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The evolution of Dircom: from communication manager to reputation strategist¹

La evolución del DirCom: de gestor de la comunicación a estratega de la reputación

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ABSTRACT: This paper has two objectives. First, it attempts to show the evolution of companies in the management of intangibles: brand, communication, CSR, etc. Furthermore, it aims to define the current framework of corporate reputation. In the development of the paper, in addition to literature sources, in-depth interviews have been used with executives of pioneer companies in the implementation of corporate reputation. Interviews were also directed specifically towards experts in the management of intangibles. The conclusion is that a holistic management of intangibles is now necessary and proposes an evolution of the Dircom towards a new role: Chief Communication and Reputation Officer or Chief Reputation Officer, as a corporate reputation strategist.

Resumen: Este trabajo tiene un doble objetivo. Por una parte, trata de mostrar la evolución de las empresas en la gestión de intangibles: marca, comunicación, RSC, etc. Por otra, intenta definir el marco actual de la reputación corporativa. En su desarrollo se han utilizado, además de fuentes bibliográficas, entrevistas en profundidad a directivos de empresas pioneras en la implantación de la reputación corporativa y entrevistas focalizadas a expertos en la gestión de intangibles. La conclusión es que actualmente resulta necesaria una gestión holística de los intangibles, y se propone la evolución del Dircom hacia un nuevo rol: el Chief Communication and Reputation Officer o Chief Reputation Officer, como un estratega de la reputación corporativa.

Keywords: Corporate reputation, Chief Communication and Reputation Officer, Dircom, Intangible management, Corporate social responsibility, History.

Palabras clave: reputación corporativa, Chief Communication and Reputation Officer, director de comunicación; gestión de intangibles, responsabilidad social corporativa, Historia.

1. Introduction

In the 21st century, large corporations and multinationals operate in global markets and in highly competitive environments where the products and services they offer to consumers increasingly differ less from each other.

Faced with this situation, companies have gradually incorporated the treatment of *intangibles* as a differential value that gives economic and social sustainability. In the eighties, 65% of the value of a company depended on its tangible assets and 35% on *intangibles*². However, at the beginning of the second decade of the 21st century, it is now considered that this proportion has been reversed: the *intangibles* make up 70% of the value of a company and 30% is made up of the tangibles³.

² KENDRICK, J.W., "Total capital and economic growth", *Atlantic Economic Journal*, vol. 22, n° 1, 1994, pp. 1-8.

³ DAUM, J.H., *Intangible assets and value creation*, Wiley, Chichester, 2003, p. 35.

There are differing classifications of a company's *intangibles*. Perhaps the best known is that of Edvinsson and Malone⁴, who proposed a triple reference: human capital, structural capital and relational capital. Human capital refers to both professional and technical skills of employees, together with their talents; whereas structural capital is the knowledge of the organization in a systematic way (know-how of processes, databases, etc.). Finally, relational capital refers to the relations of the organization with the agents in their environment (investors, employees, customers, suppliers, etc.)

Within relational capital, the ability to communicate with different audiences and establish relationships based on ethical and transparent behavior is implied. This capital is valued at all levels and in different areas of the company. Moreover, it includes key aspects such as branding, brand image, the perception of corporate values, the CSR with strategic audiences and the system of corporate governance. Together this makes up the so-called *corporate reputation*, a concept which is currently key to assessing the value of a company's *intangibles*⁵. *Corporate reputation* can be understood as "the overall evaluation of the organization by its stakeholders. This evaluation is the sum of the aggregated perceptions of the public regarding the ability of the organization to meet their expectations"⁶.

In an academic context, a good reputation is understood as the perception by a strategic public of *excellence* in behavior and corporate relations. Thus, Villafañe concludes that "corporate reputation is the crystallization of the corporate image of an entity, when it is the result of excellent corporate behavior, sustained over time, giving it a structural nature for its stakeholders"⁷. For his part, Fombrun considered that reputation "is constructed on the basis of actions and reactions from the context in which corporations are immersed"⁸.

Combining research from various authors –De Quevedo, De La Fuente and Delgado⁹, Roberts y Dowlings¹⁰, Villafañe¹¹, Fombrun y Riel¹², Dolphin¹³, Dowling¹⁴– the benefits a good reputation provides a business can be summarized as follows: reduced costs, prices maintained, investment is attracted, higher share prices on the equity market are encouraged, the value of the brand increases, talented employees are attracted and retained, high quality suppliers and innovation are likewise attracted and customer loyalty is fomented. In addition, being well-regarded creates barriers to

⁴ EDVINSSON, L. & MALONE, M.S., *Intellectual capital: realizing your company's true value by finding its hidden roots*, HarperCollins Publishers Inc., New York, 1997, pp.69 ss.

⁵ Cfr. MARTÍN, G., *Reputación empresarial y ventaja competitiva*, Esic Editorial, Madrid, 2008.

⁶ RIEL, C.B.M. van & FOMBRUN, C.J., *Essentials of Corporate Communications. Implementing practices for effective reputation management*, Routledge, New York, 2007, pp. 43-44.

⁷ VILLAFANE, J., *La buena reputación. Claves del valor intangible de las empresas*, Pirámide, Madrid, 2004, pp. 31-32.

⁸ FOMBRUN, C.J., "Corporate reputation as economic assets", in HITT, M., FREEMAN, R.E. & HARRISON, J.S., *The Blackwell Handbook of Strategic Management*, Blackwell Publishing, Oxford, 2001, p. 293.

⁹ DE QUEVEDO, E., DE LA FUENTE, J.M. & DELGADO, J.B., "Reputación corporativa y creación de valor. Marco teórico de una relación circular", *Investigaciones Europeas de Dirección y Economía de la Empresa*, vol. 11, n° 2, 2005, pp. 81-97.

¹⁰ ROBERTS, P. & DOWLING, G., "Corporate reputation and sustained superior financial performance", *Strategic Management Journal*, vol. 23, n° 12, 2002, pp. 1077-1093.

¹¹ VILLAFANE, J., *op. cit.*, pp. 77-91.

¹² FOMBRUN, C. y RIEL, C.B.M. van, *Fame & Fortune. How successful companies build winning reputations*, Pearson Education, New York, 2004.

