

# Reputation Management

HB Schultz and A Werner

## Learning outcomes

At the end of this chapter the learner should be able to demonstrate the following outcomes:

- Explain the importance and objectives of reputation management.
- Discuss sources of reputational risk.
- Discuss the role of the HRM department in reputation management.
- Develop a strategy for introducing a reputation programme.
- Discuss the role and use of electronic media in reputation management.
- Recommend guidelines for management to act appropriately during a crisis.
- Propose a plan for dealing with an office emergency.
- Recommend a communication strategy to be used during a crisis.
- Discuss the impact of ethics on organisational reputation.
- Discuss the management of ethics in the workplace.

## Key words and concepts

- reputation management consulting
- reputational risk
- crisis response and communication plan
- domino theory
- ethics
- office emergency
- whistle-blowing

### Illustrative case

John feels so despondent. His best friend has borrowed a huge amount of money from him, with a sincere promise to repay it within two months. Four months have passed and John has heard nothing from his friend. He phones, leaves messages, but gets no response at all. John himself is getting into trouble now, as he has bought a new computer for his son, and cannot make the repayments without the money his friend has borrowed. His house rent is also in arrears. John has been informed that the computer will be removed from his

home this afternoon. John is thinking: 'What am I going to tell my son? And if I get black-listed for not meeting my financial obligations? How will it affect my future chances of securing a loan?' John decides to speak to his neighbour about his problems, only to find out that the neighbour too has also lent money to his friend, and that his friend has used it to pay a gambling debt. John feels totally shocked and decides to go to his friend's house to confront him. He rings the door bell, and as nobody responds, he opens the door himself — only to find his friend in a warm embrace with his neighbour's wife.

How many other people do you think will eventually hear about what has happened to John and his neighbour? How will it affect their perceptions of John's friend? How long will it take John's friend to repair his reputation? Will giving the money back to John and apologising to the neighbour be enough? How long will it take John and his neighbour to forgive and forget? Will John ever have the same regard for his friend he had before?

In the same way that individuals develop a reputation, organisations develop one too. It takes years to build up a good reputation, and it can be destroyed by a single event or act. In order to build up and preserve a good reputation, organisations need to carefully consider how their practices are viewed by all stakeholders. And lastly, companies need to clearly define and appreciate the role of the human resources department in the management of organisational reputation.

## 1 Introduction

Reputation entails two main components, namely:

*Perception* — how the company is perceived by all stakeholders; and

*Reality* — the truth about a company's policies, practices, procedures, systems and performance.

Perception is thus closely related to the image that a company projects.

Another way of defining the elements of reputation is to represent it as consisting of:

*Images* — what stakeholders think of the company.

*Identity* — what the company says it is.

*Personality* — what the company is all about.

The alignment of these factors is vital if we want to build, sustain and protect an organisation's reputation.

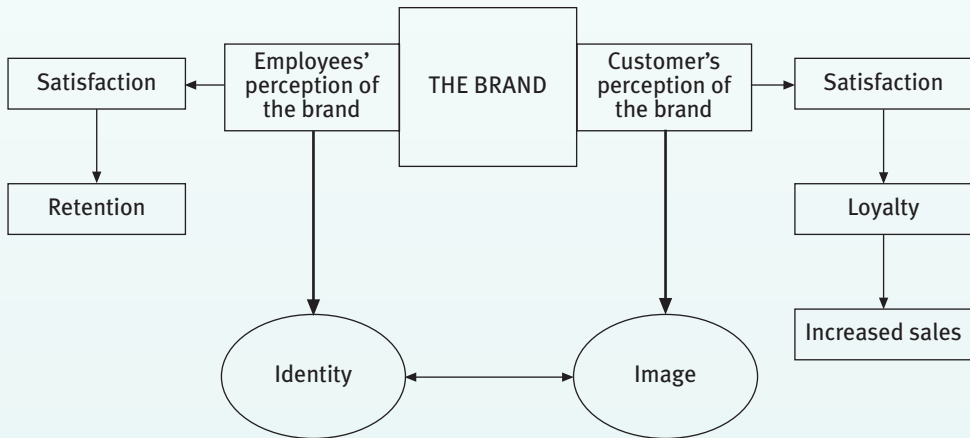
Each one of us plays a part in this by representing the company we work for. The question is whether we project a positive or negative image. The way we dress, talk, act, and feel expresses this reality of the company to the outside community.

Specifically, what we say to others and how we act adds to the image of the organisation. It is therefore important to evaluate what employees and stakeholders such as the media say about the organisation. If we want to protect and build our company's reputation (image being just one element) we have to influence this process. Employees and customers can be perceived as the two most important groups in reputation management. Figure xx.1 indicates how the complex interaction between the internal view (employees) and external view (customers) influence the performance of the organisation.

