How the behaviour of corporate leaders affects corporate reputation

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ABSTRACT

Reputation is the strongest determinant of any corporation's sustainability. Stock prices can always come back, and business strategies can always be changed, but when an organisation's reputation is gravely injured, its recovery is difficult, long term, and uncertain. It is quite notable in the corporate industry that individual corporate leaders possess some reputation. Consider leaders like The Oppenheimers, Jack Welch, Steve Jobs, Bill Gates, Richard Branson, Patrice Motsepe, Martha Steward, Maria Ramos, and Nonkululeko Nyembezi-Heita. In many cases, the person becomes synonymous with the company. The image and reputation of the CEO becomes the image and reputation of the company. A risk on their reputation is a threat to the survival of the enterprise.

Leaders who have built a strong corporate reputation know what it takes: an internal culture that forges a positive opinion of the company by successfully coping with both expected and anticipated challenges. They know that Public Relations is not a bandage that will cover risky behaviour. Most of all, they know that they must understand the role played by their behaviour; that the public's perception does not end only with the product, but also with who leads the corporation and how. They know that their leadership style, strategies and personal lives are of public interest, and that every company's solution must be unique.

Cross-disciplinary theorists view corporate reputations as strategic assets and as a source of economic value. A good feeling about a company, its activities, workplace, past performance and future prospects by key stakeholders can lead to positive stakeholder decisions about the company.

Corporate reputation has attracted interest from a wide range of academic disciplines. It is also a growing focus for business and media attention. This paper examines the construct of corporate reputation, and the effect brought about by the behaviour of the

corporation’s leadership. Firstly, I define reputation in terms of the perceived experiences of stakeholders and their emotions, while the consequences of reputation are defined as the behavioural support of stakeholders towards the business. I then move on to consider how reputation has been measured by applying the corporate Reputation Quotient (RQ) of Harris-Fombrun. The RQ is a comprehensive measuring method of corporate reputation that was created specifically to capture the perceptions of any corporate stakeholder group, such as leaders, consumers, investors, employees, or key influencers. The instrument enables research on the drivers of a company's reputation, and allows the comparison of reputations both within and across industries.

With a clearer understanding of the construct of corporate reputation and the allied constructs of image and identity, researchers are now well placed to test the relationships widely claimed by practitioners between corporate reputation and other variables, such as corporate leaders, commercial performance, employee and customer satisfaction. The review ends by illustrating some of the issues that can be assessed from the basis of a clearer conceptualisation of reputation and its measurement.

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1. Introduction

1.1 Dissertation topic

Strategic management suggests that the key role of corporate governance is the improvement and protection of corporate reputation. Corporate reputation is the shared public perception or evaluation of a company based on its past, current and expected future actions. Good corporate reputation is impossible to maintain without good corporate governance. The reputation of a company's leadership and that of the company are linked to each other. It is therefore important to recognise the effect that good governance has on the reputation of any corporation. Most managers, in their quest to build a sustainable competitive advantage, recognise the role that corporate reputation plays – that it is a part of a company's assets along with intangible property (i.e. social property and environmental property). Furthermore, management realises that positive corporate reputation may create sustainable competitive advantage, thereby influencing corporate performance.

Equally important is the effect of ownership structure and the board of directors on corporate reputation. Corporate governance is an internal system within a corporation (or company) that encompasses people, policies and processes, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business understanding, objectivity, accountability and integrity. The governance structure of the company has a great effect on the company's reputation and performance. For instance, one of management's tasks linked to reputation is transparency, and because the board's structure influences transparency (i.e. parastatals are not that transparent with information because there is a strong political influence by the government, which in South Africa happens to be the government of the ruling party), it means a company has to be very careful in structuring its leadership or governance.

The perception of consumers, employees and competitors is of great value to the company. A company achieves its reputation when consumers prefer its products and services to available products of competitors that are similar in prices and quality, and also when the company is the preferred employer. It is, therefore, inevitable to talk about good corporate reputation without the mention of effective and good corporate governance or good leadership.

1.2 Background

In the latter part of 2008, the automaker Toyota knocked out the so called ‘king-of-the-hill’ General Motors to become the world’s best-selling automaker. However, this triumph was short lived when the company, later the following year, October 2009, recalled 3.8 million of its Toyota and Lexus-badged vehicles, following a high profile fatal crash involving a state trooper and three family members. The recall was meant to replace floor mats that can unexpectedly snag the accelerator pedal, making it difficult to slow a vehicle down (NBC Philadelphia, 2009).

According to ABC News, the company has been struggling to deal with a "sticky accelerator" and floor mat safety issue, hence the recall of 8-10 million of its Toyota and Lexus vehicles sold worldwide – a figure said to be higher than the number of cars Toyota sells in one year. While this is damaging to the company’s reputation, it also proves to be scary news for consumers who have grown used to the reliability of their Toyotas; however, what is most remarkable is how the top executive at Toyota is behaving. In Toyota’s case, communication to and with stakeholders, especially customers, seems to be the major crisis. For an auto company, which, for half a century, has been synonymous with safety and reliability, to adopt a ‘reactive’ or ‘easygoing’ attitude to a crisis that is so damaging to its reputation left much to be desired. Toyota has been criticised for a slow response that has placed the company on the back foot throughout the unfolding crisis. Global CEO Akio Toyoda has also attracted particular attention for his low profile. Only after much criticism has he expressed his heartfelt apologies worldwide by ‘bowing deeply’ and sending messages in English worldwide (ABC News Report, February 09 2010).

Corporations and organisations in general are characterised by the fact that they are made up of people, acting together in order to pursue a common goal (Hodge, 1996). Inherent in the above statement is the potential exposure of the company’s leadership or governance to affect the company’s reputation, either positively or negatively. Actions of individual members of the company’s leadership, like the CEO, have a major influence on how the company is perceived by the general public.

Maximising corporate value means accumulating reputational capital. Corporations should be able to recognise reputation as an asset (intangible) that can add value to the company, because, if a corporation has a good reputation, it is likely to sell more to customers, receive more job applications, get more favourable coverage from financial analysts and journalists, and create a favourable environment for new customers who prefer their products to those of competitors.

Companies can only increase their competitive advantage by fuelling good reputation. Customers and employees want to associate with a company that lives up to its core values. Maintaining a good reputation means giving customers value for their money. Therefore, if reputation is the motor of competitive advantage, then good corporate leadership is the fuel that makes it run.

It should, however, be noted that corporate or individual reputation is determined by actual or perceived actions. Therefore, it is important to ensure that the company's governance structure is occupied by individuals of high and good reputation. Individuals within the governance of any corporation have a direct effect on how the company is perceived, i.e. the dismissal of John Galliano, the chief designer of Dior, a fashion design company, after his internationally televised anti-Semitic and racial remarks, sent a clear message to all Dior customers and competitors that the company values how it is perceived, as well as its values and reputation. Galliano was on the top structure of the company's governance and the board was well aware of the effect that individuals have on the reputation of the company, hence the decision to dismiss him.

Equally important is the transparency of the company to the public. Transparency should be key in any strategic planning of the governing body. A company that is transparent tends to gain trust in its customers and respect from its competitors. The public is more sympathetic to a company that owns up to its mistakes and then takes responsibility to correct those mistakes, i.e. the reaction of Toyota's CEO, Akio Toyoda caused a huge commotion among stakeholders and within the industry. His low profile and slow response to the company's crisis were received with high negativity by the public. However, when he finally took a stand and expressed his heartfelt apologies to the public by 'bowing deeply' (which is a sign of respect according to the Chinese nation), and further sending messages in a language understood by all around the world, customers began to feel like they are being taken seriously. They appreciated the gesture and began to support the company again.

Reputation, for an individual, is in respect to his or her standing in a social environment, while on the other hand, corporate reputation determines a corporation's standing within a business context. It can therefore be suggested that the existence or absence of reputation can constitute a source of either competitive advantage or disadvantage for a corporation in its market environment. Customers prefer to transact with a reputable corporation, employees want to be part of a reputable corporation, investors want to invest in a reputable corporation, and competitors also prefer healthy competition from a reputable corporation. A company wins by simply investing in building a good corporate reputation through its effective governance.

1.3 Problem statement

A suggestion that good governance is the fuel for good corporate reputation implies that, for any company that seeks to create a sustainable competitive advantage, the right fuel with the correct components must be used. The structure of governance and leadership alone does not guarantee good reputation, but the individuals appointed in the governance structure and leadership play an important and crucial role in building a good reputation for any corporation. This is because both individual and corporate behaviour affects the company's reputation in a positive or negative way.

Members of the board of directors, executive directors, the audit committee and other leadership structures, are comprised of individuals with different styles of management or leadership. It is therefore important to ensure that there is a critical management system with relevant management processes (i.e. financial planning, strategic planning, contingency planning, etc) in place to thoroughly translate management and shareholder objectives.

In this study, corporate leadership is associated with the governance function, the board of directors – both its structure and decision-making. We take note that good governance with the right components (individuals) can create a sufficient sustainable competitive advantage to put a corporation ahead of its competitors. It can create an advantage where price is not the determinant of preference for customers, where familiarity breeds no contempt but is the driver for the desire of association with the company.

It is also equally important for a company to identify those ‘unique’ aspects that are the drivers of favourability; the product or service, people or strategies that differentiate them from their competitors, and are influential to the good reputation of the corporation. Once identified, these should be nurtured and maintained to create a sustainable competitive advantage.

The problem to be investigated is:

- How does the structure and component (individuals) of the corporate governance influence its reputation as defined by the Reputation Quotient (RQ); *and*
- Which aspects of running a company should the leadership and governing body *pay attention* to when fostering a good reputation, thereby sustaining a competitive advantage?

1.4 Objectives of the study

1.4.1 Primary objective

The primary objectives of this study are to:

- Understand the concept of corporate leadership and corporate reputation and the relationship between the two;
- Understand efforts made by corporations in building a good corporate reputation and the role played by a good structure of leadership.

1.4.2 Secondary objectives

The secondary objectives are to:

- Investigate the significance of a good corporate governance structure and its effect on the company’s reputation as measured by the reputation quotient (RQ), the company of choice being Pick n Pay Limited;
- Investigate if there is a link between by whom and how the company is governed and its reputation;

- Which aspects in the governance structure have a significant impact on the company's reputation?
- How do companies respond to corporate governance, which approach is favourable, and how does this approach affect the reputation of the corporation?

1.5 Scope of the study

The mini-dissertation will be carried out for partial fulfilment of the MBA degree. The focus will be primarily on corporations within South Africa, specifically on the company Pick n Pay Limited.

1.5.1 Field of study

The field of this study falls within the subject discipline of Organisational Behaviour and Strategic Thinking and Implementation, with a specific emphasis on corporate governance and corporate reputation.

1.5.2 Geographic demarcation

The study focuses on the assessment of effective corporate governance and its influence on corporate reputation. The focus is more on the Johannesburg Stock Exchange (JSE) listed companies with special reference to Pick n Pay Limited.

1.6 Theoretical framework

Strong reputation results when companies own a distinctive position in the minds of resource holders, when they act in ways that are consistent with espoused principles of identity, and when they are transparent in the way that they conduct their affairs. Corporate reputation is an asset that can be accumulated or lost over time and therefore affects a corporation's value. Measuring reputation can be very complex; however, the Reputation Quotient (RQ) has been very helpful over the past years in calculating reputation.

When it comes to the number of customers a brand attracts, reputation plays a very critical role. It goes beyond perception and preference; it can hugely affect the value of the company as a going concern. Stakeholders such as customers play a vital role in affirming the brand of the company, after all, they are the end users, the ones whom all corporations strive to please, the ultimate judges of what works and what does not. With the same influence, they can destroy a company by just boycotting its brand due to bad reputation, i.e. most customers stopped buying at any of the Shoprite or Checkers stores (myself included) because of its bad reputation when it comes to ‘service’. The company’s (Shoprite and Checkers) service is so bad that most customers would rather pay more at other retailers than to buy at their stores. As a result, we see Shoprite Holdings rated at number 22 on the Top Companies Reputation Index (TCRI) released in April 2011 (Mail & Guardian *15 to 21 April 2011*).

Traditionally, effective governance was defined by ‘maximum profits’. However, this has over the years evolved to include issues of accountability, social responsibility and the protection of shareholders and stakeholders. The economy requires corporations to take responsibility for their brand, employees, communities, competitors, shareholders and other stakeholders. Who the company has in its leadership structure has an influence on the reputation of the corporation. Shareholders and stakeholders want to be associated with people they can trust and rely on. They do not want scandals; they quickly divorce themselves from any appearance of a threat to their reputation, i.e. the International Monetary Fund (IMF), was quick to accept Dominique Straus-Kahn’s resignation as the Chief to avoid the organisation being dragged into his scandal, as did Dior with John Galliano and FIFA with Jack Warner and Mohamed bin Hammam.

Corporate reputation is as fragile as an egg, and must be handled with proper care because it can be destroyed in seconds. A mishandled response, inappropriate act, labour dispute, product tempering or leadership scandal all have the power to instantly tarnish a sterling reputation built by stellar performance and years of hard work. Toyota is a perfect example of a reputation that was tarnished in seconds when their ‘strong’ brand was suddenly in trouble after experiencing technical challenges.

The concept of corporate governance and corporate reputation both involve stakeholders, and while corporate reputation depends on the perceptions of a corporation’s actions, which implies that certain actions are more desirable in the eyes of certain stakeholders than others, corporate governance aims at managing and controlling corporate actions in general. The aim of this research is to identify which systems and practices are most suitable to maximise a corporation’s reputation.

1.7 Research methodology

1.7.1 Literature/theoretical study

The overall methodology to be followed in the construction of the mini-dissertation on building corporate reputation through good governance will be based on the following research and consultation procedures:

- A study of relevant journals, books and previous research with information on both corporate governance and corporate reputation;
- Extensive research on the Internet for databases containing updated and the latest information on corporate governance and corporate reputation; and
- Consultation with the study leader and other researchers on the same topic.

The first part of the literature review will focus more on gaining information on Pick n Pay Limited as the company of choice. The history of the organisation as well as the role its governance structure and component play in fostering good corporate reputation will be investigated. The main source of information in this regard will be the Internet, published articles, previous research and journals.

The review will incorporate obtainable theoretical information as a foundation for this research and will include the following:

- Description of the concepts, corporate reputation and corporate governance.
- Past and present forms of both concepts.
- The dimensions of corporate governance and reputation.
- The role played by members of leadership and governing bodies in fostering a good climate for creating good corporate reputation.

The literature review will also include the acquisition of data from published sources, previous study reports from relevant institutions, textbooks, newspaper articles, web or Internet articles, information from news bulletins, and other sources applicable to the research.

1.7.2 Empirical study

A questionnaire will be designed and distributed to the relevant corporations and individuals to complete and return to the researcher, who will in turn make an analysis from the statistical data for conclusions and recommendations.

The following are targeted participants:

- Senior managers, board members and audit committee members of the company of choice, i.e. Pick n Pay Limited;
- Johannesburg Stock Exchange (JSE) listed companies;
- Large and small corporations contributing to the economy of South Africa;

- Employees and customers of the company of choice, i.e. Pick n Pay Limited; and
- Individual members of the public, both employed an unemployed.

1.8 Limitations of the study

- Although the company of choice, Pick n Pay Limited, is a multinational corporation, the study will be mainly conducted in South Africa. However, reference will from time to time be made to corporations outside of South Africa.
- The size of the study population appears to be small; as a result, the researcher will not be able to generalise conclusions.

1.9 Layout of the study

Chapter 1: Nature and scope of the study
Chapter 2: Literature review on corporate leaders and corporate reputation
Chapter 3: Results and discussion of empirical of research
Chapter 4: Conclusions and recommendations

CHAPTER 2

LITERATURE REVIEW ON CORPORATE LEADERS AND CORPORATE REPUTATION

2.1 INTRODUCTION

Reputation is the strongest determinant of any corporation's sustainability. Stock prices can always come back, and business strategies can always be changed, but when an organisation's reputation is gravely injured, its recovery is difficult, long term, and uncertain. A risk to its reputation is a threat to the survival of the enterprise. Leaders who have built a strong corporate reputation know what it takes: an internal culture that forges a positive opinion of the company by successfully coping with both expected and anticipated challenges. They know that Public Relations is not a bandage that will cover risky behaviour. Most of all, they know they must understand the role played by their behaviour; that the public's perception does not end only with the product, but also with who leads the corporation and how. They know that their leadership style, strategies and personal lives are of public interest, and that every company's solution must be unique.

A company's approach must include structured engagement with investors, regulators, activist organisations, communities, and the media. The primary feature of this engagement is active listening. It provides a means for developing a trained intelligence that enables leaders to anticipate external responses to their actions. Furthermore, when necessary, it delivers a perspective that helps protect them from the kind of competition-driven excesses that seem to arise so easily in our pressurised market environment. Failure to build a culture of attentive engagement can prove devastating, and the world has witnessed spectacular reputational collapses over recent years. Enron and WorldCom are the best known examples.

Another challenge facing corporate leaders in building a sustainable corporate reputation is ethical drift. Once leaders compromise or start to drift from their ethical commitments, dire results can be observed. An example of such are companies such as Merck, Marsh & McLennan, Arthur Andersen, and Monsanto. In these cases, subtle drifts in corporate culture made increments so small as to go almost unnoticed and brought companies into damaging confrontations with investors, regulators and the public. The results have included loss of careers, an erosion of shareholder value, a long-term decline of business franchise, and, in Andersen's case, the extinction of a thriving company.