¹³ DOLPHIN, R., "Corporate reputation - a value creating strategy", *Corporate Governance*, n° 4, 2004, pp. 77-92.

¹⁴ DOWLING, G., "How good corporate reputations create corporate value", *Corporate Reputation Review*, n° 9, 2006, pp. 134-143.

competition, minimizes the impact of a crisis, favors differentiation, boosts relationships based on trust and favors access to new markets.

In a professional context, it can be seen that major companies devote significant efforts to develop policies concerning *corporate reputation* (CR), integrating in its corporate strategy the consolidation of its image and of confidence among its stakeholders, including: shareholders, customers, employees and other groups of interest. Furthermore, relevant institutions have been recently created to support companies seeking to establish standard models of management of *intangibles*, such as *corporate reputation*. These include: the Reputation Institute, founded in the U.S. in 1997 by Charles J. Fombrun and Cees B.M. van Riel; the foundation Corporate Excellence-Centre for Reputation Leadership, established in May 2011 as a consolidation of the management undertaken since 2002 by the Foro de Reputación Corporativa and the Instituto de Análisis de Intangibles. At present, the foundation includes 58% of the IBEX 35 companies.

Based on the above analysis of the situation, the following hypotheses are put forward for this paper:

1. The differentiation of companies in competitive markets has focused exclusively on communication with their stakeholders. However, this view is outdated and has its rationale in the circumstances in which present departments of communication management were created.
2. In the current management of the *intangibles* of a company, *corporate reputation* is inciting increasing interest, an aspect which goes beyond communication and which therefore require, a more highly qualified professional profile.
3. The impact of ICT in the area of communications (in particular, the Internet, blogs and social networks), has highlighted the need to surpass current communication management, centered on the flow of information, and turn to management focused more on *corporate reputation*, aimed more at developing stable and satisfying relationships with their audiences and anticipating possible risks to the company's reputation.

2. Methodology

In the undertaking of our research, we developed, in the first phase, the historical framework of *intangibles* in Spanish corporations through the study of secondary literature sources. We also analyzed the institutions, records and *corporate reputation rankings* to identify the most reputable companies in our country.

In the second phase, interviews were conducted with Spanish managers of *corporate reputation* in order to study the evolution of this intangible (CR) in large corporations. In choosing the sample, three criteria were established: the manager has at least three years' experience in CR management; for the last five years the corporation has been present in major reputational rankings (MERCOR, Dircom 2R, etc.); and it forms part of Corporate Excellence, the institution in Spain which represents and promotes the development of CR. We considered those companies meeting at least two of the three requirements. Following this, 20 large domestic and foreign corporations established in our country were selected¹⁵. Each company was sent a personalized invitation to participate in the project, together with a letter of endorsement from Corporate

¹⁵ Among others, include: Abertis, Adif, Agbar, BBVA, Criteria Caixacorp, Gas Natural Fenosa, IBM, Microsoft, Motorola, Nokia, Repsol, Samsung, Sonyericsson, Vodafone y Telefónica.

Excellence as guarantee of the research. The result was that all companies agreed to participate. The interviews were conducted in the first quarter of 2011. The questionnaires, consisting of open and semi-closed questions, concerned:

1. *Context*: Business sector and type of business.
2. *Age*: Year of creation and evolution of the CR department.
3. *Position*: Location in the organizational chart and relationship with the *staff* of the company.
4. *Functions*: Mission and specific tasks assigned to the CR.

In the third and final phase, our study data on the current status and trends in the directions of CR was contrasted and expanded with external and private research, ceded by NetEquity consulting firm and the Foro de Reputación Corporativa¹⁶. The research was conducted during the same time period as our study, the first quarter of 2011. The views of 187 executives (CEOs, managing directors and other members of management) were analyzed based on a sample of companies in the following categories: foreign multinationals operating in Spain (42%), Spanish multinationals (24%) and national companies (34%).

We begin with an assessment of the historical framework in the management of intangibles.

3. *Historical evolution of the value of intangibles in Spanish companies*

3.1. *The 70s: The age of services*

From an economic viewpoint, a company was defined in the early seventies as an “organization of capital and labor for the production or establishment of goods and services for the market, with the aim of making a profit”¹⁷.

The beginning of the decade marked a break with the era of industrialization, typical of the sixties. Until then, companies were characterized by management based on the economics of production: in processes, in administration, in the economies of scale. The differentiation of the products was based on their functional benefits, in the control of costs and the quality of its components. Business organizations had a centralized, hierarchical structure in departmental silos, where the emphasis was on meeting deadlines to satisfy market demands.

If in the 60s importance was placed on the product (and the advertising of the product was the only form of communication the business had with the exterior: the product was considered “the face of the company”). In the early 70s there is a boom in the services market. The satisfaction of the public –rather than the product itself– becomes the new business goal.

Tourism and other sectors such as banking become important sources of business for the country. As a result, the face of the company to the consumer is no longer its catalog of products, but the service performed by all those within the organization. People as a whole –and not just their technical skills– acquire strategic value. On those people depend not only the business of the service companies, but also the new attributes of value added to the product. Consequently, the face of the company is not now the

¹⁶ NETEQUITY, *Necesidades de formación en reputación corporativa de las empresas españolas*, NetEquity y FRC, Madrid, 2011.

¹⁷ FONT, J.Y., “La empresa en el derecho mercantil”, in: JIMÉNEZ G.J., *Derecho Mercantil*, Ariel, Barcelona, 1995, pp. 52-68.

product, but the people and a new form of differentiation is established in the market: this is the first step towards *intangibles*.

By increasing the value placed on employee-customer relationship, companies realize the importance of creating areas of human resources fostering a good working environment and move to develop internal communication. This contributes to a rethinking of policies regarding personnel, which, from now on, will mean a significant increase in the professional training of their employees: both prior to starting work and for earning promotion or receiving permanent contracts at all levels.

Within this framework of interrelation with the customer, the concept of corporate culture arises in the scientific literature, while at the same time that of internal communication is consolidated¹⁸. Both concepts are seen as the first business *intangibles*. Gradually, they are implemented in companies through human resources departments.