Identity and image are the most important dimensions of corporate reputation, and should be linked in a rational way. For example, if a pharmaceutical company sees itself as the market leader in the development and supply of antiretrovirals for the treatment of HIV/AIDS, and the customer perceives it as a competent supplier of medicine, harmony between identity and image exists. This in turn strengthens the brand. The objective of reputation management is to foster this harmonious relationship between identity and image.

One way to accomplish this is to reflect on the values we should endorse and the actions we should use to make employees become loyal in an era of continual downsizing, restructuring and competition. We should also rethink the feelings we express about our

**Figure 1** Interaction between the internal view (employees) and the external view (customers)



company and what it is accomplishing in the community. In this process we have to enlist the support of all employees.

With the demise of huge corporations, such as Enron, due to fraudulent practices, and the exploitation of Pick 'n Pay South Africa through the alleged poisoning of certain merchandise, it has become apparent that the human resources department's role in corporate governance has exploded with effective human capital management strategies. This role has not found priority with HR practitioners in the past, but has become a necessity in managing corporate reputation.

The emphasis in this chapter is on what reputational risk is, its importance, the sources of reputational risk, and the role of HRM in reputation management. Attention is given to the development of strategies for a reputation programme, the management of crises, communication during a crisis, and dealing with an office emergency. The role of electronic media, especially the Internet, in reputation management is explored. Lastly, the impact of ethics on reputation management and the introduction of a whistle-blowing policy are also discussed.

## 2 Reputational risk

Today's enlightened companies have come to realise that reputation is an asset that needs to be managed proactively. These companies have realised that the scrutiny under which business operates today and the amount of information in the hands of consumers and other members of the public, make reputation a vital asset, and in some industries, the most important asset.

After all, what goes through the mind of a stakeholder when he/she sees a company's secrets exposed on an investigative journalism programme such as 'Carte Blanche', '60 Minutes' or 'World in Action'?

Recent incidents highlighted in the media certainly show a need for more formalised reputation management. Look at some of the headlines:

- 'North West Government tardy over bookkeeping'
- 'CEO charged with stealing \$600-million from Tyco'
- 'Can't anyone here run a railroad?'
- 'Company fund derails'

The issue is clear: Companies need programmes and processes that will help them manage their reputation proactively — after all, their share price and community standing is dependent upon it.

The objective of reputation management consulting is to:

- maintain a favourable reputation in the workplace and marketplace;
- enhance and build the organisation's good name and reputation;
- establish acceptable practices, policies, procedures, systems and standards that will avoid damage to the organisation's reputation;
- establish guidelines for dealing with situations where the company's reputation has been tarnished; and
- prepare and equip the management team to take full responsibility for managing the company's reputation.

### Case-in-point

While South African companies may not yet be experiencing the same degree of corporate fallout as their counterparts in the United States, CEOs would do well to avoid learning those lessons and take heed of the recommendations of the King Report 2, says communication expert Johanna McDowell, MD of Integrated Communications, and legal advisor Michael Judin of Goldman Judin Maisels Incorporated.

According to McDowell and Judin, transparency is the key, and this, coupled with ongoing communication with stakeholders and the media, will ensure that in the inevitable times of crisis that most large companies face, a certain amount of goodwill towards the company will still exist, allowing it to ride out the storm.

Says McDowell, 'The worst thing to do in a crisis is to batten down the hatches and to cut off all communications with the outside world. This leads to speculation and rumour-

mongering which is often more damaging than the crisis itself. Through honest and open communication with all parties, companies can often resolve these issues with minimal long-term damage.'

SOURCE: [www.biz-community.com/Article/196/18/927.html](http://www.biz-community.com/Article/196/18/927.html)

### Encounter 1

Nothing is more important to a business than its reputation. Without a good reputation, success is limited and a company's long-term future is cast in doubt. According to the second King Report on Corporate Governance (King 2), 'Reputation is a function of stakeholder perception of a company's integrity and efficiency, derived from many sources, such as customer service, employee relations, ethical conduct and environmental practices.' So while good corporate governance should align the interests of society with that of the business concerned, it is also in the interest of the company itself.

The international prominence that King 2 has brought to South Africa in this sophisticated field is truly remarkable. Mervyn King, chairperson of the committee, was elected president of the Commonwealth Association for Corporate Governance (CACG), which provided guidelines for 56 countries in the commonwealth. King 2 has been hailed by Sir Adrian Cadbury, author of the original British Corporate Governance Report, as being of the highest order.

'Corporate governance is something that applies to all companies but it must be accepted that pragmatically small enterprises cannot comply from a financial viewpoint. As for unlisted companies as a category, some of them are bigger than many listed companies, and corporate governance applies as much to them as it does to any listed company', says King.

At the heart of corporate governance lies responsibility to all stakeholders, employees, suppliers, contractors and anyone else who has a real stake in the success of a particular business.

