

Managing corporate reputation



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Corporate reputation defined as “ overall estimation in which a company is held by its constituents. A corporate reputation represents the net affective or emotional reaction – good bad, weak or strong- of customers, investors, employees and general public to the company’s name”. (Fombrun, 1996, p. 9)

Also “ corporate reputation is all encompassing term for what employees think about their employer, what customers think about their provider, what investors think about their shareholding and so on” suggested by Varey (2002, p. 193)

Doorley & Garcia (2004, p. 4) executed the whole concept of corporate reputation in to a small formula

Reputation = Sum of images = (Performance and Behavior) + Communication

World’s leading companies such as Coca cola, Unilevers, Johnson & Johnson , Disney, etc had truly created their corporate identities that define their who they are and what they stand for. Those organizations have been gone through various stages and used scientific approaches to build their corporate identity.

The most important practice for any organization is not just to create their corporate reputation, but to sustain and increase their reputation to generates the confidence in the present as well as in the future.

Reputation can be either collapsed or increased in a micro second due to a small incident made by any organization. Once an organization has destroyed their corporate reputation it is million times harder to rebuild that.

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Because there are uncountable parties are involving & influencing corporate reputation of organizations. The scientific approach is to respond & respect uncontrollable parties who influencing organizational reputation such as central government, international organizations such as UN, World Bank, Trade unions, Media, etc and also effective management of controllable parties who involved & influencing organizational reputation.

Destroying British petroleum's reputation due to the oil spill is and also the way Chile has increase their reputation by successfully concluding mine operation are practical examples of the nature of corporate reputation.

The most important practice is to manage corporate reputation effectively.

In this report it will discussed Managing corporate reputation of Seylan Bank PLC .

Actively Managing Seylan Bank PLC's corporate reputation

Organizational Reputation is build with their management approach of internal & external activities. Based on company's activities the end result of the above formula will be change. In other words companies could achieve either positive or negative reputations.

Reputation = Sum of images = (Performance and Behavior) + Communication

Doorley & Garcia (2004, p. 4)

Actively managing corporate reputation is managing corporate identity within internal forces & mange corporate image within external forces of the company.

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Identity , Image, Performance, personality are the key words that the organizations needs to focus on when managing corporate reputation.

Organizations can be develop management of corporate reputation as a discipline of the organization over period of time.

Developments via public relations

Media is the main interface of corporate image towards the community.

Therefore it is important to use of various media relationships to improve the perception of the organization held by various key stake holders such as government, pressure groups, etc.

Developments via integrated corporate communications

Use of integrated corporate communications methods to develop organizations corporate reputation which is practiced by most of the organizations. Through integration of corporate communications organizations are communicating its corporate brand values , corporate image.

Contribution of other disciplines

There are number of disciplines which Fomburn & Van Riel (1997) surveys which have contributed to the concepts & perspectives to the field of corporate reputation such as Psychology, Economics, Strategic management, organizational science and accounting.

Seylan Bank as financial service organization reputation is the key factor to differentiate in the market place also important part of the value package.

Managing Corporate reputation has to focus on employees, Investors, Customers & other stakeholders

Arguments for actively managing Corporate Reputation

Actively managing corporate reputation brings positive value to organization in different ways.

Reference – Appendix 2 -Corporate reputation chain

As the report explained before Corporate reputation is building with attracting internal & external parties of the organization. Employees, Customers, Shareholders and other stake holders are as parties who involves in organizational reputation there are advantages of actively managing corporate reputation of the organization .

Employees

Employees are the major element of organizations corporate reputation where they are stand as ambassadors of the organization.

Employees have to feel the behavior of the organization and as a major portion of the organizational corporate identity employee loyalty is highly important in managing corporate reputation.

Therefore actively managing corporate reputation will helps to increase employee loyalty & as result all the other parties including customers & investors will increase their loyalty as well.

Reference Appendix 2 – Corporate reputation chain

Customers

Existing customers can be easy to retain with effective corporate reputation where customers will perceive trust & credibility towards the organization. As a result customer loyalty will increase. Customers will communicate good practices of company behavior and that will help organizations to develop good trust towards the external forces.

Product extension can be easily done through increasing loyalty.

Also customer base of the organization can be increased by managing corporate reputation in a good way.

Community & other stake holders

Other than employees, customers, investors there are so many other stakeholders such as government, community organizations, media, pressure groups, entire community, etc. They play a huge role in maintaining organizations' corporate reputation.

