Managing reputational risk at Bosch car multimedia - Portugal: Creating safety nets through corporate communication programs

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Abstract

The renewed focus on the study of corporate reputation shows an increasing acknowledgement that this intangible asset has a strong role to play in a company's ability to thrive. Notwithstanding, managing the reputation of an organization seems to be a difficult task, or one that is neglected by most executive managers, who fail to defend their companies from crisis situations.

In this paper, our purpose is to analyze the corporate communication programs of the company Bosch Car Multimedia - Braga (Portugal) and thereby gain a deeper understanding of the role played by 'safety nets' in managing reputational risk and preventing crisis scenarios at a local level. In this context, we conducted a study in order to analyze the state of the art of BCMP's corporate communication programs, which were created locally with the aim of contributing to the development of 'safety nets'. BCMP is an interesting case for study and debate with respect to reputational risk and crisis communication, along with the development of 'safety nets', since the company has to face the challenge of combining a centralized communication structure (based in Germany) with a strong and demanding union workforce.

Keywords: Corporate Communication, Corporate Reputation, Reputational Risk, Crisis Communication, Safety Nets.

Introduction

As the world gets globalized and more attention is paid to the influence of stakeholder’s activities, managing corporate reputation (at the entrepreneurial or industrial level) becomes a focus of interest for academics and practitioners, and a vital asset for the success of a company (Gotsi & Wilson, 2001; Fombrun & Van Riel, 2004; Winn et al., 2008). An accurate analysis of academic research within this field shows: (a) the important role of the communication process in the development and sustainability of a good reputation (Fombrun & Shanley, 1990; Balmer & Gray, 1999; Forman & Argenti, 2005); and (b) the relationship

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between reputation and competitive advantage as a result of the social exchange process holding between stakeholders and firms (Fombrun & Rindova, 1999).

Nevertheless, despite the increasing importance of corporate reputation and the progress of worldwide communications, this intangible asset seems to be neglected by executive managers, who constantly fail to treat corporate reputation as a significant business advantage. Therefore, crisis scenarios often arise and corporate reputation is managed on a reactive basis, through public relations campaigns (Resnick, 2004).

In order to protect companies and avoid crisis, Fombrun et al. (2000) sustain that the development of corporate communication programs is vital for the management of reputational risk. And Forman and Argenti (2005) seem to agree, suggesting that one of the main functions of corporate communication (the area responsible for establishing a bond among all organization constituencies) is to implement corporate strategy and build the reputation and the brand. Saxton (1998) also gives unyielding substance to the role of the corporate communication function in influencing the perceptions of stakeholders about a company’s reputation. The author is clear when he adds that organizations are accountable for shaping their own social representations.

To deepen the understanding of this dynamics between corporate communication, corporate reputation and reputational risk, we studied the corporate communication programs of Bosch Car Multimedia Portugal (BCMP), and their role in creating safety nets (Fombrun et al., 2000) – or developing ties of positive perceptions that can minimize a scenario of reputational loss. This branch of the multinational enterprise Bosch is located in Braga, and is the largest plant in the country, with over two thousand employees.

Despite its being a successful company, BCMP faces daily challenges as a result of the dimension of its workforce and the empowerment of its workers’ committee (strongly linked to national trade union structures). The committee, which represents a workforce that still values more traditional union ideals, frequently discusses management decisions and acts as an opposing opinion leader regarding the company’s administration. The urgency to deal with these matters and avoid crisis situations led BCMP into looking to corporate communication programs as a way to minimize risk.

Although it is difficult to adapt a worldwide communication system to a local level, the corporate communication programs led by BCMP (through centralized and local measures) seem to have produced good results in creating safety nets that ensure what appears to be a good management of reputational risk. This particular environment makes BCMP an interesting case for study and debate in respect of reputational risk and crisis communication, along with the development of safety nets that become increasingly more relevant in the current state of affairs.

