the meanings put forth by the organisation, which

infuse “... their actions with meaning based upon these perceptions” (Dacin *et al.*, 2002:47; Moss Kanter, 2011:75).

As such, it is posited that an organisation that bases its value-set on a strong ethical foundation will be able to create a trustworthy organisation, since it can translate its value-set into behavioural commitments, principles and behavioural directives, such as standards, norms and guidelines (King, 2009:26,119), which can then be used to guide, monitor, manage and reward the ideal behaviour. The importance of instilling an ethical culture is pertinently summarised by Jones (2007:50), when he notes: “Ultimately, an organization is ethical if the people inside it are ethical.”

The process of managing corporate reputation is then argued by this researcher to be one with an initial primarily internal focus, prior to an external focus. This study then contends that the key objective of the corporate reputation management process is *to first ensure strategic alignment within the organisation, so that it is able to consistently and authentically act according to its stated reputation promise*. The organisation therefore first has to build and position those corporate structures and processes that will help to guide its organisational behaviour that will evoke stakeholders’ trust, i.e. it first has to become trustworthy.

Once this is in place, the organisation can then extensively and uncompromisingly communicate its identity as ethical and trustworthy to all its external stakeholders, i.e. it can communicate its identity so that its stakeholders can become aware of what the *organisation sets out or promises to be*.

### **9.1.3 Image: ‘What we say and present about our organisation’**

The third key element in the new strategic alignment reputation management approach is the organisation’s collective presentation of itself – the images and corporate communication messages it creates about the organisation. This element is equivalent to the element of ‘Stakeholder images’ in the *VCI Alignment model* (Hatch & Schultz, 2008:11), but is fundamentally differently defined in that it is regarded as the mental associations that the organisation wants its stakeholders to hold; as the “... internal

collective state of mind that underlies [the organisation's] corporate communications efforts (successful or not) to present itself to others" (Barnett *et al.*, 2006:29; Walsh *et al.*, 2009:189), rather than the images that stakeholders have of the organisation as is held in the *VCI Alignment model*.

Image is then defined in this study as *the 'ideal picture' that the organisation presents to its stakeholders, what it wants them to see as being 'most central, enduring and distinctive' about the organisation, through its communication and reputation-building activities* (Barnett *et al.*, 2006:29).

It needs to be highlighted that the 'ideal picture' should be authentically based on the organisation's strategic vision of who it sets out to be, which forms the foundation of the reputation promise that the organisation makes to its stakeholders. By communicating that which it wants to be, the organisation provides its stakeholders with the basis against which they can judge the organisation's actions, words and self-presentation in order to determine if the organisation is authentic and seen to be trustworthy.

The focus here is on transparent, honest and clear corporate communication messages and the use of symbolism that is aligned with the 'ideal' vision and character the organisation promises to its stakeholders. This should not be confused with the type of image-building activity where unrealistic and unsubstantiated claims about the organisation are made in order to try to impress stakeholders, by presenting the organisation as something that it is not. The focus here is on uncompromisingly communicating what the organisation wants to achieve and be in everything it does, says and presents about itself.

While the fact is acknowledged that the consistent and trustworthy behaviour of the organisation, rather than only what it communicates (Murray & White, 2005:350), will build a corporate reputation that will earn stakeholders' trust, it is also held that a for-profit organisation that wants to develop and sustain an ethical and trustworthy relationship with its stakeholders can and *should* use effective internal and external stakeholder communication (Paine, 1994:113), to make its stakeholders aware of what it is trying to achieve.

Internal communication is required so that employees know how they are expected to behave while fulfilling their duties, in order not to violate the character of the organisation. Jones (2007:182) holds that a for-profit organisation's ability "... to motivate employees and increase organizational effectiveness is directly related to the way in which members learn the organizational values", which they learn from the "... organization's formal socialization practices, stories, ceremonies, and organizational language".

External communication is required so that stakeholders can get to know and identify with the organisation, with its identity. This will lead to their trusting the organisation, and on the basis of that they will be willing to stay in a relationship with and support the organisation, which in turn ensures the for-profit organisation's sustainable economic success (King, 2009:100; Murray & White, 2005:350; Vanneste *et al.* 2011:23).