Therefore actively managing corporate reputation will increase the corporate image of the organization. As a result the organization will be benefited with favorable things such as positive public relations, positive word of mouth & word of web, etc.

Managing corporate reputation towards the external stakeholders is highly critical because these parties are highly active & responsive for organizational activities at any time.

For an example at the beginning of the crisis period of Seylan Bank Media is highly active and made a huge impact on organizational activities.

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Reference – Article 1 Daily mirror (2009) & Article 2 Sunday Times(2008)

1. 2. 4 Shareholders

As a result of actively managing corporate reputation finally shareholders are benefited by achieving higher shareholder value, sustainability of the industry.

Also managing corporate reputation towards shareholders organizations can retain their shareholders as well also can increase the share capital.

1. 2. 5 Actively managing corporate reputation in reality

Seylan Bank PLC was one of the highly affected financial institutes in Sri Lanka during the global financial crisis period. In December 2008 there was an unexpected threat arise to the whole Ceylinco Group of Companies including Seylan Bank. Former Chairman's association to the bank had a great image and identity in the over a period of time as he was socially recognized as a great icon as well as well reputed personality towards the community.

After few press release published on newspapers & Breaking news broadcasted on air regarding the liquidity issue of Goldern Key Credit Card Company, another subsidiary of the ceylinco Group of companies it was directly affected to Seylan Bank and Rs. 18 Billion withdrawals in very shorter period of time shows the reputation of the bank is in a threat and the bank is about to close down. However the Sri Lankan Government took over the bank under Central Bank Supervision and appointed a new chairmen and board of directors by providing a huge mission of sustaining Seylan Bank.

Seylan Bank has taken so many actions to sustain their reputation to keep the current deposits and to develop a positive perception on all the Sri Lanka's mind about new Seylan Bank.

However Seylan Bank PLC has satisfied most of the above advantages of actively managing corporate reputation during the crisis period.

There are so many short falls will arise when companies practicing Corporate reputation in a reality.

Arguments against actively managing corporate reputation

To make positive reputation organizations must develop four key attributes such as credibility, trustworthiness, reliability & responsibility. (Fombrun, 1996.) however if organizations cannot full fill above key attributes those organizations will achieve negative corporate reputations automatically.

Following factors will be affects when actively managing corporate reputation in organizations.

Organizational culture is the key of managing its corporate reputation. It includes Founder, history, leadership and management style, organizational environment etc. Mullins (1999) stated culture as “ collection of traditions, values, policies, beliefs and attitudes that constitute a pervasive context for everything we do and think in an organization”

Therefore there can be mismatches between organizational behavior & corporate values & personal values & beliefs when organizations are managing corporate reputation.

Also negative personal reputations of the company founders for an example Dr. Lalith Kothalawala's association to Seylan Bank & other Ceylinco subsidiary companies in Sri Lanka.

Organizational structure & hierarchy is also involved in managing corporate reputations.

There are so many resource involvements in managing corporate reputation depending on the organization.

Negative Associations such as celebrity Endorsements', Cooperative Strategies, etc may not be suitable for the organizational corporate reputation.

Seylan Bank has gone through all the above difficulties when actively managing their corporate reputation during the crisis period as well as all the time periods. For an example during the crisis period the biggest challenge to the bank was to retain their current employees and to communicate them the current situation of the bank and to make sure that their employment is not in a threat. At a crisis period like this it is highly important to control the internal pressure from unions, pressure from customers & share holders, other stakeholders such as media, also the external forces such as PESTEEEL environment as well.

During the crisis period biggest challenge for Seylan Bank was to take out the whole image which associated with Dr. Lalith Kothalawala & Ceylinco group for past 20 years from Seylan Bank.

Over a period of time former chairman Dr. Lalith Kothalawala has endorse Seylan Bank as “ My Bank” and as a result Seylan Bank has positioned as Dr. Lalith Kothalawala’ s Bank in customers mind.

2. 0 Key forces impacting on the reputation

There are so many forcers makes impact on company’s corporate reputation.

Nelson & Kanso (2008) presented that there are various internal & external factors are influencing company’s corporate reputation.

Reference – Appendix 1 Internal & External influences on corporate reputation

2. 1 Internal Forces which creates impact on company’s reputation

Internal forces are making the impact on corporate reputation is based on the images created on company’s corporate behavior, Images based on company’s symbolism & images based on company’s communications.

These factors can be controllable.

Activities of the following forces create impact on company’s reputation in terms of behavior, symbolism & communications.

Internal forces include top management, employees, Shareholders, Customers, Suppliers, Stake holders, etc.

