

The Role of Corporate Communication in Building Organization's Corporate Reputation: An Exploratory Analysis

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Abstract

The corporate reputation is one of the essential intangible assets for many companies. Businesses that lack of this important asset may face the difficulties where operational income is less than operational cost; business losing customers may confront the problem of a profit decline (Weiwei, 2007). Besides that, reputation is an intangible asset that can't be built just only through advertising. To build a strong reputation, the firm must have strong communication to communicate with the stakeholders. To convince and persuade them to believe in the firm without a strong communicator, no matter how much effort organization does, the stakeholders will still go to another whom able to "move" them. Therefore, a strong communication will be a great step to build an organization's reputation. Several studies have shown that improving corporate reputation results in better corporate communication for companies. However, more and more researchers have realized that corporate communication is the most important factors to form corporate reputation. This research aims to describe the relationship between corporate communication and corporate reputation, and their impact on the companies' success.

Keywords : Corporate Communication, Corporate Reputation, Advertising, Public Relation, Corporate Social Responsibility

INTRODUCTION

A revolution in the business landscape has forced business to change and adapt the changes from the business environment. The changes are changes in customers' preferences and behavior, changes in the marketplace and technology. These changes have affected the communication practice of the corporate world as corporate communication plays an important role in creating value to a firm.

Organizational communication has been defined as the process by which information is exchanged and understood by two or more people, usually with the intent to motivate or influence behavior (Daft, 1997, p.560). It is important to notice that this definition of communication stresses its intent - a purpose that may go beyond just transferring information. The sender has the intent to influence the receiver to do what the sender wants (Kelly, 2000).

Corporate communication stakeholders are divided into two, which are; internal (employees, shareholder, manager and etc.) and external (agencies, channel partners, media, government and general public). As Johansson (2007) shows, definitions of corporate communication employ

dividing lines between internal and external communication with its very own research traditions (Thiessen & Ingenhoff, 2011). This is an example of internal communication, i.e. Communication between different levels of an organization. Communication is a “bridge” to link and direct all the levels of an organization in achieving organization objective.

Corporate communication refers to a kind of communication which is used for the promotion of a product, services or organization. It can also be used for legal issues or to communicate the information within the organization. Thus, corporate communication is important for a company because it is through communication that an organization make contacts with its customers, suppliers and other elements both internal and external of the organization. On the other hand, corporate communication is very important for a company to create the best corporate reputation.

Problem Statement

Differences in language will create misunderstanding and difficulty in communicating between the internal and external stakeholders. Communication barriers had become a serious issue nowadays. Is the problem of communication barriers caused by companies are lack of perceptions towards the roles of the corporate communication and corporate reputation. Therefore, the specific questions below have to be studied to find out the perceptions of the company towards the roles of corporate communication and the role of corporate communication practice in corporate reputation.

Research Objectives

- To identify the relationship between advertising with corporate reputation in Malaysia.
- To identify the relationship between public relation with corporate reputation in Malaysia.
- To identify the relationship between corporate social responsibility with corporate reputation in Malaysia

Research Questions

- Does advertising significantly related to corporate reputation in Malaysia?
- Does public relation significantly related to corporate reputation in Malaysia?
- Does corporate social responsibility significantly related to corporate reputation in Malaysia?

By knowing the effectiveness of the corporate communication in building corporate reputation, this research will provide information to the new companies. Data and information gathered will be their references to build a strong corporate reputation through their corporate communication practice.

LITERATURE REVIEW

Corporate Reputation

Reputation is an important intangible asset for organizations of any kind (Thiessen & Ingenhoff, 2011). Reputation is also defined as (1) the general estimation in which a person is held by the public, (2) the state or situation of being held in high esteem, (3) a specific characteristic or trait recognized to a person or thing: a reputation for courtesy.