**Corporate reputation**

Corporate reputation is generally conceptualized as the stakeholders’ overall assessment of a firm over a period of time (Fombrun, 1996; Barnet et al., 2006). According to Fombrun (1996), Gotsi and Wilson (2001) and Winn et al. (2008) corporate reputation is an evaluation that can be based on the experiences that stakeholders get from the company or from any type of communication provided about the firm. These judgments can be rooted in the perceptions of identity and image of an organization. Even if corporate
identity might not change significantly over time, corporate image and reputation may change as a result of external events (Wei, 2002).

In order to clarify the concept of corporate reputation, Barnet et al. (2006) suggest the distinction between this concept and the ones that are connected to it: corporate identity, corporate image and reputation value. Despite Fombrun’s (2001) claim that corporate reputation can be seen as a financial asset (reputation capital), as a cognitive representation (image) and as a judgment (reputation). However, Barnet et al. (2006) consider that the boundaries between them should be clarified in order to study the phenomenon. As far as corporate identity is concerned, the authors seem close to the classical view of Albert and Whetten (1985), who suggest that identity incorporates the characteristics that members perceive to be central, distinctive and enduring to an organization. On the other hand, image is conceived of as a representation of a company developed by stakeholders as a consequence of the messages that they receive (directly from the organization or otherwise). Therefore, the transition from corporate identity to corporate image is the role to be played by the communication processes that shape the perceptions of the constituencies of a company.

Even though image or reputation cannot be totally controlled. The reputation capital, on the other hand, is considered to be the economic value given to reputation. Fombrun et al. (2000) define reputational capital as the value of a company that is at risk in everyday interaction with the stakeholders or as the fluctuating value of the company’s reputation. As a consequence, reputational capital depends on the relationships between the company and its stakeholders, whether they are employees, customers or investors.

To obtain the stakeholders support thus seems to be relevant the development of a strategic alignment, which can be defined as the degree of supportive behavior among key audiences, rooted in awareness and understanding of the firm’s strategic intents (Van Riel et al., 2005). In the internal context, the strategic alignment encourages employees to act in accordance with the company’s purposes, with a higher degree of motivation, and enhances the collective performance. Strategic alignment means that all employees understand, believe and are able to carry out strategic initiatives (Gagnon & Michael, 2003). So, as Fombrun et al. (2000) point out: managers that encourage employees to work hard create reputational value and reduce reputational risk. A company that loses its stakeholders support will see the reputational capital being destroyed. But what does reputational risk mean?

**Reputational risk and safety nets**

Research in organizational reputation shows that managers tend to perceive risk as a potential loss. In fact, they focus only on the downside of risk (that is, the risk of reputational loss, as a result of threats that might affect the relationships with the company’s stakeholders), disregarding the potential gains that a company might get by managing risk\(^2\). Following this point of view, we use the concept of reputational risk as the range of possible gains and losses in reputational capital for a given firm (Fombrun et al., 2000).

\(^2\) On the other hand, the upside of risk is the risk of reputational gain, as a result of the company’s actions to create platforms of opportunities, in order to promote strategic alignment and to take advantage of opportunities that can emerge tomorrow (Fombrun et al., 2000).
Fombrun and Rindova (1998) suggest that companies deliberately involved in managing their reputation benefit from better and more developed relations with stakeholders. Therefore, further to Forman and Argenti (2005), if the corporate communication function is responsible for shaping and settling the perceptions of stakeholders, corporate communication is the central process in the management of corporate reputation and reputational risk. Impression management should, then, be a permanent activity of the corporate communication function, in order to preserve the reputational capital and avoid crisis situations. In addition, to handle reputational risk, communication professionals should build relational safety nets through the development of long-term positive interactions with their publics. A safety net is a concept used by Fombrun and his colleagues (2000) to support the argument that certain behaviors and communication efforts (as corporate citizenship) strengthen the social bonds between the company, its employees and the community. The authors believe that those actions create emotional and interpretative bonds between the company and its stakeholders, which build and protect reputational capital as networks of positive impressions and goodwill. And from this theoretical view, we developed the notion by conceptualizing safety nets as strong and positive identity, image and reputational representations (as social bonds), induced by the communication process and highly protective of the company’s good name, even in crisis situations. Safety nets should, therefore, be developed in a daily basis, and specially evoked in crisis communication programs.

