



# Impacts of Public Relations on Corporate Reputation

Jing Wun Lee

Faculty of Business, Curtin University Malaysia, CDT 250, Miri 98009, Malaysia

Correspondence: [jingwunlee@gmail.com](mailto:jingwunlee@gmail.com)

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**ABSTRACT:** This article reviews the impact of public relations on corporate reputation in the contemporary corporate environment. A favorable reputation enables businesses to maintain a competitive advantage. In order to achieve long-term success, it is essential for businesses to establish and preserve a positive reputation. This report used real-world examples to illustrate how effective communication aids in reputation management. In addition, this essay is dependent on conjectures and an interview with an experienced Public Relations practitioner. Nonetheless, there are a number of ways for firms to communicate with their stakeholders more effectively in order to develop a positive corporate reputation. Most crucially, firms require Public Relations professionals to aid in establishing and maintaining connections with various stakeholder groups. Consequently, it is essential for firms to identify and comprehend their key stakeholders, as well as employ effective communication tactics, in order to maintain a positive reputation.

**KEYWORDS:** Public relations; corporate reputation; communication; stakeholders

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## 1. Introduction

As of today, reputation has become a big deal as it is one of the most crucial assets to both individuals and businesses. Considering that an outstanding reputation will open doors to wonderful opportunities in life and work, Furthermore, it is important for organizations to sustain and build a strong corporate reputation in order to be successful in the long run. In fact, "*corporate reputation*" is broadly perceived as an extremely important intangible asset and identity of a company [1]. Additionally, the term "*corporate reputation*" indicates in what way a company is perceived by its internal and external stakeholders based upon its past performance and the expected future behavior [2]. Thus, organizations need to protect their reputation as it takes years or decades to build a positive corporate reputation but it only takes five minutes to ruin it, especially in this technologically advanced era. Undoubtedly, news and information spread easily and reach a large number of people in no time. Thus, organizations should strengthen their public relations efforts.

## 2. Public Relations in managing Corporate Reputation

As mentioned by Alvin Adams, "*Public relations is a key component of any operation in this day of instant communication and rightly inquisitive citizens.*" Additionally, it is indicated that public relations plays a significant role in developing a multinational organization's reputation.

Subsequently, public relations practitioners use interpersonal communication, stakeholder engagement, and corporate social responsibilities to build corporate reputation [1]. So, in order for organizations to sustain their competitive advantage, they need to hire public relations practitioners to manage, sustain and build their corporate reputation. In the end, it's important for organizations to keep good relationships with their stakeholders because they can affect the image and reputation of the organization [3].

### *2.1. Importance of stakeholder engagement*

In this technological era, public relations have prioritized stakeholder engagement more [4]. In addition, a company's bottom line may be affected by its reputation, so it is essential to maintain effective internal and external communication. Moreover, stakeholder involvement is essential since stakeholders are the persons who support the organization and have the potential to influence its reputation, financial and social performance. Moreover, according to research, public relations are the cornerstone of stakeholder involvement for maintaining organizational sustainability. Moreover, different stakeholder groups see reputation differently; therefore, stakeholder involvement is required to establish a positive image of a company's reputation [5]. To engage with the major stakeholders more effectively, it is necessary to identify the relative importance of each stakeholder. Therefore, organizations must identify the three traits of stakeholder power, legitimacy, and urgency [6]. Thus, organizations will be able to recognize and underline the necessity for communication, especially with their incredibly important stakeholders.

### *2.2. Benefits of having a favourable corporate reputation*

As previously stated, a company's reputation is an intangible asset because it increases its competitive advantage and enhances its value. However, according to a leading strategic communication firm, Cutting Edge PR [7], the benefits of a positive corporate reputation include:

- Acquiring favorable media attention for the organization.
- More stakeholders, including potential suppliers and employees, will be attracted.
- acquiring more devoted customers.
- Increases the confidence of stakeholders in the organization's capabilities.
- Reduced regulatory burden imposed by the government.

### *2.3. Methods to develop a positive corporate reputation*

Corporate reputation is important for an organization's success in the long run. For this reason, organizations should effectively manage their corporate reputation. According to Cutting Edge PR [8], organizations could build positive corporate reputation by:

- Operating in an ethical and truthful manner with stakeholders
- Carry out research to better understand the key stakeholders.
- Apply appropriate communication strategies for different groups of stakeholders.
- Establish strategies to exceed the stakeholders' expectations.
- Build and maintain a positive relationship with the stakeholders.
- Develop a strong corporate image that attracts the stakeholders interest.