Fombrun and Van Riel (2004:134) observe that the best regarded companies are those who base all their corporate communication messages in a core reputation platform, or on what is referred to by this researcher as its reputation promise. According to Paine (1994:113), the guiding values and commitments – the reputation promise – should make sense and be clearly communicated, since they "... reflect the organisation's obligations and widely shared aspirations that appeal to the organisation's members", and it is held in this study, to all the stakeholders of the organisation.

Moss Kanter (2011:72) maintains: "Well-understood values and principles can be a source of emotional appeal, which can increase employee engagement." This is not just applicable to the employees of the organisation, but also to its external stakeholders. As such, the leaders also need to formulate, articulate and communicate an appealing reputation promise to its stakeholders (Murray & White, 2005:350) and that could assist the leadership in conceptualising and articulating their desired sustainability outcomes and overall direction clearly (Jamali, 2006:817).

However, as stated earlier, the leadership needs to ensure that all the organisational elements are in place for the organisation to actually become trustworthy in fulfilling its role of responsible corporate citizen, prior to embarking on any major external

communication and image-building campaigns (Nooteboom, 2002:75; Nooteboom, 2006:249). Part of this process will include the identification of all the stakeholder groups of the organisation, and the implementation of effective two-way communication and relationship-building activities with these stakeholders (Gao & Zhang, 2006:726).

It should be noted that the intent here is not for the organisation to merely communicate the ideal reputation *to* its stakeholders, but to solicit their views and input into articulating its reputation promise, as well as the gaps in existing performance and behaviour, in order to address the needs and expectations of the stakeholders, and so improve its overall performance, accountability and sustainability as a trustworthy, responsible corporate citizen (Gao & Zhang, 2006:726).

Involving key stakeholders in the articulation of the organisation's reputation promise, which is in fact the promise that the organisation makes to its stakeholders, as well as in defining the terms of engagement (Gao & Zhang, 2006:726; Swift, 2001:23), is regarded as the ideal starting point for establishing a relationship with them, one that is characterised by open, two-way communication and allows stakeholders to "... co-create shared realities and values" (Gao & Zhang, 2006:729).

Once stakeholder input has been incorporated into the reputation promise, the leadership of the for-profit organisation then needs to ensure that the organisation's operations, decisions and actions, but also its symbolic representations and communication with its stakeholders, are consistently aligned and coherent with what it 'promises' its stakeholders to do (Einwiller & Will, 2002:100; Fombrun & Foss, 2004:286; Helm, 2007:251).

This means that the for-profit organisation's communication messages should clearly and unambiguously strive to represent and signify the organisation's identity as authentically as possible, rather than trying to manipulate stakeholders' impressions and views of the organisation, which in itself is not sustainable (Fombrun & Van Riel, 2004:177).

#### 9.1.4 Corporate identity: 'Who we really are'

The concept of corporate identity is not regarded as an element, but as the sum total of the interaction of all three reputation elements discussed above, namely reputation promise, culture and image; where the three key elements are presented as parts of a puzzle that together make a whole and collectively constitute and present the underlying core or basic character, the actual identity, of an organisation (Barnett *et al.*, 2006:33).

This symbolises that the strength of an organisation's core identity is determined by the level of strategic alignment between what the organisation wants to accomplish in future (reputation promise), how it behaves (culture) and how it presents itself (image) to its stakeholders (Hatch & Schultz, 2008:11).

The strategic alignment of these elements results in the 'real' corporate identity of the organisation. This is the one that stakeholders will use as a basis for forming an opinion and making their assessment of the organisation, resulting in the organisation's corporate reputation. While the term 'Corporate identity' is preferred in this study, its meaning is similar to the term 'Organisational identity' in the centre of the *VCI Alignment model* (Hatch & Schultz, 2008:11).

This is in line with Hatch and Schultz's view (2008:150) that the success of a corporate branding effort is determined by "... the *alignment* of vision, culture, and images ... not the elements themselves". However, the difference between the *VCI Alignment model* and the new *Strategic Alignment Reputation Framework* approach being proposed by this researcher lies in the elements that need to be aligned.