The risk element includes employee health

and environmental issues. In South Africa, specifically, emphasis has been placed on how organisations manage HIV/AIDS. The inability to deal effectively with this issue has severe implications for the organisation, including:

- decreased productivity through death, sick and compassionate leave;
- increased overhead costs such as health care and insurance;
- reduction in the available skills base;
- a contracting consumer base and changes in consumer spending patterns;
- reduced profitability; and
- diminishing investor confidence.

Source: 'King 2 applies to all' (2002)

---

## 2.1 Sources of reputational risk

The sources of reputational risk are many and varied. Managers need to receive training in sustaining and protecting their organisation's reputation. HR Practitioners can only accept this duty as part of their role once the reasons for or sources of risk have been ascertained. The following examples illustrate some of these sources of reputational risk:

### Increasing exposure through an expanding Internet

Bernstein (2002a) predicted the following: 'The use of online tools for crisis prevention and management will expand dramatically.' Since then a number of South African corporate websites were hacked and defaced by an unknown assailant, and numerous people and companies such as ABSA Bank suffered from renewed cyber attacks. Read more about these cases by searching the following website: [www.sundaytimes.co.za](http://www.sundaytimes.co.za).

Numerous other articles mention the increased reputational risk of having a company's name tarnished in cyberspace. On 13 November 2002, Reuters reported that the US House of Representatives unanimously approved a measure that would triple federal spending on a programme to increase computer security research.

### Impersonal and discourteous behaviour

Many job advertisements contain the following post-script: 'Due to the high volume of applications anticipated, applicants who have not received a response from us by a certain date, should consider their applications as not being successful.'

This type of statement might be perceived by the prospective applicant as a clear message that the organisation does not value people. The person might also anticipate that the same kind of attitude exists towards people already employed by the organisation.

The HR department might rationalise the situation by referring to their workload. However, a prospective applicant might not have an understanding of, or care for, the problems experienced by the department. What this stakeholder is concerned about, is whether he/she will fit into the organisation and whether his/her needs will be met.

Other examples of impersonal and impolite behaviour include not returning phone calls to customers, electronic answer machines taking the customer through a series of actions with no personal contact, failure to apologise for errors and general rude behaviour.

### Acting too late

The *Sunday Business Times* reports that the National Lottery, Uthingo, has come under severe criticism and has had to conduct a massive public relations campaign to counter negative public opinion after it became known that only three per cent of the total lottery ticket sales had reached charities. A quote from the CEO, Humphrey Khosa, stated that the criticism was the result of a misunderstanding about how the lottery distribution process works.

A similar situation occurred when the mineral water industry in South Africa was faced with a crisis a few years back when it assumed that the consumer would understand that its products contained only a minimal amount of e.coli bacteria. They could not find the time or resources to communicate adequately before-

hand but could find time after the bubble burst (*Sunday Times*, 'Lifestyle', 2 May 1999).

The lesson learnt from this is very clear: Do not assume that stakeholders know how the business model and processes work. Relevant and timely information is imperative to keep misconceptions at bay.

Rumours do not have to be true to be damaging. Many organisations have discovered this long after rumours have surfaced. HR practitioners must communicate, measure perceptions, and intercept misinformation and rumours before they become public knowledge.

### 3 The management of corporate reputation

#### 3.1 Vulnerability audits: The basis of a reputation management programme

Any company's reputation programme should be based on an in-depth organisational audit. Bernstein (2002a) recommends that vulnerability audits should include confidential interviews at all levels of the organisation as well as both legal and 'public relations' reviews of all existing employment policies. Recent vulnerability audits have revealed the following:

- perceptions of racial or sexual harassment and discrimination;
- employees accused of wrongdoing on and off the job (sometimes accurately, sometimes not);
- union actions and/or hostile attempts to unionise;
- blatant violations of customer confidentiality around the workplace and in public areas; and
- damaging rumours — online and off-line ([www.bernstein.com.com/docs/germplers020927.html](http://www.bernstein.com.com/docs/germplers020927.html)).

The following questions could be included during a vulnerability audit:

- Do you think there is any discrimination or harassment in our organisation?

- Do our employees actually understand this particular policy?
- If we (management) think they do, how do we know?
- Do our employees think that we 'walk our talk' regarding creating a friendly, rather than a hostile environment?

Binneman (2002a) suggests the following guidelines for a vulnerability audit:

- Conduct research into what stakeholders, such as employees, are saying about your company.
- Conduct research into the actions you want from employees (such as the neutralising of any negative comments about the company or work), the methods that can be used to measure progress towards projecting a positive company image, and the incentives that might be used to help employees project a positive company image.
- Develop a list of suggested actions on how to project a positive image that can be handed to each employee as part of an outreach and training programme.
- Include employees in the development of such as list.
- Launch a formal programme together with incentives. This has to be a process of selling the benefits to employees, not just telling them what to say, otherwise it will just be received as management propaganda.

