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## **Amplifying corporate reputation through corporate governance**

*By Wilson Chew*



**An intangible asset:** Given the strong linkage between corporate governance and corporate reputation, companies can turn good corporate governance structures into a competitive advantage. - ST FILE GRAPHICS

CORPORATE reputation is a valuable intangible asset for companies. Good reputation draws customers, repeated purchases and favourable treatment by suppliers, bankers, the media and investors.

Many factors can contribute to the accumulation of corporate reputation over time: customer satisfaction, quality of products and services, corporate culture, management and staff expertise, brand positioning, advertising, public relations, corporate social responsibility programmes, etc.

Another key factor is corporate governance, even though it is more often thought of as a regulatory necessity.

### **Linking corporate governance and corporate reputation**

In essence, corporate governance is the process by which companies are made accountable to its stakeholders. A good board provides the oversight of a company's strategy, organisation and operations to ensure that it will deliver high customer satisfaction, good quality of products and services, and so on - the factors that contribute to corporate reputation.

Several studies show that stakeholders rate corporate governance as a key driver of corporate reputation.

A recent study by the University of Illinois, *The Reputational Impact of Corporate Governance*, concluded that governance choices affect reputations. Poison pills were highlighted as being particularly negative in their impact on manager reputation.

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An Italian study, Exploring the Drivers of Corporate Reputation, found that the higher the perceived quality of financial disclosure or quality of governance structures of a company, the more favourable the disposition of securities analysts towards the company.

Given the strong linkage between corporate governance and corporate reputation, companies can turn good corporate governance structures into a competitive advantage.

**Market corporate governance**

The means to amplifying corporate reputation from a company's corporate governance structures and practices is marketing.

Marketing functions on all levels of an organisation but is especially applied to products and services due to its direct impact on revenue and profits.

Marketing corporate governance is different from the traditional marketing of products and services and the company's brand. It transcends the audio-visual components of corporate logos, colour schemes, print ads and TV commercials, and relationship programmes with customers, suppliers and other stakeholders.

The starting point should entail forming a cross-functional team, preferably led by the chief executive of the corporation and supported by the marketing communications group. The board should be involved or at least updated on all plans and efforts.

An analysis should then be conducted on the company's strengths and areas for improvement, in both its corporate governance structures and related marketing initiatives; a plan is then drawn up for implementation.

Peer comparisons are helpful in identifying what can be done. Increasingly, there are comparative studies and corporate governance rankings. In Singapore, the annual Governance & Transparency Index prepared by the NUS Centre for Governance, Institutions and Organisations (CGIO), in partnership with CPA Australia and The Business Times, assesses the financial transparency of listed companies based on their annual announcements.

SID is currently working with the Monetary Authority of Singapore and CGIO on an Asean-wide Corporate Governance Scorecard based on OECD principles.

In addition to these multi-company comparisons, a company could identify a role-model entity, preferably in the same or related industry, that exemplifies a strong corporate reputation and corporate governance. Their best practices and measurable components should be studied, and the similarities and gaps between the company and its role model drawn out.

The initiatives to close or improve on gaps, and to build upon the strengths of the company, can then be drawn up.

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To operationalise the action points, the marketing and communications team needs to craft necessary corporate governance messages, appropriately contextualised for each stakeholder group. Right marketing and communication channels need to be put in place.

To ensure that the efforts yield improvements in reputation, they need to be measured, analysed and refined. As the management adage goes, "what gets measured gets done". This is why periodic reviews are needed.

Articulating its corporate governance policy and structure can help companies in building up a strong foundation to proactively market the fact that its board and management are accountable to its corporate governance policy, and in acting upon it. This will earn them a strong corporate reputation over time.

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