In the *VCI Alignment model*, it is held that the relational gaps between internal and external stakeholders' images or opinions of the organisation need to be aligned. In contrast, this researcher uses her new *Strategic Alignment Reputation Framework* to propose that stakeholders' perceptions and assessments are based on the overall outcome of the organisation's reputation management process and that it lies outside the organisation's control.

This is why it is argued that by strategically aligning the three reputation elements that are *within an organisation's direct control* (reputation promise, culture and image as self-presentation), the organisation increases the likelihood that it expresses and presents itself authentically and makes itself uniquely identifiable and distinguishable from other organisations, thus providing its stakeholders with a basis to come to know and identify with it, resulting in their trust and continued supportive behaviour.

This study therefore posits that a strong, enduring reputation can only be developed when the for-profit organisation consistently delivers on its ethical, value-based reputation promise, and this in turn is dependent on how well and consistently its behaviour (culture) and self-presentation (image) are aligned with its reputation promise (Chun, 2005:105; Cooren *et al.* 2011:1152; Davies *et al.*, 2010:532).

Reputation management then means primarily managing the organisation's identity (internal focus), in order to guide and influence stakeholders' opinions and assessments of the organisation and earn their trust, instead of trying to manage different reputations and the perceptions of its multiple stakeholders. This also implies that the organisation only needs to have one single measure to determine how well it is managing its corporate reputation, namely feedback from its stakeholders on their perceptions of how well it is managing its own identity; basically, on how trustworthy it is perceived to be.

## **10 ESTABLISHING A SUSTAINABLE CORPORATE REPUTATION**

The process of establishing and managing a sustainable corporate reputation is then regarded by this researcher to refer to the overall activity in an organisation of managing its own identity; of managing its own relationship with its stakeholders in order to deliver on its accountability to them, instead of trying to manage different stakeholder relationships. As such, the concepts of a single corporate identity and corporate reputation are supported, and the idea of managing a single relationship versus managing multiple stakeholder relationships is proposed.

The process of managing corporate reputation is then argued by this researcher to be one with an initial primarily internal focus, prior to an external focus. This study then

contends that the key objective of the corporate reputation management process is first to ensure strategic alignment within the organisation, so that it is able to consistently and authentically act according to its stated reputation promise. The organisation first has to build and position those structures and processes that will help to guide organisational behaviour that will evoke stakeholders' trust, i.e. it first has to become trustworthy.

Once this is in place it can then extensively and uncompromisingly communicate its identity as ethical and trustworthy to all its external stakeholders, i.e. it can communicate its identity so that its stakeholders become aware of what the organisation sets out or promises to be. Stakeholders can then use this as the basis against which they judge the organisation's actions, words and self-presentation in order to determine if the organisation is authentic and seen to be trustworthy. This will enable the organisation to build and maintain its desired corporate reputation, so that its stakeholders will trust the organisation to fulfil their expectations consistently in a trustworthy, transparent and responsible manner (Davies *et al.*, 2010:532).

It is held that this becomes possible when there is strategic alignment between that which the for-profit organisation sets out to be (captured in its reputation promise as its leaders' strategic vision of its character and key purpose); its actual behaviour (culture); and everything that it says or displays about itself via its corporate communication, advertising, use of symbols and reputation-building activities, which all contribute to its collective presentation of itself (image) (adapted from Hatch & Schultz, 2008:67).

The reputation promise, culture and image/self-presentation of a for-profit organisation, which collectively result in its identity or character, can then be seen as the key elements of corporate reputation, in that the relationships between these have to be managed to ensure alignment, since any gaps between them are not merely undesirable, but also distract from and destroy the desired corporate reputation (Davies *et al.*, 2010:532). When experience differs from expectation, reputation is damaged. "The literature suggests that any misalignment or gap between image, identity or desired identity affects a firm's reputation." (Chun, 2005:95).

Stakeholders get to know the identity of the organisation (Blois, 1999:209) through what they experience, see, read or hear about the organisation, on the basis of which they form perceptions and make assessments of the organisation, which in turn – particularly in the case where there is congruence in values (Pirson & Malhotra, 2008:10) – will inform their decisions to identify with and trust the organisation.

