Corporate Reputation and Transparency : Communicating the Good, the Bad and the Ugly

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Abstract

Corporate transparency has taken on increased importance in the first decade of this century due to the multiple failures of corporate governance culminating in the failure of several major financial institutions in 2008 and 2009. (Reputation Institute 2009) These governance failures have led to a loss of stakeholder trust in business, and demands for increased regulatory oversight and information disclosure. In the face of this difficult environment, forward thinking corporations are looking at the demands for ever greater transparency as an opportunity to build trust and enhance the corporate reputation. In these organizations the corporate communications function as well as public relations consultants need to reevaluate how negative news regarding the business is communicated to stakeholders, for in the era of transparency the forthright communication of negative news can establish credibility, build trust and protect the long-term reputation of the company.

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Introduction

For corporate communications practitioners, whether in-house or with an agency, one of the most important tasks they face is the defense or enhancement of the corporate reputation. Today this task is also one of the biggest challenges for professionals in the field.

The task of defending the corporate reputation is made increasingly difficult by the series of financial and ethical scandals that have impacted the global financial system over the course of the first decade of this century. These scandals are widely viewed as a failure of corporate governance, either through misrepresentation of the organization's performance or financial results, or failure to accurately disclose the nature or extent of the risks facing the organization.

In the face of these governance failures the general level of trust in corporations has suffered and stakeholder perceptions of corporate reputation have consequently declined. According to the 2009 Edelman Trust Barometer, 62% of all respondents trusted corporations less than they did the same time last year. (2009 Edelmen Trust & Barometer, McKinsey Global Survey Results, March 2009)

For the communications professionals charged with responsibility for the corporate reputation, the challenge today is great indeed. This is true even for firms that were not directly involved in recent failures of governance. This situation has led to refocused attention into the elements of corporate reputation and efforts to guide corporations in their quest to rebuild their reputations and the trust of key stakeholders.[1]

Within the concept of corporate reputation, one of the key concepts is corporate governance, which includes transparency, the idea that an organization provides timely and complete information that is useful to relevant stakeholders. According to Eccles, Grant and van Riel, "true transparency involves communicating management actions, intentions and assumptions with regard to strategy, operations management and market trends." (Eccles et. al. 2006)

A policy of transparency would realistically entail disclosing information on corporate failures and/or missteps as well as successes as a way to enhance stakeholder trust and thus further support the corporate reputation. This ramification of transparency has been touched on in the academic literature and to a larger degree in the trade literature, but has not been clearly articulated as an integral aspect of a corporate reputation communications program.

The assumption is that greater transparency by the organization, including negative as well as

[1] A basic search for books on Corporate Reputation on the e-commerce site Amazon.com found 2,362 unique titles, while the search for the phrase "corporate reputation" on the Google search engine found approximately 353,000 listings.

positive information will lead to increased stakeholder trust and in turn an enhanced corporate reputation. It is also assumed that the same logic works in the other direction, in that limited or inconsistent transparency will reduce trust and by so doing damage the corporate reputation.

This paper will review the literature on the concepts of corporate reputation, trust and transparency in order to determine the plausibility of the model outlined above.

Additionally, the concept and practice of corporate transparency in the Thai context will be briefly examined. It is hoped that this conceptual review will provide the basis for more in-depth empirical research on these topics and so help to advance understanding of the relative importance of transparency in building and defending corporate reputations.

Literature Review

Corporate Reputation

The concept of the corporate reputation has been well established in the literature for several decades and in more recent years reputation studies have become a more prominent focus of management scholars. For example, in their work on the definition of corporate reputation Barnett et. al. & Specifically review academic work on the concept going back to 1990 and allude to work done prior to that. (Barnett et. al. 2004)

Within the area of reputation studies is the idea that corporate reputation is in fact made up of a set of components that together determine the relative strength or weakness of a company's reputation. That is, those attributes that a corporate entity either has or does not have that determines the state of its reputation. (Reputation Institute 2009, Fombrun 1996, Ljubojevic and Ljubojevic 2008, Barnett et. al. 2004)