Binneman (2002a) suggests the following items for the above-mentioned list:

- Relate only positive stories or observations about the company, internally and externally. This will prevent the spread of inaccurate negative messages.
- Relate details selectively. Encounters with a customer or any other person should not be relayed in detail in an attempt to justify it.
- Make a positive remark to counteract any negative statement about the company. Show your support for the company.
- Decide which organisational values you

support, and work accordingly. Tell others what you value and what your company stands for.

- Learn about and publicise the little-known positive things the company is involved in. Make it a point to discover these and to spread the good word about your organisation.

Influencing what employees say about an organisation can directly affect the organisation's reputation in the market and workplace.

### The role of HR in introducing a reputation auditing system

The HR department can coordinate or assist in the following aspects:

- The establishment of the necessary documentation, recording, reporting and safe-keeping of data.
- The conduct of reputation monitoring.
- The presentation and coordination of relevant training courses to various levels in the organisation.
- The establishment, attendance and guidance of the company's reputation committee meetings.
- Reporting to and maintaining contact with the CEO and person responsible for reputation management.
- The coordination and performing of a bi-annual reputation compliance audit of the company's reputation programme to ensure that the standards and requirements are being maintained.

## 3.2 The management of corporate reputation during a crisis

Binneman (2002b) has some substantial thoughts on why an inevitable crisis should be planned for:

- Surviving the first two hours of an emergency or disaster can save assets, markets and reputations.
- Poorly handled crises can end careers. The Ford/Bridgestone tyre withdrawal

and the 1999 contamination of Coca-Cola in Europe, both of which ended the careers of the companies' chairpersons, are excellent high-profile examples.

- The expectations of outsiders and various stakeholders will control the perception of how a crisis is managed.
- Handling a crisis insensitively, or not at all, can escalate visibility, cost, and reputational damage. (Search the Internet for Dow-Corning's handling of the breast implant disaster.)
- The timing of communication profoundly affects the organisation's reputation for some period after the crisis subsides.

If an organisation is worthy of its reputation and is interested in maintaining its credibility, then crises management preparations are an absolute necessity. When bad news occurs, there are critical audiences, including the company's own employees, who have expectations of management's ability to cope with problems. Every stakeholder will focus on the organisation's response. Every perceived act or word will contribute to the organisation's reputation.

### A crisis response and communication plan

When a crisis hits the company, such as in the case when Pick 'n Pay was threatened by an extortionist, the company better be ready to react with speed and finesse to deal with the reality and the perceptions that develop during the crisis. (Forensic investigations done after the Pick 'n Pay crisis revealed that no products were in fact contaminated by poison.) Foresight and planning are essential. No company can afford to pay the price of complacency. The answer is to prepare and react. A crisis response and communication plan is a blueprint of the processes and actions that need to be instituted depending on the type of crisis the company is facing.

- Constructing a crisis response and communication plan: The first step in solid crisis management is to construct a well thought through strategy for handling



crises. At best the strategy will prevent the development of a crisis, and at worst it will offer solid guidelines on how to respond, manage and act when things start getting urgent or messy.

The following are guidelines for putting together such a strategy:

- Create a crisis team.
- Construct a communications hierarchy to ensure the right people are informed when a crisis hits.
- Ensure that the crisis team, top management and workforce are well-versed at identifying a crisis and know whom to contact when a crisis breaks.
- Brainstorm various scenarios. These might include an act of violence in the workplace, an accident, contaminated products, customer dissatisfaction, customer injury due to the use of the company's products, a strike, service interruptions, etc.
- Create appropriate messaging and response strategies for each of the invented crises scenarios. Consider the espoused values of the organisation as a guide.
- List appropriate actions and steps for each potential crisis.
- Ensure that all the relevant sources are immediately known or available.
- Document your contact list, policies, strategies, potential crisis, messages and suggested actions.
- Practise.
- Get professional assistance.

Health and Safety specialists use the 'Domino Theory' to illustrate how an accident happens. Reputational Risk Managers can use the same principles to consider the management of risk in the workplace. Dominos is a game in which little rectangular blocks are lined up and the first block is then pushed over to create a snowball effect that pushes over all the other blocks in a sequential manner.

The 'Domino Theory' relating to risk management could be understood as follows:

- the first domino is the failure to actively build and protect the reputation of the company;
- the second domino is an act or information that is potentially harmful to the company;
- the third domino is the inability to identify and act upon such a potentially harmful act or behaviour;
- the fourth domino is the spread of harmful information about the company;
- the fifth domino leads to a damaged company reputation; and
- without intervention this can lead to the demise of an organisation.

The most important domino — *lack of management control* — is the domino that starts up the whole process.

