Introducing Corporate Reputation Continuity To Support Organizational Resilience Against Crises
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ABSTRACT

As Corporate Reputation (CR) evolves into an important asset for organizations, crises, disasters and other supply chain disruptive events, stand as threats to the preservation of the reputation capital since they usually result to negative projections to their audiences and to problematic evaluations by their stakeholders. Viewing CR as the accumulated trust and positive evaluations of the stakeholders, this paper proposes a conceptual and normative framework for Reputation Continuity, which enhances the ability of organizations to preserve their reputation, instead of working for its recovery in the post-crisis period. In our approach, we propose a process of maintaining trusted links, instead of restoring them and establishing a reputation resilient organization, instead of one struggling to recover from reputation losses, after the crisis has emerged. Working closely with stakeholders during the crisis, injecting a sense of normality continuity through effective leadership and mitigating image problems are seen as critical concerns, alongside a set of managerial practices to be followed. Ultimately, it is argued that, the value-based and strategically integrated view of Business Continuity must be enhanced and supported by Reputation Continuity activities.

Keywords: Business Ethics; Reputation Continuity; Corporate Reputation; Organizational Crises; Supply Chain Crises; Crisis Communications; Business Continuity

INTRODUCTION

In the light of the fundamental work of Fombrun & Shanley (1990) and later analyses, the field of Corporate Reputation (CR) has been growing, thus enriching our knowledge with studies as to what constitutes Corporate Reputation (Dowling, 2001), what are its contributions in organizational life, how it may be managed (Whetten, 1997), measured (Simerly, 1999) and sustained (Roberts & Dowling, 2002). As Wartick (2002) suggests, corporate reputation leads to increased marketing shares, operational resilience and effective human talent attraction, thus initiating a number of positive effects across the whole spectrum of organizational activities.

Given the fragile nature and complexity of the reputation concept, theorists have been concerned with the impact of crises and disasters on corporate reputation (Zyglidopoulos, 2001) and a stream of studies has been analyzing reputation risk, namely the risk that a latent reputation problem will evolve into an actual one (Davies, 2002; Regan, 2008). The problem with corporate reputation is that it is solely based on the perceptions and evaluations of the stakeholders that are flux, situational and easy to be changed within a relatively short amount of time. In this respect, while financial damages and operational pitfalls may be contained and handled, audiences’ perceptions and impressions cannot. Moreover, considering reputation capital as a value depending on stakeholder relations and interests, it becomes obvious that a crisis constitutes a disruption with potential asymmetrical results on reputation. These effects are further amplified by the involvement of the mass media in the crisis escalation and the (over) dramatization often involved serving the purpose of building agendas of fear and risk that increases audience headcount.
In this paper, the concept of reputation continuity is introduced, the particularities of reputation crises as a result of a disruptive event are discussed, the effects of such a crisis are investigated and finally an approach for achieving reputation continuity during crises, addressed to organizations, leaders and managers, is proposed. The analysis sheds light in three underdeveloped areas of business continuity, under the reputation perspective, these being the capitalized perceptions and evaluations of stakeholders, the organizational crises as incidents of trust disruption and threats of unintended exposure and the potential for an immediate recovery of broken links of trust within a relatively short amount of time.

Drawing on a case of successful implementation of reputation continuity processes, where recovery from a supply chain/product recall crisis was not needed, as stakeholder perceptions were quickly mended, the argument for less communication and more stakeholder-based involvement in crisis management is introduced. It is argued, that none of the existing proposals for crisis communication strategies places emphasis on reputation continuity. To bridge this gap, a stakeholder-based approach is proposed, that stands against the traditional image restoration and recovery methodologies, in favor of a proactive continuity preservation management structure. Finally, the paper concludes with a brief exploration of potential contributions of Reputation Continuity to business management and the imminent research tasks this involves.

THE RISE OF CORPORATE REPUTATION

Without doubt, corporate reputation has evolved in the last decades as an important issue for organizational life and management theory. This does not come as a surprise, since organizations’ needs for a global and competitive presence raises even more hurdles for an enterprise to overcome (Spanos et al., 2007) and given the transformation of the society into a global, networked system where meaning is dissolved and sense-making mechanisms are replacing the traditional industrial society (Castells, 1996; Giddens, 1990). Such society is increasingly based on image rather than substance, on mediated information rather than first hand experiences (Beck, 1992; Thompson, 1995) and finally on perceptions rather than assumptions (Alvesson, 1999). In this environment, corporate reputation has evolved from an indication of success to an absolute imperative; in the late modern network society, organizations are forced to adopt the rules of social responsibility and corporate citizenship in order to protect their reputation and remain legitimate players.