Furthermore, to manage reputational risk and create those safety nets, companies should understand the role of crisis communication.

**Crisis communication**

Crisis Communication is an established area of research and practice that deals with the use of public relations to minimize harm to the organization, resulting from emergency situations that can cause irreparable damage (Kreps, 1990). Crises vary in degree and probability, but all share the threat of causing damage to companies, which can be measured in terms of reputation losses.

Crisis communication, then, involves sending and receiving messages to prevent or lessen the negative outcomes of a crisis and thereby to protect the organization, stakeholders and/or industry (Coombs, 1999).

It emerged as an area of practice and research within the communication field, as a result of the need to communicate during public emergencies, earthquakes, floods, hurricanes, and so on. But it has grown to encompass every kind of communication that is intended to prevent damage to the public perceptions of a firm, including economic and financial risks, product/service problems or human resources issues.

In order to clarify the concept, it is important to distinguish ‘crisis communication’ from ‘risk communication’. Risk communication has been associated with health communication and its efforts to warn the public about the risks associated with a particular behavior. Crisis communication, on the contrary, is associated with public relations efforts to prevent or repair perceptions in a crisis or disaster situation (Benoit, 1997; Seeger, 2006). This latter concept supports the idea that corporate communication is able to handle blame, responsibility, information and reputation issues positively in crisis situations.

Therefore, communication strategy is an important part of crisis management (Williams and Olaniran, 1998). Using impression management strategies, a company can reduce reputational risk, by creating a significant
field of *safety nets* with the most important stakeholders. The role of these *safety nets* is to build a strong sense of trust in the relationship between the public and the firm, in order to avoid immediate suspicion of irresponsible or unethical behavior on crisis circumstances.

Within this context, the literature (Fombrun *et al.* 2000) suggests that ‘corporate citizenship programs’ – or corporate social responsibility (CSR) activities³ - can be a strategic tool to cope with reputational threats, by generating reputational gains and mitigate losses within risk scenarios. Those programs improve the company’s ability to attract resources, enhance its performance and build competitive advantage. By developing trust and goodwill – as *safety nets* - those activities, integrated alongside communication strategy, are actually investments on reputation value.

In order to deepen this perspective of the role of corporate communication in reputation management and risk situations, we examined BCMP’s communication and corporate social responsibility (CSR) activities. BCMP’s communication strategy, which included reinforced CSR actions, seems to have shaped important *safety nets* that preserved the firm’s reputational capital in crisis conditions. BCMP’s case study will be presented in the next section.

**Bosch: a case study**

The purpose of conducting a case study was to analyze the role of corporate communication programs in the development of *safety nets* that can minimize or prevent crisis situations and, consequently, avoid reputational losses. As Yin (1984) states, the case study methodology is particularly useful in the analyses of dynamic phenomena taking place in real contexts. This method allows data assessment without changing the environment, which can be rather valuable in exploratory studies. And this research was conducted precisely as an exploratory study, oriented to testing literature proposals on the relationship between corporate communication programs and the development of *safety nets* and reputation capital. Moreover, this research design seems to gather some favor when it comes to interpretative paradigms.

The case study selected was *Bosch Car Multimedia Portugal* (BCMP). This company was identified as an organization that faces high levels of reputational risk on a daily basis, for several reasons: (1) the multinational attribute of the company/brand (that raises particular cultural and social issues); (2) its dimension (having more than two thousand employees with various educational levels); (3) the active presence of a workers’ committee (some sort of internal union structure, which raises recurrent environmental stress); and (4) its centralized communication policy (demanding the approval of the communication programs by the headquarters in Germany). All those factors make BCMP frequently vulnerable to crisis situations and reputational risk scenarios, as we found in previous analyses. These conditions were, then, considered favorable to examine our equation: can communication programs develop

³ In this study we use ‘corporate social responsibility’ as a wider concept that includes Frombrun *et al.*’s (2000) ‘corporate citizenship programs’ as a particular kind of CSR activities that are aimed at approaching the company to the local community.
reputational safety nets? Or, adapting the questions to our case: did BCMP’s communication programs create reputational safety nets?