In the years of political transition, with the arrival of democracy, a need is detected for the company to communicate itself in economic and social spheres. Until then, the only sources of information were the media and institutional bodies¹⁹. Now, companies are also a source of information, since the media find in them material of public interest, such as information concerning layoffs and defective products or changes in shareholders or governing bodies. The reluctance of entrepreneurs to provide that information gives rise to the development of press offices in the business context²⁰. It is mainly companies in the financial sector that begin to develop relationships with the media. The company finally understands that if the enterprise itself gives the information, this helps dispel rumors and correctly channels the flow of information.

In addition, the development and institutionalization of various political bodies (autonomous communities, etc.) mean that many media professionals are employed in the press offices of local councils, provincial councils and other public bodies. Corporate communication spreads throughout the social fabric.

3.2. *The 80s: The age of consumerism and competitiveness*

To enable Spanish integration into the European Union, the privatization of many of its publicly owned enterprises is initiated. With this, corporations develop, while small and large shareholders increasingly play a leading role. This generates a new public for companies: the financial community, with which appropriate channels of information needs to be established. Talk begins of a new area of media interest: financial communication.

Companies quoted on the stock exchange have a market value which corresponds not only to their book value. Multinationals and large companies begin to realize that other assets may cause the market value to be greater than the book value, such as the trademark, patents or human capital. As a result, the first studies on the *intangibles* of companies emerge.

Furthermore, in the 80s Spanish companies began a phase of international expansion. Large corporations (in strategic sectors like hydrocarbons, energy, telecommunications or banking), make their entry into Latin America and become the subject of worldwide

¹⁸ Cfr. PROCTOR, T. y DOUKAKIS, I., "Change management: the role of international communication and employee development", in *Corporate Communications: An International Journal*, nº 8, 2003, pp. 268-277.

¹⁹ Cfr. RAMÍREZ, T., *Los gabinetes de comunicación*, Bosch Comunicación, Barcelona, 1995, pp.29-30.

²⁰ Cfr. MARTÍN, F., *Comunicación en empresas e instituciones. De la consultora a la Dirección de Comunicación*, Universidad de Salamanca, Salamanca, 1995.

media coverage. By opening new markets, the company needs to know its organization, the relations of its members with their environment and the response of its clients²¹. All this is seen as a source of value for the company.

Simultaneously, market research is developed which enables a company to differentiate a product from its competitors. The concept of "value added" begins to be considered. What consumers expect from a product is questioned and analyzed, and in this way the product on offer can be adapted to the demands of the market. Market research helps incorporate new *intangible* values to products which thus ensure customer loyalty.

The brand-product begins to function as an asset of the company in order to obtain new market shares. Marketing departments emerge in companies to manage this brand-product, study their position with regard to the competition and manage commercial communication.

In this environment of free competition, and in a context in which supply exceeds demand, communication of the brand directed to current and potential customers is gradually introduced, highlighting their values and emotional attributes. The *boom* of advertising in the eighties not only allows for an increase in sales, but also becomes a strategic tool for the positioning of the company and its products.

Meanwhile, the rise of mass media which occurs in this decade generates a dual requisite for businesses: informative content for its pages and advertising for its economic survival²². Thereafter, the media and enterprises will be mutually dependent. Companies place communication relations within the framework of the press department, while commercial relations lie with marketing departments.

3.3. *The 90s: participatory model – social responsibility*

In the late eighties, improvements in technology markedly reduce product differentiation. All efforts in improving quality generate only slight improvements in market shares, which are promptly imitated by competitors. To achieve genuine competitiveness in the market, businesses put their efforts into the corporate brand as the main intangible to generate favorable attitudes and behaviors.

The main concern will now be to generate a positive global brand that provides confidence and credibility in their audience. This highlights the failings of press offices and global marketing directions. The first communication managements appear, incorporating not only relationships with the media, but also the management of the corporate brand²³. In this new direction both internal and external communication is centralized, and in the latter, the relationship with customers and consumers, as well as with the other external publics: authorities, shareholders, social organizations, etc²⁴.

This form of management helps eliminate, within large corporations, the fragmentation of corporate brand communication in different departments. Communication evolves from being a group of instrumental techniques, to being a strategic intangible, managed and coordinated by a single department.

²¹ Cfr. CONNOR, K.R., y PRAHALAD C.K., "A resource- based Theory of the Firm: knowledge versus opportunism", *Organization Science*, vol. 7, nº 5, 1996, 477-501.

²² Cfr. SOTELO, C., "Historia de la gestión de la comunicación en las organizaciones", in LOSADA, J.C. (Coord.), *Gestión de la comunicación en las organizaciones*. Ariel, Barcelona, 2004, pp. 37-54.

²³ VILLAFANE, J. et al., *Dirección de comunicación empresarial e institucional*, Gestión 2000.com, Barcelona, 2001.

²⁴ Cfr. FREIXA, R., "El Director de Comunicación" en Bel, J.I. (coord.): *Comunicar para crear valor: la dirección de comunicación en las organizaciones*, EUNSA, Pamplona, 2004, pp. 125-128.

In the 90s, the management of this intangible involves the interaction of the company with the public beyond that of developing good commercial policies and a good brand-product image through advertising. A dual approach, sociological and anthropological, is incorporated into brand management, allowing the company to evolve towards a strategic thinking of responsibility and social commitment.

Within this new approach, companies develop the following intangibles in their management model:

1. *An identity*: a name, a definite personality in the company, a history of its evolution in its everyday work. The company has a mission, a vision, values and, of course, a corporate philosophy.
2. *A corporate culture*: the result of everyday work, relationships, actions, behavior, and of its management and governance as a corporation. In this way internal procedures develop, based on values and principles of corporate ethics, which apply to the social environment.
3. *Communication and constant relationships with other audiences*: a form of self-expression and of sharing experiences and information with members who have similar concerns.
4. *A good reputation*. Companies, like humans, seek recognition in the markets within which it operates. The aim is that business activities are perceived as ethical, transparent and responsible, not only in the eyes of their most immediate stakeholders, but also intermediaries, social agents, etc.

Large corporations place communications departments at the highest management level to avoid dispersion and enable the coordination of corporate messages. With this, management boards swiftly become committed to the task of creating a favorable perception of the company, in short, a good reputation in the markets. Companies need to organize their communications and require these professionals to define their communication strategies and plan them according to the timetable of corporate actions. The figure of the Director of Communications, or Dircom, is created as a global communications manager in the company²⁵.

