

Managing the corporate reputation management essay



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TWM faces a landscape that is radically changing with the emergence of more informed and savvy stakeholders who can retrieve information more easily through the myriad of access points. No longer are stakeholders left segmented and targeted by companies controlling the distribution of information. This shift in power levels the playing field but allows TWM to concentrate its communication efforts on genuine stakeholders to build its brand and reputation, resulting in an improved and sustainable competitive advantage.

This report outlines the specific strategies TWM can undertake in order to be more competitive by maximizing its positive reputation amongst all its stakeholders.

Reputation

A good reputation is a byproduct of good management. Companies that acquire a good reputation do so because they are managing the issues which are business critical not necessarily reputation critical. (Honey, 2009)

Drivers of Reputation

Excellence of products and services

Socially responsible conduct

Financial performance

Working environment

Emotional appeal

Management leadership and expertise

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Image = creation of a PROMISE

Reputation = letting everyone understand you're DELIVERING on that promise.

Reputations are predominately outside the direct control of a company's management. (Frombrun & Shanley, 1990) It takes time for a reputation to develop in observers' minds. Studies have shown people often resist changing their reputational perceptions even when presented with negative information. (Wartick, 1992). Strategists put emphasis on the competitive benefits of acquiring and sustaining positive reputations (Rindova & Frombrun, 1997) and insist that companies should allocate resources to ensure the protection of its reputation is at the forefront of its risk management strategy. (Barney, 1986)

Measuring Corporate Reputation

Business leaders tend to focus their attention on factors that can be measured. The major issue is their inability to assign an ROI amount to actions taken or not taken. Reputation is a difficult element to measure and to date there remains conflicting opinions from academics on the most accurate form of measurement. (Firestein, 2006) The importance of being able to measure reputation as accurately as possible has become more vital than ever when stakeholders are no longer confined to the messages a company intends them to receive. Reputations are often not shaped by any direct communication, interaction or information about a company - and can at any time be received, assessed and re-communicated by stakeholders who are outside the company's control or knowledge. (Cramer & Ruefli, 1994)

Reputation; “ there is no general agreement on how to measure it, but there is a general agreement that it is important”. (Sobol & Farrelly, 1998)

Can reputation be measured? Yes it can. But there is not a ‘ one size fits all’ formula. Reputation exists in the minds of stakeholders but not all stakeholders think alike nor do they have the same expectations or are motivated by the same issues. Employees are likely to be focused on the quality of their work-life, salaries and benefits and advancement prospects; customers may be focused on the quality and price of products and services; while shareholders direct their attention towards the ability of the management team to meet its objectives, financial results and potential return on investment. Shareholder mapping is essential in order to fully understand the scope of expectations by each individual stakeholder group.

Reputation on social media can be measured quantitatively (sources, numbers of views/likes, downloads) and qualitatively (issues, messages, sentiment). But how is reputation measured as a whole? There are several measurement tools available but which model is most appropriate for TWM?

Measurement Tools

There are a number of reputational measurement tools that have been developed, each focusing on particular aspects of reputation. The Harris-Fombrun Model: Corporate Reputation Quotient which evaluates, using twenty attributes grouped into dimensions of reputation including emotional appeal, among multiple audiences. Reputation is described in terms of stakeholder expectations. (Frombrun, 1996) The disadvantages of the results obtained by RQ is that it can only be compared to companies similar to TWM

in its specific industry as results compared across numerous industries are found to be meaningless.

The SPIRIT Model describes reputation in terms of stakeholder expectations in business relationships and surveys groups similar to the RQ model; however the Spirit Model focuses on feelings, experiences and intentions of the stakeholder towards the company which are supported by statistical analysis. (MacMillan et al, 2005) The disadvantage of this model for TWM is that it does not place any importance on corporate personality and its stakeholder beliefs.

The Corporate Personality Scale is based on assessing the judgments made by customers and employees about the company's personality. The focus is on understanding intangible assets at a strategic level and the beliefs of stakeholders at a perceptual level. This tool also allows the testing of the link between corporate reputation and its consequences. The relevance of this tool for TWM is made evident in the findings of the reputational audit.

Many of these measurement tools do not give any or enough importance to the emotional aspects of reputation. Magazines such as Fortune and Manager Magazin do not assess these aspects while Frombrun/Harris underestimates them. (Schwaiger, 2011) There is lack of distinction between what the origin of a reputation is and what its consequences are.