After selecting our single case study, we moved towards the definition of instruments and procedures that, according to Yin (1984), involves identifying the units of analysis, the methods of data collection and the interpretation criteria. The units of analysis were identified and are presented in Table 3. Each of these units was characterized through data collection that used the document analysis method. Official documentation, provided by Bosch, was collected, registered, organized and examined in order to reach a clear data reading. Data were categorized, tabulated and recombined, as a means to look for evidence and connections among variables. The results of this process will be presented, discussed and interpreted in the texts below.

Bosch Car Multimedia Portugal

Employing over two thousand employees, BCMP is located in Braga since 1990, and is the largest branch of this multinational company in the country (Table 1).

Table 1. Bosch Car Multimedia Portugal, Official Data

<table>
<thead>
<tr>
<th>BCMP 2008 official data:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of employees (Bosch contracted)</strong></td>
</tr>
<tr>
<td><strong>Education</strong></td>
</tr>
<tr>
<td>1st cycle – 4 years – compulsory education</td>
</tr>
<tr>
<td>2nd cycle – 2 years – compulsory education</td>
</tr>
<tr>
<td>3rd cycle – 2 years – compulsory education</td>
</tr>
<tr>
<td>High school/secondary education</td>
</tr>
<tr>
<td>Higher Education</td>
</tr>
<tr>
<td><strong>Professional function/categories</strong></td>
</tr>
<tr>
<td>Top management</td>
</tr>
<tr>
<td>Managers</td>
</tr>
<tr>
<td>Middle managers and specialists</td>
</tr>
<tr>
<td>Administrative and technical professionals</td>
</tr>
<tr>
<td>Operators</td>
</tr>
</tbody>
</table>

Bosch Group’s corporate identity is based on values and principles promoted in all the countries (approximately 50) where the Group is based. As stated by the company ‘the Bosch Values act as a compass in times of change, and provide appropriate orientation. They also point the direction which cultural change

⁴ BCMP has more that two thousand employees, but the official reports only include the number of workers directly hired by Bosch. This excludes subcontracted employees that work at BCMP.
within the company is meant to take. The values are designed to help shape cooperation among associates and to lay the foundation stone for the necessary strong economic development of the company. This means: (1) increasing performance ability by providing orientation and trust, (2) increasing speed by reducing bureaucracy and controls, (3) strengthening the identification of associates with an international and culturally diverse company. The values comprise Future and Result Focus, Responsibility, Initiative and Determination, Openness and Trust, Fairness, Reliability, Credibility, and Legality, and Cultural Diversity (Bosch Global Net).

Observing these statements, we came to the conclusion that communication has a relevant role in the establishment of Bosch’s corporate identity. This assumption became stronger while reading Bosch’s Leadership Guidelines, which emphasize the value of communication: ‘Keep your associates informed’ is one of the ten management principles of Bosch, as is ‘Give feedback to your associates’.

However, communication management in a multinational company is a complex task. 50 countries, thousands of employees with different languages, from different cultures, with different social contexts and possessing particular characteristics, all represent a complex universe of meanings to manage. At BCMP the challenge of corporate communication has a minor dimension, but it is still much multifaceted. The local company has a Communication Manager (first within the Management and Human Resources Department, having subsequently gained autonomy), since 2005, and the structure is mainly responsible for managing internal communication (as the external communication process is run directly by the Bosch Group).

The analysis of Table 1 points out the disparaging levels of education at BCMP, which is a major issue to the communication function. Over one thousand employees do not have a high school diploma. This seems to accentuate the problem of adjusting BCMP’s work values to the German culture of the Bosch Group.