However, the functions, the name and location in the organizational chart of the company are varied, since they are characterized in each case by the priority that this intangible holds for the directorate-general. To alleviate this somewhat chaotic situation, the Asociación de Directores de Comunicación (ADC or Dircom), was created in 1992, seeking to consolidate the Dircom's image, define their professional profile and clarify their roles in the field of senior management.

At the same time, companies recognize the need to strengthen their relationships with the environment in order to improve the opinion of social organizations having influence in the field of its business activities: regulatory bodies, opinion leaders, communities, associations, etc. Therefore, the requirement is also recognized to manage a new intangible, corporate social responsibility (CSR) within the company's corporate culture.

The European Union policies on corporate social responsibility (CSR) are contained in the White Paper on "Growth, Competitiveness and Employment" (COM (93) 700, December 1993). European companies incorporate these policies to ensure their economic and social sustainability. The need to promote effective relationships, ethics, transparency and dialogue with strategic audiences and the social environment is openly proclaimed.

At the same time, the traditional pyramidal organization chart breaks down.

²⁵ Cfr. COSTA, J., *El Dircom hoy. Dirección y gestión de la comunicación en la nueva economía*, Costa Punto Com Editor, Barcelona, 2009.

Communication channels are no longer unidirectional and hierarchical. The relationships and interactions among all the participants who define both the “business” system and the “environment” system are given priority.

A good or bad reputation is achieved not only by sending press releases and frequent dealings with journalists. It is necessary for communication to be homogenous and sincere, aligned with what the company as a whole *is, does and says*. Furthermore, not only sporadically, but on a stable and permanent basis²⁶.

It could be said that in the late nineties, most companies already work according to CSR models²⁷, where the main objective is the fulfillment of promises and good behavior toward strategic audiences. The aim, within the corporate culture, is for a participatory, proactive and dynamic model to ensure its long term permanence.

Despite this change in corporate culture, organizational structures are slow to appear. It is at the end of the second millennium when the first corporate social responsibility boards were created. At that time, it included only large Spanish companies in the IBEX 35. In some cases these management departments are independent and at the top of the hierarchy, in others, they are integrated within Communication Management or Human Resources²⁸.

3.4. *The first decade of the twenty-first century: sustainability and reputation*

Companies in the twenty-first century are characterized by their policy of prioritizing economic and social sustainability in their strategies. Major multinationals, immersed in globalization, need to create value for their strategic audiences and so increase their participation in the markets in which they operate.

Corporate social responsibility (CSR) continues to increase in importance in the business context. The development of this intangible within companies occurs as the result of a new corporate policy characterized by transparency of information, interest in its ambit (human, social and environmental) and socially responsible investment. Public administrative bodies also begin to manage this intangible.

The rise of the Internet allows greater information regarding companies. The development of ICT, e-administration, Web 2.0, social networks and the advent of blogs contribute to globalization not only in the economic sphere, but also in communications. The flow of information about products, services or brands can no longer be controlled. All strategic audiences are able to express their opinion on social sites, interacting as a community of *online* users²⁹.

Nevertheless, this situation brings with it a great advantage. This fluid dialogue allows almost instantaneous adjustments to be made to strategy and decision making, together with the correcting of inaccuracies or errors in communication before discontent can

²⁶ Cfr. RIEL, C.B.M. van, *The alignment factor. Leveraging the power of total stakeholder support*, Routledge, New York, 2012.

²⁷ Cfr. MARÍN, J.L. y RUBIO, A., “La responsabilidad social corporativa como determinante del éxito competitivo: un análisis empírico”, *Revista Europea de Dirección y Economía de Empresa*, vol. 17, nº 3, pp. 27-42.

²⁸ Cfr. FORÉTICA, *Informe anual 2008. Evolución de la responsabilidad social de las empresas en España*, Forética, Madrid, 2008, pp. 20-21.

²⁹ Cfr. RITTER, M., “La complejidad de las organizaciones en el mundo globalizado y el nuevo rol del Dircom”, in COSTA, J. (ed.), *Dircom. Estratega de la Complejidad. Nuevos paradigmas para la Dirección de Comunicación*, Universitat Autònoma - Jaume I - Pompeu Fabra, Barcelona, 2009, pp. 65-75.

grow. The participatory approach of the company, from the point of view of “listening”, is a priority in defining strategies in the short, medium and long term. Interest emerges in knowing what opinion online users have of the company: *online* reputation.

Nowadays companies able to guarantee their permanence are not the largest, but the quickest to adapt to new situations. The success or failure of firms depends not only on themselves, but on relationships based on trust generated with their audiences. To this end, corporate strategy needs developing to create competitive values and guide the organization towards patterns of behavior consistent with global identity. The large size of some companies and the diversity of corporate boards interacting with their audiences (marketing, communication, human resources, corporate social responsibility, etc.), make it necessary to ensure there is a global consistency between what is said and done by all parties.

The Enron case marks a before and after in the legislation against opacity in management policies. The legal interest in promoting corporate transparency is reflected in regulations such as the Aldama Report in Spain, or SOX (Sarbanes-Oxley) federal law in the United States. Companies listed on the Spanish stock market are also obliged to prepare an annual report on corporate governance.

However, the concept of corporate governance is not only being applied in listed companies, but has expanded to many others who seek to implement management based on responsible competitiveness³⁰. This model of management is based on communicating to its environment the social responsibility and transparency assumed in its corporate culture. These practices seek to ensure levels of competitiveness in an ethical and sustainable way, expanding its reputation beyond the products offered, and positively influencing on the environment.

Nevertheless, its main feature is proactive management, leading to a study not only of the operational risks, but also those derived from the reputation of the company held by its stakeholders. Thus, "reputational risks" regarding a company's actions are now being valued.

All this has led to the situation where large corporations begin to manage the *corporate reputation* intangible within their global strategy³¹. Since good management in this field generates different behaviors favorable to different audiences, cash flows are encouraged, while at the same time capital and investors are attracted. However, at present there are few companies having clearly defined CR departments, and there is not always a clear organizational structure.