- Responding during a crisis: Often, organisations are prepared to respond to the operational components of a crisis by, for example, phoning the fire department or evacuating the building, while ignoring broader communication needs. There are many audiences, potentially affected by the crisis, and each of these will want to know the facts as soon as possible; members of each audience will start to over-react or worry in the absence of such facts. Typically audiences include clients/patients/customers, the media, employees, investors, community leaders, and regulatory agencies. Each of them requires a specific type of communication (for example, a phone call, fax, mail, new release, web posting) and has differing information needs. If an organisation is prepared, in advance, to respond to those needs promptly, confusion and damage are minimised.

Bernstein (2002b) suggests the following ten steps for communication during a crisis:

- Identify your crisis communication team.
- Identify spokespersons.
- Train and brief spokespersons.
- Establish communication protocols.



- Identify your stakeholder groups and their special communication needs.
- Anticipate crises.
- Assess the crisis situation.
- Identify key messages.
- Decide on communication methods and media.
- Ride out the storm

The following are guidelines for appropriate action when a crisis strikes:

- Stay calm.
- Get all the facts.
- Prioritise.
- Turn up and face the crisis. Do not try to cover up.
- Keep open lines with the media and be truthful, frank and factual.
- Communicate all the time.
- Be human, kind, sympathetic and caring.
- Get legal advice if needed, but don't become a lawyer.
- Provide the crisis management team with adequate capacity to handle the event effectively from beginning to end.

- Background information to the development of the dispute.
- The current sick leave situation in the organisation.
- Facts about the situation, such as the absenteeism rate in comparison to that of the rest of the industry.
- Management's commitment to the company, employees, the local community and the industry.
- A call to employees to return to work.

The following sentences, which appeared in the advertisement, illustrate an attempt by Delta to influence the perception of the reader:

'Disciplinary inquiries do not automatically result in dismissal — to date there has been only one dismissal for incapacity (health reasons) since June 2003. This contrasts with NUMSA's allegation that 25 employees have been dismissed this way', and 'The abusers are a minority of our workforce.'

In addition, Delta employs the services of a public relations officer who deals specifically with media releases and media inquiries.

## Case-in-point

**Corporate communication during a crisis**  
During October 2003 employees at Delta Motor Corporation embarked on a strike in protest to the management of absenteeism at the organisation. The management of Delta responded to the strike, amongst others, by placing a full-page advertisement in the local newspaper (*The Herald*, 2 October 2003). The title of the advertisement identified various stakeholder groups:

'Special communication to all Delta employees, their families, other stakeholders in the automotive industry and concerned members of the public.'

The advertisement contained the following information:

- Utilising the Internet as a tool to counteract rumours: In the first few hours after a rumour or disaster hits your company, a specific perception of your company can be established. In the past it used to be the news media (newspapers and television) that set the perception. Today, a single message published by an unknown and relatively insignificant person on the right discussion board on the Internet can cause havoc to a company's hard-earned reputation.

The world wide web can make or break a company, as it provides for immediate publication, and the message spreads at an incredible speed. 'Local' issues can now quickly become 'global' issues, and can cross over to mainstream media, much like a virus. An example of this is the president Bill Clinton—Monica

Lewinski affair that first broke on the Internet. The Internet has now become the primary news source for journalists and most organisations' web sites are now used widely by journalists. Another factor contributing to the power of the Internet is that, unlike in the case of newspapers, which normally get discarded after some time, the Internet is more permanent in nature.

The ability to transmit news virtually instantaneously has meant that the media day has now become the media hour, and even more likely, the media minute. The available turnaround time in a crisis is drastically reduced and lightning fast action will be necessary to protect the organisation's reputation.

By definition, a crisis is only a crisis when it becomes public, before that it is simply a business problem. But in all crisis management the secret is not to have one.

Some of the effective reputational defense responses on the Internet are therefore:

- *The implementation of an early warning system:* Ongoing monitoring is essential — identify hostile messages, hostile cyber radio messages and hate sites early so that misperceptions and false statements can be corrected before they do untold damage. Participate in newsgroups, forums, bulletin boards, etc., to correct information that has been misquoted, wrongly excerpted or fabricated.
- *Ongoing tracking:* Crisis avoidance continues with tracking. Watch key sources of information, rumours and discussions about your organisation, its products, services, stakeholders and employees, and track reporters and others who use these sites for stories. Monitor issues to anticipate crises before they occur and disseminate accurate, up-to-date information via the web and other Internet vehi-

cles. Identify, track and correct misperceptions, rumours and false messages.

- *Act continually:* The Internet can be your first line of defense, and here lies an important clue — it can allow you to speak directly to your target audience and stakeholders with no media filtering. Various technologies such as e-mail, SMS and group bulk mailers can be used. This also implies that the company's website should be updated regularly and that it should be designed in a user-friendly manner.