Another, major communication issue is the leadership role played by the local Workers’ Committee. Over one thousand employees (the majority in operations) belong to this Committee that has a strong link to a national union force, and acts has a demanding observer of the company’s actions. The confrontation of cultures and educational levels often results in a stressed organizational climate that increases the informal communication flows and enhances rumors. In addition, this is a fertile ground for the emergency of crisis situations. Obtaining the support of the Committee and overcoming the resistance carried out through informal communication channels are some of the challenges that BCMP has been facing over the past years.

In this study, we aim to analyze the actions implemented by BCMP communication structure to avoid risk scenarios as the ones described above, during a specific period of time: from 2006 to 2009, or from the moment the communication function was created to the first satisfaction survey applied after that.

Communication Management

The continuous emergence of rumors in the company, the perception of the management credibility as weak by the employees, and information concerns led to an increasing focus of the Management and Human Resources Department on communication issues. This focus is also related to the Bosch Group’s values and leadership principles, which state the relevance of communication in the health and efficiency of every company, along with trust and transparency. In 2006, the management of BCMP recognized the inevitable
need for developing a more integrated, accurate and consistent approach to improve communication in the company, and therefore a specific function of Communication Manager was created, and an expert in the field was hired. The work being developed since then follows a communication strategy defined locally, and having as guidelines: (1) the Bosch global corporate communication vision and (2) the local communicational requirements, needs and expectations. The main goal of the function is to reach strategic alignment through communication programs, in the sense presented by Van Riel et al. (2005).

The most important tool used by BCMP to assess strategic alignment within the internal context (that is, employees' expectations in terms of communication, involvement and engagement) is the Associates Survey, which is conducted every two years to evaluate the employees' satisfaction. The survey is prepared in the companies' headquarters, and conducted within all Bosch's group (approximately 260,000 associates, to use the company's language). The results of the survey are used as an evaluation tool for many areas, namely for communication.

In this research, we used the Associates Survey data and we selected the indicators that are relevant to assess communication performance, specifically the ones influencing strategic alignment. Table 2 presents the evolution of employees' satisfaction items, from 2007 to 2009, in respect of the following variables: information, satisfaction, recognition and participation. The survey is anonymous and the employees' contribution is voluntary. In 2007, participation levels reached 81%, and in 2009, the same level increased to 90%.

<table>
<thead>
<tr>
<th>Question/item/indicator</th>
<th>2007</th>
<th>2009</th>
<th>Positive evolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Strategic Information &amp; Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 I am aware of my team's / department's goals</td>
<td>1.9</td>
<td>2.5</td>
<td>0.7</td>
</tr>
<tr>
<td>2 I am informed about the background to important decisions in good time</td>
<td>2.7</td>
<td>3.3</td>
<td>0.6</td>
</tr>
<tr>
<td>3 I can easily get the information I need to do a good job</td>
<td>2.1</td>
<td>2.6</td>
<td>0.6</td>
</tr>
<tr>
<td>4 In my team / department, there is a very good exchange of information</td>
<td>2.4</td>
<td>2.9</td>
<td>0.5</td>
</tr>
<tr>
<td>11 In my team/department, customer satisfaction is a main priority</td>
<td>1.7</td>
<td>2.1</td>
<td>0.5</td>
</tr>
<tr>
<td>12 My colleagues strive to deliver quality work</td>
<td>1.9</td>
<td>2.3</td>
<td>0.5</td>
</tr>
<tr>
<td>B Satisfaction with the work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 I am proud to work for Bosch Group</td>
<td>1.7</td>
<td>2.3</td>
<td>0.6</td>
</tr>
<tr>
<td>6 I enjoy my job</td>
<td>2.3</td>
<td>3.0</td>
<td>0.7</td>
</tr>
<tr>
<td>7 Overall, I am satisfied with my working conditions</td>
<td>2.3</td>
<td>3.2</td>
<td>0.9</td>
</tr>
<tr>
<td>C Improvement recognition</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5 The indicator is the mean value or the average value of the answers of all participants. The answering scale is coded from: 1/Fully agree to 5/Fully disagree.
In my team / department, we have implemented specific measures for improvement.