Two significant shortcomings in this area can be highlighted. On the one hand, communication managers (Dircom), handle corporate reputation almost exclusively in the sphere communication³². They have not evolved towards a transversal management of reputation, unifying the activities of the different corporate managements. On the other hand, the diverse intangibles that make up the universe of *corporate reputation* (CSR, brand, culture, identity, communication, etc.), continue to be situated in silos, with little coordination between them. Only very few pioneer enterprises have created a strategic management of *intangibles* which participate on specific reputation committees within the administrative boards³³.

³⁰ Cfr. GONZÁLEZ, C., “Estrategia Corporativa, un instrumento básico del Dircom”, in COSTA J. (ed.), *Dircom, Estrategia de la Complejidad...*, pp. 55-57.

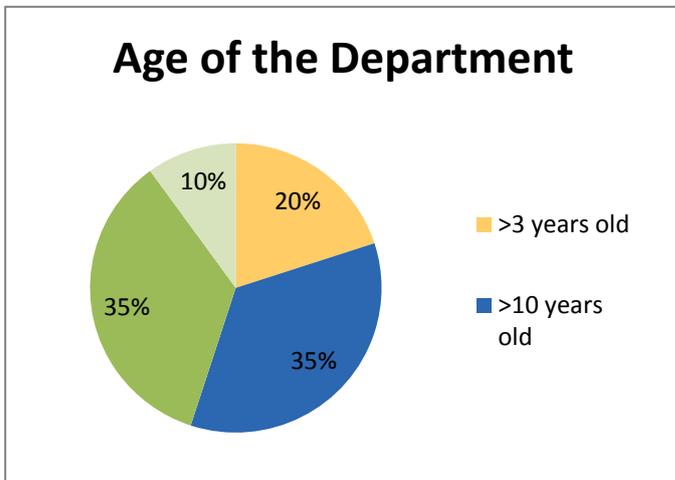
³¹ Cfr. DE SALAS, M.I. y MONSERRAT, J.M., “La reputación corporativa como instrumento de articulación en la gestión de la Organización”, in *FISEC-Estrategias*, nº 15, vol. 3, 2011, pp.37-59

³² Cfr. MORALES, F. y Enrique, A.M. “La figura del Dircom. Su importancia en el modelo de comunicación integral”, *Análisi*, nº 35, 2007, pp. 83-93.

³³ Cfr. CASADO, A.M., *El Chief Reputation Officer (CRO): Un nuevo modelo para la reputación corporativa*, Tesis Doctoral, Servicio Publicaciones Universidad de Málaga, Málaga, 2011, p. 207 ss.

In the field work carried out on 20 major Spanish corporations, we have seen that *corporate reputation* is a relatively recent concern. In 55% of cases, the age of the department managing this intangible (see Figure1) is less than 10 years old, while only 35% of firms can claim dedication to this field for more than a decade.

Figure-1. Age of the department which manages CR

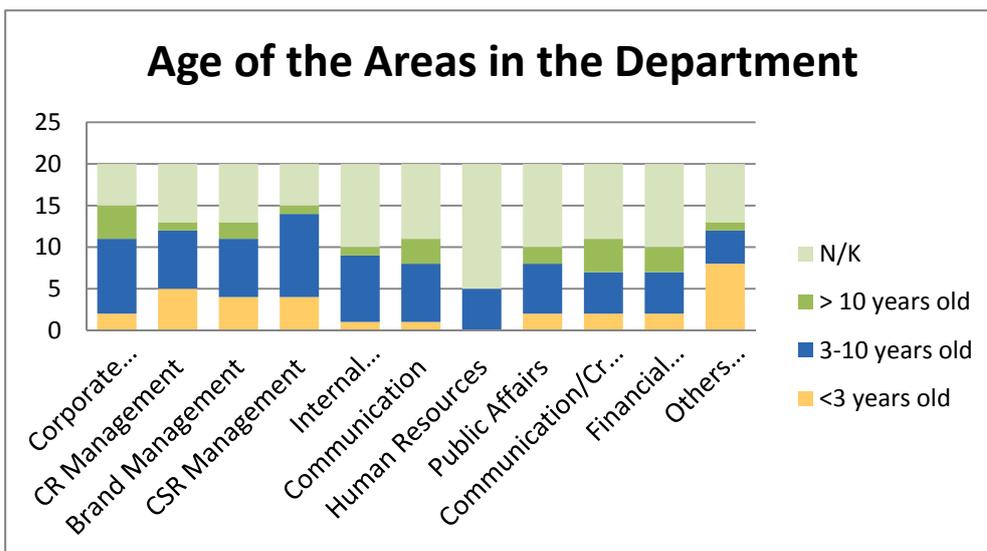


Source: Authors' own.

In addition, the incorporation of the different areas in the global framework of *corporate reputation* has also been uneven. As shown in Figure 2, the most senior are corporate communication and marketing communication, followed by financial communication and crisis communication. The latter two were clearly strengthened by the characteristics of the companies studied: most of them are publicly traded and, therefore, should try to avoid the crises that may affect their market value.

Analyzed individually, Telefónica was the first company in Spain in 2001 which opted for a corporate reputation area in its organization chart. It was decided to locate it in the Chairmanship Secretariat.

Figure-2. Age of the areas of the departments handling CR



Source: Author's own.

As can be seen in Figure 2, the creation of new areas of CSR and CR is a phenomenon of the past three years, although for the last ten they have been making an appearance in large corporations. This rise in recent years coincides with the growing interest of companies for communication through social media. At present, the concerns regarding online reputation has led to the emergence of a new figure, the *community manager*. This figure has a threefold task: to monitor all comments on the net with reference to the company; give fresh impetus to the company's online dialogue with different audiences and channel complaints from consumers to ensure prompt resolutions. The latter avoids the situation where a simple complaint produces what is called the "snowball effect".