2. 1. 1 There are three main areas internally which makes impact on corporate reputation of the company

Corporate resources

Corporate resources are one of the key elements which include physical assets, human resources, network resources, strategic intelligence assets, core competencies. These resources making impact on corporate identity of the organization.

Vision, Mission & Strategy

In terms of the corporate personality of the organization is based on their vision , mission & strategies. Strategic objectives of the organization, corporate communications strategies, Business strategies , strategy formulation is making a impact on organizational corporate behavior as well as the identity.

Organizational structure & culture

This is also another important element which makes impact on corporate reputation. Reference – Appendix 5.

Geysey (1999) suggested following are the key drivers of corporate reputation.

2. 1. 2 Key drivers of corporate reputation

Competitive effectiveness

Seylan Bank PLC has identified the financial needs of customers in early stages by being the first mover for various banking innovations in Sri Lanka. Eg – Island Wide ATM Network, Largest issuer of VISA cards in Sri Lanka, etc.

Impact to the corporate reputation : In terms of Identity, Personality & image of the organization competitive effectiveness is a key factor to attract resources. (Employees, Shareholders, customers & other stakeholders), for a example competitive edge of a company makes an impact on corporate reputation..

Market Leadership

Market leadership provides a story to every organization when they gaining the market grounds with competitors.

Eg - Seylan Bank is the 5th Largest Bank & the 3rd largest Financial Institute in Sri Lanka.

Customer Focus

Customer focus is a must in principals of marketing, the way organizations practicing customer focus is the factor which brings a advantage in corporate reputations.

In the context of Seylan Bank , they are identified the importance of customer at the beginning and they offered various innovative servicers to Sri Lankan Banking industry such as extended banking hours, Night Banking, Week End Banking, offering various products to different customer segments, etc.

Impact to the corporate reputation : Reputation may develop with the sum of images of the organization. HSBC could be the best example of developing corporate reputation through customer focus.

Also there are three levels of information processing that makes impact on people's impressions on an organization.

Primary Level information proceeding- Direct personal experience of banking services. This is the most important level which the organization proves the moment of truth.

Specially in Seylan bank all the bank branches, customer service hotline, Online Banking web site, ATM network has to ensure the service levels.

Secondary Level information proceeding- reference groups such as friends, colleges, etc has to say about the organization. Specially in the crisis situation of Seylan bank this level was highly important to minimize the effects to Seylan Bank corporate reputation.

Tertiary Level of Information Proceeding – Information based on activities on mass media such as highlighted in news, commercial advertising, etc.

Suggested by Bromley (2000)

However the forcers makes impact to corporate reputation is not only from the internal environment, there are external forces as well which make impact on company's reputation

2. 2 External Forcers which creates impact on Company's Reputation

These are the factors which are outside the organization also these factors are difficult to control by organizations.

Factors such as PESTEEL , Country of origin, Industry wise factors, community based factors are affecting the company's reputation as external factors.

2. 2. 1 PESTEEL Factors.

Political Factors

Government Policy decisions

Central bank involvements

Different Perceptions of the political parties

Eg - In 2009 Sri Lankan government has took over Seylan Bank under the management of Central Bank due to the crisis situation of the bank. However as a result of government protection it is positively effects to Seylan Bank's reputation.

Economical Factors

Economical situation of the economy globally & locally.

Economical systems, lifecycles , etc.

Economical factors are influencing company's reputation by the company behavior in relation to the global or local economical situation.

Eg -The global financial crisis has directly & indirectly affected to the Sri Lankan financial industry and as a result all the illegal financial institutes such as " Sakvithi" has banned by the central government. Also " Golden Key" one of the entity of Ceylinco Group also banded due to the issues risen

on liquidity. Finally government took over Seylan Bank under the management of Central Bank of Sri Lanka to safeguard the liquidity.

Socio cultural & ethical factors

People factors which includes customers,

Demographic characteristics

Norms , values & customs of the culture

Life styles , trends, attitudes, etc

These factors are influencing to organisations based on integration of their behaviours, Image & identity towards employees, customers & entire community.

Corporate Social Responsibility plays a major role in maintaining the effects of social cultural & ethical factors.

Eg – Seylan Bank PLC has done various CSR campaigns targeting the truly poor people of the society over the period of time to maintain the corporate identity of “ the bank with a heart”.

Technological factors

Developments in the technological environment such as

Virtual Banking

ATM technologies

SMS banking, etc

Legal Factors.

Environmental factors such as green issues.