Publications such as Fortune or its Oman equivalent; Business Today are not reliable sources for TWM as their measurement tool is based on that of industry leaders' opinions and do not consider any of TWM's important stakeholders. These opinion leaders are not driven by corporate

communications. This type of tool would be more applicable to the needs of TWM if it were to include surveying all its stakeholder groups including employees, customers and media, instead of only external senior executives. (Money, 2006)

The emotional aspects of reputation are difficult to imitate making them a company's core competency and vital for enhancing competitiveness. A more modern tool developed by The Reputation Institute called The RepTrak™ System has been designed to assess the emotional connection between a company and specific stakeholder groups through a particular dimension. The system aims to evaluate which dimension has the most profound impact on support and recommendation.

Findings of Reputational Audit

It was found that TWM is not capitalizing on or actively managing its reputation in four key areas which present potential risk management issues in the near future. These four areas have been identified as its reputational competitiveness, its intra-industry reputation risk, its cross-border reputation risk and its identity mix.

Therefore The RepTrak™ System is best suited to meet the reputational measurement needs of TWM as it allows TWM to establish what its current perception is and influence the key drivers of its reputation that matter the most. Different stakeholder groups are concerned with different attributes which is something that is necessary to TWM due to its complex array of constituents and micro-constituents.

Competitiveness

Competitive advantage and sustainability depends on a firm possessing and demonstrating a positive reputation. The better the TWM's quality, the more popular it will become, with for example, its residential customers continuing to use the other aspects of TWM such as the marina and golf course, as a result. A good reputation will differentiate TWM from its competitors in the eyes of its key stakeholders. (Omar, 2005)

In particular reputational sustainability is the key to enhancing the triple bottom line. The experiential gains from front line employees, and their interactions with customers, become the means by which TWM can gain a premium on pricing. Socio-economic corporate responsibilities become a competitive advantage translating the positive reputation gained in measurable revenues and profits. (Barney, 1991)

A favorable reputation offers firms two distinct competitive advantages over rivals. First, firms with more favorable reputations hold a competitive advantage over their rivals, since they are perceived as stronger firms by stakeholders. Secondly, and possibly more importantly, reputation persistence (Roberts & Dowling, 2002) (Schultz, et al., 2001) and its

enduring nature positions firms to exercise a more sustainable competitive
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advantage over time (Vergin & Qoronfleh, 1998) (Love & Kraatz, 2006).

Furthermore, since reputation is an intangible asset, it is inimitable, strengthening its competitive advantage. (Flatt & Kowalczyk, 2011)

It has been found in the audit that TWM does not gain a competitive advantage through a strong reputation. A market survey conducted by local real estate professionals revealed that customers would choose to buy property elsewhere in the city if the law permitted and that TWM's reputation was not the attracting factor for these customers. (Cluttons, 2012) As one of a few freehold developments, TWM is capitalizing on its freehold status to gain a competitive advantage. However, this is not a sustainable position as additional freehold developments are projected to emerge in the next 3-5 years.

Using RepTrak there is considerable distinctions between the perceptions of stakeholders on areas such as Leadership, Governance and Workplace. The findings suggest that the Shareholders are unaware of what is actually happening internally and externally with regard TWM's reputational performance.

Intra-Industry Reputation

Corporate reputation is not only out of the direct control of management, but is also dependent on the actions of similar companies within its industry. However to date research had been focused on reputations as stand-alone entities with no attention paid to the interdependence of companies within the same industry. (Barnett & Hoffman, 2008)

This is a double edged sword as a company in the same industry can tarnish another through misdoings and the stakeholder's perceptions of industry like-for-like, however it can also outshine that same company through outperformance and direct comparison by the same stakeholders. The actions of others can drastically influence a company's reputation; inaction may not do anything but reputation could be reduced by exception and perception.

The major property developers in the United Arab Emirates such as Damac Properties and Emaar Properties enjoyed untarnished reputations, giving the everyday people opportunities to get rich quick through flipping properties with huge margins. Residency visas were promised and these developers were to act as sponsors for property owner. However the inability for one big developer to successfully facilitate residence visas for property owners dramatically crushed buyer confidence in the real estate market in Dubai.