These social changes have triggered a substantial amount of research efforts and theoretical structures, ultimately leading to the formation of new dynamism for Corporate Reputation studies. In the last two decades, a vast number of literature has emerged, dealing with issues of Corporate Reputation thus enriching our knowledge as to what reputation is (Fombrun, 1996), where it resides within and outside the organization (Deephouse & Carter, 2005), how it is developed and sustained (Jackson, 2004) and how it affects organizational life (Roberts & Dowling, 2002). Despite the intangibility of reputation and its complexity as a social capital resource, several analyses exist that are dealing with corporate reputation measurement in the form of metrical systems and measurable reputation factors (Cravens et al., 2006). Still, one can argue, that practitioners still rely on traditional press analyses (e.g. Fortune AMAC, MediaLink Index in Greece) when it comes to corporate reputation assessment. Moreover, corporate reputation has often been seen in connection with other management and social sciences such as Issue Management (Zyglidopoulos, 2003), Public Relations, Mass Media (Deephouse, 2000; Carroll & McCombs, 2003) and Performance Management. A dominant view, connecting the above approaches, is that positive reputation provides the organization with the ability to develop its image and brands marketing as well as to enhance and improve its market value (Dowling, 2006).

ORGANIZATIONAL CRIOSES AND CORPORATE REPUTATION

Today, more than ever, organizations are forced to comply to societal rules and pressures as they expect to be legitimate and reputable. In addition, in the complex environment of late modernity, organizations, large and small, are challenged by corporate crises more than ever. In the light of the last decade, crisis management has known a period of intensive interest and academic development. The relatively vague field of organizational crises (Pearson & Claire, 1999) has experienced a decade where crises and natural disasters have dominated the mass media and been extensively analyzed. Organizations, governments and leaders are becoming more sensitive to theoretical and applicable development of the fields of crisis and disaster management.
This trend is expected to amplify as the nature of political and business organizations itself has radically changed in the last ten years. Palazzo & Scherer (2008) have discussed how corporations have evolved from business entities into citizens, namely organizations with social obligations and extensive responsibility for human values. Such trend widens the “ethical gap”, i.e. the distance between social expectations and corporate tactics and increases the possibility of crises. In other words, it is not only the observed reality of more crises but also the expectation that crises and disasters will increase in numbers, grow in size and extend in various secondary crises that makes the field of Crisis and Disaster Management so contemporary, challenging and fertile.

Literature is full of examples of business crises that include amongst others, the well documented Exxon Valdez oil spill (Ott, 2005), the racial discrimination case at Texaco (Prüitt & Nethercutt, 2002), the incidents of glass, found in Gerber baby foods (Koepp, 1986), the bankruptcy of Orange County (Baldassare, 1998). In spite of the raising interest in crises and corporate scandals, a common definition has not been stated yet (Pearson & Claire, 1999). According to Arpan & Pomper (2003), a crisis is an unpredictable major threat which might produce negative effects and harm organizational legitimacy and reputation if it is improperly handled. Shrivastava and Mitroff (1987) suggested different types of corporate crises, pointing out that each crisis results from organization-environment interactions of socio-technical factors. Quarantelli (1988) argues that there are community crises which are generated by natural or technological agents, e.g. “disasters” and conflict type situations such as wars, civil disturbance, riots etc., and non-community kind of disaster crises, such as most transportation accidents that do not impact the functioning of type community. In general, organizational crises are particularly interesting phenomena characterized by unpredictability and non-patterned recurrences and they challenge corporations’ efficiency and viability.

Fewer studies have attempted to provide an understanding on the relationship between organizational crises and reputation performance although it is reasonably expected that the production of negative images due to a crisis might easily evolve into a reputation crisis. Organizational or brand crises affect, usually negatively, corporate reputation by producing negative cognitive association and by creating problematic images of an organization. For instance, the Brent Spar crisis (Heugens & Zyglidopoulos, 2007) has developed a complex discourse around Shell that directly harmed the corporation and its image. Crises seriously damage the ability of a social entity to formulate an influential voice, thus the symbolic power is reduced and its prestige is harmed (Bourdieu, 1999).