An organisation can sustain its good corporate reputation by building strong and supportive relationships with all its stakeholders (Fombrun, 1996:10), but this study contends that the only way in which it can achieve a strong and sustainable corporate reputation is to manage the business with an unwavering leadership commitment to ensure strategic alignment between all organisational behaviour, communication and the desired corporate reputation, to build an enduring reputation from within (see Figure 8) and actually become an ethical, trustworthy organisation.

King III regards the members of the Board as the ultimate custodians of its organisation's reputation and stakeholder relationships, and maintains that the leadership should discuss this as a regular boardroom agenda item (King, 2009:100). It is inferred that leadership attention is required to ensure the consistent alignment of the organisation's actions and communication with the reputation promise it has made to its stakeholders, and to consider and act on the feedback they receive from their stakeholders in this regard.

As such, it is regarded as critical for an organisation to measure its stakeholders' perceptions regarding the gaps between its ideal and actual performance in terms of its reputation promise, to enable it to identify and manage the gaps in order to strengthen its reputation and ultimately the level of trust of its stakeholders. The organisation should include its performance in this regard in its integrated report to its stakeholders.

The last element posited here in relation to building a strong corporate reputation has to do with the way in which the organisation deals with the feedback it receives from its stakeholders. It is believed that the organisation should be prepared to listen and act on the feedback received from its stakeholders (Gao & Zhang, 2006:731), to take the

feedback from its stakeholders literally to heart, "... to the very heart and core of the company's business activities" (Fombrun & Van Riel, 2004:176).

Since a reputation is based on stakeholders' perceptions of the organisation, the organisation that wants to build a strong reputation will consistently solicit feedback from its internal and external stakeholders and act on the input it receives, improving its performance to close the gaps between its reputation promise, culture and the images that it portrays – in other words, to strengthen its own authentic identity. This ties in with what is believed to be a key requirement to move a for-profit organisation towards a culture of corporate sustainability and trustworthiness.

In their discussion of an organisation as an open and living system, Littlejohn and Foss (2005:241) note that organisations, like organisms, never remain static, but rather "... they adjust, change, and grow on the basis of information, feedback and logical force". Hosmer (1995:387), in citing Friedland, notes that "... trust is most typically promoted when a party to an interaction shows a genuine responsiveness to the needs of its partner". That is why the more critical element for fostering and building trust and a good corporate reputation is the fact that the organisation itself should be willing and ready to change based on the feedback received from its stakeholders.

As the inclusivity of stakeholders is essential to achieving corporate sustainability, it is then imperative that their legitimate interests and expectations need to be taken into account by the organisation (Gao & Zhang, 2006:730). Being *genuinely* responsive to its stakeholders sets the stage for the organisation to foster and build trust and a sustainable relationship with its stakeholders (Hosmer, 1995:387).

Basically it is held that the leadership should measure the perceptions its stakeholders have about the organisation (Sigma Project, 1999:58) to enable them to manage any gaps or weaknesses in its identity (see Figure 8), as identified by its stakeholders. By soliciting their input on how authentic and trustworthy it is in terms of its promise, behaviour and communication; by addressing the key issues raised by its stakeholders in a consistent and trustworthy manner; and by acting on the stakeholders' feedback,