In another example of ethical compromise, the big five accounting firms were reduced to four after Arthur Andersen & Co. admitted to covering up financial irregularities that occurred at its client Enron. The subsequent reversal of the criminal conviction against Andersen on a technicality did little to help the world forget the image of a troop of faithful accounting consultants lined up at paper shredders in the Enron accounting department. The fact that Andersen showed no compunction about destroying evidence in protecting a prized client strongly suggests that an aptitude for gross illegality lay dormant in the company's culture until a triggering event brought it out. This possibility of having the seeds of disaster entrenched within their company, more than any other threat, gave pause to business leaders everywhere.

These examples reflect the historic changes that have taken place in the corporate environment. We have entered an era where scrutiny and judgment by the press, society, shareholders, regulators, and other stakeholders is intense. Consumers are beginning to judge companies as they judge politicians, 'an individual is perceived as an institution'. CEOs and board members are judged by their behaviour and their values. The current era is increasingly characterised by a democratisation of corporate oversight. The Internet has created a public super-consciousness, delivering extraordinary access to information. Now NGOs, the press, and stakeholders of all stripes stand ready to expose corporate misbehaviour. It seldom matters whether misdeeds are real or imagined.

In this study, we look at Pick n Pay's leadership and how it has affected its corporate reputation. The Pick n Pay Group is one of Africa's largest and most consistently successful retailers of food, general merchandise and clothing. Today, the Pick n Pay Group has a total of 775 stores, made up of Hypermarkets, Supermarkets and Family Stores (which are franchise stores). Pick n Pay employs over 38 000 people, and generates an annual turnover of USD6.76-billion. It is currently rated number 5 on the Top Companies Reputation Index (TCRI) under reputations cited by business representative, and rated number 4 on the same index as cited by the general public *(TCRI- Mail & Guardian, April 15 to 21, 2011)*

It was not always this way, though. In 1967, Pick n Pay was founded as a family controlled business with four small stores in the Western Cape. The next year, the company listed on The JSE Limited Securities Exchange, and from there Pick n Pay grew into the leading retail group it is today. Concentrating on food, clothing and general merchandise, the Pick n Pay Group is managed through two divisions, namely the Pick n Pay Retail Division and the Group Enterprises Division. Each division has its own management board.

Pick n Pay's roots can be traced back to principles handed down to Raymond Ackerman when he was a commerce student at the University of Cape Town. His lecturer, Professor WH Hutt, believed implicitly in the principle of consumer sovereignty, and his words, "treat the customer like a queen and she will make you a king", made a lasting impression on the student.

The Company's mission is consumerism, which in simple terms means to interpret and satisfy customers' needs by selling quality products at competitive prices, and providing courteous service in stores that are well located and pleasing to shop in. In addition, a policy of refunding goods without question has enabled Pick n Pay to establish long-term customer relationships, and has ultimately led to an incredibly loyal customer base.

Pick n Pay's history is proof that the philosophy of consumer sovereignty is not simply a platitude. Along with the enormous transformation that has taken place in South Africa over the past one-and-a-half decades, significant changes have also taken place within

Pick n Pay. These changes are based on a firm belief that the company’s ability to achieve service excellence is directly proportional to its capacity to establish a climate of dignity, respect and freedom among every employee within the company.

The Group has a flat organisational structure. Overall responsibility lies with the Pick 'n Pay Stores Limited Board. Operational responsibility for the Group is vested in three divisions: the Retail Division, the Group Enterprises Division and Franklins Australia. Each division has its own management board, and Retail and Franklins have managing directors reporting directly to the CEO. This flat Group structure enables local operations to take ownership of decision-making and to assume individual responsibility for their actions and success. The structure encourages personal growth and achievement, ensuring that initiative is enabled, identified and rewarded.

The Board comprises seven non-executive directors and five executive directors. It is responsible for selecting a successful management team, approving corporate strategy, monitoring and assessing performance, and acting as a resource for management in matters of planning and policy. The Board is responsible for setting the governance policy and practices for the Group, and for appointing the Chairman and CEO, whose roles are separate. The Board meets four times a year to monitor the performance of the Group, its executive directors and senior management.

The non-executive directors annually evaluate the performance of the CEO. The evaluation is based on objective criteria, including performance of the business, accomplishment of long-term strategic objectives and management development. The CEO reports to the Board on succession planning, with a defined succession plan in place should the Chairman, CEO, MD or any of the senior management personnel need to be replaced. The CEO's recommendation for his successor is known by the Board at all times, should the CEO be unexpectedly incapacitated. Succession planning has received specific attention across the Group to ensure continuity of the business. The CEO also reports annually to the Board on the Group's programme and performance in respect of management development and employment equity.

2.2 CORPORATE REPUTATION

2.2.1 The company as a social entity

A COMPANY OR CORPORATION can be described as a body that is granted a charter recognising it as a separate entity having its own rights, privileges and liabilities distinct from those of its members. (www.dictionary.com). *SOCIAL ENTITY* is the separate existence of an organisation that is perceived to exist, by its members and the public at large, as a given, i.e. something that exists before and outside of them. Reputation itself is a social phenomenon that has been labelled one of the most pervasive and widely discussed concepts in ordinary language (Bromley, 1993). Generally defined, reputation refers to an overall opinion or attitude that a person has about some entity or object (Bromley, 1993). A socially transmitted belief (i.e. belief about belief) concerns properties of agents, namely their attitudes toward some socially desirable behaviour, be it cooperation, reciprocity, or norm-compliance. Reputation plays a crucial role in the evolution of these behaviours: reputation transmission allows socially desirable behaviour to spread. Rather than concentrating on the property only, the cognitive model of reputation accounts also for the transmissibility and therefore for the propagation of reputation.

Companies are complex social organisations that engage in behaviours that in many ways resemble the actions of individuals (Ackerman, 1982). Therefore, it is often little surprising that companies are often characterised as human-like entities. The attribution of human qualities to non-human entities is a widely found practice (Fournier, 1998). For example, many countries, including the South African legal system, recognise a company as a legal entity with the same rights and obligations as those afforded to the individual (Pty Ltd, Pty). In general, companies tend to use personality to differentiate themselves in commodity markets. On the other hand, consumers also appear to be quite comfortable personifying brands and using human personality traits to describe or perceive products. They frequently would refer to demographic characteristics such as perceiving a company as being ’young’ or ‘old’ and ‘contemporary’ or ‘conservative’ when describing companies.

Strategically, if a company wishes to enjoy sustainable success, it must get consumers to relate to it as a person, an attractive likeable personality, one that can eventually develop an emotional attachment. Creating strong brands and developing even stronger marketing relationships with consumers rely heavily on getting consumers to think of the company in the same line as they do of the company's leadership. Corporate reputation is somehow linked to the psychological attributes that are based on inferences about behaviour in the past. These attributes include trust, credibility, charisma, a company's soul, and fairness. Accidentally, these are the same attributes that consumers would like to see in the leadership of any company.

It can, therefore, be observed that companies are social entities and that humanising companies seems to be a well-established practice that is supported by theological developments not only in marketing but also in finances. The concept of corporate reputation plays an important role in helping companies to understand how stakeholders perceive, comprehend and respond to corporate practices and provides a way to determine whether stakeholders know and approve of the company in interpersonal ways, as an exchange partner, and as a corporate citizen.

2.2.2 Defining corporate reputation

Reputation, as distinct from *image*, is the process and the effect of transmission of a target image. To be more precise, we call reputation transmission a communication of an evaluation without the specification of the evaluator, if not for a group attribution, and only in the default sense discussed before. This covers the case of example 3 above. More precisely, reputation is a believed, social, meta-evaluation; it is built upon three distinct but interrelated objects: (1) a cognitive representation, or more precisely a believed evaluation – this could be somebody's image, but it is enough that this consists of a communicated evaluation; 2) a population object, i.e. a propagating, believed evaluation; and (3) an objective emergent property at the agent level, i.e. what the agent is believed to be. In fact, reputation is a highly dynamic phenomenon in two distinct senses: it is subject to change, especially as an effect of corruption, errors, deception, etc.; and it emerges as an effect of a multi-level bidirectional process. Reputation is also how others know and perceive you as an individual.

Image is a global or averaged evaluation of a given target on the part of an agent. It consists of (a set of) social evaluations about the characteristics of the target. Image as an object of communication is what is exchanged in examples 1 and 2 above. In the second case, we call it third-party image. It may concern a subset of the target's characteristics, i.e. its willingness to comply with socially accepted norms and customs, or its skills ways, or its definition as pertaining to a precise agent. Indeed, we can define special cases of image, including third-party image, the evaluation that an agent believes a third party has of the target, or even shared image, that is, an evaluation shared by a group. Not even this last is reputation, since it tries to define in a too precisely manner the mental status of the group.

While *image* only moves (when transmitted and accepted) from an individual cognition to another, the anonymous character of reputation makes it a more complex phenomenon. Reputation proceeds from the level of individual cognition (when it's born, possibly as an image, but not always) to the level of social propagation (at this level, it is not necessarily believed from any agent) and from this level back to individual cognition again (when it is accepted).

Moreover, once it gets to the population level, reputation gives rise to a further property at the agent level. It is both what people think about targets and what targets are in the eyes of others. From the very moment an agent is targeted by the community, his or her life will change whether he or she wants it or not, or believes it or not. Reputation has become the immaterial, more powerful equivalent of a scarlet letter sewed to one's clothes. It is more powerful because it may not even be perceived by the individual to whom it sticks, and consequently it is out of the individual's power to control and manipulate.

More simply speaking for those who want a working definition of reputation, reputation is the sum of impressions held by a company's stakeholders. In other words, reputation is in the "eyes of the beholder". It need not be just a company's reputation, but could be the reputation of an individual, country, brand, political party, and industry. However, the key point in reputation is not what the leadership insists, but what others perceive it to be. For a company, its reputation is how esteemed it is in the eyes of its employees, customers, investors, talent, prospective candidates, competitors, analysts, alumni, regulators and the list goes on.

To better understand the difference between image and reputation, the mental decisions based upon them must be analysed at the following three levels:

Epistemic

Accept the beliefs that form either a given image or acknowledge a given reputation. This implies a believed evaluation gives rise to one's direct evaluation. Suppose I know the friend I mostly admire has a good opinion of Mr. Berlusconi. However puzzled I may be by this dissonance-inducing news, I may be convinced due to my friendship to accept this evaluation and share it.

Pragmatic-strategic

Use image to decide whether and how to interact with the target. Once I have my own opinion (perhaps resulting from acceptance of others' evaluations) about a target, I will use it to make decisions about my future actions concerning that target. Perhaps I may abstain from participating in political activity against Mr. Berlusconi.

Mimetic

Transmit my or others' evaluative beliefs about a given target to others. Whether or not I act in conformity with a propagating evaluation, I may decide to spread the news to others.

Reputation influences consumers in a far greater way than could ever be measured on a balance sheet. Intuition tells you more about the value of a business and this can be wrapped up in personalities: ‘what is the value of The Body Shop without Anita Roddick or Virgin without Richard Branson?’ Reputation also has a different dynamic; it can change value faster than most other assets. It is not just good or bad, but valuable because of its inherent volatility. Furthermore, corporate reputation can be influenced by a number of forces. Let us categorise these into external and internal forces.

2.2.2.1 External forces

Political: *Roe* argues that external political forces are the primary factor in determining the corporate governance model used by a firm. Corporate governance defines the ways in which a company safeguards the interests of its financiers (investors, lenders, and creditors), which has a big impact on reputation.

The problem with this argument relates to the nature of the business in question: the public sector should see the political aspect as a major factor as decisions will have a direct impact on that area. Small privately-owned firms may have no political forces that directly impact on their reputation, although political policies may play a big part in their profitability. These small privately-owned companies should still see the political arena as an important factor: policy changes can quickly alter a business reputation, particularly when related to the environment. The stability of the political system is also an important factor.

Economic: There are now many messages around the issues of corporate social responsibility and the effect of the economy on social values (*Davies*). In a period when many manufacturing jobs have moved to the Far East, the ability to secure employment for a local community will have a major impact on CR.

These external economic drivers can also shape the perception of a whole industry. Two examples are the financial sector and university education. Regardless of which institution is reviewed, the general public will already have a fixed perception of that market. Pharmaceutical companies will need to take into consideration the current economic downturn and the pressure on the health sector when reporting profits.

Social: at the most basic level, public interests are linked to a working democracy (*Lindén*). There is a growth in interest groups that have generated a ground swell of public pressure that influence a number of topics (*Bardes et al*). There is a need for the media to promote diversity; this is where corporations can begin to endorse their own messages.

Technology: There are two drivers related to technology, the first is that which relates to a company's product and/or service technologies, and the second is the new mode of information carriers. A review of the global rankings for corporate reputation has highlighted that technology companies have the highest positive ranking. The perception of “coolness” of their products and services is the main driver for these rankings. The impact of social media is the other aspect of technology that is driving the increasing transparency of corporations (*Wyman*). Dell, to their detriment, have experienced the full force of such technologies (*Tapscott and Williams*)

Legal: It was Rottenburg who stated that companies that ignore the changes in legislation relating to the environment risk damaging their reputation and losing business. There are many other legislative drivers that could potentially tarnish the image of a company: pharmaceutical companies must continue to focus on those related to the health sector.

Environmental: As with technology, there are two drivers within the environmental field. The first is the physical environment a company operates in and the second is the environmental issues that are now widely discussed. The physical location and fabric of the offices will play an important part in the perception of a company’s reputation. As an example, fashion companies need to have a presence in London, New York, Paris and Milan. In terms of the fabric, it is well documented about Google’s offices. Looking at the other option; external environmental forces are driven through government policies and public pressure groups (*Medeiros-Neto* and *Olson*).

2.2.2.2 Internal forces

Resources: Berry *et al*. and Balmer all stressed that the employees are the key drivers in reputation management and positioning for those businesses operating in the service sector. I would argue that this point should relate to all industries: sales staff or external facing employees will need to act as ambassadors to the company.

Politics: Studies have shown that company politics influence the morale of employees (Jones).

Clearly, there are many facets that can tarnish or enhance the reputation of a corporation in the eyes of its stakeholders. The dilemma now faced by companies is who should take responsibility and how should it be implemented.

Notably, the value of reputation varies according to sector. In the private sector, reputation is vital for inspiring and sustaining investor confidence; damage to reputation reduces the share value and ultimately market capitalisation. In the public sector, reputation for a service provider in health, education or transport is vital to maintain public trust in the provider. For professional service and partnership businesses, reputation is valued for its ability to attract and retain clients as damage to value results in a loss of client confidence. It is arguable that there are few issues that are quite so challenging to manage as reputation.

For instance, a well-deserved reputation that has been diligently built up over many years can be damaged beyond repair in a day by circumstances that are relatively insignificant when seen against the overall picture. Think of businessmen and politicians whose reputations founder on issues related to their personal rather than professional lives. A good reputation can, perversely, be built on 'bad boy behaviour' or notoriety. Although a company's reputation may be harmed by adversity, it may emerge from the episode with its reputation enhanced simply due to the way it handled the situation. On the other hand, an organisation can squander golden opportunities for building reputation through inept management.

2.2.3 The Reputation Quotient (RQ)

A multidimensional standardised measurement method to investigate corporate reputation is available in the form of the Reputation Quotient (RQ) developed by Charles J. Fombrun (Reputation Institute) and the market research institute Harris Interactive. The method has been used world-wide since 1999 for comparative reputation studies, i.e. benchmarking. It enables the identification of critical success factors for corporate reputation from the points of view of different stakeholder groups. Respondents are asked to estimate 20 attributes in six key dimensions (emotional impact, products and service, vision and leadership, working environment, financial reward, social responsibility; see Figure 2.1 below); these attribute values are then condensed to a reputation value via various factors. The maximum score is 100 points. The impact of individual attributes on this value can then be calculated by regression and factor analysis.

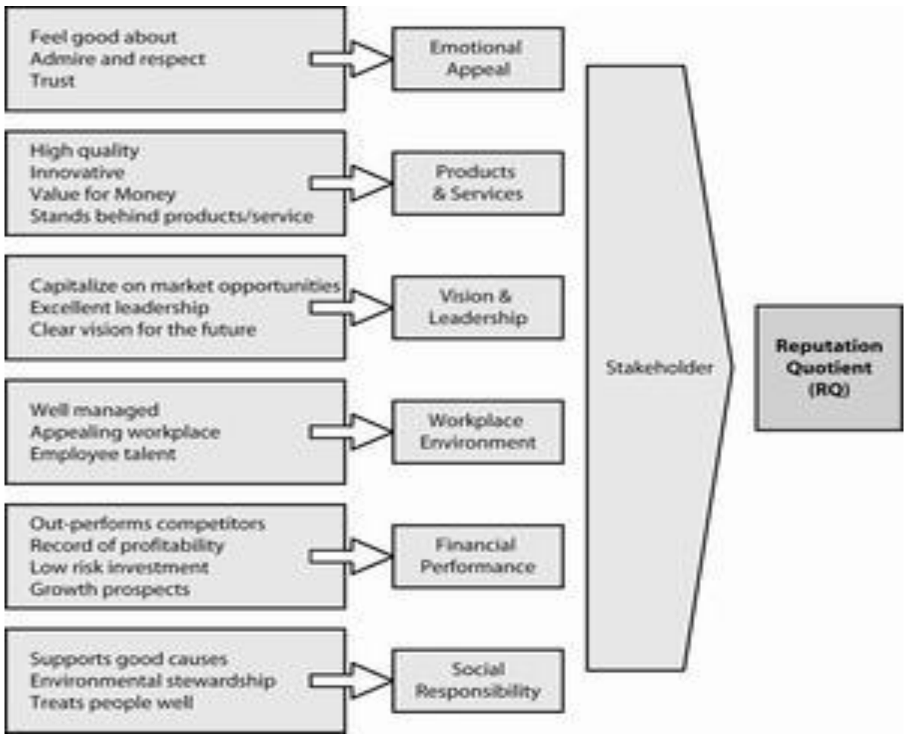


Figure 2.1 Reputation Quotient Diagram

The Corporate Reputation Quotient of Harris-Fombrun is a comprehensive measuring method of corporate reputation that was created specifically to capture the perceptions of any corporate stakeholder group, such as consumers, investors, employees, or key influencers.