4. From Communication Management to Reputation Management

Large corporations base their model of management on the effective management of public relations³⁴. This system needs a director or strategist to provide information and participate in making various strategic decisions, such as the following:

1. Develop and integrate responsible behavior /culture for the company in its different areas of activity.
2. Ensure the consistency of the corporate brand, adjusting what is said, communicated and done to the expectations of its stakeholders.
3. Communicate to its audience the global corporate strategy in order to obtain their integration and so ensure their loyalty and commitment within the company.
4. Draw up and prioritize a map of strategic stakeholders, regulators and supervisors of the sector to which the organization belongs. Be informed of and participate in their systems, foster relationships, share ways of behavior and have firsthand knowledge of the innovations produced in its environment, whether legal, social, economic, political or technological.
5. Detect and monitor issues that may affect *corporate reputation* in different areas or systems, be they internal or external, where the company acts.

These lines of management completely change the perspective that was previously held of the Dircom. Their work not only affects communication, but also CSR, the brand, corporate identity, culture and all the intangibles which create value in the company. Currently, they are expected to know how to manage transversely –in a global way– the company's *corporate reputation*.

Communication can help strengthen *corporate reputation*, but also can generate reputational risks. Therefore, in the framework of the 21st century business model, the Director of Communication needs to adopt a new role: *global strategist*³⁵ of *intangibles* that affect the company and its *corporate reputation*.

According to a study by the European Communication Monitor, 62% of European Dircoms are responsible for defining the company's strategy, and among their main functions is the management of *intangibles*³⁶. This report points to the benefits to be

³⁴ Cfr. GUTIÉRREZ, E., "Gobierno corporativo y comunicación empresarial. ¿Qué papel cumplen los directores de comunicación en España?", *Palabra Clave*, vol. 13, nº 1, 2010, pp. 147-160.

³⁵ Cfr. COSTA, J. (ed.), *Dircom. Estratega de la Complejidad. Nuevos paradigmas para la Dirección de Comunicación*, Servei de Publicacions de la Universitat Autònoma de Barcelona, Barcelona, 2009.

³⁶ Cfr. ZERFASS, A., TENCH, R., VERHOEVEN, P., VERCIC, D. & MORENO, A., *European Communication Monitor 2010. Status quo and challenges for public relations in Europe*, EACD, EUPRERA, Bruselas, 2010, p.29.

gained by the evolution of Dircoms and that they figure as a *strategist*, involved in the overall strategy of the company, not only in planning communication activities. However, in Spain, only 41% of Dircoms participate on the board of directors of the company, even though they are close to the centers of decision and advise senior management. The remaining 59% continue to focus their work on communication and seldom on the management of *intangibles*.

In a study published by the Ministry of Industry, Tourism and Trade, the Dircoms state that their department works in 42 areas or lines and are aware they need to continue in their management³⁷.

The main intangible managed by the Dircom is that of image³⁸, this being a sporadic perception audiences have of the company, generated by a particular communication. However, the management of reputation has a structural nature, that is to say, one not obtained solely from outside communication. A sound knowledge is needed of the company, its commerce, sector and environment, in order to manage all indicators that may occur and that may affect *corporate reputation*.

The aforementioned study states that

The Dircom is aware their activity influences *intangibles*, the brand and the reputation of the company. However, what underlies the discourse of Dircom is that these intangibles are not being managed effectively. Three interrelated factors are detected that explain this situation: the economic resources are below those of the HR and marketing; the lack of centralized and transversal management and the lack of tools to manage and measure the *intangibles*. In present day communication management, since there is no standard model of management and reporting of *intangibles*, comprehensive measures are not being applied³⁹.

Currently, as a result of the economic crisis, there are cuts in communication management and outsourcing is becoming widespread. This happens especially when communications managers are highly specialized in fields such as speechwriting and communiqués, media relations, commercial information, etc. To keep abreast of the times, communication professionals must assume the role of *strategist* in the field of *intangibles* and thus participate in the decision-making body of the company's global strategy.

For the coming years, the challenge of communication management is in working to achieve the following objectives:

1. Integrate the identity (mission, vision and values) and corporate culture with transparent dialogue and active listening. These are the two elements that allow a differentiating strategy of the company.
2. Have an update knowledge of the *perception of strategic stakeholders* (employees, customers, potential customers, shareholders, suppliers, etc.) with regard to the company, and identify times and situations where it becomes indifferent, distant, even critical. Likewise they should know what aspects of management need to be improved to ensure long term survival.

³⁷ Cfr. EOI, IAI y MINISTERIO DE INDUSTRIA, TURISMO Y COMERCIO (MITC), *Nuevos modelos de gestión y de función para los responsables de comunicación: estudio sobre el modelo español de gestión y reporting de intangibles para un Dircom*, EOI, Madrid, 2010, p. 31.

³⁸ Cfr. CAPRIOTTI, P., *Planificación estratégica de la imagen corporativa*, Ariel Comunicación, Barcelona, 1999, pp. 15-31.

³⁹ EOI, IAI y MINISTERIO DE INDUSTRIA, TURISMO Y COMERCIO (MITC), *Nuevos modelos de gestión...*, pp. 60-61.

3. Integrate into corporate strategy the seven dimensions identified by RepTrak which affect *corporate reputation*⁴⁰, thereby ensuring economic, political and social sustainability.

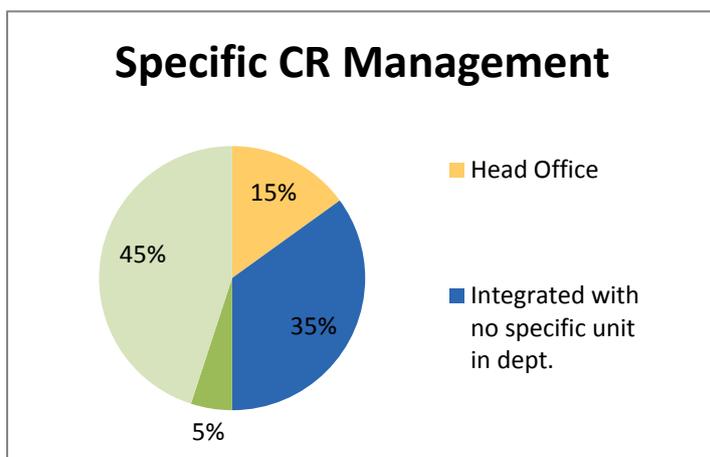
In short, the figure of the Communications Director should not limit their work to the mere transmission of information⁴¹. The profession must evolve. Companies need communicators who add value to management in the overall business strategy. Those communicators who can create opportunities and reduce risks in the field of *corporate reputation*, will be members with a say and vote in the decisions of top management.