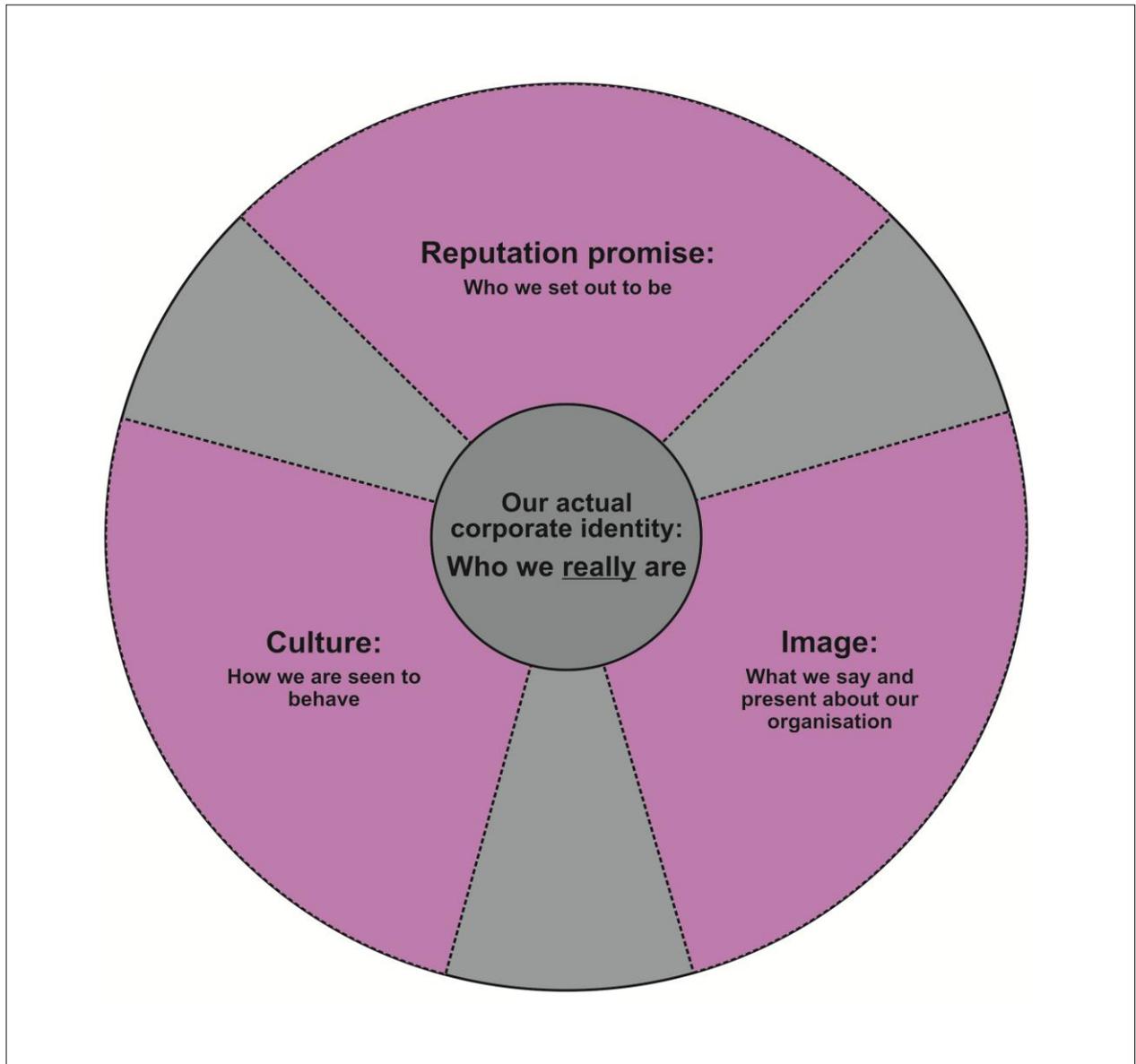
the organisation then ensures that it can “... enhance or protect [its] corporate reputation and ... avoid damage or destruction by company actions” (King, 2009:100).

By using the input and responding to the feedback from its stakeholders, a for-profit organisation will be able to establish a corporate identity, culture and business operation practices that are consistent with the concept of corporate sustainability as set out in this study; it will build and maintain an authentic relationship with its stakeholders who can identify with and therefore will support the for-profit organisation; and as such it will be able to improve its overall performance and accountability (Gao & Zhang, 2006:726; Jamali, 2006:815; King, 2009:104; Swift, 2001:21).

This study contends that it is to the longer-term economic benefit of a for-profit organisation to create and maintain the conditions under which its stakeholders would be willing and would remain willing to trust the organisation, and take the risk of for example buying a product from, investing in, or publicly declaring support for the organisation.

With this, the intricate relationship between trust and trustworthiness is reiterated, and it is emphasised that stakeholders will only develop trust in the organisation when they consistently experience ethical and trustworthy behaviour on its part, which means that their belief that the organisation will continue to do exactly what it has contracted or promised to do is strengthened.

**Figure 8: Towards a new *Strategic Alignment Reputation Framework***  
(Adapted from Hatch and Schultz, 2008:11)



▪ ***Integrated and outcome reporting***

While integrated reporting is not included in the steps that an organisation needs to take to establish an enduring and sustainable corporate reputation as a trustworthy and ethical organisation that will lead to stakeholders' trust and support, it is deemed as relevant to the overall process. In this light, a brief overview will now be provided of the importance of integrated and outcome reporting.