Also, according to Frombrun and Van Riel, characteristics of most reputable organizations includes authenticity, consistency, distinctiveness, transparency and visibility [9].

#### *2.4. World's top 10 most reputable companies in 2021*

According to Fortune [10], these are the world's most reputable companies in 2021.

1. Apple
2. Amazon
3. Microsoft
4. Walt Disney
5. Starbucks
6. Berkshire Hathaway
7. Alphabet
8. JPMorgan Chase
9. Netflix
10. Costco Wholesale

Since almost a decade ago, I have been a loyal Starbucks customer. In addition, the majority of media outlets have reported that Starbucks has exemplary corporate social responsibility, which is one of the primary factors in the development of their corporate reputation. In addition, in July 2021, it was reported that Starbucks measures repercussions by listening to and making an effort to comprehend the stakeholders' perspectives in order to improve their operations, thereby enhancing their corporate reputation. Moreover, Starbucks takes care of their employees, whom they refer to as "partners," as they are the company's spokespeople and have an impact on its reputation [11]. Therefore, stakeholder engagement is essential, as dissatisfied stakeholders can harm an organization's reputation.

A great case study example of corporate reputation management would be Starbucks UK tax crisis and "spread the cheer" campaign. Basically, the campaign went wrong and Starbucks handled the crisis really well by offering a genuine apology as an attempt to regain credibility and trust of the stakeholders. Subsequently, Starbucks make good use of social media to communicate and listen to the unhappy stakeholders with dignity and respect. Eventually, Starbucks acted with a good post-crisis by paying back the taxes and maintaining their duties [12]. Hereby, Starbucks utilized persuasive and dialogue as their stakeholder communication strategy. Plus, Starbucks applied two-way asymmetrical and symmetrical communications while interacting with the stakeholders which is by responding to their tweets and comments. Thereafter, Starbucks responds in a honest, genuine and transparent manner to restore the stakeholders' trust and protect their corporate reputation [12].

### **3. Let's hear from an experienced public relations practitioner**

Education, hospitality, transportation, healthcare, pharmaceutical, government relations, agriculture, and telecommunications are just some of the industries represented by the clients of a Kuala Lumpur, Malaysia-based PR practitioner from a reputable consultancy firm. The PR practitioner specializes in the development of communication strategies, client service, influencer management, and media relations. The PR professional began by discussing some

of the most significant stakeholders in the consultancy and the reasons why they are deemed significant. Internal stakeholders and external stakeholders were distinguished among the consultancy's stakeholders. Consequently, the internal stakeholders are the consultancy's employees and partners. Meanwhile, the consultancy's external stakeholders include clients, the media, and target audiences.

**Table 1.** Reasons why the stakeholders are considered important to the consultancy:

Internal stakeholders	External Stakeholders
<p><b>Employees of the consultancy</b> - The diverse team at the consultancy handle the day-to-day client servicing, develop strategy of communication plans for current and potential clients.</p>	<p><b>Clients of the consultancy</b> – Their retainer and ad-hoc clients are who the consultancy support with PR expertise.</p>
<p><b>Partners of the consultancy</b></p>	<p><b>The Media</b> - Media connections with editors and journalists are important as they are the medium to help the consultancy to push client's story to the public.  <b>Target Audience – Influencers, Bloggers, Government, Local Communities</b> – The consultancy identify client's target audiences and use these group of people to be advocates and key opinion leaders for the clients as they would share the same values and understand the significance of the client's existence in the market.</p>

Second, I inquired about the stakeholder communication tactics implemented by the PR professional. The PR professional stated that she employs openness in reporting and efficient communication. Through monthly reports and weekly WIP meetings with clients, transparency in reporting is achieved by ensuring that all campaign information is delivered in an accurate, timely, and transparent manner. The PR practitioner also stated that the evaluation of PR efforts should be reflected, as this opens a two-way dialogue between the PR agency and client to discuss what methods work and what did not resonate with the target audience, resulting in a more effective communication plan strategy.

Thirdly, I inquired of the PR professional whether the consultancy constantly engages with its stakeholders and how this affects the connection between both sides. The PR practitioner stated, "Being in the PR industry, communications is our primary focus; therefore, we engage with clients daily, including on weekends." In addition, the PR professional stated that conversations with various stakeholders open the door to potential collaborations and cross-selling between stakeholders in order to pitch a larger story. The overall relationship is an ongoing synergy where it is a two-way relationship that is mutually beneficial, and she believes that with constant engagement, trust is built with stakeholders and that the consultancy has been a leader in the industry for more than two decades.