In its RepTrak™ model of corporate reputation the Reputation Institute identifies three major dimensions associated with seven indicators of corporate reputation. The dimensions and the related indicators are as follows :

Dimension	Indicators
Managerial	Performance
	Leadership
Technical	Products/Services
	Innovation
Institutional	Citizenship
	Governance
	Workplace

(Reputation Institute 2009)

[2] In an empirical study of Cemig's reputation, Almeida, Nunes and Michalick found a positive statistical relationship between Sincerity, Transparency and Consistency and the company's reputation. Sincerity is associated with integrity and authenticity of the company's identity and honesty. Consistency is associated with all corporate messages over time. Transparency involves full disclosure of comprehensive information, assuring the relevance and reliability of the information and stimulating dialogue. (Presentation made at the 12th International Conference on Corporate Reputation, Brand, Identity and Competitiveness, May 29 – June 1, 2008, Beijing, China)

Another model put forth by the Reputation Institute involves the concept of Corporate Expressiveness which in turn drives corporate reputation. In this scheme the elements that make up Corporate Expressiveness are Distinct, Visible, Transparent, Sincerity, Consistent and Responsive.[2]

In a related development, Professors Charles Fombrun and Cees van Riel have created the Reputation Quotient™ (RQ) model for measuring the strength of a corporation's reputation. In the RQ system there are 6 dimensions, including emotional appeal, products and services, workplace environment, financial performance, vision and leadership and social responsibility. (Fombrun and Riel 2004)

According to Ljubojevic and Ljubojevic, "Corporate reputation may be divided into factors that dominate its context. These are : the company's ethics, employees (the way a company treats them, possible talented employees, etc.), financial performance, leadership, management, social responsibility and focus on consumers, quality, reliability, emotional appeal, and communication." (Ljubojevic and Ljubojevic 2008)

A simple, perhaps overly simple, model is presented by Norwich University, uses just two elements as the components of corporate reputation.

> "A company's identity and its image are the building blocks of its reputation. Identity is a company's assertion of its individuality and embodies the company's vision, its reason for being there. It re-enforces its business case. The image of a company on the other hand is distinct memorable impression in the minds of the people as they interact with the company. Together, identity and image raise the profile of a company, its reputation, its significance beyond commercialism and profit making." (Norwich University 2007)

Within the literature a unified definition of corporate reputation has continued to prove illusive and consequently there remain multiple models of how to measure reputation by disaggregating the components. (Fombrun and Riel 2004, Ljubojevic and Ljubojevic 2008) That said, there have emerged several elements that are generally associated with corporate reputation. These include product/services of the firm, treatment of stakeholders both internal and external, leadership and governance.

While there is a general consensus that corporate reputation is made up of a number of elements, the exact composition and relative importance of these elements is subject to change as perceptions of corporate reputation do not exist within a vacuum. The current reality in terms of business performance and behavior will drive changes in the weights of the different components of corporate reputation. (Reputation Institute 2009)

Within the governance element is often found the concept of transparency. This is clearly articulated in the models put forth by the Reputation Institute as well as the United Nations Conference on Trade and Development (UNCTAD) in its Guidance on Good Practices in Corporate

Governance and Disclosure. (UNCTAD 2006) Further examples are found in the works of various scholars including Holm and Scholer (2008) and Aggarwal and Kyaw. (2006)

In fact, in some models, transparency is presented as being a unique element of reputation. This is true of Fombrun and Riel's Corporate Expressiveness model and the position taken by UNCTAD. (UNCTAD 2006) This situation highlights the fact that the definition of transparency has not been clarified in the literature and thus is used by different scholars and/or organizations in divergent ways.

The current business environment, marked as it is by significant failures of governance, risk management and responsibility, has led to an increase in the perceived importance of transparency as a component of corporate reputation. (Reputation Institute 2009)

Transparency

While the importance of transparency is relatively well established in the literature there is little agreement as to the definition of this concept nor how to measure the relative levels of corporate transparency.