Following the high rate of global emerging markets, it is now more evident that for corporate leaders the issue of corporate social responsibility, reputation and good corporate citizenship is an important dimension in the long-term survival and growth of emerging multinationals. It is, therefore, important to create strategies in this direction and be able to measure their success. In view of this, the Corporate Reputation

Quotient of Harris-Fombrun is a comprehensive measuring method of corporate reputation that was created specifically to capture the perceptions of any corporate stakeholder group such as consumers, investors, employees, or key influencers. The instrument enables research on the drivers of a company's reputation, and allows comparing reputations both within and across industries.

This business reputation model has the following six drivers of corporate reputation with 20 subsequent attributes:

Emotional appeal

- good feeling about the company
- admire and respect the company
- trust the company

Products and services

- company believes in its products and services
- company offers high quality products and services
- company develops innovative products and services
- company offers products and services that are good value

Vision and leadership

- has excellent leadership
- has a clear vision for the future
- recognises and takes advantage of market opportunities

Workplace environment

- is well managed
- appears to be a good company to work for
- appears to have good employees

Financial performance

- history of profitability
- appears to be a low risk investment
- strong prospects for future growth
- tends to outperform its competitors

Social responsibility

- supports good causes
- environmentally responsible
- treats people well

Reputation Quotient refers to a company's ranking in an annual corporate-reputation survey by the Reputation Institute and the market-research firm Harris-Fombrun. It includes only highly visible corporations, and rankings are based on an extensive polling of consumers. It is more like the ‘People’s Choice Award’ for corporate reputations.

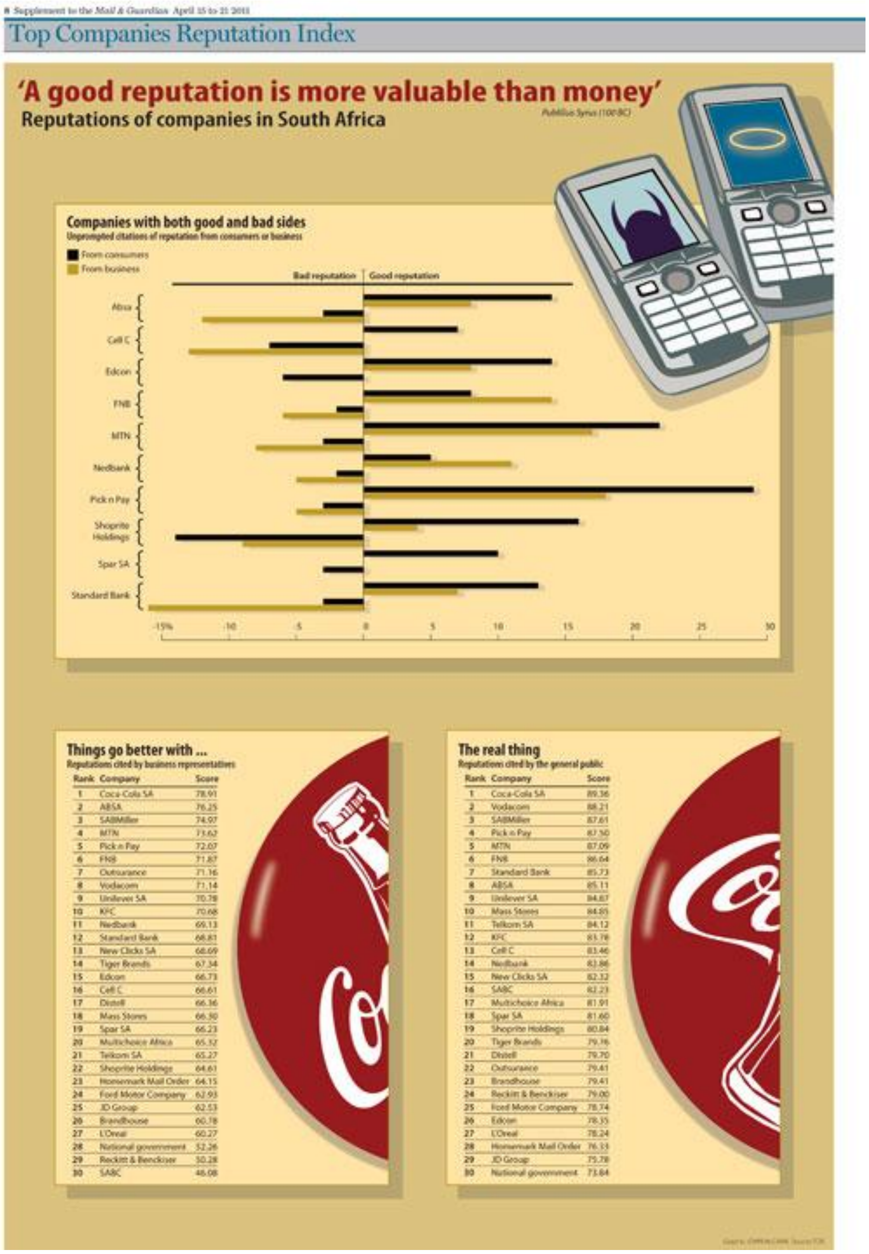
As with most awards, the rewards are somewhat abstract. However, for companies that cannot easily differentiate themselves from competitors, the award will have value. For the others, there is always that indefinable but prestigious idea of goodwill, which may or may not translate into greater sales and profits. Criteria involve the application of the RQ’s six dimensions with the 21 attributes, as mentioned above.

Vision and leadership play a vital role in how the corporation is rated. Indeed, it is clear that some character traits affect vision and leadership, but most of all, they involve the articulation of a common goal, and someone who will guide the organisation as it moves towards the goal. How a leader guides an organisation is closely connected to how the corporation will be rated.

It can, however, be noted that the RQ value appears to be heavily dependent on the respective industry and says little on its own. Reputation preferences and dimensions are industry specific and result in different final reputation values due to standardisation or transfer. Comparison of individual dimensions within one and the same industry may, however, produce meaningful insights. Nevertheless, RQ cannot show a direct correlation with EVA and hence with the outflow level of communication.

Reputation is a major risk issue for all organisations and needs to be considered alongside all the other major risks such as operational, strategic and financial risks. What this means is that organisations need to mitigate against the effect of loss of reputation, but they also need to be looking for the upside opportunities to enhance their reputations. Added to such challenges is the fact that there are no hiding places any more. The Internet, blogs and mobile technology have made it possible for anybody to broadcast information to large audiences in a very short space of time. The media of course plays a powerful role in the making and breaking of reputations. However, the extent of damage to reputation caused by an event will depend on how easily trust can be recovered. This will depend on the prior state of reputation, the nature of the threat and the way that the situation is handled.

The following is the Top Companies Reputation Index as released by the Mail & Guardian – South Africa



Things go better with ...
Reputations cited by business representatives

Rank	Company	Score
1	Coca-Cola SA	78.91
2	ABSA	76.25
3	SABMiller	74.97
4	MTN	73.62
5	Pick n Pay	72.07
6	FNB	71.87
7	Outsurance	71.16
8	Vodacom	71.14
9	Unilever SA	70.78
10	KFC	70.68
11	Nedbank	69.13
12	Standard Bank	68.81
13	New Clicks SA	68.69
14	Tiger Brands	67.34
15	Edcon	66.73
16	Cell C	66.61
17	Distell	66.36
18	Mass Stores	66.30
19	Spar SA	66.23
20	Multichoice Africa	65.32
21	Telkom SA	65.27
22	Shoprite Holdings	64.61
23	Homemark Mail Order	64.15
24	Ford Motor Company	62.93
25	JD Group	62.53
26	Brandhouse	60.78
27	L'Oreal	60.27
28	National government	52.26
29	Reckitt & Benckiser	50.28
30	SABC	46.08

The real thing
Reputations cited by the general public

Rank	Company	Score
1	Coca-Cola SA	89.36
2	Vodacom	88.21
3	SABMiller	87.61
4	Pick n Pay	87.50
5	MTN	87.09
6	FNB	86.64
7	Standard Bank	85.73
8	ABSA	85.11
9	Unilever SA	84.87
10	Mass Stores	84.85
11	Telkom SA	84.12
12	KFC	83.78
13	Cell C	83.46
14	Nedbank	82.86
15	New Clicks SA	82.32
16	SABC	82.23
17	Multichoice Africa	81.91
18	Spar SA	81.60
19	Shoprite Holdings	80.84
20	Tiger Brands	79.76
21	Distell	79.70
22	Outsurance	79.41
23	Brandhouse	79.41
24	Reckitt & Benckiser	79.00
25	Ford Motor Company	78.74
26	Edcon	78.35
27	L'Oreal	78.24
28	Homemark Mail Order	76.33
29	JD Group	75.78
30	National government	73.84

Figure 2.2: Top Companies Reputation index - TCRI

Sifiso Falala, CEO of PLUS 94 Research said, "Corporate reputation talks of the very life, heart, soul and mind of the business. It is not just about how much a business is known, as some studies will show, it is about what specifically a business is known for.

It is not just about what a business does, but about how well it does it and what the impact thereof is. Corporate reputation is like taking a blood sample of a business and doing a full blood count. It is that important."

2.3 Corporate leadership

2.3.1 Overview

Corporate leadership comprises the executives and managers who run a company. They oversee its operations and plot its strategies for the future. Corporate leadership positions are the highest-ranking, most prestigious jobs in a company's hierarchy. Top-level corporate leadership jobs are earned through many years of diligent work and consistent demonstration of leadership qualities. Corporate leadership executives are not only in charge of their subordinates, but must also work with other executives to make the best possible decisions for the company. Top executives' job titles may include the following:

- Chief executive officer (CEO)
- Chief financial officer (CFO)
- Chief operating officer (COO)
- Executive vice president (EVP)
- General manager (GM)

It is quiet notable in the corporate industry that individual corporate leaders possess some reputation. Consider leaders like Jack Welch, Steve Jobs, Bill Gates, Richard Branson, Patrice Motsepe, Martha Steward, Maria Ramos, and Nonkululeko Nyembezi-Heita. In many cases, the person becomes synonymous with the company. The image and reputation of the CEO becomes the image and reputation of the company. Because this has become an inevitable factor, CEOs and leaders of corporations strive to build their reputation through having integrity, communication, transparency, team building, long-term planning, and possessing a clear vision for the corporation.

Individuals within the leadership with damaged reputations risk damaging that of the corporation as well. The sex scandal attached to the sports minister, Fikile Mbalula, damaged the very good reputation his hard works built for the ministry. Much as he showed signs of good and enthusiastic leadership, his personal life clouded the perceptions of the public he serves. Pick n Pay's reputation was tainted by reports that the company was distributing refrozen expired chickens supplied by Supreme Poultry. The company quickly reacted to the situation by sending a technical delegate to Supreme Poultry's headquarters 'unannounced' to satisfy both themselves and their customers that no refrozen expired chickens were sold by Pick n Pay. The company's spokesperson, Tamra Veley, made a clear statement to the public saying: "We visited their premises and inspected their documentation relating to procedures and principles. We are 100% satisfied that ***no chickens sold to Pick n Pay have ever, or will ever, be refrozen and remarked with new expiry dates***". She further reassured the customers that no refrozen or remarked chickens were ever supplied to, or sold in, any Pick n Pay store anywhere in the country, and that the health and safety of their customers are their principal priority.

Reputation is the strongest determinant of any corporation's sustainability. Stock price can always come back. Business strategies can always be changed, but when an organisation's reputation is gravely injured, its recovery is difficult, long term, and uncertain. A risk to its reputation is a threat to the survival of the enterprise. Leaders who have built a strong corporate reputation know what it takes: An internal culture that forges a positive opinion of the company by successfully coping with both expected and unanticipated challenges. They know that PR is not a bandage that will cover risky behaviour. Most of all, they know they must understand their stakeholders, and that every company's solution must be unique.

A company's approach must include structured engagement with investors, regulators, activist organisations, communities, and the media. The primary feature of this engagement is active listening. It provides a means for developing a trained intelligence that enables leaders to anticipate external responses to their actions; and, when necessary, it delivers a perspective that helps protect them from the kind of competition-driven excesses that seem to arise so easily in our pressurised market environment. Failure to build a culture of attentive engagement can prove devastating, and the world has witnessed spectacular reputational collapses over recent years.

An organisation's culture alone probably does more to influence corporate leadership than anything else does. It determines how individuals and organisations as a whole react and perform on a daily basis. An organisation's culture is comprised of years and years of history, which includes successes and failures, good and bad decisions, and individual and collective stories. All of these create a set of values, explicit and implicit, for the corporation that underpins the corporation's leadership culture. Organisational culture is synonymous with leadership culture and determines how leadership is or is not manifested in an organisation; and just as individuals demonstrate good and bad leadership, so do corporations!

Leaders must be attuned to how they are being perceived by their audiences, spot any negative impact on their reputation and act quickly if situations go wrong. The worst thing to do, especially in this era of social media, is fall back on corporate spin. Communication and transparency are always an effective starting point when it comes to rebuilding reputations, but actions and desired behaviour must follow words. Communication without the behaviour to match will inflict greater damage on the reputation than simply saying nothing. Considering that the boom of social networks has led to unprecedented access to information online, means that business cannot do one thing and say another or say different things to different audiences without expecting to be found out.

Society has become increasingly discerning and questioning, so organisations and leaders must constantly live up to expectations to maintain control of their reputations. The power and reach of social media like Facebook and Twitter mean that unethical or bad behaviour, or failure to do what you say that you stand for, will be exposed and disseminated on a far greater scale and speed.

Communication issues are a key factor in building corporate reputation and senior executives need to fully appreciate the importance of communicating effectively to internal employees as well as external stakeholders. This is another fundamental point for executives: Only by working strategically with those who influence opinions on the company, i.e. media, regulators, investors, NGOs and unions, among others, will the company be able to gain the network effect essential to generate good reputations with its multiple audiences. This is a matter that any leader must entertain.

Values are important, and a strong leadership that embeds those values within the corporate strategy is vital.

2.4 Managing reputational risk during a crisis

Companies must continually maintain their reputations. During an unusual event or crisis that impacts the company, the contingency plans must be utilised to ensure that a company only sustains minimum impact, and that there is no long-term damage to the reputation of a company. Contingency plans must also be tested effectively by management.

During a crisis, the chairman or CEO of the company plays the most important role in helping to defend a company's reputation. Swift and prompt reaction can entirely head off negative publicity. Furthermore, if a crisis is handled well, the reputation of management may even be enhanced (Chambers, 2001).

We will take a look at the Pick n Pay poultry scandal that hit the company in 2010 and observe management's reaction and response to the crisis, and then describe the impact of the crisis on Pick n Pay's reputation.

2.4.1 Background – Pick n Pay crisis

City Press reported that they were in possession of a document that stated the following:

That 70 cases or 912kg of chicken wings were produced in April 2009. The expiry date of the products was April 2010. On June 8 2010 a "pallet" (platform) containing the 70 cases was sent back to Supreme and entered into the food safety management system. Out of four options for what should happen to the chicken, the employee responsible circled "reworks to processing" (the other options were: "rescaling", "cancellation of pallets" and "half pallets"). Under "reason for the above procedure" the Supreme employee wrote: "Rotten products from cold storage". A new production date for the pallet was entered as June 8 2010. Although Supreme admitted from the start it was reworking chicken products that had expired, it added last week the reworked products are not sent back to two of its biggest clients, Pick n Pay and Shoprite Checkers.

Pick n Pay denied on Monday that it was selling refrozen chickens that had passed their sell-by date. In response to an article in Rapport, Pick n Pay spokesperson, Tamra Veley offered a statement saying they are 100% satisfied that no chickens sold to Pick n Pay have ever, or will ever, be refrozen and remarked with new expiry dates. Company representatives further paid a surprise visit to Supreme Poultry, the company which was named in the article, and apparently found no evidence to back up the allegation.

According to the media report, the company was allegedly washing, injecting, re-branding, and then reselling the chickens with new expiry dates to outlets such as Pick n Pay and Shoprite Checkers. The source was Johan Matthee, a former production manager at Supreme, who is involved in a labour dispute with the company and, according to Rapport, the claim was confirmed by two former employees. He alleged that some chickens were treated with chlorine to reduce the bacterial load.