Negative effects of crises have been analyzed in case studies, revealing how crises might damage corporate image (Tsoukas, 1999), how they may lead to a temporary detachment of consumers (Hale, 2005) or create more permanent business relations’ disruptions (O’Rourke, 2001). Another perspective which is presented by Morley (1998) suggests that bad reputation leads to a crisis, thus an organizational crisis is not solely a result of mere events but also from the problematic image of the organization. Based on this perspective, theorists have developed frameworks of proactive organization action; in other words an organization may escape the harmful consequences of crises by developing an appropriate reputation background.

Finally, another approach consists of normative studies showing how organizations should react and protect their reputation in the event of a crisis. In this respect, a dominant view on the relationship between crises and reputation is a communication-based one, consisting of a large set of normative approaches as to how organizations should prevent (Regester & Larkin, 2005), handle (Fink, 1986) and recover (Benoit, 1995; Coombs, 1999) from crises. Corporate reputation is protected by the usage of communicative practices, which may minimize the effects of crises and ensure business continuity and recovery. In this respect the approaches of image restoration (Benoit, 1995) or organizational apologia (Rowland & Jerome, 2004; Hearit, 2001) are examples of organizational rhetoric strategies and communication-based techniques, which aim at distancing the organizational reality from the crisis and convince the public that the organization still deserves its respect. A critical evaluation of current literature, as presented in this section, reveals an annoying reality. While, everybody agree that corporate reputation is a significant and fragile asset and that organizational crises are directly associated with its deterioration, the normative approaches are mainly focused on the recovery of reputation capital and the restoration of the organization’s image across the stakeholders, after the crisis has occurred and the corporate image has been substantially hurt. An analogy with the crisis management landscape would require us to see this as a situation where organizations allow the unfolding of events and consequences before taking corrective and recovery action. The lacking of an approach for reputation proactive protection is explained by the inability of organizational systems to handle a vast number of
variant external audiences and mediating agents, especially given the scarcity of information and the stress and pressure imposed on individuals and teams.

In this paper we introduce Reputation Continuity (RC), a term which combines two different streams of research, i.e. Corporate Reputation and Business Continuity. We believe that RC can substantially contribute to the field of Corporate Reputation Management, supporting the organizations in creating a protective shield, a safe cushion between organizational crises and its effects and actual corporate reputation. In doing so, Reputation Continuity is seen here as the integrated ability of organizations to motivate their resources during crises and achieve an uninterrupted flow of trust while preserving the pre-crisis perceptions of stakeholders. In other words, and similar to how Business Continuity Management works, reputation continuity consists of the effort to isolate the problem from the actual set of consequences and ensure that it is marginalized and ultimately eliminated by the use of alternative resources and parallel channels, in this case channels of communication. As reputation is built within stakeholders groups, which observe a number of organizational action dimensions, including quality, employment, innovation and leadership, we argue that maintaining the links of trust with stakeholders is crucial in the struggle of organizations to support a flawless and untampered reputation capital.

A REPORTED CASE FOR REPUTATION CONTINUITY

To investigate the concept and applicability of Reputation Continuity in a real life business environment, we followed the events, actions and consequences of an organization that has followed an intuitive reputation continuity plan when exposed to a severe product recall crisis in 2009. That year, a medium-sized pharmaceutical firm in Germany, offering contract manufacturing services to a wide range of customers and prestigious pharmaceutical corporations, has been forced to accept that 92 batches of an oncology product, manufactured and checked for quality by the firm, have been found as non-compliant with regulations and needed to be recalled from the market. The affected customer, a large pharmaceutical company, has immediately taken action to confront the supply chain crisis and coordinate the product recall; however the case was reported in the business media and information was spilled in the business sector. As a research team, working on a Corporate Identity project at that time, we received permission to document the events, conduct interviews and revisit the incident through ‘confession sessions’; our study was finalized within a period of five (5) months and included the analysis of nineteen (19) interviews and a detailed log of events through direct observation.