#### 4 An office emergency plan

To develop a comprehensive office emergency plan, a worse case scenario based on potential hazards within the working environment, realistic security risks and possible natural disasters, should be considered.

The following checklist indicates appropriate planning for an office emergency. These actions are often considered as the responsibility of the HR department:

- Identify key people for an Emergency Response Team.
- Provide and maintain a well-stocked first aid kit.
- Conduct an inventory of the existing emergency supplies, equipment and information.
- Plan for the provision of emergency supplies in the case of emergencies that require confinement to the building for 72 hours.
- Survey company facilities to identify what might cause a problem during an emergency situation.
- Consider what training is necessary for key safety personnel and then expand emergency training to everyone else.

#### 5 Corporate ethics and whistle-blowing

Corporate ethics cannot be separated from reputational risk management, as a damaged

reputation is often the result of what is perceived as unethical conduct on the part of the organisation. Organisations that have successfully demonstrated the importance of ethics have linked ethics to real business issues and actual processes.

Ethics refers to the study of moral principles or values that determine whether conduct or actions are right or wrong. Although most people have a fair idea of what is regarded as ethical or not, many gray areas exist that could potentially cause conflict (Schultz et al. 2003:29). Ethics relates to how small or large a gap exists between actual corporate culture (enacted values and behaviour) and the behaviours a company must demonstrate to meet compliance requirements in the marketplace (desired values and behaviours).

Human Resources plays a vital role in any organisation's ethics programme. In an organisation where management and employee view the ethics programme as unimportant, the role of HR becomes even more critical. HR professionals are in a position to see the cost of labour turnover as a result of lack of respect for the individual, harassment and discrimination. HR can see whether people in the organisation are rewarded for behaviour that is contrary to the company's values, and whether people who seek to do what is right are protected or victimised. How HR handles ethical issues often determines whether an organisation's ethics programme is taken seriously or not.

Schultz et al. (2003:30) propose the following guidelines for establishing an ethical culture:

- Develop a comprehensive code of ethics for all relevant parties (managers, employee groups, human resources management, salespeople, accountants, suppliers, customers, society in general, etc.).
- The code should highlight specific unethical practices such as receiving paybacks, doctoring facts or data, withholding information, breaching confidentiality, etc.).
- The code should be communicated to all

relevant parties.

- The code should be enforced consistently through rewards for compliance and penalties for non-compliance.
- Top management and other role models should set the example with exemplary conduct.
- Provide training in ethical issues.
- Provide mechanisms to deal with ethical issues, such as surveys, audits, confidential reporting mechanisms and whistleblower protection systems.

## 5.1 Establishing a policy for whistle-blowing

Employees are often the first to know of any unethical, immoral or downright illegal dealings that go on within an organisation. However, they also tend to be the last to speak out, fearing the loss of their job, rebuke from their friends, or forfeiture of their potential for promotion.

Sherron Watkins has become a symbol of whistle-blowing after she exposed unethical behaviour at Enron, an act which eventually brought the company to its knees. Watkins wrote a seven-page memorandum to CEO Kenneth Lay, detailing a number of causes for concern within the company. When everything came to light five months later, she even testified against him in front of a grand jury.

---

## Encounter 2

### ETHICS: THE PRICE OF SILENCE

In 1980 the merchant ship, Derbyshire, sank rapidly off the coast of Japan claiming the lives of all 44 people on board. The vessel was bigger than the Titanic but sank so fast that it had no time to even send out a distress signal, leading experts to believe that human error was not to be blamed.

A subsequent inquiry (in 1990) cited poor structure as the reason for this disaster and it is thought that girders may have been prematurely stopped to ease construction pressures. It is likely that the workmen who constructed the Derbyshire knew of such cost cutting activities

but failed to speak out. The question is: Could this tragedy have been averted through the act of whistle-blowing?

SOURCE:

[www.managementfirst.com/articles/whistleblowing.htm](http://www.managementfirst.com/articles/whistleblowing.htm)

## 5.2 A whistle-blowing code of ethics

A whistle-blowing code of ethics sets out guidelines with regards to the whistle-blower when reporting an issue, and for management when dealing with the issue.

The following are some guidelines with regards to the whistle-blower:

- ascertain that the issue stems from appropriate moral motives of preventing unnecessary harm to others;
- ensure that the failure of whistle-blowing could lead to serious danger;
- use all available internal procedures for rectifying the issue before public disclosure, although special circumstances might preclude this requirement;
- evidence that 'would persuade the reasonable person' should be furnished;
- act in accordance with existing responsibilities for 'avoiding and/or exposing moral violations'; and
- ascertain that the whistle-blower's action has some reasonable chance of success.