Weiss, Anderson, and MacInnis (1999) defined reputation as the extent to a company is held in high regard or esteem. Fombrun (1996) and Roberts and Dowling (2002) defined reputation as a perceptual representation of a company's past action and future prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals. (Weiss, Anderson, and MacInnis (1999), Fombrun (1996) and Roberts and Dowling (2002) as cited Kim, Kyung-ran) By simple definition, reputation is the mindset of stakeholders toward the firm as it could be good or bad.

Advertising

Advertising has become one of the most important weapon for an organisation in today's competitive environment. To prove that, according to Rossiter and Percy, a 'hybrid' from of advertising is common today (Hamilton D.V, 1999). Advertising helps firms develop strategic positions that are differentiated from their competitors' and that provide them with a measure of goodwill from consumers and other stakeholders (Rumelt, 1987).

For the reason, the advertisement is a communication tool to keep an organization's customer well informed from time to time about the organization new products or service launch in the market. Besides that, many companies started using issue advertising to meet the challenges of what was perceived as the antibusiness media. For example, advertising is Mobil Oil's series of issue advertisements, which ran for over 20 years, Argenti P.A (2003). While managing a corporate reputation involves many factors, research suggest that a company's reputation can be established in the public's eye by the success or failure of their advertising choices.

Public Relation

Company can build their meaningful PR through the different way. For example, "The typical public relations measurement focuses on counting clipping, circulation figures, and doing some message analysis. Given the high proportion of public relations activities that is still focused on media relations and publicity, media content analysis is one methodology or tool for evaluating public relations. Media content analysis can provide valuable insights into what is likely to be on the public agenda in the future." (Kyung-ran Kim, August, 2007)

PR is a necessary tool for corporates. To prove that, "Public relation (PR), the predecessor to the corporate communication (CorpComm) function, grew out of necessity. Although corporations had no specific strategy for communications, they often had to respond to external constituencies whether they wanted to or not." (Argenti P. A., (2003) "For example, the Public Relations Society of America's monthly broadsheet, *Tactics*, publishes how-to and best-practices articles on a range of communication activities such as media relations, internal communication, and web communication. On the scholarly side, journals such as *Journal of Public Relations Research* publish both theoretical studies and empirical research on communication policies and practices." (Bishop, 2006)

Corporate Social Responsibility

"CSR, a concept that embraces responsible and ethical corporate behavior and that recognizes that this extends to corporate actions to the environment and to society, is viewed by Asian executives as being most important for attaining good media coverage. They also see an

alignment, to a lesser extent, between CSR and business objectives such as increased sales and an enhanced stock price.” (Lines, 2004) In other words, CSR can lead to build a corporate reputation. Beside this, “companies are increasingly often asked to demonstrate that their actions and policies meet various predetermined social and ethical criteria. Doing so can help build reputations; failing to do so can be a source of reputational risk.” (Gardberg and Fombrun, 2006)

CSR is a kind of competitive advantages of the company. To prove that, “Numerous prizes and awards are given to companies each year, some of which focus on CSR” (Gardberg and Fombrun, 2006) Therefore, CSR can lead to attract public’s attention or lead to build a corporate reputation. “Much like Hollywood’s ‘Oscar’, which are designed attract public attention to specific movies, so CSR awards draw media attention to winning companies and create intangible benefits from CSR activities.” (Gardberg and Fombrun, 2006)

More and more researchers have realized that CSR is the most important factors to form corporate reputation. “The developments depart from the more voluntary forms of CSR favored in the USA and are having a significant effect on the reputation-building strategies of global companies in many countries.” (Gardberg and Fombrun, 2006)