More than a decade ago, Fombrun⁴² considered that in order to exploit reputational capital and build stronger companies, a new figure had to be developed at an executive level in companies, which he called CRO (*Chief Reputation Officer*). At present, this role is emerging in multinational corporations under the name of *Chief Communication and Reputation Officer* or *Chief Reputation Officer*. Casado claims that “33% of them are actively involved in the processes of defining corporate strategy and the global decision making of the company”⁴³.

Companies are their relations, and would not exist without them, nor would they develop or survive. The task of this *strategist* should be to know these relations in all its facets, to work with them in the areas involved and safeguard the balance between the company and its environment.

Today, this *strategist* is committed to handling *corporate reputation* and other *intangibles* –CSR, brand, culture, identity and communication– as an essential part of the overall corporate strategy.

Figure-3. Specific Corporate Reputation Management



Source: Author's own

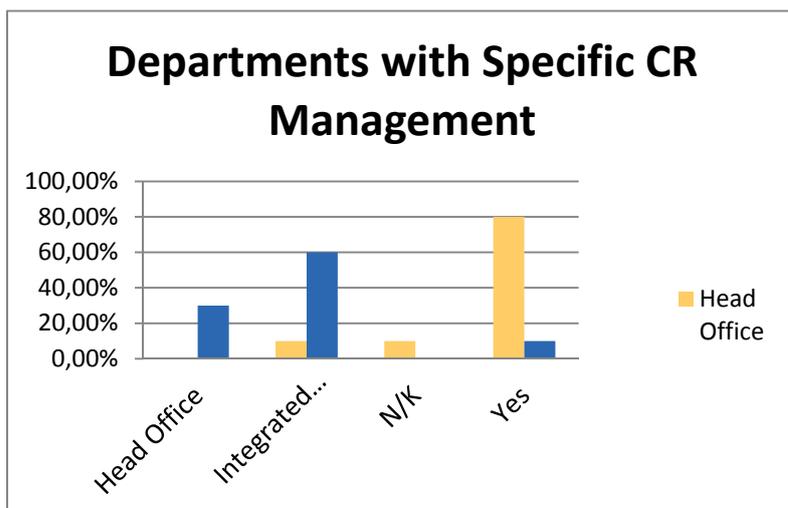
As shown in Figure 3, in 45% of the corporations surveyed (central offices or branches in Spain), there is a specific corporate reputation manager. Additionally, in 80% of the headquarters of those corporations interviewed (see Figure 4), there are specific managers who globally manage CR with the remaining corporate areas.

⁴⁰ Cfr. VILLAGRA, N. y CARCELÉN, S., “Gestión estratégica de los intangibles empresariales”, *Revista Antiguos Alumnos del IEEM*, Universidad de Montevideo, vol. 7, n° 3, 2004, pp. 103-113.

⁴¹ Cfr. MUT, M., “El Director de Comunicación, perfil de una nueva figura”, *FISEC-Estrategias*, vol. 2, n° 5, 2006, pp. 3-23

⁴² Cfr. FOMBRUN, C., *Reputation. Realizing value from the Corporate Image*, Harvard Business School Press, Boston, 1996, pp. 19-198.

⁴³ CASADO, A.M., op. cit., p. 259.

Figure-4. Departments with specific CR Management

Source: Authors' Own

The fragmented knowledge that many companies have had about their strategic public and the limited knowledge of regulatory and ethical aspects, has generated a series of mistakes resulting in significant losses, not only in the economic sphere but also in *corporate reputation*.

Faced with this situation, management must develop two qualities: (1) a legal and strategic vision of relations with stakeholders; and (2) the ability to transfer within the company the way of managing these relationships in different departments. In time, they could be manifested in action protocols, codes of conduct, etc. which result in generating significant corporate know-how.

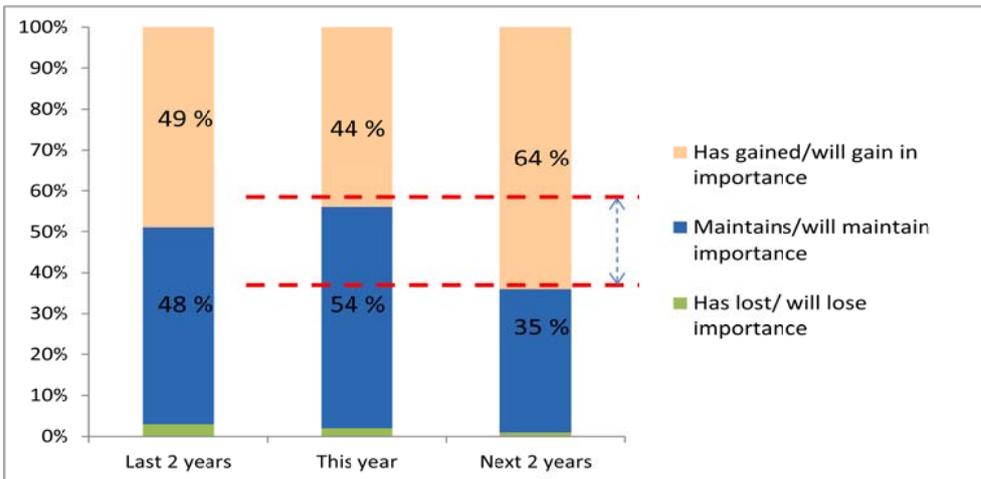
5. Trends in reputation and its management

In 2004 Villafañe stated that reputation is the task of all departments, not just one in particular; and suggested that if the company deemed it suitable, it could create a Corporate Reputation Manager and a committee for responsible corporate reputation⁴⁴. The study "*El Estado de la Comunicación en España*" (2010)⁴⁵ (The State of Communication in Spain), confirms that the functions of Dircoms will grow in the coming years towards the managing of *intangibles*, but will remain focused more on the management of communication than of *intangibles*.

⁴⁴ Cfr. VILLAFANE, J., *La buena reputación...*, pp. 137-154.

⁴⁵ ADC DIRCOM (eds.), *El estado de la comunicación en España*. ADC DIRCOM, Madrid, 2010, p. 11.