The above internal & external forces are creating an impact on organization's corporate reputation in terms of organizations behavior, image & identity.

Also there are some other external factors such as Country of origin, Industry wide factors, community based factors also influencing organizations reputation in general.

2. 2. 3 Relational Influences on Corporate reputation

Relational influences to the corporate reputation in many ways.

There are factors such as organization's corporate reputation within a relationship.

Perception and evaluation of other parties to the relationship based on their specific knowledge & experience of the organization.

The way that organizations conduct and conduct its relationships.

Organizational association with another party.

Competitive and collaborative strategies, mergers and acquisitions, Re positioning, Brand positioning, Strategic positioning are few examples for relational influences to the corporate reputation.

3.0 Development of a formal corporate reputation management process

Managing corporate reputation as a continuous process it is necessary to have a formal process in order to assure managing corporate reputation is doing on correct way.

Seylan Bank has experienced the extreme of damaging corporate reputation during the crisis period which affected not only Seylan Bank most of the other subsidiaries of Ceylinco Group has affected their corporate reputation during that period due to the bad financial methods of investing money.

However Seylan Bank to overcome from the crisis & to sustain their business corporate reputation process was played a big role.

Development of corporate reputation process is important due to various factors.

Identifying the reputation gaps between corporate personality, corporate strategy, corporate identity & corporate culture and to do relevant actions to minimize those gaps.

Reference – Appendix 3 Reputation as corporate self expression

3. 1 Current Situation

3. 1. 1. After the Crisis situation of Seylan Bank , the identification of gaps between Seylan Bank’s corporate identity & corporate image has brings a new vision & mission to the organization.

Previous

New

Vision

Be the most caring & trusted bank

To be the leading financial service provider that delivers exceptional value to stakeholders.

Mission

Be the best bank in customer service

To exceed customer expectations by providing competitively superior services through speedy multiple delivery channels, whilst rewarding the staff through recognition and empowerment; being a responsible corporate citizen; adopting environmentally friendly practices and adding superior value to shareholders.

With this dramatically change of its corporate vision & mission Seylan Bank has set a whole new direction with a theme of “ the bank with a heart”

3. 1. 2 Symbolism of Seylan Bank which includes their corporate logo, symbols, corporate colours, etc.

3. 1. 3 Corporate communications is the other major part of Seylan Bank's current corporate reputation process.

Corporate communication is a umbrella term for all the ways in which the organization talks itself & outside the organization.

Corporate communications includes 3 levels of communications.

Management communications which is communication between the representatives between the management levels of the organization & stakeholders.

Organizational communications for certain activities such as communications agency briefings for corporate campaigns, PR, Media Relations , CSR projects, Employee communications , etc there are representative from the organization management levels will participate. (Eg – General Manager, Brand Manager, etc)

Integrated corporate communications which includes rules & directions, sequencing & process design, organizational routines, Group problem solving suggested by grant (1996)

3. 1. 4 Corporate behavior of Seylan Bank is made up with various CSR activities they have done in the past & the way they behave during & after the crisis.

Based on above 4 areas that discussed corporate identity will be created.

Corporate identity is a judgment that the organization itself has developed.

And how organizations perceive their self.

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Also there can be gaps created between internally. As a result organization's perceived identity may be differs from the actual identity. Balmer & Soenen 1999 suggested AC2ID test to find out the gaps between identity.

Developing the corporate identity is the most important thing in terms of developing the corporate reputation.

Service quality is also taking a part in corporate behavior.

3. 1. 4 Developing corporate image is based on organizational identity, organizational strategy, personality.

Corporate image is where how organization's customers and other stake holders perceive the organization.

To develop the corporate image organization is required to do necessary activities such as corporate communications, engage with activities which are in line with organizational mission & strategy.

Doing CSR is one of the key things to develop corporate image. But CSR has to address triple bottom line in today's contest.

Also the imagery based on organization's corporate symbols, communication materials (emotions based on creativity) , addressing the social dialogue is essential to increase the corporate image.

Corporate reputation is based on corporate identity, corporate image & corporate personality of the organization.

Therefore to develop the corporate reputation management process organizations have to manage those areas effectively.

3. 2 Developments in Seylan Bank’s corporate reputation process

Developments of the formal corporate reputation process focus the following areas in development.

Employees, Customers, Other stakeholders & shareholders are the 4 areas which Seylan Bank needs to focus on making developments to corporate reputation process.

To develop employee satisfaction, interest towards the bank it is important to identify the cultural iceberg of the organization. Based on their interest & loyalty towards the bank corporate identity can be created.