Cross Border Reputation

Geography can trump industry in determining reputation such that spillovers can jump across industry boundaries. ' (Bertels & Pelozo, 2008)

TWM not only has to contend with building and maintaining its reputation among its myriad of stakeholders within Oman but as a development that is very much targeted at the regional and international market as well as the local, it must consider the differing attributes that stakeholders in each of these markets attach to reputation. A strong reputation within Oman does not automatically carry over the border. Raising cross-border awareness is a mammoth task which can and must only be attempted when TWM's local

reputation is managed correctly. Through geographic proximity, TWM fell victim to the contagion effects that can extend beyond industry boundaries when the market in Dubai was booming, Oman and TWM reaped the contagion benefits but when the Dubai bubble burst, the same contagion took a negative spin. (Goins & Gruca, 2008)

TWM has been victim to the negative effect of the attachment with associated industries and socioeconomic occurrences. The Arab Spring affected the reputation and perception of safety in the Middle East for tourists which affected Oman and TWM which is an integrated tourism complex reliant on tourism for its commercial subsidiaries such as its hotels, golf course and other tourist attractors. The Arab Spring also accelerated the nationalization of jobs which forced thousands of expats out of their jobs causing mistrust by expats of Omani companies. The crisis in the financial sector affected the confidence in banking and affected mortgages which directly affected TWM's customer's ability to finance their homes.

The Identity Mix

Identity is widely recognized as an effective strategic intangible asset and means to achieve competitive advantage (Schmidt, 1995). If managed strategically corporate identity can help develop a competitive edge over competitors (Olins, 1995).

The Identity Mix identifies the different ways in which TWM's corporate communication can be managed in order to meet the needs of stakeholders and TWM. The three main elements are Symbolism, Communication and

Behaviour. (Birkigt, 1988) Findings of the reputational audit reveal that TWM's identity is not being managed to achieve a competitive advantage.

Symbols

Symbols are not being stringently controlled by management. Branding guidelines have been developed and are vigilantly adhered to by the marketing department, however other departments are not consistent in their use of the brand guidelines and misuse of the logo and its elements are found throughout the organization. Although templates for various correspondences have been made for the departments to use, they are often manipulated and transformed over time to be at times unrecognizable.

The head office houses all primary and secondary functions apart from sales which is located in a building 300m away. Despite an open door policy, this is contradicted by an "us and them" divide between senior management and staff.

Omanis are expected to wear their national formal dress in the office and expats tend to wear clothing that reflects their job. Management wear suits and ties while the construction and delivery teams tend to wear polo neck t-shirts, sometimes branded with TWM. There are strict rules for women on the type of attire they wear and are expected to be respectful of the culture and covered up. Skirts or revealing clothing is not permitted.

Behaviour

There are a number of departments that are customer facing including sales, customer service and some service departments such as facilities

management. TWM has a high staff turnover particularly in these frontline positions causing much angst for long term customers and residents who are forced to re-tell their stories and re-build new relationships with TWM staff.

Customers have rated their experience as unsatisfactory in every survey conducted to date. TWM attracts many new Omani staff due to its reputation of good pay and its reluctance to fire nationals. Employees, although often unhappy, are still proud to say that they work at TWM as it carries an elite perception in the city. Staff are rarely involved in major decision making at any level and information is kept close to the chests of senior management. Information that does reach staff is often through informal chat.

Over the 6 years since conception of TWM there has been remarkable change in senior management often attached to questionable management practices which has left longer term employees resentful and untrusting of management's motives and intentions. There is a significant culture and attitude amongst staff to ride the wave as long as it lasts or until a better offer comes along.

Internal surveys conducted with staff show a mistrust and lack of confidence in their management and their individual future at TWM. There is also a distinct atmosphere of 'us versus them' in relation to Omanis and expats with both sides feeling oppression by the other. Stringent rules set out by the Ministry of Manpower dictates a 70% Omanization and this is often given preference when employing staff over the competence or capabilities of the candidate. This results in much resentment amongst the expats.

Communication

TWM is perceived by its customers and residents as being weak at communicating with them. There is a strong belief that TWM is secretive and unfair to its customers and is only interested in profit margins, this was made evident through several external surveys conducted in the past 3 years. External communication is being made from several departments including sales, marketing, corporate communications, customer service, facilities management and asset management. There is no centralized communication center or filter for what is being conveyed with the result being mismatched information and conflicting messages.