General guidelines for management in terms of whistle-blowing are:

- involve employees and listen to their sense of right and wrong. Explain what fraud entails, and its effect on the organisation, their jobs and the company's reputation;
- discuss other forms of malpractice that might seriously damage the organisation;
- when finding malpractice, deal with it openly and transparently;
- make it clear that the organisation is committed to tackle fraud and abuse, whether the perpetrators are inside or outside;
- ascertain that employees know what prac-

tices are unacceptable (for example, receiving gifts). Encourage them to ask management if in doubt, and to seek information prospectively; and

- get staff unions to support and promote this approach.

These are guidelines for dealing with a specific issue:

- management should be open to a concern before it becomes part of a grievance and should not let its lack of action or inaction in itself become a grievance;
- remember that there are two sides to every issue;
- respect and heed legitimate employee concerns about their own safety or career;
- emphasise to both management and staff that victimising employees or deterring them from raising a concern about malpractice is a disciplinary offence;
- make it clear that abusing the process by raising unfounded allegations maliciously is a disciplinary matter;
- offer to report back to the employee about the outcome of the investigation and, where possible, on any action that is proposed.

In South Africa, the Protected Disclosures Act (No. 26 of 2000), protects the whistle-blower (Molatudi 2001:36–7).

## 6 Reputation management and quality assurance

Given the damage that unfavourable information or behaviour can cause an organisation, reputation management cannot be left to chance, but should be well-planned and executed. By implication, addressing issues that could potentially be harmful to a company's reputation enhances organisational goal-attainment. The HR department should play a leading and monitoring role in the management of corporate reputation by conducting regular vulnerability audits, and by offering guidelines for the development of a holistic

reputation management strategy. A company with a well-established reputation and reputation management programme is more likely to survive a crisis.

## 7 Conclusion

Complete and effective reputation management requires a multi-disciplinary approach, or a Total Reputation Management (TRM) approach. Building a reputation, sustaining a reputation, and protecting a reputation are each different objectives and each require different techniques and capabilities. TRM incorporates multiple disciplines and methods to meet multiple requirements.

### Summary

- Reputation management entails perception as well as reality.
- Reputation is an asset that should be managed proactively.
- The objectives of reputation management relates to the establishment, maintenance and protection of the organisation's image.
- Organisational reputation is influenced by Internet exposure, impersonal and discourteous behaviour, and acting too late in a given situation.
- The basis of reputation management is a vulnerability audit, which can be coordinated by the HRM department. The aim is to establish and maintain the organisation's reputation.
- A crisis response and communication plan assists the organisation in dealing constructively with crises.
- Communication should be conducted in line with the special communication needs of various stakeholder groups.
- The Internet, as a communication tool, offers both challenges and opportunities during a crisis.
- An office emergency plan deals with physical crisis situations such as a fire.
- Corporate ethics cannot be separated from reputation management.

- Establishing an ethical culture and providing for a whistle-blowing policy contribute to corporate reputation.

### Case study

You are the owner of a very popular supermarket group that caters specifically for the rich and famous. Your company has developed a name for itself by being one of the first supermarket groups to have its own website, and on top of that, offers online ordering and same-day delivery within a specific geographical radius. One morning, while on your way to work, you spot the following newspaper headline: 'Up-market supermarket defrauds customers'. Your stomach turns. You stop to get the paper. Surely, it is your supermarket that the headline is referring to. You feel your blood pressure increasing as you scan the report: '... complaints ... wrong delivery ... incorrect invoice ... cheap substitutes ... fourteen phone calls ... still no reply ... warn others ... Internet.'

You rush to work, start yelling at people, and make many frantic phone calls. It turns out that the events are true but that they are limited to one specific store. It seems very likely that the manager of this store is the main culprit. Various employees indicate that they knew what was happening but that they were too afraid to speak out.

Your company has no formal reputation management programme and you are now in crisis management.

### Questions

1. How are you going to save your company's reputation?
2. How are you going to prevent a similar situation in the future?

## Experiential exercise No. 1

**PURPOSE:** To identify situations that could have been prevented through reputation management.

**INTRODUCTION:** Reputation management is a new field for most organisations. However, pleading ignorance is not useful when a crisis hits.

**TASK:** Collect newspaper clippings to illustrate the following:

- situations that could tarnish an organisation's reputation;
- how organisations deal with these situations; and
- how organisations could have prevented these situations through effective reputation management.

## Experiential exercise No. 2

**PURPOSE:** To develop an understanding of the use of communication strategies in reputation management.

**INTRODUCTION:** Disclosure analysis is a systematic analysis of the language (content and word selection) used by people in order to identify their motives, intentions or feelings.

**TASK:** Collect various newspaper clippings or visit websites that contain organisational press releases. Systematically analyse the content of and language used in these press releases to develop an understanding of the role of communication in reputation management.