Product recalls are a typical form of crisis that creates frustration to affected customers, communities (in this case doctors and transitionally their customers) as well as supply chain partners and sub-contractors, not least employees and managers. Typically, negative exposure results to increased levels of insecurity, decreasing trust and increased risk perceptions as organizational audiences develop the feeling that the incident is to be repeated (Elliot et al., 2011). As part of a spillover effect, stakeholders often tend to lower their evaluations for organizations, not only in terms of product and service quality but also in relation to employment practices, strategic focus and future growth. Typically organizations would suffer from reputation losses and work in the post-crisis period to confirm their identity by advertising, public relations efforts and an apologia approach (Hearritt, 2008).

However, the examined case differs from others in that the organization was immediately involved in an informal reputation continuity process, by developing a wide number of channels of communication with stakeholders; while crisis communication management typically favors centralization of communication and appreciates the role of the spokesman, the CEO of the firm asked middle managers to be engaged in an unstructured and open-ended stakeholder campaign. His words, reported in two interviews, were exactly these:

Go out and tell them that we are just fine and they are also just fine

The result of this management mandate was the organization of fifty nine face to face meetings or teleconferences within the next six days, involving twelve middle managers and two members of the top management team with customers, suppliers, the media and regulatory agencies in Germany and the UK. Surprisingly, informal networks also became part of this process. For instance, a quality control chemist who happened to meet a medical representative in a previous training scheme called him and explained the situation:
It seems natural, at that time, to call everybody and mention to them that we were at fault, but who isn’t, at some point, in this complex industry?

Quoting the Head of Operations’ words:

Time was important. Our CEO has given us the impression that we should go into people’s heads before the crisis does... it was like a race and we all believed in this. Even people handling the recall with the customer started sending emails, to feed us with information.

A week after the crisis resolution (Day 11 after the event) the organization decided to conduct an additional quick reputation audit, including all stakeholders, and personnel. A 378 people survey in eight (8) stakeholder groups revealed steady reputation performance with a slight decrease in the expected performance in the next five years (-4%). For analyzing this case, from a reputation continuity perspective, we have then conducted the interviews with people in the organization and three (3) industry experts. The interviews debriefing and our analysis on existing business practices, resulted in the identification of four main activities, constituting the reputation continuity process.

First, the immediate reaction and opening of a wide number of communication channels fueled the reputation engine and lead to an unexpected, yet welcomed, cycle of positive reactions. Second, the engagement of people and their participation in an instrumental, yet informal, stakeholder plan lead to the development of stronger identities, which indirectly and mostly subconsciously, supported the projected image of the organization (as it happened in meetings and calls). Rather than normalizing the unexpected or presenting the case as “business as usual”, it was by overcoming the formal communication barriers that people projected the organizational strong values, empowered beliefs and state of the art policies. Third, stakeholders were reminded of the good company record and the positive results until the recall announcement, thus they were driven to contextualize and frame the crisis as a unique event, an exception to the rule, an unfortunate incident not likely to be ever repeated. The critical problem of visibility, namely the audiences’ and the media’s tendency to focus on the present has been avoided as the events were placed within a wider, tough to comply, risk environment. The incident was normalized, although not covered. This is precisely the fourth reputation continuity activity, i.e. the observed and reported ability of the organization to project a “nothing to hide” culture, thus minimizing risk perceptions or suspected systemic deficiencies. Finally, by researching the short-term reputation effects, we deduced that a reputation continuity plan is heavily related with the memory of individual assessors. As one interviewed expert said:

In my mind, I was able to forget the event and was reminded of the recall during the survey [reputation audit] period. Even then, my feeling was that the company was able to stay on top of the image game.

However, secondary-results have been noticed. Dutton et al., (1994) have argued that the construed image, namely the perception of insiders of organizations as to how they are evaluated by outsiders critically influences the ability of an organization to survive and prosper. At this point, one proposition is that the effort of the organization to ensure its reputation continuity re-enforced the morale and commitment of organizational members as reputational survival leads to the continuity of aspects of the social capital. In previous studies, social capital at certain instances facilitates and efficiently supports responses to accidents and disruptions. Moreover, the ability of the organization to be engaged in a reputation continuity plan has replaced the noticeable reluctance of organizations to be engaged in intra-organizational collaboration while also leading to the development of emerging teams and a ‘healthy’ debate in the organization. To some extent, the ability of the leader of the organization to transform the continuity and survival issue from a viability concern into a positive goal, triggered, inspired if you like, an automatic positive collective spirit within the organization. In this respect, we identify the three levels of reputation continuity including leadership motivation, low level channeled communication and continuity identity and culture creation, as having fundamental value for the organization.