Figure-5. The importance of CR in the coming years

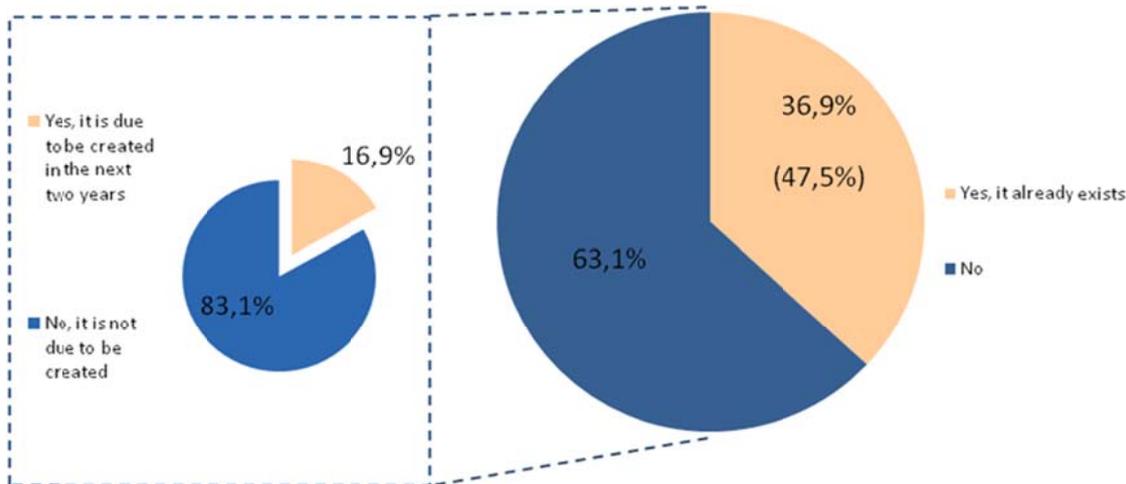


Sources: NetEquity and FRC

The NetEquity and FRC study⁴⁶, ceded for this research, draws similar conclusions from a sample of 187 top-level executives (CEOs, general managers, advisors, etc.) of major foreign and Spanish multinationals. The responses of those interviewed confirmed that:

1. CR will grow in importance in the coming years and will become important for 64% of large multinationals (Figure 5).
2. In Spain, this area is expected to increase by 16.9%. Moreover, in the next two years, it will be developed in 47.5% of these multinationals (Figure 6).

Figure-6. Existence of CR Area in Organizations in Spain



Sources: NetEquity and FRC

This new corporate *management*, based on relationships with stakeholders and knowledge of their perceptions, will be one of the cornerstones in the design of global strategy in the coming years. Thus, the *Chief Communication and Reputation Officer* or the Dircom who develops in their field towards the management of intangibles will be

⁴⁶ Cfr. NETEQUITY, *Necesidades de formación en reputación corporativa de las empresas españolas*, Madrid, NetEquity y FRC, 2011.

able to coordinate the different corporate areas (brand, image, communication, CSR, etc.) in order to advise top management regarding what affects the reputation of the company and implement a decision making model which takes into account the perceptions of stakeholders.

This new role will also expand the map of strategic publics currently handled in communication or marketing departments (to exclusively define communication strategies or marketing). Authorities, social agents, opinion leaders, etc. will also be part of their professional horizon. Their main task will be to define, implement and work with the different corporate divisions, a management model based on measuring perceptions, strengthening the reputation of the company and ensuring sustainable relationships with the environment.

6. Conclusions

The globalization of markets and the transformation of the public environment by the emergence of the Internet and social networks have created new scenarios for the company's relations with its strategic publics. As a result, firms have turned increasingly to the management of *intangibles* in order to differentiate themselves in competitive markets and ensure their sustainability.

These *intangibles* have been progressively incorporated according to the evolution of the communication requirements of the company. Thus, in the seventies, due to the spectacular growth of the services sector, the human capital of the company was given its just recognition. For the first time, a person (whether employee or customer), was given more attention than the product. Furthermore, this led to the incorporation of new *intangibles* such as corporate culture and internal communication.

In the eighties, the privatization of public enterprises in Spain generated a new stakeholder for companies: financial agents, which resulted in a new specialization: financial communication. At the same time, international expansion highlighted the differentiating value of *intangibles* and the potential of the brand-product began to be developed.

In the nineties, the equalizing of products (which increasingly resembled each other) emphasized the importance of the corporate brand as a key differentiator and communication departments began to proliferate, with the Asociación Dircom as a reference. One of the most valuable *intangibles* is, in this decade, corporate social responsibility (CSR), which broadens the spectrum of fields of interest for company management, concerning both the quality and profitability of their products. Of great interest now is the company's impact on the economic, social and environmental spheres.

Finally, in the first decade of the new century, the development of CSR with specific management on the one hand, and the advent of Web 2.0 (participatory internet, blogs, social networks, etc.) on the other, redirects the focus of business communication towards so-called *corporate reputation*, with a new and growing specialization: online reputation. In this decade, there is less talk of competition and much more of sustainability, of building relationships of trust and transparency with the public: the project of the company over time.

All this has resulted in the need to move towards a new professional role for the management of intangibles (brand, reputation, communication, CSR, etc.): The *Chief Reputation Officer*, the *corporate reputation strategist*. This new figure exceeds the

classical view of the Press Officer, the professional who contacts the media and briefs them or reports to shareholders. It also exceeds the classical view of the Dircom, whose main function is only and exclusively the management of communications. The new professional still has the profile of communicator, but now on a higher level: they have become *strategists*, someone who manages *corporate reputation* at the very heart of the company, who works primarily with intangibles, measures the perceptions of stakeholders and anticipates potential risks to reputation in different areas, especially on the Internet and social networks. A manager who at the same time participates in corporate governance and corporate decision making.

This new figure works to implement, facilitate and advise the different areas of the company regarding actions and communications that could improve their perception among audiences and generate new business opportunities. In so doing, this *strategist* aims to build relationships of trust with the publics, incorporate the management of *intangibles* into the global strategy of the company and contribute to the sustainability of the company.

The current figure of the Director of Communication has still a long way to go. There exists a great distance between the functions currently undertaken and those the new market demands: the management of *intangibles* and *corporate reputation*.

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