The activities after the last associates' survey (talks, workshops, arrangements, etc.) led to improvements.

### Involvement & participation

- **My team / department exhibits a very good team spirit**
- **My team / department has an environment which encourages creating new ideas**
- **Good ideas of associates in my team / department are considered and implemented**

The *Associates Survey* items presented above suggest that the employees' satisfaction progressed from 2007 to 2009. In fact, information flows (A item) seem to keep a better correspondence to employees' expectations and needs; the sense of belonging (B item) has increased; the feeling of recognition (C item) was enhanced; and the participation spirit (D item) was reinforced. The most increasing rate (1.0) relates to team-building indicators. In short, the alignment of the employees' perceptions to the company's strategies seem to have been strengthened. Therefore, we can infer that the positive overall assessment of the company, or its reputation, was enhanced.

In order to understand these results, we need to review the communication programs developed by BCMP along this period of time. The documents provided by the company for the purpose of this research are analyzed in Table 3, using the following categories: *Problems Identified* (communication and alignment issues detected), *Improvement Actions* (communication activities developed to resolve the problems) and *Results* (noticed improvements).

<table>
<thead>
<tr>
<th>Area</th>
<th>Problem</th>
<th>Improvement action</th>
<th>Result</th>
</tr>
</thead>
</table>
| Strategic Information & Communication | 1. Lack of alignment in information sources and messages contents:  
  - Too many “official” sources were identified;  
  - The management team was perceived as a weak (not credible) information source;  
  - The Workers’ Committee acted as opinion leader. | a) To hire a communication expert;  
  b) To develop strategic planning procedures for communication, including the definition of responsibilities, of information alignment, of media usage, etc. | I. Increase of satisfaction (assessed through the Associates Survey) |
|                             | 2. Lack of alignment between the expectations of employees and the information given;  
                             | 3. Workers’ Committee as the privileged information source for employees;  
                             | 4. Lack of strategic information given to employees (such as goals, products, projects, decision making processes, etc.). | c) To formalize the attendance of the Communication Manager to monthly meetings between the management team and the Workers’ Committee;  
  d) To promote the participation of the Communication Manager on the plenary meeting of the Committee, to collect | I. Less open points (non-solved);  
 II. Better preparation of the management meetings according to the expectations of Workers’ Committee;  
 III. Increase of communication flows efficiency between management and employees’ representatives; |
<table>
<thead>
<tr>
<th></th>
<th>employees feedback (input) and information needs; e) To implement communication/information routines;</th>
<th>IV. Improvement on the information delivery: employees were informed regularly and in due time. Administration shows concern in keeping employees informed.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Lack of alignment of communication / information activities at the management team level;</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Lack of awareness of the need for strategic information management throughout the whole plant;</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Lack of awareness of the need to keep people informed and communicate efficiently with them (collect their feedback and expectations and act accordingly);</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Lack of proactive communication/behavior by the management team;</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Lack of satisfaction regarding communication/information about the company's strategy and decision-making process.</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Lack of strategy on information sharing regarding employees in the production area.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>f) To make regular the attendance of the communication expert to the weekly management meeting; g) To increase the participation of the Communication Manager in strategic management meetings; h) To open the communication office to calls for advice on communication and information needs; i) To establish the Questions and Answers sessions with employees, regarding information on the situation of the company; j) To promote regular information on strategy and results, with emphasis on the role of employees in good performance through diverse channels (e.g. the internal newspaper editorial); k) To organize workshops to collect information feedback and to delineate improvement measures after the Associates Survey.</td>
<td>Communication Manager assesses firsthand strategic information, increasing: I. The 'bird's eye view' needed to manage information at the organization; II. The efficiency of his role as advisor; III. The strategic management of communication; IV. The improvement of transparency, trust, involvement, engagement, satisfaction at work, by keeping people informed; V. The autonomous thinking of workers, by reducing the power of the Committee as opinion leader, reducing the mass opinion interference; VI. The strategic alignment.</td>
</tr>
<tr>
<td></td>
<td>l) To develop a regular analysis on the communication process, following line leaders' information procedures; focusing on a daily 5 minutes meeting; and promoting regular analysis of information availability deviations.</td>
<td>I. Decreasing of deviations between information sent and information received.</td>
</tr>
</tbody>
</table>