Veley said Pick n Pay's turnover was also so fast that there would be no opportunity for undamaged returns. She said damaged returns are sent to the Health Department for destruction. According to her, damaged products from hypermarkets are sent back to Supreme for conversion into bone-meal. She confirmed that their audit demonstrated that to be the case. She further reassured customers that no refrozen or remarked chickens are ever supplied to, or sold in, any Pick n Pay store anywhere in the country, stating that the health and safety of their customers are their principal priority. Supreme produced almost a third of Pick n Pay's no name brand frozen chickens, according to the report.

1. **Early disclosure and accepting responsibility immediately (Chambers, 2001)**

The scandal or crisis was first broken by the media. City Press published the story on Sunday 20 December 2010, and Pick n Pay was swift to respond the following day on Monday 21 December. The spokesperson reassured the safety of customers and reminded the public of the company's values. There was no acceptance of responsibility though, only an indication that the matter was being followed up.

2. **Disclosing information openly and explaining the event (Fombrun, 1996:376)**

Pick n Pay published a statement on their website to explain their position on reprocessed chicken. The company claims it conducts regular quality control tests and audits the Supreme Poultry premises on a regular basis. The media played a major role in explaining the event. No press conference was held to explain the event to the public. Both Pick and Pay and the alleged supplier Supreme Poultry seemed to be communicating through the media. As a result, the public resorted to their own conclusions about the event, and in the process made damaging publicity for Pick n Pay.

3. **Selecting appropriate leadership to handle the matter (Fombrun, 1996:376)**

Pick n Pay's spokesperson from Johannesburg, Tamra Veley, was the one handling the matter. She was someone not really well known to the public. The public did not know much about her. She appeared to be professional, and although she offered no acceptance of responsibility, she did assure customer safety. It would have been advisable, though, to have the most senior representative from the company, like the CEO, addressing the matter. It gives the public and customers an impression that the company cares and takes the matter seriously. Sending the spokesperson conveys a message that the leadership does not take the matter seriously. This received bad reviews from the public and the press. More blame was place on the alleged supplier, Supreme Poultry, and all that the public was looking for was an answer and assurance that they have not been buying rotten chicken from the most preferred retailer. Instead, this turned into a pointing of fingers.

4. Rebuilding confidence (Fombrun, 1996:376)

Pick n Pay undertook a surprise visit to their supplier, Supreme Poultry, to investigate the matter. After the visit, Veley said Pick n Pay's turnover was also so fast that there would be no opportunity for undamaged returns. She said damaged returns are sent to the Health Department for destruction. According to her, damaged products from hypermarkets are sent back to Supreme for conversion into bone-meal. She confirmed that their audit demonstrated that to be the case. She further reassured customers that no refrozen or remarked chickens are ever supplied to, or sold in, any Pick n Pay store anywhere in the country, stating that the health and safety of their customers are their principal priority.

5. Restructuring for credibility (Fombrun, 1996:376)

No restructuring took place, except the assurance that an audit revealed no evidence of the allegation.

6. Appeasing legislation and complying with the King Code (2002) and BEE

Pick n Pay co-operated fully with all stakeholders during the investigation of the matter. The company further stressed its commitment to complete transparency with all involved.

7. Public apology

No public apology was formally made, except the following statement through their website: “Pick n Pay has a strict food safety and quality-verification program in place … Supreme Poultry's returns policy stipulates that all returned/rejected poultry is sent to the rendering plant. This meat is processed/re-worked into bone-meal at this plant. We have specifications in place which clearly stipulates our requirements around quality like shelf- life, organoleptic quality, microbiological standards as well as the maximum brine injection allowed.”

CHAPTER 3

RESULTS AND DISCUSSION OF EMPIRICAL RESEARCH

3.1 INTRODUCTION

This chapter outlines the second stage of this study. The literature review was significant for adopting the measuring questionnaire utilised for the study. To investigate middle-level managers' entrepreneurial behaviour as a core feature of successful corporate entrepreneurship, the study integrates and expands preceding theoretical and existing empirical research within the corporation. Bulut and Alpkan (2006: 68) acknowledged that empirical research can be used to help support the proposed rational behavioural outcomes of corporate entrepreneurship presented in the study. Empirical research design encompasses a full range of systematic approaches up to gathering of evidence, resulting from what may both be theoretical and practical questions (Scheepers *et al.,* 2008: 58).

By means of the data gathering methodology, this section summarises the findings of the empirical research. Bulut and Alpkan (2006: 68) emphasise that empirical researchers:

- Identify and conceptualise the predicament they wish to investigate.
- Compile a research question.
- Survey the project to establish how valuable their results might be.
- Construct their research plans.
- Decide on the subjects to be used in order to respond to their research question.
- Assemble and analyse data and interpret their findings.

This chapter presents the analysis of the data collected during the empirical research in a quantitative method adopted for this study. It is frequently hypothesised that quantitative research is more structured than qualitative research in that sampling, research design, questionnaires and statistical methods are largely determined prior to the respondents completing questionnaires (Antoncic & Prodan, 2008: 260). The core intention of this chapter is to assess the effect that corporate leaders have on corporate reputation.

3.2 DATA GATHERING

3.2.1 Empirical research

The paramount objective of performing this empirical research was to determine managers' distinctiveness and their awareness of a reputational climate. The respondents were administered a covering letter. It elaborated on the objectives of this study in addition to the questionnaires. The respondents were guaranteed that their responses would be treated and handled confidentially and anonymously.

3.2.2 Measuring instrument

The questionnaire was developed by Oosthuizen (2006: 337-341) and adapted by Jordaan (2008). It furthermore has a strong correlation with the current literature study and was used for this study as the mechanism for determining reputational climate. It was specifically developed to measure the perception of low-level, middle and top managers as well as non-managerial staff members on the reputational climate within the organisation. The questions were divided into three sections, as outlined below.

Section A of the questionnaire measured the six constructs or drivers of corporate reputation (emotional appeal, products and services, vision and leadership, workplace environment, financial performance and social responsibility) together with the subsequent 20 attributes that should be apparent in an organisation perceived to have a good corporate reputation climate. Section A measured six constructs with their attributes, i.e. <u>*emotional appeal*</u> *(*good feeling about the company; admire and respect the company; trust the company); <u>*products and services*</u> *(*company believes in its products and services; company offers high quality products and services; company develops innovative products and services; company offers products and services that are good value); <u>*workplace environment*</u> (is well managed; appears to be a good company to work for; appears to have good employees); and *social responsibility* (supports good causes; environmentally responsible, treats people well). The questionnaire used a five-point Likert scale as a measuring scale and respondents had to indicate the extent of agreement or disagreement with a specific statement. The following scale was used to measure their agreement or disagreement with the constructs under investigation: 1 = Strongly disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree, 5 = Strongly agree.

Section B measured the final two constructs and their attributes, i.e. *vision and leadership* (has excellent leadership; has a clear vision for the future; recognises and takes advantage of market opportunities); and *financial performance* (history of profitability; appears to be a low risk investment; strong prospects for future growth; tends to outperform its competitors). Statements are listed and again a five-point Likert scale was used where respondents had to indicate the level to which each statement was applicable to their organisation.

Section C was designed to gather demographic information of the respondents. Information required incorporated gender, age, race, highest academic qualification, departmental distribution and management level.

3.2.3 Study population

The target population of this research consisted of all middle and lower managers in Pick n Pay within the South African boundaries and the results are shown in Table 3.1 below.

Table 3.1: Responses to the survey

Response Type	Frequency
Number of questionnaires distributed	100
Number of questionnaires returned	65
Number of questionnaires discarded	5
Number of questionnaires analysed	60

For the purpose of this mini-dissertation, a total of 100 questionnaires were distributed to the employees of Pick n Pay Holding's three different stores, namely Pick n Pay Hypermarket, Bedworthpark Centre, Pick n Pay Vaal Mall, and Boardman's Vaal Mall. These stores are situated in the area of Vanderbijlpark in the south of Gauteng. Sixty-five usable questionnaires were returned out of the 100 respondents sampled. Of those, five questionnaires were discarded due to errors and incompletion. A response rate of 60% from the distributed questionnaires was therefore realised.

3.2.4 Data gathering method

To gather data for this research, questionnaires were distributed to the managers of the three stores, who then distributed them to their staff. Some were emailed to managers. Telephonic follow-up communications were conducted and the researcher physically collected the questionnaires from the respective managers to ensure that the maximum number of respondents was achieved. Those who received questionnaires through email were subsequently requested to send their responses back to the researcher via email. All questionnaires received were hand delivered to the statistics department for further statistical analysis.

3.2.5 Data analysis

The data analysis was performed by means of Statistica (Statsoft, 2009) and SPSS (SPSS, 2009). The analysis used descriptive statistics and consisted of arithmetic mean (x), standard deviation (s), inferential statistics (*p*-values for statistical significance and *d*-values for practical significance testing) and Cronbach alpha coefficients (for the testing of the reliability of the questionnaire).

3.2.6 Results and discussions

Statistical analysis of the questionnaires was done on the following datasets:

- Demographic information.
- Reliability of the questionnaire measuring the corporate reputational constructs.
- Assessment of corporate reputation climate.
- Relationship between demographic variables and corporate reputation constructs.
- Relationship between demographic variables and their perceived effect on the organisation.

3.3 DEMOGRAPHIC INFORMATION

The relevant geographic information obtained from this the research included:

- The participant's age group.
- The participant's gender.
- The participant’s ethnicity.
- The participant's highest academic qualification.
- The designation level of the respondent.
- The division the participant works for.

3.3.1 Age group distribution

The respondents who completed the questionnaire were divided according to their age group (see Figure 3.1 for the results).

As can be observed, the ages of participants were not evenly distributed. The majority of respondents (40%) were in the age group of 60+ years old, closely followed by the age group 50 to 59 years, with a total of 38.3%. 12% respondents were between the ages of 40 and 49 years, followed by 7% in the 30 to 39 years age group. Lastly, 3% represents the youngest respondents aged 29 years and younger.

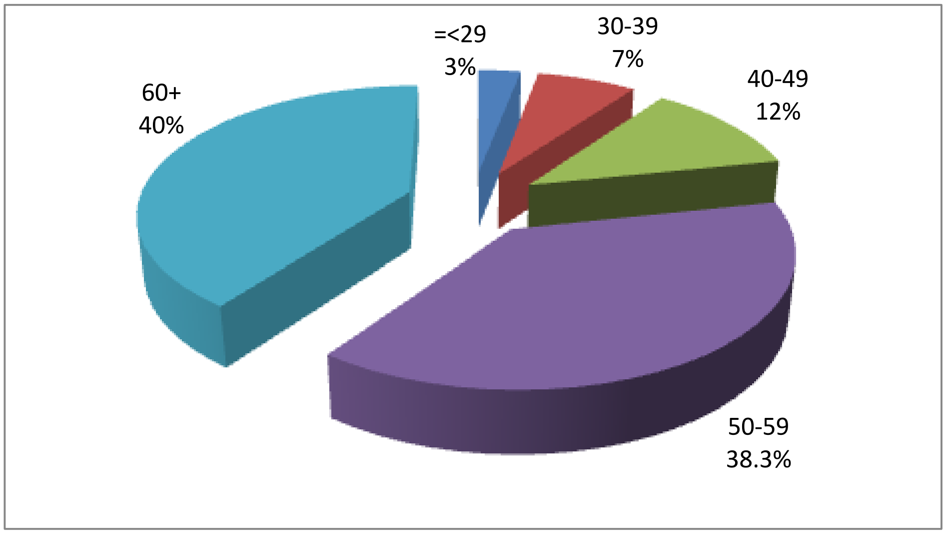


Figure 3.1 Age distribution

3.3.2 Gender

The participants were firstly split by gender; this was then used as a combined basis with the rest of the geographic information going forward. Figure 3.2 below shows the results. Females formed a larger part of the study, with 57%, and males with 42%, and 1% of respondents did not indicate their gender.

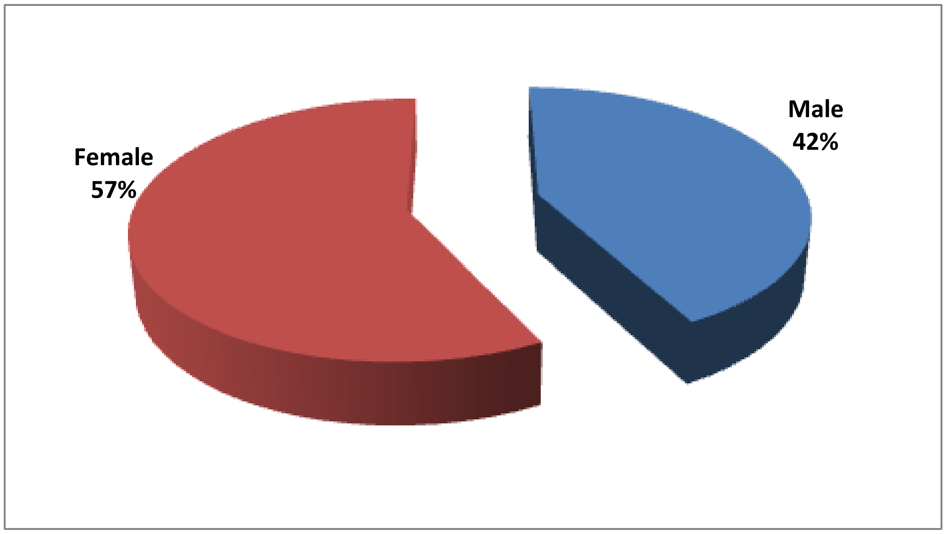


Figure 3.2: Gender distribution

3.3.3 Ethnicity distribution

The respondents who completed the questionnaire were divided according to the South African racial group classification. The race distribution of the respondents is reflected in Figure 3.3 below.

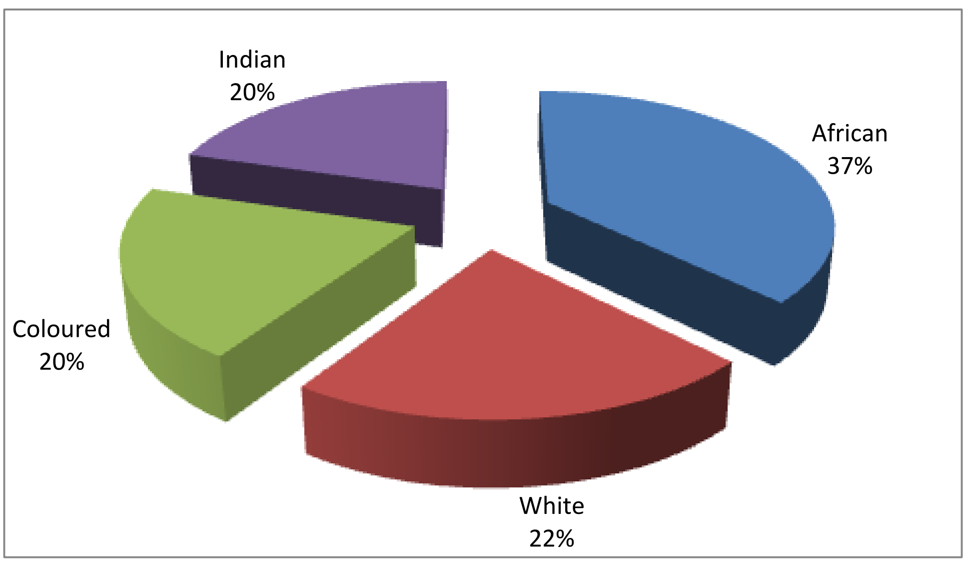


Figure 3.3: Ethnicity distribution

A closer look at Figure 3.3 above reveals that the largest number of respondents were Africans (36.7%), followed by white (21.7%) respondents, and coloured and Indian respondents, both with 20% each. One respondent did not indicate gender.

3.3.4 Qualifications distribution

The respondents were requested to reveal their highest academic qualification. The academic qualification distribution of the respondents is reflected in Table 3.4 below. We note that a number of respondents possess a degree qualification (60%). This is followed by those in possession of a national diploma (24%). The lowest qualified are below grade 12 and are represented by 3.4%, which is the same percentage as that of those in possession of a grade 12 (3.4%) and post-graduate degree, also at 3.4%.