King III (2009:12) highlights the need for integrated as opposed to only financial reporting, because strategy, risk, performance and sustainability have become inseparable. Since a financial report only provides a view of the organisation's financial position at a moment in time, of its market value, its stakeholders cannot make an informed assessment of the holistic performance and forward-looking prospects of the organisation and therefore they are not able to assess the greater economic value of the organisation (King, 2009:13).

In order to be able to ascertain the more substantial economic value of a for-profit organisation, stakeholders will need information about what is more commonly (but incorrectly) referred to as the 'non-financial' information about an organisation (King, 2009:109). This information will for example include evidence of the organisation's performance in terms of the level of goodwill that the organisation enjoys, the quality of its leaders, the strength of its reputation as well as risks and sustainability aspects related to its social, environmental economic performance which can influence its future earnings (King, 2009:13).

According to King III, there are two benefits related to issuing an integrated report: internally, it will help the organisation to evaluate its actual performance against its stated ethical framework, fundamental values and governance practices, and externally it will assist to increase the level of trust of its stakeholders in the for-profit organisation and the legitimacy of its operations (King, 2009:13).

This is why it is held that outcome-based and integrated reporting is highly relevant to the process of creating a sustainable and trustworthy for-profit organisation. It is believed that an organisation needs to determine and measure its impact on society and provide an integrated report on issues related to its performance in terms of sustainability. Based on King III, this should include information on the key issues affecting the organisation as well as the effect the organisation's operations had on the economic, social and environmental well-being of the community, both positive and negative (King, 2009:109).

Due to the heightened interest in sustainability issues, which has translated into growing concerns about how corporate responsibility performance is measured and reported, an increasing number of codes of conduct and reporting standards are being developed globally (Jamali, 2006:810-11; King, 2009:109).

One of the prominent contributions in this regard has come from the Global Reporting Initiative (GRI), which is particularly pertinent to this study (King, 2009:109). The GRI, which is a multi-stakeholder international undertaking, has been working since its inception in 1997 on designing a common framework for reporting on the linked economic, environmental and social dimensions of sustainability.

Based on the GRI delineation, "... the economic dimension includes the reduction of operating costs through systematic management, labour productivity, expenditures on research and development and investments in training and other forms of human capital. The environmental component addresses primarily the impacts of processes, products and service on the environment, biodiversity and human health, while the social element encompasses workplace health and safety, working conditions, human rights issues and labour rights." (Jamali, 2006:811).

Jamali (2006:813), however, notes that "... while it is clear that organizations need to broaden the basis of performance evaluation from a short-term financial focus to include long-term social, environmental and economic impacts and value added, specific guidelines on how to proceed remain elusive".

Since the focus in this study is directed more towards the social dimension, it is only this dimension that has been considered for possible advancement and expansion. As such, it is posited that the concepts of corporate trust and stakeholder impact should form part of the social dimension that needs to be measured and reported on as well.

Effectively it is then held that the level of trust that stakeholders have in the organisation should also be included in the integrated report, as part of its social reporting process. Stakeholder trust in an organisation as a responsible corporate citizen, which has been measured independently and is subject to auditing, is regarded as conclusive

confirmation that a for-profit organisation is acting as a trustworthy, responsible corporate citizen, in preserving its own sustainability. This is where the Corporate Trust Index (CTI) proposed by this study will fit in.

## **11 CONCLUSION: REPUTATION DEPENDS ON CHARACTER**

In this study corporate identity is regarded as the core foundation of corporate reputation. Since corporate reputation is regarded as the assessment that stakeholders make of the organisation, it is held that the organisation is assessed in terms of how well it manages its identity – that which it defines itself to be, its inherent character, which originates from its vision and its values.

An organisation's articulation of its desired identity is regarded as its reputation promise to its stakeholders, and stakeholders can assess how well the organisation is fulfilling this promise to them, based on what they experience from the organisation's culture and actual behaviour, as well as what they hear about the organisation and learn from its use of communication, symbols and physical designs to present itself to its stakeholders.