Relationship between Corporate Communication and Corporate Reputation

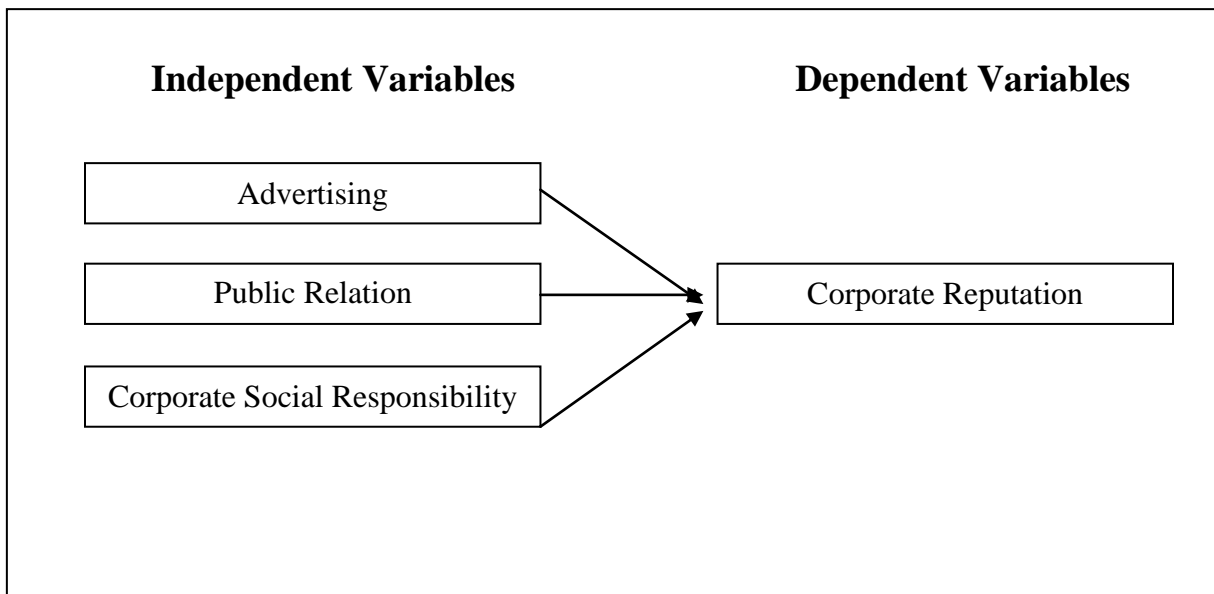
Quite a lot of studies confirm the expected benefits associated with good reputations. “Research shows that reputation has an impact on the perception of the management style as well as on purchasing decisions (Yoon et al., 1993, p. 226). It attracts qualified staff (Eccles et al., 2007, p. 104) and it deepens relationships (de Castro et al., 2006), it guides investors through investment decisions (Schutze and Rennhak, 2005) or builds trust (Herger, 2006; Ingenhoff and Sommer, 2010). Reputation ultimately becomes an essential criterion to differentiate between organizations. Since services, products or performances in general increasingly resemble each other, reputation is a significant competitive factor, too. Although the value of reputation has been widely discussed and analyzed for organizations, its positive impact may be transferred to non-economic organizations as well (Parks, 2008)” (Thiessen and Ingenhoff, 2011). Therefore, a company acts to manage its reputation. An entity with an unfavorable reputation may engage in actions that enhance its reputation and even a company with a good reputation may engage in actions designed to maintain and enhance its reputational effect. “Companies engage in the explicit reputation-building activities such as advertising or public relations in order to improve their companies’ reputation” (Fombrun, 1996).

Communicating believable and consistent messages across all corporate platforms is essential when building a strong corporate reputation and trust through media or other monitor. “We conducted primary research into ‘best’ practices (responsibilities, roles and activities) of communications professionals in three European corporations (Siemens, Nokia and Philips) that have had consistently strong and glowing reputations over the past years, even despite market setbacks and negative coverage in the media” (Bekkum, Cornelissen and Ruler, 2008). “A study by Fombrun and Shanley (1990) investigating the factors that influence corporate reputation found that publics construct reputation on the basis of corporate strategy signals and institutional signals.” (Kyung-ran Kim, August, 2007)

Conceptual Framework

As variables have been identified in the review of relevant literature, the independent variables of interest in this research paper are advertising, public relation & corporate social responsibility and dependent variable is corporate reputation. Conceptual framework is illustrated in Figure1. Three variables were developed from the conceptual framework:

- There is relationship between advertising and corporate reputation.
- There is relationship between public relation and corporate reputation.
- There is relationship between corporate social responsibility and corporate reputation.