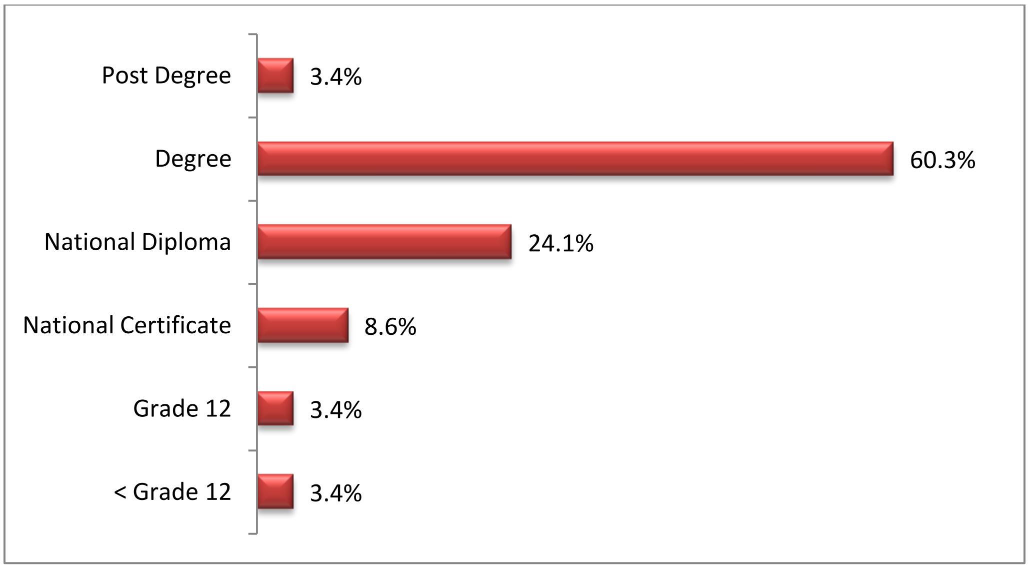


Figure 3.4 Qualifications distribution

3.3.5 Designation levels distributions

Respondents were classified as being middle or lower level of designation. Again, their different level of responsibility and exposure to the business might result in different perspectives. Figure 3.5 below presents the different levels of the participants in the research. The highest percentage of 70% is represented by respondents in top management, followed by those in middle management with 11.7%. The lowest percentage is represented by those in lower management with a percentage of 3%. 10% of respondents fall within the category ‘other’ – they indicated no qualification. 3% did not indicate their positions. See Figure 3.5 below.

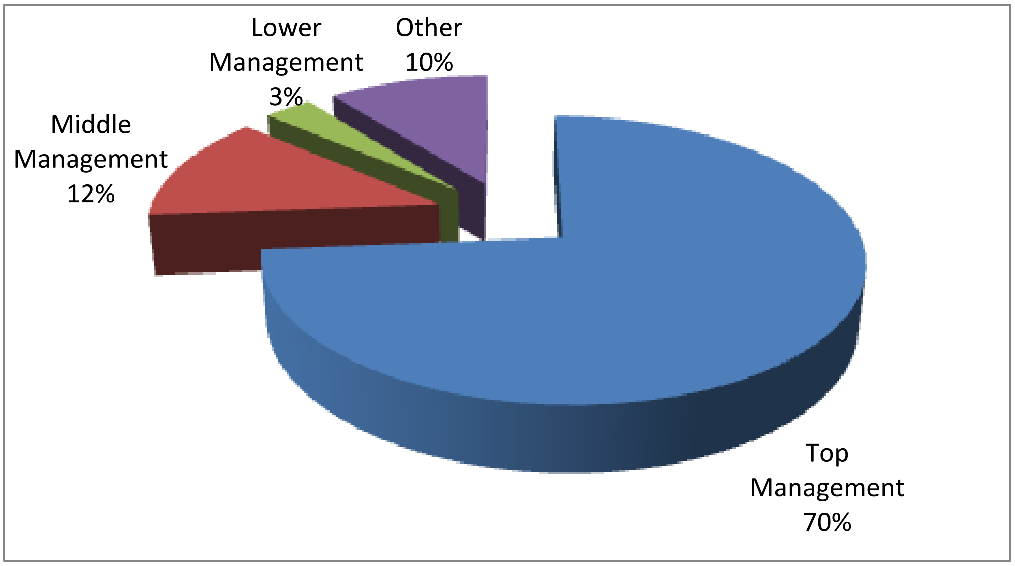


Figure 3.5: Designation levels of respondents

Table 3.2 Departmental distribution

Functional department	Frequency
Operations	7
Sales and marketing	13
Finance	11
Human resources	12
Procurement	7
Logistics management	8
Other	2

3.3.6 Departmental distribution

Form Table 3.2 above, we note that more participants are from the sales and marketing department. Two participants in the ‘other’ category indicated that they were securities.

3.4 RELIABILITY OF THE QUESTIONNAIRE

In order to ascertain the constructs of the questionnaire, Cronbach alpha coefficients were calculated (Schimtt, 1996: 350). The Cronbach alpha coefficient is based on the average correlation of variables within a test. It can furthermore be highlighted that coefficient alphas range from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous scales or questionnaires. Schimtt (1996: 351) and Cortina (1993: 99) indicated a coefficient alpha of 0.7 to be an acceptable reliability coefficient. However, from literature, it is evident that lower thresholds are sometimes used (Field, 2008: 668).

Cortina (1993: 98) stated that the Cronbach alpha coefficient measures reliability – meaning the extent to which measurements are repeatable in the same or a different environment. Although there are different measures of reliability, the Cronbach alpha coefficient is appropriate when different items are used to test the same variable (such as five items/statements for each of the six constructs) and the internal consistency needs to be measured (Cortina, 1993: 98). The internal consistency refers to the degree or interrelatedness among the items (Cortina, 1993: 98).

Cronbach's α is defined as

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum_{i=1}^{K} \sigma_{Y_i}^2}{\sigma_X^2}\right)$$

where *K* is the number of components (*K-items* or *testlets*), σ_X^2 the variance of the observed total test scores, and $\sigma_{Y_i}^2$ the variance of component *i* for the current sample of persons Develles (1991).

A closer look at Table 3.4 below replicates the mean and high Cronbach alpha coefficients calculated for the corporate reputation climate constructs, the highest being **workplace environment** (0.95), followed by **leadership and financial performance** (0.92), **emotional appeal** (0.87) **products and services** (0.85), and **social responsibility** (0.80). It is clear that all constructs seem to have a high and acceptable

Cronbach alpha coefficient, all above 0.7. Therefore, all constructs will be included in the analysis. Table 3.3 shows the Cronbach alpha of 0.923 for leadership.

Table 3.3 Cronbach alpha – Leadership performance

Cronbach's alpha	Cronbach's alpha based on standardised items	N of items
.923	.929	18

The arithmetic mean (typically referred to as the mean) is the most common measure of central tendency. It is the only common measure in which all the values play an equal role. The mean serves as a "balance point in a set of data" (Levine *et al.,* 2008:97).

Table 3.4 Reliability analysis

	Cronbach alpha	Item mean
Leadership/Fin performance	0.92	4.06
Emotional appeal	0.87	3.95
Product and services	0.85	3.81
Workplace environment	0.95	3.81
Social responsibility	0.80	3.56

As can be seen from the results presented in Table 3.4 above, leadership and financial performance have the highest means (4.06). A large number of respondents slightly agreed that there is a reasonably good leadership within the organisation. They further acknowledge that the financial performance of the organisation has been satisfactory.

Tables 3.5 and 3.6 below show all items that were utilised to measure the emotional appeal construct. The results of the table further show that the organisation's leadership and financial performance do impact the emotions of stakeholders, in particular consumers, employees and investors who realise stable or satisfactory financial returns for their investment (i.e. they answered *slightly agree* on the question '*Our leaders take a long-term view of our organisation*' QA1).

Table 3.5 Emotional appeal measuring items

A1	Employment with my company is highly regarded.	6.7%	11.7%	6.7%	38.3%	36.7%
A2	My company is always willing to welcome visitors to tour the factory.	8.5%	6.8%	16.9%	30.5%	37.3%
A3	Customer complaints are always handled and resolved immediately.	1.8%	7.0%	14.0%	29.8%	47.4%
A4	Our customers know who to approach in case of a complaint or compliments, supervisors are always	1.7%	15.0%	18.3%	35.0%	30.0%
A5	I feel good about my company; I respect and trust my leaders.	0.0%	5.0%	16.7%	35.0%	43.3%
A6	All our customers are treated as very important stakeholders	0.0%	0.0%	21.4%	32.1%	46.4%
A7	I am well informed about our organisational vision and strategies.	0.0%	8.3%	18.3%	31.7%	41.7%
A8	An employee with a good idea is often given time to develop that idea within working hours.	3.4%	8.6%	20.7%	44.8%	22.4%
A9	Working together in project teams is encouraged at the organisation.	0.0%	10.2%	18.6%	35.6%	35.6%
A10	There are several options within the organisation for individuals to get financial support for their innovative projects and ideas.	5.1%	20.3%	27.1%	28.8%	18.6%

From Table 3.5 above, we note that 38.3% of respondents slightly agree that employment with their company is highly regarded – A1, and 36.7% strongly agree, while 6.7% of respondents strongly disagree that employment with the company is highly regarded.

Table 3.6 Emotional appeal measuring items

	Mean	Std. deviation
QA1	3.77	1.269
QA2	3.67	1.340
QA3	4.14	1.060
QA4	3.74	1.217
QA5	4.21	.914
QA6	4.19	.824
QA22	3.79	.861
QA26	3.70	1.036
QA27	4.12	.793
QA28	3.93	.884
QA29	4.07	.936
QA33	4.14	.774
QA40	3.93	1.009
QA42	4.09	.781
QA46	4.00	.926
QA47	3.81	1.075
QA52	3.58	1.332
QA56	3.19	1.239
QA61	4.33	.969
QA62	4.12	1.051
QA64	4.44	.825

Table 3.7 Leadership/financial performance measuring items

	Mean	Std. deviation
QB1	4.37	0.81
QB2	4.29	0.84
QB3	4.00	1.12
QB4	4.29	0.94
QB5	3.22	1.43
QB6	3.84	1.01
QB7	4.08	1.02
QB8	4.02	1.07
QB9	4.41	0.79
QB10	3.73	1.09
QB13	4.16	0.85
QB14	4.16	0.87
QB15	3.96	1.12
QB16	4.14	0.84
QB17	4.41	0.91
QB18	3.94	0.90
QB19	4.06	0.97
QB20	4.02	1.01

Table 3.8 Products and services measuring items

	Mean	Std. deviation
QA12	3.98	1.11
QA25	4.26	0.78
QA38	4.06	0.96
QA41	3.78	1.13
QA43	3.28	1.31
QA51	4.35	0.89
QA53	3.87	1.08
QA54	3.33	1.37
QA55	3.61	1.16
QA57	3.61	1.16

Table 3.9 Workplace environment measuring items

	Mean	Std. deviation
QA7	4.16	0.93
QA8	3.82	0.86
QA9	4.07	0.94
QA10	3.51	1.14
QA11	3.71	1.04
QA13	3.31	1.10
QA14	3.91	0.90
QA15	3.82	0.96
QA16	3.91	0.92
QA17	3.71	1.12
QA18	3.69	1.20
QA19	3.76	1.05
QA20	3.96	1.24
QA21	3.73	0.99

Table 3.10 Social responsibility measuring items

	Mean	Std. deviation
QA23	3.29	1.29
QA24	3.91	1.08
QA31	4.07	0.96
QA32	3.87	1.10
QA34	3.84	1.02
QA35	4.02	0.84
QA36	3.62	1.05
QA37	3.87	1.06
QA39	3.49	1.14
QA44	4.20	0.79
QA45	4.22	0.90
QA48	3.49	1.22
QA49	3.49	1.20
QA50	4.31	0.97
QA58	3.80	1.14
QA59	3.42	1.10
QA60	3.96	1.07
QA63	3.93	1.14
QA65	3.96	1.07

3.5 ASSESSMENT OF CORPORATE REPUTATION CLIMATE

Section A of the questionnaire listed typical corporate reputation characteristics questions that are meant to measure four constructs, namely emotional appeal, products and services, workplace environment, and social responsibility. It is important to establish whether there is a favourable climate within the organisation to foster corporate reputation. Apart from establishing the climate, this section also sensitised respondents towards the climate assessment.

The rest of section 3.5 will discuss the results of the corporate reputation climate survey. Section 3.6 will compare the results of the corporate reputation climate survey and the demographic variables (gender, ethnicity, age group, academic qualification and management levels), and determine whether there are differences based on the demographic variables. This will be measured by means of ANOVAs and T-tests.

3.5.1 Corporate reputation climate assessment

The reliability of the statements relating to the six constructs has been established and the results can now be analysed. Table 4.5 displays the results of the entrepreneurial climate survey. Four corporate reputation constructs were assessed on a Likert scale ranging from 1 to 5 (with 1 denoting definite weakness and 5 a definite strength).

The average mean of all constructs as evaluated by respondents was x = 3.908, indicating that the occurrence of corporate reputation constructs within Pick n Pay Holdings is almost four out of five on the Likert scale. It would seem that the constructs for a corporate reputation climate have a fairly strong presence, but there is still room for improvement.

3.5.2 Correlations

To establish whether there is any relationship or correlation between variables, the researcher used the Pearson Product moment correlation coefficient method. The

Pearson Product moment correlation coefficient, ρ *xy*, between the continuous variables *x* and *y* obtained from population elements, is a measure of the linear relationship between *x* and *y*. The index ρ *xy* is dimensionless and takes on values between -1 and 1, where the values 1 and -1 indicate a perfect linear relationship and perfect inverse linear relationship between *x* and *y* . When ρ *xy* = 0, it means that there is no linear relationship. The effect size index does not depend on measurement units and so Cohen (1969, 1977, 1988) recommends ρ *xy* (abbreviated by ρ) as the effect size-index. Cohen (1969, 1977, 1988) proposes the following guideline values:

- Small effect: ρ = 0,1
- Medium effect: ρ = 0,3
- Large effect: ρ = 0,5

Table 3.11 The relationship between variables

	Leadership perfomance	Emotional appeal	Products and services	Workplace environment	Social responsibility
Leadership performance	1				
Emotional appeal	0.81	1			
Products and services	0.82	0.76	1		
Workplace environment	0.72	0.76	0.80	1	
Social responsibility	0.84	0.77	0.71	0.70	1

As can be seen from the results presented in Table 3.11 above, there is a significant correlation of almost all variables in the study. A large effect of 0.82, which is above 0.5, is noted between leadership/financial performance and products and services, closely followed by a significant relationship of 0.81 between leadership/financial performance and emotional appeal. Leadership/financial performance and workplace environment also reveal a significantly large relationship at 0.72. Other correlations can be noted between emotional appeal and products and services (0.76), emotional appeal and workplace environment (0.76), and between products and services and workplace environment (0.80). A large effect exists between leadership/financial performance and social responsibility at 0.84. Lastly, there is a large correlation between leadership/financial performance and social responsibility (0.84), and between emotional appeal and leadership (0.77).

3.5.2.1 Correlation between leadership/financial performance and emotional appeal

As highlighted in red, there is a significant positive correlation between leadership/financial performance and emotional appeal (0.81). The correlation is summarised below in Figure 3.6 by means of a scatter plot, showing the close relationship between the two variables.

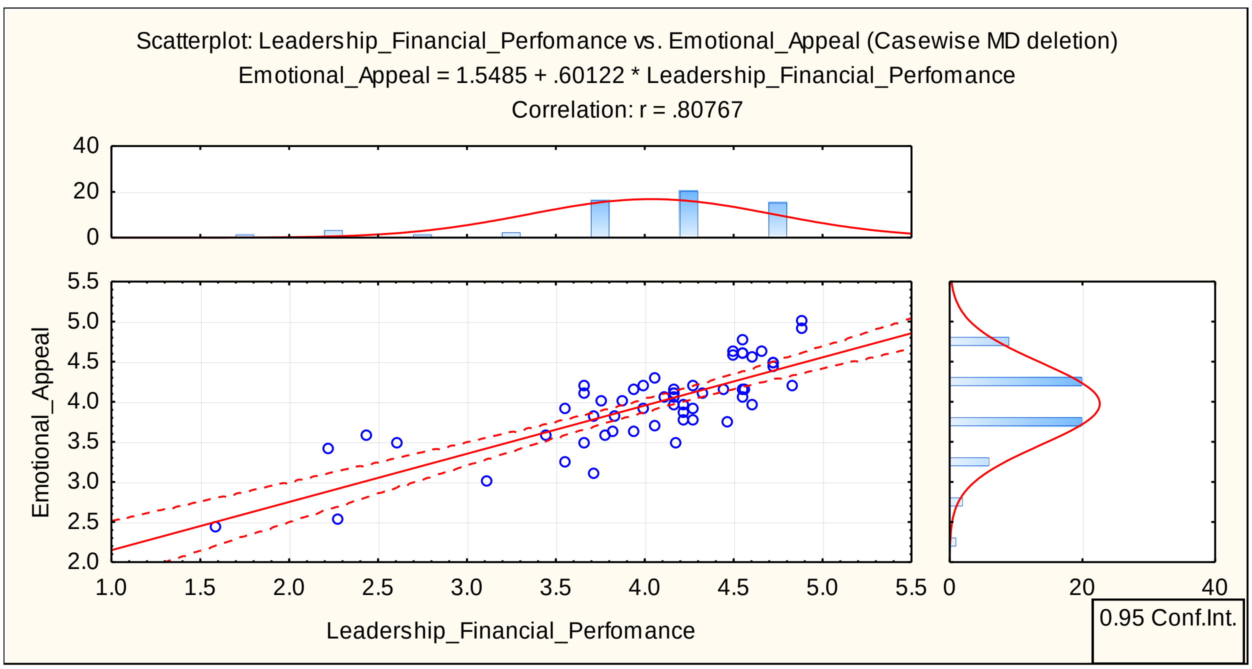


Figure 3.6 Leadership/financial performance vs. emotional appeal

3.5.2.2 Correlation between leadership/financial performance and products and services

In addition, there is a significant positive relationship between leadership/financial performance and products and services, as can be seen in Table 3.6 (1 to 0.82).