A customer portal acts independently of the main company web site with no central monitoring center for assessing the information being shared. The main corporate website has been undergoing an overhaul for over a year now with the existing website not being maintained in the meantime. The current website re-directs to a microsite dedicated to a specific launch of villas which was intended to be temporary for the launch period but has now been active for a year. A very small number of people have been involved in the overhaul of the corporate website with no input from other departments facilitated. Due to the length of time it has taken to make this change to the website there is now pressure being put on the marketing team to make it live immediately despite there being any test period or series of checks made on its content and usability.

The digital age in which TWM operates forces it to become part of a two way dialogue with its stakeholders. This makes reputation management an even more vital task but also opens up opportunities to influence how the market

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talks about TWM as well as the ability to develop sustainable and effective relationships with its stakeholders.

Corporate Personality

In analyzing customer and employee surveys taken over a period of 6 years there is a distinct correlation between the perception of The Wave during the tenure of its first CEO, a charismatic and approachable, sales and marketing orientated personality (2007 - 2009) versus the current CEO who is a more introvert and pragmatic, process driven with a background in accountancy (2009 - 2012). This evidence suggests that the reputation of TWM is highly sensitive to the leadership style of its CEO.

The general public is strongly influenced by what information is communicated by the CEO of a company which in turn directly impacts on what is then communicated onwards to other buyers. (Weber Shandwick, 2011)

CEO and company reputation are inextricably linked and the reputational audit is evident that corporate reputation is not isolated from the staff and customer perceptions of its CEO.

A number of successful companies have CEO's who actively engage in direct communication; Michael Dell shares corporate news on Twitter, Bill Gates shares information about the Gates Foundation, studies, successes and new projects they are funding. People trust people, not companies. Tycoon Mark Cuban shares his personal interests on Twitter such as sport, digital media and entrepreneurship. Richard Branson is also an avid Twitter regular. These

CEOs give their companies a positive personality in the eyes of its
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stakeholders. They are relatable which allows them to build trust amongst their stakeholders.

Recommendations

It is recommended that TWM invests in reputation management in order to align stakeholder expectations with core competencies allowing them to benefit from a competitive advantage and market differentiation which both can lead to consistent and increased sales and customer referrals. It would allow TWM to rectify its inflated turnover in staff and instead develop and retain the best local talent. A strong reputation will help preserve support from investors in times of uncertainty. But this return on reputation is only achieved through effective and strategic communications.

It is recommended that TWM should not only invest in corporate reputation for the long-term, but also in the reputation of its top executives to maximize overall the reputation and confidence in TWM.

At Board level it is recommended that TWM initiate a strategic and holistic risk management program that is designed and implemented so as to identify and measure all business affairs with potential consequences on the firm's reputation capital. (Tonello, 2007) This will involve all members of the board reaching a common acceptance of the strategic importance of corporate reputation and the necessity to understand TWM's stakeholders. By supporting its senior management when prioritizing stakeholder management, the Board is facilitating the achievement of TWM's long term objectives.

By focusing on reputation management TWM can expect to strengthen its relationship with government ministries and regulators such as the Ministry of Housing and Ministry of Tourism, both of which has extensive and direct influence over certain elements of TWM's processes.

To effectively manage corporate reputation, it is recommended that TWM look beyond its corporate borders. It is essential to understand how to manage the interdependence within its industry.

It is recommended that TWM develop and implement a corporate identity programme as part of TWM's current growth and expansion strategy (Baker & Balmer, 1997))

Implementation of Recommendations

In order to achieve a holistic implementation of the recommendations made, and to do so in line with TWM's current strategy; Corporate Storytelling is recommended as an action item capable of addressing each of the major findings on the reputational audit and their corresponding recommendations above. TWM can access the core of its value proposition by developing narratives that allow customers, prospects, investors, media, employees and others to relate to TWM favorably. The advantage of Corporate Storytelling is that it is cost effective and adaptable in order to reach the myriad of diverse stakeholders unique to TWM. A ' library' of structured textual descriptions allows TWM to communicate the essence of the company to all stakeholders. (Fombrun & Van Riel, 2003) As a strategy to engage with employees, Corporate Storytelling is a means to personalise the message between the

sender and receiver, greatly enhancing the capacity for commitment and recollection (Simmons, 2006) (Sinclair, 2005)

Furthermore, to address the negative findings of the perceptions of the CEO, Corporate Storytelling can come straight from the top directly to TWM's key stakeholders in order to develop a relatable perception of senior management. It is recommended that Corporate Communications is moved under direct control of the CEO instead of the Deputy CEO where it currently sits (Appendix: Company Overview).