CONCLUSIONS

From the theoretical background and the case analysis presented in the previous sections, some interesting conclusions emerge. First, we argue that a consistent, reputation-driven and during crisis effort to support the pre-
existing perceptions may lead to reputational sustainability and continuity. Reputation Continuity requires the active engagement of leadership in transferring a vision of recovery and act as a source of motivation while also building a strong emerging recovery identity across the spectrum of organization’s departments, teams and operations. Then, this continuity identity and the normalization of the crisis need to be channeled to stakeholders through specialized and dedicated information channels. Finally, organizations need to measure their reputation performance in order to be aware of changes in audiences’ perceptions and evaluations.

Still, one could justly wonder whether Reputation Continuity Management is just another term, added to a number of management fashions and concepts. In this paper, it is mainly argued that while operational continuity and image restoration have been seen as two exclusive tasks, often understood as in linear sequence, it is part of the immediate organizational tasks to work closely with the stakeholders in order to ensure that trust links are not lost and reputation is sustained. This approach requires from organizations three changes in the way crises are handled. First, they are required to embed reputation actions and consequences as part of their operational crisis handling procedures and not neglect the stakeholders. Second, they must abandon a dedicated and exclusive communication-based perspective in favor of a more profound collaboration with their stakeholders and their audiences. Finally, organizations need to be able to monitor their reputation capital, mainly through intensive surveying in order to make sure that they are aware of reputation damages as soon as they emerge. As it was shown in the reported case, the strategic view of reputation as a value which needs to be sustained and protected in times of crises kept the company away from the approach of ‘image restoration’ and post-crisis image recovery while empowering an active and ongoing reputation continuity approach.

An observed practice of this study, one that sees corporate crisis communications as an open, shared and collective process is also a topic for discussion. In most crisis communications frameworks, the proposed models require a high degree of centralization, information control and a tight strategic set of boundaries. While those principles are obviously validated in practice, our case reveals that a more flux, de-centralized, human-based and relatively unstructured communication process may lead to good results, particularly when outsiders consider the organization as being in a ‘non-crisis’ situation as normal communication continues.

It is also arguable that a reputation continuity approach produces interesting results for the overall task of business continuity. As Elliott et al., (2009) argue, business continuity escapes the limits of hardware and operational recovery and may be seen as a mindset and a value-based set of capabilities. It is precisely how reputation continuity may reinforce these mindsets, inject individuals with trust and act as a survival resource. Also, we argue here that the opening of stakeholder communication and reputation preservation may facilitate the work of business continuity and emergencies’ handling, in the sense that emerging networks of collaboration can potentially assist the operational resolution of issues. As presented in our business case, it was due to preserving the reputation capital that the organization was able to work effectively and without a hidden agenda for the immediate and effective recall of products and the analysis of the problem. Finally, it is always useful to mention a number of arguments that could be made against the introduced reputation continuity concept, so a fertile cycle of academic discourse can be triggered. The concept seems fragile, given the fluid nature of the term and the relatively difficult task to measure corporate reputation, especially as events unfold. However, reputation capital measurement schemes have been proposed, as presented in literature, while rankings and evaluation studies may be used in order to indicate a decrease or increase of the reputation standings of organizations. In this respect, reputation continuity may be addressed as the minimization or elimination of reputation effects propagated by negative incidents, accidents and crises. It is also arguable that a strong engagement with stakeholders during crisis may amplify risks of information leaks, further litigation of undesired reactions from affected stakeholders. In the case that a strong reputation has not been capitalized, stakeholder channeling may be seen as paradoxical and contradictory, if not designed to change perceptions.

However, in spite of these restrictions, and many others, we strongly suggest, that reputation continuity is a positive approach and should be embedded in the immediate reactive processes of organizations as they should seek to preserve their image and reputation rather than restore it. The capital, effort and time required to rebuild a reputation are substantially higher once a crisis has been framed as problematic and stakeholders’ memories have been affected by the incidents.
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