3. 2. 1 Areas to be developed

There are 4 main areas to be developed in Seylan Bank’s current corporate reputation management process which includes Employees, Customers, Shareholders & other stakeholders.

Employees

Developing continues approach to maintain employee satisfaction to build a bond with organization & its employees. Also identifying gaps or mismatches of organizational culture, structures are essential to build long listed relationships with employees.

Customers

4. 0 Recommendation

4. 1. 1 Using corporate reputation value chain as a structure to increase corporate reputation of the organization.

Reference Appendix 4

Reputation value chain is illustrating four areas which the organization's reputation can be increased through investment of corporate reputation building activities such as Corporate communications, CSR, public relationships, sponsorships, etc .

Then as corporate reputation is stand for the entire community there are supportive endorsements are anticipated from media, pressure groups, social groups, word of web, etc.

Customer retention may increase as a result of supportive endorsements from other stake holders. And customer loyalty will increased

Finally shareholder value will be increased due to the ethical, community, respectable activities which the organization has invested.

4. 1. 2 Corporate reputation as a self expression model can be use as a process of developing reputation through identification of gaps between corporate identity & corporate image

Reference – Appendix 3

Gaps between corporate identity & corporate image is arising based on organization's corporate personality, corporate strategy, corporate identity & corporate culture.

It is required to maintain KPIs to each of these elements and to do certain change at necessary periods.

Advantage of this model use to increase the corporate reputation of the organization through this Seylan Bank can identify the identity that they perceived based on their personality, culture, and corporate communications is the actual identity.

4. 1. 2. 1 Using AC2ID test & REDS2

AC2ID test is invented by Balmar & Soenen in 1999 as a model to find out the relationship between deferent kind of identities of the organizations corporate reputation.

Actual identity is the real identity of the organization which is based on organizations performance , behavior & financial activities , etc.

Communication identity is the identity which organizations are communicated.

Also there are other identities such as conceived identity, ideal identity & desired identity as well.

Balmer & Greyser in 2003 made advanced items to analyze identity

Reveal the 5 identities and compare the interface of each identity, then diagnose the situation and then select the interface for attention and finally to do the strategic choose.

The next level of reputation self expression is to identify the gaps between corporate identity & corporate image.

4. 1. 3 Employer branding is recommended to build superior customer value.

Reference – Appendix 7

Employer branding can be use as a system of increasing superior value to the customers by increasing loyalty of employees& shareholders.

5. 0 Conclusion

TASK 4 – Journal Article

Journal –

Justification of the targeted industry journal –

Sri Lankan Business Journal

How not to be threatened by a crisis

Any event or series of events that can imminently and significantly damage a company's reputation may be a crisis for any organization.

Fink (1986, p. 15) suggested that from a practical , business oriented point of view a crisis is any situation that runs the risk of escalating in intensity, falling under close media or government scrutiny , interfering with normal operations of business, Jeopardizing the positive public image presently

enjoyed by a company or its officers, Damaging a company's bottom line in any way.

When looking at the above definition and also the common understanding of a crisis is it can be happen at any given time whether we forecast or not.

Crisis & Communications

Communications plays a major role during crisis periods. The most significant inter-relationship between communications and crisis is “ Communications can use to overcome the crisis” or “ crisis can be created through communication” therefore communication may be the most important function of a organization during a crisis.

British petroleum is one of the organizations who faced the biggest crisis situation of the world in the near history. International media has made that situation as their headline & CNN explains the situation on breaking news and so many live endorsements on media may affect BP's corporate reputation for certain level. However BP's crisis communications process has minimized the effects from international commodities.

Phases of crisis communications

Hainsworth & Meng (1996) identified following phases which a crisis is pass. Therefore the interface of crisis communications may differ from each stage.

First scanning the environment to find out the signals of a disaster and making contingency plans, recovery plans & communications plans for the identified risk.

Secondly pre impact is where organizations prepares specific crisis management plans , forming crisis management teams & informed key stake holders about the crisis.

Then the impact , crisis management plan is implemented, and close contact is maintained with the

media and key stakeholder groups. The aim is to neutralize and localize (contain) the crisis,

without hiding or diminishing its significance to stakeholders

And finally Readjustment the organisation implements strategies for reputational repair, and remains

consistent, positive and concerned through investigations, compensation claims (where relevant)

and other post-crisis tasks.

Characteristics of crisis communications

There are various characteristics of crisis communications which is common on most of the crisis communication scenarios.

Well prepared for crisis communications where organizations has to ensure what they communicates as crisi