METHODOLOGY

Sampling Procedure

A precise data that influenced corporate communication in achieving a corporate reputation are required through this sample size. A self-structured survey questionnaire was implemented in this cross-sectional study. The questionnaire contained a series of demographic questions, advertising, public relation, corporate social responsibility and the corporate reputation. The questionnaire consists the questions of general knowledge of corporate communication & corporate reputation and the role of corporate communication contributed to an organization's corporate reputation. The sampling frame was Malaysian public individuals of all backgrounds. Prior to answering the questions in the questionnaire, the respondents were informed of the purposed of the study. A convenience sampling was used for sampling purposes. Each respondent was invited to complete a set of self-administered questionnaires for this study. The questionnaire was subsequently distributed to 200 individuals.

Measures

A five point response was employed, ranging from 1 (strongly disagree) to 5 (strongly agree).

Analysis

This study analyzed by using two types of analysis: descriptive and correlation analysis. The Statistical Software of Social Science (SPSS) version 20 was used the above analyses.

RESEARCH FINDINGS

Respondent Demographical Profiles

a. Respondent Age

Table 1 shows the frequency of respondent age covering all ages from below 20 years old and above 50 years old. 76.5 percent of all respondents are below 30 years old. 23.5 percent is above 40 years old.

Table 1: Age

Respondent Age	Num of Respondents	Percentage
Below 20 years old	49	24.5
21 – 30 years old	104	52.0
31 – 40 years old	35	17.5
41 – 50 years old	11	5.5
51 and above	1	0.5

b. Occupation

Table 2 tabulated respondent various levels of occupation backgrounds from students and non-students. 58.5 percent of respondents were students and 41.5 percent from non-students background.

Table 2: Occupation

Occupation	Num of respondents	Percentage
Students	117	58.5
Supervisor	49	24.5
Executive	14	7.0
Manager	17	8.5
Others	3	1.5

Reliability Test

The questionnaire reliability was tested using Cronbach alpha measurements. The reliability of the corporate communication variables of corporate advertising, public relation and corporate social responsibility were 0.772, 0.848 and 0.804.

Correlation Analysis

There are total 3 hypotheses in order to test the relationship between the dependent variable (DV) and independent variable (IVs). Correlation coefficient was used test those variables. The correlation coefficient with number of 0 indicates no relationship between the tested variable. Correlation coefficient with number of 1 indicates a strong relationship between the tested

variables. Higher number of correlation coefficient means there is stronger relationship among the tested variable.

Table 3: Correlation Analysis of Advertising and Corporate Reputation

		Dependent Variable	Corporate
Advertising			
Dependent Variable	Pearson Correlation	1	.139*
	Sig. (2-tailed)		0.050
	N	200	200
Corporate Advertising	Pearson Correlation	.139*	1
	Sig. (2-tailed)	0.050	
	N	200	200

*. Correlation is significant at the 0.050 level (2-tailed).

Based on Table 3 above, it shows that there is a significant relationship between corporate advertising and organization's corporate reputation with significant level 0.05 ($p = 0.05$). However, result also showed a weak positive relationship between corporate advertising and organization's corporate reputation with a correlation coefficient of 0.139.

Table 4: Correlation Analysis of Public Relation and Corporate Reputation

		Dependent Variable	Public Relation
Dependent Variable	Pearson Correlation	1	.145*
	Sig. (2-tailed)		0.041
	N	200	200
Public Relation	Pearson Correlation	.145*	1
	Sig. (2-tailed)	0.041	
	N	200	200

*. Correlation is significant at the 0.050 level (2-tailed).

Based on Table 4 above, it shows that there is a significant relationship between public relation (PR) and organization's corporate reputation with significant level 0.041 ($p < 0.05$). However, result also showed a weak positive relationship between Public Relation (PR) and organization's corporate reputation with a correlation coefficient of 0.145.