Fourthly, I asked the PR professional how recognizable the agency is based on its external identity and what forms of communication were utilized across its platforms, events, promotions, etc. The PR practitioner stated, "We are a progressive PR agency that aligns earn-first, data-driven creative with the customer journey in mind to deliver maximum impact." Additionally, the agency's mission is to help others tell their stories in the most effective manner to the most relevant audiences at the most appropriate time. Since its inception more than two decades ago, the consulting firm has always listened to what its clients require and desire. The firm brings ideas, creativity, and tenacity to the development of award-winning integrated campaigns designed to convey information and comprehensive experiences to the

targeted consumers. Today, the firm stands out in its field since it comprehends the new and enhanced storytelling media and offers customers more inventive means of engaging with audiences, tracking dialogues, and assessing results.

Next, I questioned the PR professional about the agency's use of reputation to distinguish itself from competitors and the tactics they employed to effectively overcome the obstacles they faced. The PR practitioner stated that the consultancy has always been one of the pioneering agencies, and with the credibility and trust of clients, the agency continues to build a roster of clients from a variety of industries, including education, transportation, healthcare, pharmaceutical, government relations, hospitality, agriculture, and telecommunications, among others. As a result of the Covid-19 pandemic, business is no longer normal, and neither is the manner in which they communicate. There is a good chance that the client's businesses are accelerating their efforts to reinvent how they sell to and interact with their audiences. As a public relations firm, they overcome Covid-19 obstacles by advancing the art of communication. They overcome the obstacles by doing what they do best, which is continuing to be their client's partner with the necessary experience and expertise to help them quickly and effectively strategize a new public relations approach. Moreover, the agency devises strategies to keep clients visible, relatable, and influential, even during the worst of times.

In addition, I asked the practitioner if any incident had affected the consultancy and how they would maintain their corporate reputation in the event of a negative incident. It was encouraging to learn from her that no known incident had damaged the organization. If there were, however, the agency would take the necessary steps to address the issue, communicate it with empathy, and take responsibility for the incident, rather than concealing the truth because it is against their company's values. In addition, I questioned the PR professional about the agency's techniques for gaining the confidence of stakeholders. Then, she said *“As mentioned, building trust with our stakeholders through effective communication has always been the key to the agency’s success for almost over 30 years and we continue to strive in this industry for many years to come as we flourish together with our stakeholders. Like the saying goes, teamwork makes the dream work.”*

Lastly, I asked for some advises so that I could be better in assisting my future organization to maintain its corporate image and reputation. The PR practitioner then said *“based on my experience, the important trait to have in this industry and being a key player in any organization would be to be open minded. You have to be open to communicate and receive feedback whether it being negative or positive.”* Because with an open mind and heart, the possibilities from learning from people around me is endless and that will shape me into a great PR practitioner who is knowledgeable and is able to think critically to help maintain the corporate image of the organization or assisting clients. Moreover, if I were to make a mistake, which is inevitable in this industry, take it as my progress, learn, and take ownership of that mistake and plan out a solution quickly. PR is a fast-paced industry and every second counts especially in dealing with crisis communication. The PR practitioner added on saying *“do not let it escalate and face the issue immediately and at the end of the day, mistakes are what makes you stronger when you learn from it.”*

## 4. Conclusion

Both internal and external stakeholders impact the reputation of an organization. The outcome of the interview was that the consulting firm improved its stakeholder communication and engagement, thereby enhancing their corporate reputation and maintaining their industry competitiveness. To create a stronger relationship with stakeholders, it is essential to identify and comprehend the main stakeholders and employ proper communication tactics. Moreover, it is essential for organizations to earn the trust of their stakeholders by being honest. In addition, the ability to listen to stakeholders is crucial for establishing a positive reputation and providing superior information to target audiences. Organizations must communicate effectively with their stakeholders during a crisis in order to preserve their stakeholder relationships and corporate reputation. In addition, organizations must always be prepared to effectively manage an issue or crisis by addressing it rather than concealing it. Once a company's reputation has been tarnished, it takes a long time to recover, and the mistakes will remain in the company's history indefinitely.

## Competing Interest

No conflict of interest is declared.

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