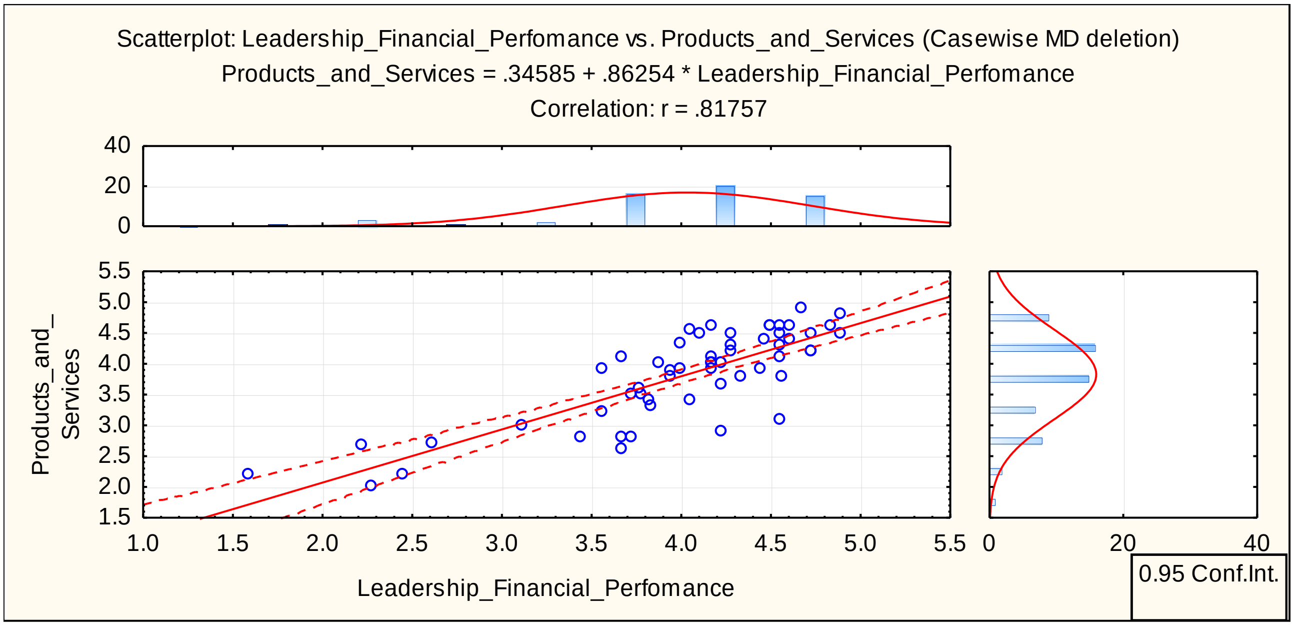


Figure 3.7 Leadership/financial performance vs. products and services

3.6 RELATIONSHIP BETWEEN DEMOGRAPHIC VARIABLES AND CONSTRUCTS

In order to test for statistical significance, a few tests were performed including ANOVAs and t-tests.

- **T-Test**

The t-test assesses whether the means of two groups are *statistically* different from each other. This analysis is appropriate whenever you want to compare the means of two groups. The question the t-test addresses is whether the means are statistically different. To test the significance, you need to set a risk level (called the alpha level). A smaller *p*-value (<0.05) is considered as sufficient evidence that there is a statistically significant difference (Ellis & Steyn, 2003: 51). This simply means that five times out of a hundred you would find a statistically significant difference between the means even if there was none (i.e., by "chance"). You also need to determine the degrees of freedom (df) for the test. In the t-test, the degree of freedom is the sum of the persons in both groups minus 2.

- **ANOVA**

ANOVA is a statistical tool that is used to compare multiple groups of observations, all of which are independent, but may have a different mean for each group. A test of importance for many kinds of questions is whether or not all the averages of a set of groups are equal. ANOVA provides a statistical test of whether or not the means of several groups are all equal, and therefore generalises t-tests to more than two groups. Doing multiple two-sample t-tests would result in an increased chance of committing a type 1 error. For this reason, ANOVA is useful in comparing more than two means.

In this study, ANOVA and t-tests were performed to examine the relationship between the constructs and selected demographic variables. In practice, the aim of the analysis is to determine whether there is a significant practical difference between the evaluation based on the mean score of, for instance, male and female respondents with regard to a specific construct (i.e. leadership and financial performance).

The following are assumptions of the one-way ANOVA for independent samples:

1. the scale on which the dependent variable is measured has the properties of an equal interval scale;
2. the **k** samples are independently and randomly drawn from the source population(s);
3. the source population(s) can be reasonably supposed to have a normal distribution; and
4. the **k** samples have approximately equal variances.

We need not worry very much about the first, third, and fourth of these assumptions when the samples are all the same size. In that case, the analysis of variance is quite robust, by which we mean relatively unperturbed by the violation of its assumptions. However, of course, the other side of the coin is that when the samples are not all the same size, we do need to worry. In this case, should one or more of assumptions 1, 3, and 4 fail to be met, an appropriate non-parametric alternative to the one-way independent-samples ANOVA can be found in the Kruskal-Wallis Test.

- **Kruskal Wallis test**

The Kruskal-Wallis test is a nonparametric test that compares three or more unpaired groups. The P-value answers the following question: If the populations really have the same median, what is the chance that random sampling would result in sums of ranks as far apart (or more so) as observed in this experiment? More precisely, if the null hypothesis is true, then what is the chance of obtaining a Kruskal-Wallis statistic as high (or higher)?

The following is the formula:

$$SS_{bg(R)} = \sum \left[n_g \left(M_g - M_{all} \right)^2 \right]$$

3.6.1 Relationship between age group and constructs

Table 3.12 below indicates the relationship between the four constructs and the demographic variable (gender), through mean (*x*)*,* the standard deviation (*s*), *t*-test (*p*), Kruskal-Wallis (p), and effect sizes (*d*).

Table 3.12 Relationship between age group and constructs

		Mean	Std. deviation	ANOVA p-values	Kruskal-Wallis p value	Effect sizes 40 - 49 with	Effect sizes 50 - 59 with
Leadership_Financial_Performance	40 - 49	4.08	0.33	0.07	0.02		
	50 - 59	4.02	0.51			0.12	
	60 +	4.32	0.41			0.60	0.60
	Total	4.16	0.46				
Emotional_Appeal	40 - 49	3.95	0.38	0.12	0.17		
	50 - 59	3.93	0.38			0.05	
	60 +	4.17	0.46			0.49	0.54
	Total	4.04	0.43				
Products_and_Services	40 - 49	3.75	0.64	0.56	0.18		
	50 - 59	3.89	0.48			0.22	
	60 +	4.02	0.70			0.37	0.18
	Total	3.93	0.61				
Workplace_Environment	40 - 49	3.81	0.48	0.70	0.72		
	50 - 59	3.74	0.54			0.12	
	60 +	3.89	0.67			0.12	0.22
	Total	3.82	0.59				
Social_Responsibility	National Certificate	3.35	0.33	0.21	0.327		
	National Diploma	3.61	0.43			0.58	
	Degree	3.30	0.46			0.12	0.67
	Total	3.80	0.61				

From Table 3.12 above, we note that all four of the *p*-values are greater than 0.05, which indicates that there is no statistical significance between different age groups regarding four constructs. Let us concentrate on those highlighted in red. We observe that there is statistical significance that exists in two constructs, namely **Leadership/financial performance** between the ages of 50 and 59 and 60+ (p=0.02) and between the ages of 40 and 49 (0.60) and 50 and 59 (0.60), respectively.

3.6.2 Relationship between academic qualifications and constructs

Table 3.13 below indicates the relationship between the four constructs and the demographic variable (academic qualifications), through mean (*x*), the standard deviation (*s*), *t*-test (*p*), Kruskal-Wallis (*p*), and effect sizes (*d*).

Table 3.13 Relationship between academic qualifications and constructs

		Mean	Std. deviation	ANOVA p-value	Kruskal-Wallis p-value	Effect sizes NC with	Effect sizes ND with
Leadership_Financial_Performance	National Certificate	3.59	0.81	0.002	0.013		
	National Diploma	4.02	0.26			0.53	
	Degree	4.29	0.41			0.87	0.67
	Total	4.16	0.47				
Emotional_Appeal	National Certificate	3.65	0.44	0.07	0.107		
	National Diploma	4.01	0.27			0.83	
	Degree	4.11	0.45			1.02	0.22
	Total	4.04	0.43				
Products_and_Services	National Certificate	3.32	0.74	0.079	0.123		
	National Diploma	3.98	0.41			0.89	
	Degree	3.98	0.65			0.89	0.00
	Total	3.92	0.63				
Workplace_Environment	National Certificate	3.45	0.85	0.411	0.427		
	National Diploma	3.81	0.33			0.42	
	Degree	3.85	0.66			0.47	0.06
	Total	3.80	0.61				
Social_Responsibility	National Certificate	3.45	0.85	0.003	0.327		
	National Diploma	3.61	0.33			0.18	
	Degree	3.55	0.56			0.11	0.10
	Total	3.80	0.61				

From Table 3.13 above, only two constructs have a *p*-value less than 0.5 **(leadership and financial performance and social responsibility)**, meaning that there is evidence of statistical significance between those in possession of a national diploma and degree (p=0.002 and p= 0.013) and leadership and financial performance, also on social responsibility p=003. Effect sizes of all in those in possession of a national certificate also indicate statistical significance with a d-value of more that 0.5.

3.6.3 Relationship between positions/designations and constructs

Table 3.14 below indicates the relationship between the four constructs and the demographic variable (positions/designations), through mean (x), the standard deviation (s), Kruskal-Wallis (p), and effect sizes (d).

Table 3.14 Relationship between positions/designations and constructs

		Mean	Std. deviation	ANOVA p-values	Kruskal-Wallis p-values	Effect sizes TM with	MM with	LM with
Leadership_Financial_Performance	Top Management	3.87	0.75					
	Middle Management	4.26	0.28			0.53		
	Lower Management	4.52	0.26	0.138	0.074	0.87	0.94	
	Other	4.20	0.08			0.45	0.22	1.23
	Total	3.99	0.69					
Emotional_Appeal	Top Management	3.89	0.53					
	Middle Management	4.10	0.43			0.41		
	Lower Management	4.47	0.41	0.096	0.135	1.10	0.85	
	Other	3.92	0.15			0.07	0.42	1.35
	Total	3.97	0.52					
Products_and_Services	Top Management	3.63	0.75					
	Middle Management	4.30	0.46			0.90		
	Lower Management	4.30	0.37	0.03	0.032	0.90	0.00	
	Other	4.12	0.42			0.66	0.38	0.42
	Total	3.79	0.73					
Workplace_Environment	Top Management	3.54	0.68					
	Middle Management	4.26	0.42			1.07		
	Lower Management	4.44	0.26	0.002	0.001	1.34	0.43	
	Other	4.14	0.22			0.89	0.29	1.19
	Total	3.74	0.69					
Social_Responsibility	National Certificate	3.45	0.85					
	National Diploma	3.61	0.33	0.211	0.327	0.18		
	Degree	3.55	0.56			0.11	0.10	1.22
	Total	3.80	0.61					

In Table 3.14 above, two constructs show evidence of statistical significance, namely **products and services** (*p*= 0.03) and (*p*= 0.032), and **workplace environment** (*p*=0.002 and *p*=0.001). Statistical significance is also noted between those in top management, and all construct effect sizes of above 0.5 are observed. This could imply that all those in top management are positive about the reputations climate of the organisation. There is further significance observed in both middle management and lower management with three constructs (**emotional appeal, products and services, and workplace environment)**; and effect sizes are also above 0.5.

3.6.4 Relationship between gender and constructs

Table 3.15 below indicates the relationship between the four constructs and the demographic variable (gender), through mean (*x*), the standard deviation (*s*), *t*-test (*p*), Mann-Whitney (*p*), and effect sizes (*d*).

Table 3.15 Relationship between gender and constructs

QC4		Mean	Std. deviation	T-test p-values	Mann-Whitney p-value	Effcet sizes
Leadership_Financial_Perfomance	Male	3.88	0.84	0.21	0.42	0.30
	Female	4.13	0.55			
Emotional_Appeal	Male	3.92	0.61	0.45	0.67	0.17
	Female	4.03	0.44			
Products_and_Services	Male	3.66	0.86	0.18	0.33	0.32
	Female	3.93	0.59			
Workplace_Environment	Male	3.67	0.69	0.50	0.49	0.18
	Female	3.80	0.68			
Social_Responsibility	Male	3.77	0.69	0.40	0.45	0.26
	Female	3.60	0.68			

From Table 3.15 above it can be seen that all four of the *p*-values are greater than 0.05, which indicates that there is no sufficient evidence that statistical significance exists between males and females regarding the constructs. Looking at the effect sizes, there is also no statistical significance – all effect sizes are below 0.5.

3.7 THE RELATIONSHIP BETWEEN VARIABLES

To test the relationship between variables, we use a Chi-Square measure. A chi-square goodness of fit test allows us to test whether the observed proportions for a categorical variable differ from hypothesised proportions. In other words, it measures the association between two variables. A chi-square test assumes that the expected value for each cell is five or higher.

3.7.1 Relationship between gender and age group

Table 3.16 Relationship between gender and age group

	Value	df	Asymp. Sig. (2-sided)
Pearson chi-square	4.939[a]	4	.294
Likelihood ratio	6.425	4	.170
Linear-by-linear association	1.099	1	.294
N of valid cases	57		

a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is .44.

From Table 16 above, we note that there is no statistically significant relationship between the variables (chi-square with four degrees of freedom = 4.939, p=0.294), meaning that there is no evidence that the distributions of five scores are different.

Table 3.17 Relationship between gender and age group

Symmetric measures

		Value	Approx. Sig.
Nominal by nominal	Phi	.294	.294
	Cramer's V	.294	.294
	Contingency coefficient	.282	.294
N of valid cases		57	

From Table 3.17 above, we note that there is a medium effect (*p*=0.294).

3.7.2 Relationship between ethnicity and age group

Table 3.18 Relationship between ethnicity and age group

Chi-square tests

	Value	df	Asymp. Sig. (2-sided)
Pearson chi-square	16.503[a]	16	.418
Likelihood ratio	15.536	16	.486
Linear-by-linear association	2.033	1	.154
N of valid cases	58		

a. 21 cells (84.0%) have expected count less than 5. The minimum expected count is .02.

From Table 18 above, again we note that there is no statistically significant relationship between the variables (chi-square with sixteen degrees of freedom = 16.503, p=0.418), meaning that there is no evidence that the distributions of five scores are different.

Table 3.19 Relationship between ethnicity and age group

Symmetric measures

		Value	Approx. Sig.
Nominal by nominal	Phi	.533	.418
	Cramer's V	.267	.418
	Contingency coefficient	.471	.418
N of valid cases		58	

From Table 3.19 above, we note that there is a medium effect (p=0.418).

3.8 SUMMARY

The empirical research done for this study was of a quantitative nature. A survey questionnaire was used to attempt to measure the four constructs of corporate reputation climate in an organisation. These were defined in the literature study done in Chapter 2. The scores obtained fall between 3 and 4, and this serves to indicate that some work still has to be done to achieve the ultimate goal of being strong (scoring above 4) in terms of corporate reputation competencies or characteristics.

The sample size for the study consisted of the complete study population, given that research questionnaires were circulated to mostly (about 90%) Pick n Pay employees from three different stores in two centres. Pick n Pay Hypermarket, Bedworthpark centre, Pick n Pay Supermarket, Vaal Mall, and Boardmans Vaal Mall. All these are in the Vaal (Sedibeng district) area, to the south of Gauteng.

The analysis began with the demographic information, which was sub-divided in the following sections:

- Gender of respondents (male or female);
- Age groups of respondents (< 29, 30-39, 40-49, 50-59 and 60 and older);
- The participants' race/ethnicity.
- The participants' academic qualification.
- Departments that the respondents work for; and
- The managerial level (lower or middle).

The next step was to evaluate the current corporate reputation climate and the perceived success factor of the organisation. The reliability of the questionnaire had to be established first by using the Cronbach alpha coefficient. The findings are that all four constructs are of reliable measurement, and therefore the corporate reputation climate was subsequently assessed. The highest Cronbach alpha achieved was on workplace environment (0.95), with a mean of 3.81, closely followed by leadership and financial performance at 0.92 and a mean of 4.06. Two other constructs also had a Cronbach alpha higher than 0.5. The average Cronbach alpha for all four constructs is 0.89. All four of the constructs used in measuring the perceived organisational success, were reported by respondents to have a mean above three, which is the neutral point. The average mean of the perceived success of the organisation was 3.907. It is clear that the constructs for perceived organisational success had a fairly strong presence; however, there is still room for improvement.

In order to test for statistical significance, a few tests were performed, including ANOVAs and t-tests. The researcher measured the relationship between the four constructs and the demographic variable (gender), through mean (x*),* the standard deviation (*s*), *t*-test (*p*), Kruskal-Wallis (p), and effect sizes (*d*).

A test between the age groups and constructs was performed and the following results were observed:
All four of the *p*-values are bigger than 0.05, which indicates that there is no statistical significance between different age groups regarding the four constructs. We further observed that there is statistical significance that exists in two constructs and other variables, i.e. **Leadership/financial performance** between the ages of 50 and 59 and 60+ (p=0.02) and between the ages of 40 and 49 (0.60) and 50 and 59 (0.60), respectively.