Specifically, give attention to:

- the media used;
- identified stakeholders;
- the content of messages;
- the selective use of language; and
- the use of emotional language.

## Chapter questions

1. Discuss how a company can cultivate a bad reputation.
2. Outline the basic elements of a corporate reputation management programme.

3. How can an organisation set up an ethical programme for standards of conduct and to protect whistle-blowers?
4. Outline a strategy for communicating with various stakeholder groups during a crisis.
5. Discuss various behaviours/events/incidents in your workplace that could potentially harm the reputation of your company. Suggest ways in which to deal with these situations.

## Bibliography

- BERNSTEIN, J. 2002a. 'Crisis management and the law'. Available at [www.bernsteincom.com/docs/gemplers020927.html](http://www.bernsteincom.com/docs/gemplers020927.html).
- BERNSTEIN, J. 2002b. 'The ten steps of crisis communications'. Available at [www.bernsteincom.com/docs/10steps.html](http://www.bernsteincom.com/docs/10steps.html).
- BERNSTEIN, J. 2002c. *Powerlines Newsletter*, No. 36 (28 February 2002).
- BERNSTEIN, J. 2002d. *Powerlines Newsletter*, No. 38 (26 September 2002).
- BERNSTEIN, J. 2002e. *Powerlines Newsletter*, No. 42 (8 May 2002).
- BERNSTEIN, J. 2002f. 'Respond to crises before they arise'. Available at [www.bernsteincom.com/docs/respond.html](http://www.bernsteincom.com/docs/respond.html).
- BERNSTEIN, J. 2002g. 'The price of complacency'. Available at [www.bernsteincom.com/docs/priceofcomplacency.html](http://www.bernsteincom.com/docs/priceofcomplacency.html).
- BEZUIDENHOUT, J. 2002. 'Lotto payout shock'. *Sunday Times* (22 September 2002). Available at [www.sundaytimes.co.za/2002/09/22/news/news01.asp](http://www.sundaytimes.co.za/2002/09/22/news/news01.asp).
- BINNEMAN, D. 2002a. 'Analysis: Protecting organisational reputation: Your role!' *Ethical Corporation Magazine*. Available at <http://ethicalcorp.com/NewsTemplate.asp?IDNum=275>.
- BINNEMAN, D. 2002b. 'What is your organisation's reputation worth to you?' Available at [www.picsolutions.com/site/research\\_sub.asp?artid=22](http://www.picsolutions.com/site/research_sub.asp?artid=22).
- DE WAAL, M. 2002. 'Crisis calls — what will your response be? Biz-community'. Available at [www.biz-community.com/Article/196/18/1111.html](http://www.biz-community.com/Article/196/18/1111.html).

- 'ESTABLISHING a policy for whistleblowing'. Available at [www.managementfirst.com/articles/whistleblowing.htm](http://www.managementfirst.com/articles/whistleblowing.htm).
- ETHICAL CORPORATION. n.d. 'Protecting organisational reputation: Your rate'. Available at [www.ethicalcorp.com/NewsTemplate.asp?IDNUM+275](http://www.ethicalcorp.com/NewsTemplate.asp?IDNUM+275).
- 'KING 2 APPLIES TO ALL'. 2002. *Succeed*, (September/October 2002).
- MOLATUDI, O. 2001. 'Busting workplace crime'. *People Dynamics*, 19(3).
- PRIME POINT PUBLIC RELATIONS. 2002. 'Managing the reputation — an interview with Deon Binneman'. Available at [www.prpoint.com/INTERVIEWS/VOL\\_7\\_2002-deon%20binneman.htm](http://www.prpoint.com/INTERVIEWS/VOL_7_2002-deon%20binneman.htm).
- PUBLIC RELATIONS COMMUNITY OF SOUTH AFRICA. 2002. 'Open and frequent communication reduces fraud risk for companies'. Available at [www.biz-community.com/Article/196/18/927.html](http://www.biz-community.com/Article/196/18/927.html).
- RANDALL, S. 2003. 'Emergency planning checklist'. Available at [www.workforce.com/archive/feature/22/27/72/index.php](http://www.workforce.com/archive/feature/22/27/72/index.php).
- SCHULTZ, H., BAGRAIM, J., POTGIETER, T., VIEDGE, C. & WERNER, A. 2003. *Organisational behaviour*. Pretoria: Van Schaik.
- SOLOMON, C.M. 1994. 'Emergency plans begin with the basics'. Available at [www.workforce.com/archive/feature/22/20/52/223331.php](http://www.workforce.com/archive/feature/22/20/52/223331.php).

## Websites

- Corporate reputation: [www.bm.com/insights](http://www.bm.com/insights);  
[http://www.corp\\_rep.html](http://www.corp_rep.html)
- Media Reputation Index (Mri): [www.reputation-measurement.htm](http://www.reputation-measurement.htm)