Table 5: Correlation Analysis of Corporate Social Responsibility and Corporate Reputation

		Dependent Variable	Corporate	Social
Responsibility				
Dependent Variable	Pearson Correlation	1		.154*
	Sig. (2-tailed)			0.03
	N	200		200
Corporate Social Responsibility	Pearson Correlation	.154*	1	
	Sig. (2-tailed)	0.03		
	N	200		200

*. Correlation is significant at the 0.050 level (2-tailed).

Based on Table 5 above, it shows that there is a significant relationship between corporate social responsibility (CSR) and organization's corporate reputation with significant level 0.03 ($p < 0.5$). However, result also showed a weak positive relationship between Corporate Social Responsibility (CSR) and organization's corporate reputation with a correlation coefficient of 0.154.

DISCUSSION

The methods include reliability analysis to examine the reliability of the questions for each variable, frequency analysis to analyze the demographic background of the respondents, descriptive analysis to describe the variables in this research and analyze the general pattern of respondents when answering the questions, and lastly correlation analysis to examine the relationship between dependent variable and independent variables as well as the test the hypothesis that developed earlier.

From the research data gathered, it shows that majority of the respondents equipped with general knowledge on corporate communication and corporate reputation. Therefore, the majority of the respondents were agreed to the statements of -"Do you think that any relationship between corporate communication and corporate reputation?" There are total 69.5% (139) of respondents chosen 'agree' with this statement. General knowledge on corporate communication and corporate reputation is important, because it can indirectly influence the research result.

In hypothesis testing analysis, Pearson Correlation Coefficient shows that there is a significant relationship between corporate communication and organization's corporate reputation. There are total 3 hypothesis in this research are accepted with significant level of 0.05 ($p < 0.5$) from the sample size of 200 respondents from Wilayah Persekutuan Kuala Lumpur, Malaysia. As a result of correlation coefficient, it shows that independent variables of Corporate Advertising, Public Relation (PR) and Corporate Social Responsibility (CSR) have a significant relationship with the dependent variable of Corporate Reputation.

LIMITATION AND FUTURE RESEARCH

There are 3 factors to be taken into consideration for future research. The first factor is the reliabilities on depend variable. In this research, only one variable applied by research in order to test the dependent variable, and it might lead low reliability on the result. Therefore, more questionnaires should be included in future research in order to increase levels of reliability.

The second factor is sample size. 200 populations in Kuala Lumpur could not represent the whole Kuala Lumpur opinion, therefore more sample population is needed for future research in order to provide proper result.

The last factor is limited result from this research. Many factors might cause company conduct on corporate reputation; therefore many other factors are needed to analyze the significant relationship with an organization's corporate reputation for future research.

CONCLUSION

As the conclusion, all the independent variables which are corporate advertising, public relation (PR) and corporate social responsibility (CSR) were found to have a significant relationship with the dependent variable which is organization's corporate reputation. Research shows the majority of respondents are familiar with 'Corporate Communication' and 'Corporate Reputation'. As a result from the data above, student and non-students respondents' background contributed equally to this research paper.

From the findings of this study, there is some conclusion can be generated in this research. Based on the Table 3, Table 4 and Table 5, there are very weak positive correlation between a dependent variable (organization's corporate reputation) and independent variable (corporate advertising, public relation (PR) and corporate social responsibility (CSR).

Based on the findings above, risk perception will be a key to obstruct the role of corporate communication practice in building organization's corporate reputation. This is because most companies are facing in business failure, as they are lack of sufficient knowledge on this field. Most of them don't know how to avoid themselves from corporate communication risks such as behavior risk and environmental risk. Therefore, more information about corporate communication must be provided and obtained in order to build organization's corporate reputation.

First, company should instill their employees about the correct way to utilize the information of corporate communication. Guideline of corporate communication should be provided for employees to minimize the communication barrier. Finally, it can help companies to build and enhance the corporate reputation. On the other hand, company should strengthen their security skills in order to protect the information of corporate communication from being leaked. As a result, a strong security skill may help the organization build corporate reputation.

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