It is held that the greater the alignment is between what the organisation promises to be and how it actually acts and what it says, the more its stakeholders will perceive and experience it to be authentic, which will result in a strong and authentic corporate reputation. This, in turn, will positively influence stakeholders' expectations about the organisation's future behaviour and on this basis of trust, they will then decide to continue to support the organisation.

However, it is also held that this commitment and support is largely dependent on who the organisation is, on the identity that it adopts and presents to its stakeholders. The organisation, as a social actor in its own right, is regarded as being capable of behaving in an intentional manner, and since it is granted its legitimacy from society, stakeholders can hold the organisation accountable for who it is and what it does; they can legitimately expect and demand congruence between social values and organisational actions.

Based on social psychological research, people categorise themselves and others into social groups, which is related to how they seek to achieve or maintain positive self-esteem. By positively differentiating the group they belong to on some valued dimension, people's individual sense of self is then defined in terms of their social identity. This has significant consequences for an organisation.

In the first place, it means that it needs to (re)define its corporate identity in terms of core values that will resonate on an emotional level with its stakeholders, to increase the likelihood that the stakeholders will identify positively with the organisation and the values it stands for.

While stakeholders' perception, cognition and evaluation of the organisation take place in the mind, there is a definite link between these processes and actual behaviour, since it is in their identification with the organisation that stakeholders' commitment to and positive support of the organisation originate. When stakeholders feel good about who the organisation is and what it does, it will make them feel good about who they are. This in turn will lead to their commitment to and supportive behaviour for the organisation. When stakeholders do not agree with what an organisation does, when they cannot identify with its 'social' identity, they will distance themselves from the organisation and withdraw their support.

In the second place, it means that the organisation needs to ensure absolute alignment between the reputation promise it makes to its stakeholders (that which it wants to be known to stand for and is willing to be held accountable for) and its actual behaviour and manner in which it presents itself to its stakeholders. Its stakeholders come to know and form an opinion of the organisation based on its collective, institutionalised presentation of its identity, which makes it at once recognisable and distinguishable from other organisations.

The key point to keep in mind with regard to the development of corporate reputation is that an organisation cannot control how its stakeholders perceive it, since it cannot control all the ways in which stakeholders experience or get to know about it. While personal experience has the biggest impact on how stakeholders experience and

perceive an organisation, stakeholders can still develop impressions and make evaluations about the organisation without ever having experienced direct personal contact with it. Corporate reputation is also influenced by signals that stakeholders receive from other sources outside the organisation, when information about an organisation's behaviour in one relationship spreads to others via an information network.

This accentuates the importance of corporate communication and reputation-building activities to familiarise stakeholders with the organisation, particularly with its identity and the values it stands for, and once again it emphasises the need for alignment between words and behaviour. This is particularly important when it is taken into account that corporate communication is held in this study to actually constitute who the organisation is.

This underlines the need for an organisation to practise expressive communication with all its stakeholders, which seeks to authentically represent the organisation's identity rather than trying to manipulate stakeholders' perceptions, in order to present and establish an authentic corporate reputation.

This researcher then considers an authentic corporate reputation to be a key factor for creating trust in an organisation, and regards it to be the result of actual trustworthy behaviour and communication that is aligned with what the organisation promises and does. It is also held that in order to foster trust, the organisation's communication with its stakeholders should relate to characteristics that affect those beliefs or antecedents of trust, which include competence, benevolence, integrity, ethical behaviour, identification and transparency.

In this study identification-based trust is regarded as the strongest form of trust that will lead to sustainable supportive stakeholder behaviour. This form of trust is based on the organisation's authentic identity, with which stakeholders are familiarised through the organisation's promises, actions and words, in other words through its reputation-building and communication activities, and it refers to that stage where the stakeholders

and the organisation have come to know each other so well that they can begin to identify strongly with the other party's values and needs.

It is then argued that identification-based trust will positively influence and reinforce stakeholders' assessment of the organisation as well as their expectations and trust, and therefore their behaviour. This is because when identification increases and a shared identity is developed, the strength of commitment, cooperation and loyalty also expands. Trustworthiness is therefore regarded as an attribute of corporate reputation, which in turn is regarded as an antecedent of corporate trust.