No sufficient evidence that statistical significance exists between males and females regarding the constructs could be found either. Looking at the effect sizes as well, no statistical significance was found – all effect sizes are below 0.5.

Pick n Pay is known to be a ‘family run’ business, with high standards. The founder, Mr. Ackerman, upholds the highest standard of customer service and great values, and is well respected not only in the retail industry, but also in the corporate industry. He has managed to attract a high-profile customer base and investors who perceive the company as having a high reputation. However, with reference to the corporate reputation climate within Pick n Pay Holdings, all constructs measured clearly state that there is a ‘favourable’ corporate reputation climate; however, more can still be done.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The aim of this dissertation is to develop an understanding of how the behaviour of corporate leaders affects corporate leadership as defined by the reputation quotient (RQ), and which aspects of running a company top management should keep an eye on in order to maximise the reputation of their company.

This chapter outlines the last stage of this study by interpreting the empirical research presented in Chapter 3. Conclusions will be drawn with regard to the empirical research accomplished and the statistical analysis results as discussed in Chapter 3. Additionally, the significance of relationships between demographic variables, constructs of the corporate entrepreneurial climate and perceived organisational success will be demonstrated.

Pick n Pay Holdings Limited is a group that operates within a governance philosophy that seeks to protect and enhance their brand and reputation. A core to this philosophy is built upon the continued maintenance of ethical business practices and the highest level of integrity. Market conditions and its effect on profitability are continuously reviewed by management and the Board. The going concern of the Group is reviewed by the Board at least twice a year and includes a review of adequate levels of capital to continue operations and implement strategy. Product safety and quality are carefully scrutinised by our internal quality control and food safety technicians. The Group has endorsed a comprehensive code of conduct founded on the highest levels of honesty, integrity and respect. All employees are expected to comply with the code at all times. The Board confirms that systems and procedures have been implemented to entrench the values and ethics laid down in the code of conduct, and to monitor compliance with the code.

However, the traditional way of doing business does not guarantee success or sustainability in a constantly changing economy. Companies employ drastic measures to sustain success. In doing so, many have crossed boundaries, bended rules, and undertook risky measures, and from all this, some have succeeded and some have burned, i.e. LG took a great risk a few years ago when they tapped into the mobile industry. There was uncertainty and doubt both among customers and investors because LG was mostly associated with appliances. This risk seems to have paid off years later, as we see LG performing even better than known mobile brands in the industry. In LG's case, two possibilities existed;

1. Either the strategy works, which will not only yield great returns for investors, but will cement their brand within the new industry; or
2. The strategy fails, which will tarnish the company's reputation and affect investor confidence.

In LG's case, the strategy worked, and as a result, investors were kept happy and the new mobile brand was established.

In the same way, companies take risks to build and cement their reputation within their respective industries. In effect, all companies should take risks to ensure sustainability of their competitive advantage. Pick n Pay Holdings Limited has had many successes and challenges. Some challenges have been so heavy that they threatened its reputation.

Pick n Pay Holdings Limited realised at an early stage that if they were to stay at the forefront of their competition, they would have to maintain a good corporate reputation and do so by making that part of their policy. The top management team at Pick n Pay employed various initiatives and programmes. These include operating within a governance philosophy that seeks to protect and enhance their brand and reputation. These initiatives and programmes supported innovation in order to align the organisation with the company's strategy and to ensure their success in the organisation and the global economy.

Innovation and good corporate reputation cannot be detached, and simply employing ideas and programmes that build a good reputation is not enough. Understanding what affects corporate reputation is essential, and understanding how the behaviours of corporate leaders affect corporate leadership is even more important. Leaders ought to be aware that the corporate industry views its leaders as the brand of the company. They have to understand that their behaviour is sending a message to the public one way or the other.

This chapter will conclude by discussing how the behaviour of corporate leaders affects corporate reputation within Pick n Pay Holdings Limited in South Africa. The results from the empirical data then form the basis for the conclusion and recommendations. The achievement of the study objectives will also be discussed.

4.2 CONCLUSIONS

4.2.1Primary objectives

In the previous chapter, the findings of the empirical research were discussed in detail. Using the basic structure of the questionnaire, conclusions drawn from the 60 respondents are as follows.

- The relationship between corporate leadership and corporate reputation

The review of the literature and the empirical research brought the researcher to hypothesise the significant relationship between corporate leadership and corporate reputation. This can be evidenced by the high Cronbach alpha of 0.92 on both leadership and financial performance (see Chapter 3). This could imply that the company was able to achieve high financial performance through the right structure of leadership.

As highlighted in the literature review, corporate leadership refers to a group of individuals appointed by the company to lead the company in the direction where objectives can be achieved. It involves enhancing stakeholder value and social responsibility. It is comprised of the executives and managers who oversee its operations and plot strategies for the future. Corporate leadership positions are the highest-ranking, most prestigious jobs in a company's hierarchy. As a result, the behaviours of leaders often become the scrutiny of the public, which often forms certain perceptions about the company. In the corporate industry, actions speak louder than words, as demonstrated in the case of reputation building (Kim *et al*., 2007). The perceptions of the public on reputation are more based on the actions of individuals; likewise, in an organisation, the actions of leaders influence how the company is perceived by the public, who therefore forms an opinion about its reputation.

Corporate leaders must be seen to be living the ethical conduct it professes, the values that it communicates and upholding the promises it has made to both internal and external stakeholders. Good corporate behaviour is instrumental in shaping the reputation of the company. This is because corporate reputation is a set of collectively held beliefs or perceptions about a company’s ability to satisfy the interests of its various stakeholders. These perceptions are often based on its past, current and expected future actions. Reputation is a perception of character. For a person or place it is what you expect them to be like based on what you know of them. For a business or organisation this characteristic is also a reflection of behaviour, what it has done in certain situations and can be expected to do in future occasions.

4.2.1.1 Conclusions on demographic information

Demographic information of respondents was obtained and analysed in Chapter 3. From the results of the survey questionnaire, the following conclusions regarding demographical information were made.

4.2.1.2 Conclusions on gender information

Pick n Pay Holdings Limited is a retail business, and as one would have expected, the majority of respondents were females (57%) and males representing 42%. One respondent did not indicate his/her gender.

4.2.1.3 Conclusions on age group information

The same pattern was also repeated for the age group. As can be observed, the ages of participants were not evenly distributed. The majority of respondents (40%) were in the age group of 60+ years old, closely followed by the age group 50 to 59 years, with a total of (38.3%). 12% respondents were between the ages of 40 and 49 years, followed by 7% in the 30 to 39 age group. Lastly, 3% represent the youngest respondents aged 29 years and younger. Clearly, there is a great deal of work that must still be done to attract more young and energetic people into the organisation. In a country where a large percentage of youth is unemployed, these statistics do not reflect well on Pick n Pay's reputation.

4.2.1.4 Conclusions on ethnicity information

We observe an unequal distribution of respondents in their ethnicity, with the majority being Africans at 36%, followed by white respondents with 21.7% and closely followed by coloured and Indian respondents, both with 20%.

The distribution reflects very well on Pick n Pay. It shows that the company has done a lot to fulfil the requirements of the South African Labour Law (employment equity), which encourages companies within the country to accommodate the previously disadvantaged population. The high percentage of Africans could mean that Pick n Pay is heading in the right direction.

4.2.1.5 Conclusions on qualifications information

The majority of respondents are in possession of a degree qualification (60%). This is followed by those in possession of a national diploma (24%). The lowest qualified are below grade 12 and are represented by 3.4%, which is the same percentage as that of those in possession of a grade 12 (3.4%) and post-graduate degree, also at 3.4%. Pick n Pay seems to be doing a lot to attract the highest qualified staff. This will have a positive impact on the organisation, since the knowledge gained academically can be translated to the success of the organisation.

4.2.1.6 Conclusions on designation levels information

The highest percentage of 70% is represented by respondents in top management, followed by those in middle management with 11.7%. The lowest percentage is represented by those in lower management, with a percentage of 3%. 10% of respondents fall within the category 'other'; they indicated no qualification. 3% did not indicate their positions. While middle managers play a crucial role in fostering communication about the mission, goals and priorities of a company, it would have been more beneficial to get the response from those in the lower management, because their judgement of leadership would have been more unbiased and closer to the true picture. Practically, where leaders have to rate themselves, bias is inevitable.

4.2.1.7 Conclusions on designation level information

More participants are from the sales and marketing departments. Two participants in the 'other' category indicated that they were securities.

4.2.2 Conclusions on the reliability of the measuring instrument

A coefficient alpha of 0.7 is observed as an acceptable reliability coefficient (Schimtt, 1996: 351; Cortina, 1993: 99). Following the results of the survey, it was established that all constructs have a high and acceptable Cronbach alpha coefficient above 0.7, namely:

- workplace environment (0.95);
- leadership and financial performance (0.92);
- emotional appeal (0.87);

- products and services (0.85); and
- social responsibility (0.80).

Therefore, all constructs were considered in the analysis. As a result, it has been concluded that the research instrument used in this research to measure the corporate reputation climate in Pick n Pay has acceptable reliability.

4.2.3 Conclusions on the corporate reputation climate

Six constructs from the Reputation Quotient (RQ) were used to measure the reputation climate in the organisation, and this was done on a Likert scale ranging from one to five, with three regarded as average. They are as follows:

1. Emotional appeal
2. Product and services
3. Workplace environment
4. Social responsibility
5. Vision and leadership
6. Financial performance

Note that *vision and leadership* were combined with financial performance during the statistical analysis, and as a result a joint conclusion will also be outlined.

To interpret the results of this study, the average score on the Likert scale (three) was used as a point of reference for the intention of constructing recommendations. For the purpose of this study, the mean scores of less than three were deduced as being suggestive of observations by participants that those constructs have lower than average prevalence in an organisation and therefore indicates areas that require development. The mean scores of higher than three were deduced as being suggestive of observations by participants that those constructs have higher than average prevalence in an organisation.

The average mean of all constructs as evaluated in the previous chapter was 3.502, indicating an occurrence of corporate reputation constructs within Pick n Pay. For the purpose of this study, this indicates a relatively strong prevalence of corporate reputation climate within the organisation. A more detailed look at each of the six constructs reveals the following about the reputation climate and behaviour within Pick n Pay:

4.2.3.1 Emotional appeal

The average mean score for emotional appeal is 3.95 (almost a 4). This indicates that a number of participants agree that the company Pick n Pay appeals to stakeholders emotionally. Some of the questions asked on the questionnaire were as follows:

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A05	I feel good about my company; I respect and trust my leaders.	**1**	**2**	**3**	**4**	**5**

A5	I feel good about my company; I respect and trust my leaders.	0.0%	5.0%	16.7%	35.0%	43.3%

Most of the participants either slightly agree or strongly agree that they feel good about the company. Approximately 3.5% of participants responded positively to the statement in section A, question five. Furthermore, a large effect of correlation or relationship was observed between emotional appeal and three other constructs, namely products and services (0.76), workplace environment (0.76), and social responsibility (0.77). This implies that the company's products and services, the environment and commitment to social responsibility, appeal emotionally to stakeholders.

4.2.3.2 Products and services

For products and services, the average mean is 3.81. Most participants agree that the company believes in its products and services, offers high quality products and services, develops innovative products and services, and offers products and services that are of good value. One of the questions asked to establish the mean for the construct is as follows:

A25	Product and service innovation is driven by a strong customer orientation.	**1**	**2**	**3**	**4**	**5**

A large and strong correlation was also observed between products and services and two other constructs, namely workplace environment and social responsibility, meaning that the environment where these products and services are offered must also be appealing to stakeholders. Furthermore, social responsibility plays an important role in keeping the brand of the company ahead of its competitors.

4.2.3.3 Workplace environment

The environment of the company must be appealing to all stakeholders. There must be evidence that it is well managed, appears to be a good company to work for, and appears to have good employees. This construct has an average mean of 3.81. One of the questions asked on the questionnaire to address this is as follows:

A07	I am well informed about our organisational vision and strategies.	**1**	**2**	**3**	**4**	**5**

It seems that management is making efforts to ensure that all stakeholders are informed about the organisation's vision and strategies. This reflects very well on the leadership of the company. A strong correlation is also observed between workplace environment and social responsibility.

4.2.3.4 Social responsibility

This construct answers the following question: Does the company support good causes? Is it environmentally responsible? and, Does it treat people well? The average mean for this construct is 3.56.

A60	Our organisation provides ample opportunities for learning and growth.	**1**	**2**	**3**	**4**	**5**

The company seems to be making efforts in their social responsibilities, but there is still more room for improvement.

4.2.3.5 Vision and leadership and financial performance

The vision and leadership construct was combined with financial leadership during the statistical analysis. This is because they were both measured by section b of the questionnaire. Vision and leadership sought to address whether the organisation has excellent leadership, has a clear vision for the future, and recognises and takes advantage of market opportunities. Financial performance sought to address the history of profitability, appearing to be a low risk investment, strong prospects for future growth, and tendencies to outperform its competitors. The constructs have a 4.06 mean. A large number of respondents slightly agreed that there is a reasonably good leadership within the organisation. They further acknowledge that the financial performance of the organisation has been satisfactory.

- **Vision and leadership**

Pick n Pay is a family-owned and -run business. The values of the founding family, the Ackermans, are clearly visible through its leadership structure. The Group is controlled by Pick n Pay Holdings Limited, whose only investment is its 53.95% shareholding in Pick n Pay Stores Limited. The Group has a flat organisational structure and overall responsibility lies with the Pick n Pay Stores Limited Board. This means that each region is managed autonomously. Each region has its own management team. Each store is responsible for its own results and responds individually to customer needs and its choice of social responsibility programmes.

In many respects, Pick n Pay is the godfather of South African retail stocks. Where others have prospered, they have often done so by learning from Pick n Pay. The group's management has decades of experience in the business. Having found themselves a little behind the play, they have also displayed a determination to fix what needs fixing.

- **Financial performance**

A company that has a solid financial performance, and is also profitable, is deemed to be a safe investment and, therefore, provides value to its shareholders. Companies that fail to create value for investors suffer by losing reputational capital, whereas by meeting shareholders' expectations, the company benefits from the lowest sustainable cost of capital and the highest sustainable share price. As a rule, shareholders expect the following:

- Solid financial performance
- Clarity on value drivers and the source of future growth to generate long-term shareholder value
- Transparency
- Reliable, relevant and timely information
- Honest, accurate and consistent accounts
- Management of risk
- No fraud
- Profitable going concern (Rayner,2003,109)

Investors want to have confidence in the organisation's financial statements. They expect financial statements to be honest and transparent, thereby reflecting the true value of the company.

While Pick n Pay's financial performance seemed to be stable, there was a turn of events at the beginning of 2009 when the first recession in 17 years hit South Africa. Pick n Pay, in its year to February 2010, limped home with headline earnings per share (HEPS), a mere 1% up on a year earlier. Comparatively, Shoprite reported a 13,5% increase in HEPS in its year to June 2010. In the year to February 2011, its profit performance was hit by a lethal combination of a fall in gross trading margin and a rise in trading costs. Despite a 5,9% rise in turnover to R51,9bn, PnP's HEPSs were down 22,9% and its RoE a deflated 47,2% (though still respectable). For the financial year ended 28 February 2011, Pick n Pay paid a total dividend (interim plus final dividend) of 142.5 cents per share. This was a noticeable drop from the 174.5 cents per share paid in 2010, 170.0 cents per share paid in 2009 and 149.1 cents per share distributed in 2008. The interim dividend declared for the six months to the end of August 2011 was 22.5 cents per share. The counter offers a dividend yield close to 3.2%.

However, even in these strained conditions, management kept a united front. Badminton, CEO since March 2007, was confident PnP's new strategy to improve efficiency and lower operating costs will bring it back on track. He was candid and not oblivious, though, that it will be a big and challenging task. Among other strategic moves, the group has since undertaken substantial initiatives to improve its operations. It has revitalised its warehousing and distribution systems to increase efficiencies, rolled out new store layouts and formats, and significantly improved its house brand (no-name brand and Pick n Pay Choice) offerings. This united front and swift response to the problem gave shareholders confidence and reassured them that the situation will be resolved.

4.2.4 Secondary objectives

In Chapter 1, the secondary objectives were to investigate the significance of a good corporate governance structure and its effect on the company's reputation as measured by the reputation quotient (RQ), the company of choice being Pick n Pay Limited; and to further investigate whether there is a link between who and how the company is governed and its reputation. However, it is evident from our discussion that the external factors display a, purely, secondary role in terms of impact on reputation. Rather it is management's role that is primary in averting any negative consequences to reputation. However, this research does require further consideration.

Pick n Pay is known for its excellent customer service to the public. Customers are always assured to be treated with dignity and respect. Therefore, when a crisis or scandal is associated with their retailer of choice, they expect professional response and reaction from the company. In the crisis mentioned in Chapter 2, we notice how Pick n Pay handled the poultry scandal and the effect that it had on their reputation. Mostly we noted the reaction of the public when the company chose the spokesperson to handle the matter, instead of senior management. We also notice how the company chose to communicate with their customers through media, without holding a formal media press conference to address the matter. How the blame was shifted between two companies that were involved. This reaction was not the best of Pick n Pay, and although the company recovered from bad publicity, this caused some damage to their reputation. The cause was not necessarily the scandal, but how the matter was handled by leadership fuelled the decline in the reputation.