Political Considerations

TWM must recognize that internal politics, at any and every level, can be a source of risk and follow a risk management process to assess and determine how to treat the risk.

Internal politics is at its most prevalent at the top management level of TWM and it is where individuals and personalities will affect how its reputation is managed from the inside. This is seen amongst the board members as both major investor stakeholders; Majid Al Futtaim (UAE developer) and The Omani Government build consensus (for or against) on everything. The signs of this internal struggle, of non-Omani versus Omani, is reflected amongst the multi-cultural but Omani dominant staff. It has created low morale on the working level; reduced productivity; high levels of internal transfers and resignations and reduced work quality. Conflicting objectives at board level filters to management and below which is evident from the internal reputational audit. It is recommended that this becomes a significant subject

in the risk management of TWM. It is up to the owners to control the Board centric internal politics. (OECD, 2001)

There may be reluctance with the C-Suite to allow Corporate Communications to be moved from the Deputy CEO's remit to that of the CEO directly. The basis of this assumption is the delicate relationship between the CEO's office; appointed by Majid Al Futtain and the Deputy CEO's office; appointed by the Omani Government. Retaining control of Corporate Communications, in particular in the local Omani market may be a difficult component for the Deputy CEO to relinquish. An executive decision will need to be made at Board level in order to emphasize the importance of this shift in structure.

Financial Implications

Intangible assets are closely associated with share price and market assets such as employee retention and customer loyalty are linked to cash flow. These concepts have been linked to value creation (MacMillan et al, 2005) which is seen as the key purpose of companies. Although a valuable resource, a corporate reputation is no guarantee of business survival or of success. However reputation does have a bearing on value. Reputation may not be identified as an asset on the balance sheet but it affects investor confidence, staff recruitment, supplier attitudes and a myriad of other stakeholders in its capacity as relationship capital.

Fombrun maintains that reputational capital is the difference, averaged over time, between market capitalization and the liquidation value of assets.

(Frombrun, 1996) It is argued by many chief financial officers that this

difference overstates the value of reputational capital. However they often do not take in to consideration the cost savings that a strong reputation can bring.

A positive reputation amongst staff can encourage loyalty and retention which in turn reduces staff turnover and recruitment costs which is currently a significant outgoing for TWM. A strong reputation enhances word-of-mouth recommendations which can reduce TWM's customer acquisition spend in particular its advertising costs which is currently enveloping the largest percentage of the marketing budget. (Walsh, et al., 2007) Word-of-mouth customers prove to add more value in the long term (Villanueva, et al., 2008).

It is recommended that a professional corporate storyteller is appointed, not only can such an internal employee design and implement a holistic Corporate Storytelling Strategy. The cost of doing so will vary depending on where the storyteller is sourced; TWM can look internally for someone who is a good storyteller and is comfortable with public speaking. Creating content takes time therefore the major cost would be time not spent doing his/her normal duties. Other options include hiring an ex-journalist, however is an expensive option as full salary and benefits as well as recruitment costs and training will be incurred. Finally hiring an inbound marketing agency will allow access to a combination of professional storytellers working in all forms of new media, this is recommended as the agency can bring professional experience while working closely with an internal member of staff for eventual handover.

Conclusion

By building a strong reputation TWM can develop a competitive advantage over its market opponents which can translate into higher profits. A sound reputation would allow TWM to differentiate itself from its competitors, reducing rivalry and is an intangible asset that its competitors will find difficult to imitate. (Barney, 1991) Added advantages would be the deterring of market entry by new developers (Caves & Porter, 1977) (Milgrom & Roberts, 1982) an ability to charge premium prices (Vergin & Qoronfleh, 1998), and the ability to attract talent in a market with a limited competent workforce. (Frombrun, 1996)

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