Analyzing Table 3, we can conclude that, from 2006 to 2009, BCMP's corporate communication programs were oriented towards the increase of the strategic alignment. The Improvement Actions taken by the Communication Manager intended to generate a supportive behavior among employees, through the development of the awareness and understanding of the firm's objectives. The communication activities aimed at the resolution of very specific issues, which were detected in the satisfaction survey, or via the
direct contact with the organizational environment. The main purposes of the new internal communication measures (perceived in our investigation) were: (1) to improve information flows; (2) to reduce information losses and distortions (including rumors); (3) to increase management credibility; and (4) to enhance work satisfaction. To reach these purposes, BCMP developed the following communication activities: (a) established a communication function; (b) developed a strategic and integrated communication perspective; (c) defined decentralized communication responsibilities (in middle levels); and (d) set internal communication procedures. These actions enhanced (I) the information satisfaction; (II) the sense of belonging; (III) the feeling of recognition; and (IV) the participation spirit.

Discussion

Throughout our research, evidence of the relationship between the corporate communication programs, the development of safety nets, and the reputational capital gained considerable strength. As shown in the diagram below (Figure 1), BCMP’s communication activities that targeted strategic alignment seem to have improved information satisfaction, involvement and participation among the internal publics, and these intangible results generated trust, goodwill, loyalty and engagement as organizational expressive safety nets.

Figure 1. Creating safety nets through communication programs

At BCMP, strategically designed corporate communication was able to create reputational safety nets that had an important role in reducing the impact of crisis situations in the downside of the reputational risk, namely when contradictory perspectives emerged in the Workers’ Committee, or when strikes were scheduled (as stated by the Communication Manager). When the strategic alignment is improved, stakeholders are aware of the impact of their actions (such as a strike, for example) on the performance of
the company. The last strike at BCMP, in May 2010, had a minimal participation (slightly above 3%) and did not affect the regular activity of the company.

As far as reputational risk management is concerned, BCMP has also been developing Corporate Social Responsibility programs and volunteer activities for the employees, targeting two different objectives: (1) to create team spirit and involvement, and (2) to improve external image and reputation. In 2009, more than 400 employees, from all hierarchical levels, functions and areas of responsibility, participated in the volunteering activities organized by BCMP’s communication function.

With this course of action, BCMP believes to be reducing the risk of reputational loss, both among internal publics and external constituencies. Through corporate communication programs, linked with CSR activities, the company is trying to manage the reputational risk, by building its internal and external reputation. Both environments are strongly linked, especially in the case of BCMP, which has over two thousand employees, and is the largest private employer in the region of Braga. The diagram below (Figure 2) illustrates this correlation.

Figure 2. Communication management of reputational risk

Conclusion

This study seems to demonstrate the critical role of corporate communication as a means of sustaining strategic alignment and developing reputation’s safety nets. By improving the interaction with the stakeholders, the company develops safety nets that not only reduce threats (the downside of risk), but also might help to mitigate the effects of real crisis situation.
Even if BCMP was not primarily considering the management of its corporate reputation when they realized the priority of developing communication actions, the truth is that corporate communication seems to be the right channel to shape stakeholders’ perceptions and judgments. But this function cannot be fully achieved if reputational risks are not considered. Creating safety nets through corporate communication programs over time can be a strong insurance tool when crises emerge.

Another issue that certainly arises from this study, and which we believe is worthwhile researching further, is the relationship between the strategic alignment of employees and the prevention of crisis scenarios.

References


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