We also note how there was no formal public apology from the company's side, which could have also contributed to the effect on its reputation. However, we also note the swift response from the company after the news broke in the media – their swift reaction in terms of investigating the matter, i.e. they paid a surprise visit to the plant of the alleged supplier to satisfy themselves of the facts. They reassured the customers of their safety and their commitment to the ethical conduct of the industry. As a result, their reputation was recovered after more efforts.

4.3 RECOMMENDATIONS

The following are recommended:

- Reputational management: The development of an effective reputational risk model.
- A contingency plan to deal with specific types of risk, should they occur.
- Well-trained management on stand-by with a tried-and-tested model must always be established.
- As the sample was from one company, the findings may be tested across a sample of different companies or across industry.
- The group needs to make corporate reputation management part of its senior executive training regime, thus enabling greater understanding of corporate branding and corporate reputation.

4.4 Limitation and areas for further research

Several limitations were acknowledged in this study, with specific reference to the small study population or sample, and as a result, the most significant limitation is the inability to generalise the findings or conclusions emanating from this research.

The researcher accordingly proposes the following areas for further study within the field of corporate reputation:

- As the sample was from one target company, the findings may be tested across a sample of different companies or across an industry.
- Compare the corporate reputation of companies with an active reputational management strategy to the corporate reputation of companies without an active reputational management strategy.

4.5 Summary

Chapter 1 described the rationale for exploring the construct of corporate reputation and highlighted how strong reputation results when companies own a distinctive position in the minds of resource holders and act in ways that are consistent with espoused principles of identity, and when they are transparent in the way they conduct their affairs. The assertion was further made that corporate reputation is an asset that can be accumulated or lost over time and thus affects a corporation's value; that the reputation of a company's leadership and that of the company are linked to each other. It is therefore important to recognise the effect that good governance has on the reputation of any corporation.

The literature review, as undertaken in Chapter 2, highlighted numerous definitions of reputation and what reputation is not. The literature verified that corporate reputation was a key strategic corporate asset. The definition of a company as a social entity was also highlighted as a body that is granted a charter recognising it as a separate entity having its own rights, privileges and liabilities distinct from those of its members. The chapter also introduced the Reputation Quotient as a multidimensional standardised measurement method to investigate corporate reputation. It enables the identification of critical success factors for corporate reputation from the points of view of different stakeholder groups. Respondents are asked to estimate 20 attributes in six key dimensions (emotional impact, products and service, vision and leadership, working environment, financial reward, social responsibility).

An empirical study was conducted in Chapter 3, which confirmed the findings that emanated from the literature review and to some extent contributed new findings, as discussed in Chapter 4, wherein the findings of both academic literature and the empirical findings were discussed in detail. The value attributed to corporate reputation was highlighted and the role of corporate leaders as custodians of corporate reputation was verified against literature and empirical findings.

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HOW THE BEHAVIOR OF CORPORATE LEADERS AFFECT CORPORATE REPUTATION -

QUESTIONNAIRE

CONFIDENTIAL

Note: All responses are confidential and neither the individual nor the organisation would be identified in any report or release.

CORPORATE ENTREPRENEURIAL CLIMATE QUESTIONNAIRE

Dear Respondent

Reputation is the strongest determinant of any corporation’s sustainability. Stock prices can always come back, and business strategies can always be changed, but when an organization’s reputation is gravely injured, its recovery is difficult, long-term, and uncertain. It is quiet notable in the corporate industry that individual corporate leaders possess some reputation. Consider leaders like The Oppenheimers, Jack Welch, Steve Jobs, Bill Gates, Richard Branson, Patrice Motsepe, Martha Steward, Maria Ramos, Nonkululeko Nyembezi-Heita.In many cases, the person becomes synonymous with the company. The image and reputation of the CEO becomes the image and reputation of the company. A risk on their reputation is a threat to the survival of the enterprise.

Leaders who have built a strong corporate reputation know what it takes: an internal culture that forges a positive opinion of the company by successfully coping with both expected and anticipated challenges. They know that PR is not a bandage that will cover risky behavior. Most of all, they know they must understand the role played by their behavior. That the public’s perception does not end only with the product, but with who leads the corporation and how. They know that their leadership style, strategies and personal lives are of public interest, and that every company’s solution must be unique.

Cross-disciplinary theorists view corporate reputations as strategic assets and as a source of economic value. A good feeling about company, its activities, workplace, past performance and future prospects by key stakeholders can lead to positive stakeholder’s decision about company.

Corporate reputation has attracted interest from a wide range of academic disciplines. It is also a growing focus for business and media attention. This paper examines the construct of corporate reputation, and the effect brought by the behaviour of the corporation’s leadership. First I define reputation in terms of the perceived experiences of stakeholders and their emotions, while the consequences of reputation are defined as the behavioral support of stakeholders towards the business. I then move on to consider how reputation has been measured by applying the corporate Reputation Quotient -RQ of Harris-Fombrun.A comprehensive measuring method of corporate reputation that was created specifically to capture the perceptions of any corporate stakeholder group such as leaders, consumers, investors, employees, or key influencers. The instrument enables research on the drivers of a company's reputation, and allows comparing reputations both within and across industries.

With a clearer understanding of the construct of corporate reputation and the allied constructs of image and identity, researchers are now well placed to test the relationships widely claimed by practitioners between corporate reputation and other variables such as corporate leaders, commercial performance, employee and customer satisfaction. The review ends by illustrating some of the issues that can be assessed from the basis of a clearer conceptualization of reputation and its measurement.

This questionnaire attempts to measure the effect that the behavior of corporate leaders have on corporate reputation, as well as to indicate possible barriers or trigger factors. Your contribution is highly valued and appreciated.

Please complete every question / statement to ensure the validity and reliability of the study.

GENERAL INSTRUCTIONS

Virtually all questions may be answered by ticking (X) or highlighting the relevant block.

Use the following key to indicate your preference:

SCALE	TERM USED
5	Strongly agree
4	Slightly agree
3	Neither agree nor disagree
2	Slightly disagree
1	Strongly disagree

Please select the number which best describes your opinion about a specific question or statement. In the example beneath, the respondent slightly agreed to the statement listed.

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly agree	Strongly Agree
A03	My manager helps me to get my work done by removing obstacles in my way.	**1**	**2**	**3**	**4**	**5**

SECTION A: EMOTIONAL APPEAL, PRODUCTS AND SERVICES, AND WORKPLACE ENVIRONMENT

This section consists of 65 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A01	Employment with my company is highly regarded.	**1**	**2**	**3**	**4**	**5**
A02	My company is always willing to welcome visitors to tour the factory.	**1**	**2**	**3**	**4**	**5**
A03	Customer complaints are always handled and resolved immediately.	**1**	**2**	**3**	**4**	**5**
A04	Our customers know who to approach in case of a complaint or compliments, supervisors are always visible and available.	**1**	**2**	**3**	**4**	**5**
A05	I feel good about my company; I respect and trust my leaders.	**1**	**2**	**3**	**4**	**5**
A06	All our customers are treated as very important stakeholders	**1**	**2**	**3**	**4**	**5**
A07	I am well informed about our organisational vision and strategies.	**1**	**2**	**3**	**4**	**5**
A08	An employee with a good idea is often given time to develop that idea within working hours.	**1**	**2**	**3**	**4**	**5**
A09	Working together in project teams is encouraged at the organisation.	**1**	**2**	**3**	**4**	**5**
A10	There are several options within the organisation for individuals to get financial support for their innovative projects and ideas.	**1**	**2**	**3**	**4**	**5**
A11	People are keen to share knowledge within the organisation, even over departmental or functional boundaries.	**1**	**2**	**3**	**4**	**5**
A12	A great deal of resources is spent in determining customer needs and satisfaction.	**1**	**2**	**3**	**4**	**5**
A13	People are allowed to make decisions about their work processes without going through elaborate justification and approval procedures.	**1**	**2**	**3**	**4**	**5**
A14	Our leaders challenge the status quo and they inspire us to think and act in innovative ways.	**1**	**2**	**3**	**4**	**5**
A15	Top management is receptive to my ideas and suggestions.	**1**	**2**	**3**	**4**	**5**
A16	Originators of new ideas find it easy to implement because of the support rendered by influential people in the leadership.	**1**	**2**	**3**	**4**	**5**
A17	Projects involving calculated risk are highly valued, even when things do not always turn out according to plan.	**1**	**2**	**3**	**4**	**5**
A18	There is considerable number of employees at the organisation that are involved in generating and implementing innovative ideas.	**1**	**2**	**3**	**4**	**5**
A19	In this organisation recognition rather than criticism is emphasised.	**1**	**2**	**3**	**4**	**5**
A20	I have regular meetings with my manager where information is shared between us.	**1**	**2**	**3**	**4**	**5**
A21	A staff member who has initiated a new project/process is allowed to carry it through to completion/implementation.	**1**	**2**	**3**	**4**	**5**
A22	We use cross-functional teams effectively at the organisation to develop and implement new ideas.	**1**	**2**	**3**	**4**	**5**
A23	Money is often available to get new project ideas off the ground.	**1**	**2**	**3**	**4**	**5**
A24	Employees are encouraged to talk to their colleagues in other departments of the organisation about ideas for new projects.	**1**	**2**	**3**	**4**	**5**
A25	Product and service innovation are driven by a strong customer orientation.	**1**	**2**	**3**	**4**	**5**

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A26	Employees are given ample opportunity for independence and freedom in how they do their work.	**1**	**2**	**3**	**4**	**5**
A27	This organisation has a specific value system which we all know and live up to.	**1**	**2**	**3**	**4**	**5**
A28	Those employees who come up with innovative ideas on their own receive management’s encouragement for their activities.	**1**	**2**	**3**	**4**	**5**
A29	Our organisation has a strong influential leadership to support, coach and protect the image of the company.	**1**	**2**	**3**	**4**	**5**
A30	We occasionally take big risks to keep ahead of our competitors.	**1**	**2**	**3**	**4**	**5**
A31	This organisation provides me with the chance to be creative and try out new methods of doing my job.	**1**	**2**	**3**	**4**	**5**
A32	My supervisor will give me special recognition if my work performance is outstanding.	**1**	**2**	**3**	**4**	**5**
A33	Great effort has been made to clarify what the vision and strategy of the organisation mean to us in our own department.	**1**	**2**	**3**	**4**	**5**
A34	Nobody at the organisation is forced to develop new ideas.	**1**	**2**	**3**	**4**	**5**
A35	Top management encourages the establishment of teams from various departments whenever needed for a project.	**1**	**2**	**3**	**4**	**5**
A36	Resources are readily accessible in pursuance of new ideas and opportunities.	**1**	**2**	**3**	**4**	**5**
A37	Our organisation has open communication channels in which all employees participate.	**1**	**2**	**3**	**4**	**5**
A38	Our organisation involves customers in service and product development.	**1**	**2**	**3**	**4**	**5**
A39	I have autonomy to decide how to do my work.	**1**	**2**	**3**	**4**	**5**
A40	Our leaders lead by example and people are eager to voluntarily follow them.	**1**	**2**	**3**	**4**	**5**
A41	The creation of innovative ideas is a regular occurrence in our organisation.	**1**	**2**	**3**	**4**	**5**
A42	Our organisation's managers have the skills, commitment and courage to be effective champions of beneficial initiatives.	**1**	**2**	**3**	**4**	**5**
A43	This organisation supports many small and experimental projects realising that some will undoubtedly fail.	**1**	**2**	**3**	**4**	**5**
A44	Training is provided to ensure that innovative new processes are implemented effectively.	**1**	**2**	**3**	**4**	**5**
A45	There is a clear management system with clear processes (financial planning, strategic planning, contingency planning, etc).	**1**	**2**	**3**	**4**	**5**
A46	The vision and strategies of the organisation often help me in setting priorities in my work.	**1**	**2**	**3**	**4**	**5**
A47	I am allowed time at work to explore new ideas I believe have potential.	**1**	**2**	**3**	**4**	**5**
A48	Project teams have choices in recruiting and selecting new team members.	**1**	**2**	**3**	**4**	**5**
A49	The process for accessing and acquiring resources to pursue new opportunities is streamlined so that approval is quickly granted.	**1**	**2**	**3**	**4**	**5**
A50	I am aware of my leadership structure (CEO, MD, Board of directors, etc)	**1**	**2**	**3**	**4**	**5**
A51	We regularly ask our customers to give their opinions of our service and product offerings.	**1**	**2**	**3**	**4**	**5**
A52	The degree of hierarchical control is relatively low in our organisation.	**1**	**2**	**3**	**4**	**5**
A53	Our leaders seek to maximise value from opportunities.	**1**	**2**	**3**	**4**	**5**
A54	Senior managers allow innovators to bend rules and rigid procedures in order to keep promising ideas on track.	**1**	**2**	**3**	**4**	**5**
A55	In this organisation it is easy to build coalitions of sponsors to help projects succeed.	**1**	**2**	**3**	**4**	**5**

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A56	If you make a mistake in this organisation you will be forgiven.	**1**	**2**	**3**	**4**	**5**
A57	Employees are inspired to push their boundaries and to think "out-of-the-box."	**1**	**2**	**3**	**4**	**5**
A58	Employees are rewarded in relation to their job performance.	**1**	**2**	**3**	**4**	**5**
A59	There is considerable buy-in from employees into the value system of the organisation.	**1**	**2**	**3**	**4**	**5**
A60	Our organisation provides ample opportunities for learning and growth.	**1**	**2**	**3**	**4**	**5**
A61	I love working for my company and being associated with it.	**1**	**2**	**3**	**4**	**5**
A62	My leadership is held high in the society, customers and staff have confidence in them.	**1**	**2**	**3**	**4**	**5**
A63	Employees are willing to assist others and share knowledge and skills even if it is not required from them.	**1**	**2**	**3**	**4**	**5**
A64	Customers are treated as very important stakeholders.	**1**	**2**	**3**	**4**	**5**
A65	Employees determine their key performance areas in co-operation with their supervisors.	**1**	**2**	**3**	**4**	**5**

SECTION B: LEADERSHIP AND FINANCIAL PERFORMANCE

This section consists of 20 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
B01	Our leadership has a clear vision for the future.	**1**	**2**	**3**	**4**	**5**
B02	The competitive position of our organisation has improved over the past few years.	**1**	**2**	**3**	**4**	**5**
B03	Our organisation has experienced growth in market share over the past few years.	**1**	**2**	**3**	**4**	**5**
B04	Our leaders are highly committed to our organisation.	**1**	**2**	**3**	**4**	**5**
B05	During difficult economic periods, investments in research and development/ innovative projects continue and no significant financial cuts are made.	**1**	**2**	**3**	**4**	**5**
B06	Our organisation has a high customer retention rate.	**1**	**2**	**3**	**4**	**5**
B07	Our customers are loyal to our organisation.	**1**	**2**	**3**	**4**	**5**
B08	I am well informed about the company's leadership structure and the changes are often well communicated.	**1**	**2**	**3**	**4**	**5**
B09	Taking care of customers is our organisation' top priority.	**1**	**2**	**3**	**4**	**5**
B10	The morale (job satisfaction) of our employees has improved over the past few years.	**1**	**2**	**3**	**4**	**5**
B11	Our customers are satisfied with our organisation's product/service offerings.	**1**	**2**	**3**	**4**	**5**
B12	The image (stature) of our organisation, relative to our competitors, has grown over the past few years.	**1**	**2**	**3**	**4**	**5**
B13	Our organisation has experienced growth in turnover over the past few years.	**1**	**2**	**3**	**4**	**5**
B14	The effectiveness (doing the right things) of our organisation has improved over the past few years.	**1**	**2**	**3**	**4**	**5**
B15	Management in our organisation understand the needs of our customers.	**1**	**2**	**3**	**4**	**5**
B16	Our organisation has experienced growth in profits over the past few years.	**1**	**2**	**3**	**4**	**5**
B17	The efficiency (doing things right the first time) of our organisation has improved over the past few years.	**1**	**2**	**3**	**4**	**5**
B18	Our leaders lead by example, and people are often eager to voluntarily follow them.	**1**	**2**	**3**	**4**	**5**
B19	Management is characterised by well educated, experienced and highly influential individuals within the industry.	**1**	**2**	**3**	**4**	**5**
B20	Our company has a good reputation because of our leaders.	**1**	**2**	**3**	**4**	**5**

SECTION C: BACKGROUND INFORMATION

The following information is needed to help with the statistical analysis of data for comparisons among different interest groups. All your responses will be treated confidentially. Your assistance in providing this important information is appreciated.

Please mark the applicable block with a cross (X).

C01	**Indicate your age group**	≤ 29	30 - 39	40 - 49	50 - 59	60+

C02	**Indicate your gender**	Male	Female

C03	**Indicate your race/ethnicity**	African	White	Coloured	Indian

C04	**Indicate your highest academic qualification**	
	Lower than Grade 12	
	Grade 12	
	National certificate	
	National diploma	
	3-year degree	
	Post graduate qualification	

C05	**Indicate your management level**	**Top management**	**Middle management**	**Lower management**
	Other: (Specify):			

C06	**Indicate your functional department**				
	Operations	Sales and Marketing	Finance	Human Resources	Procurement
	Logistics Management	Other			

THANK YOU VERY MUCH FOR YOUR VALUED INPUT.