In much of the professional literature, transparency is associated with corporate reporting and disclosure of required financial and operational data. In fact, there is often no formal definition of transparency presented and the concept's meaning is left implicit. (Reputation Institute 2009, Fombrun and Riel 2004, Bonini et. al. 2007)

In the academic literature there has been somewhat more work done on defining transparency as the corporate release of information and/or communications. In his excellent article on the relationship between organizational transparency and employee trust Rawlins (2008) goes into considerable detail in his discussion of the concept.

Rawlins finds that transparency itself is a complex construct with three dimensions. "Therefore, transparency is defined as having these three important elements : information that is truthful, substantial, and useful; participation of stakeholders in identifying the information they need; and objective, balanced reporting of an organization's activities and policies that holds the organization accountable." (Rawlins 2008)

Based on the 3 elements Rawlins posited an operational definition of transparency : "Transparency is the deliberate attempt to make available all legally releasable information – whether positive or negative in nature – in a manner that is accurate, timely, balanced and unequivocal, for the purpose of enhancing the reasoning ability of publics and holding organizations accountable for their actions, policies and practices." (Rawlins 2008)

A key element of this definition that will be explored in more detail later is the point about positive or negative information. The fact is that credibility is dependent on stakeholder's belief that they are getting 'the whole story'. In their work on corporate reputation and financial restructuring

Gertsen, Riel and Berens found that in times of financial trouble management tends to react by reducing external communications, or transparency, and this "can lead to rumors and speculation that further discredit management and damage the company's stock price and reputation." (Gertsen et. al. 2006)

Ironically, this point was raised after the transparency failures early in the decade in several articles in the Special Issue of Long Range Planning, 'Reputation and Transparency : Lessons from a Painful Period in Public Disclosure.' "The overarching message of the papers in this Special Issue is that reputation and rebuilding reputation fundamentally depend on a high level of transparency. However, transparency alone is insufficient as it must be transparency about a well-chosen strategy that is being well executed to deliver strong financial results in the present and in the future." (Eccles et. al. 2006)

While the conceptual work on transparency may be relatively sparse there is a general consensus that being transparent is increasingly important to the reputation of companies as well as to their ability to succeed in the market. "In the Reputation Institute's 2009 Global Reputation Pulse study, ethics and transparency rose in importance around the world to their highest levels ever. Governance perceived as "a responsibly-run company that behaves ethically and is open and transparent in its business dealings" moved from the #4 driver of reputation globally in 2007 to #3 in 2008 and #2 this year. In Canada, India, Thailand and Turkey, Governance is now the #1 driver of reputation." (Reputation Institute 2009)

In its research on consumer attitudes toward corporates and corporate reputation McKinsey and Company found that transparency was important, but only when it was supported by actions :

"Reputations are built on a foundation not only of communications but also of deeds : stakeholders can see through PR that isn't supported by real and consistent business activity. Consumers, our research indicates, feel that companies rely too much on lobbying and PR unsupported by action. They also fault companies for not sharing enough information about critical business issues – for manufacturers, say, the content of their products, their manufacturing processes, and their treatment of production employees." (Bonini, et. al. 2009)

Trust

Trust as it relates to communications has traditionally been difficult to define with any degree of rigor. This has been highlighted in Rawlins review of the literature on trust and the practice of public relations. (Rawlins 2007) The lack of definitional clarity is echoed by Kazoleas and Teven who stated, "There is really little agreement of what constitutes a definitive set of factors that carefully capture the trust concept." (Kazoleas and Teven 2007)

That said, there have been numerous attempts at identifying the 'trust factors' that relate to corporations. For example, the integrative models with their 3 factor view as presented by Kazoleas and Teven. "After their (Mayer, Davis and Schoorman 1995) analysis of previous literature, they forward three factors that appear to underlie the "trust factor" in regard to organizations : Ability, Benevolence, and Integrity. Ability is related to outcomes in transactional relationships and may incorporate concepts such as reliability and confidence. Benevolence incorporates aspects of the intentions of the organization in meeting stakeholder needs, and a perception that the goodwill of the stakeholder will not be abused. And an integrity factor encompassing concepts such as accuracy and honesty." (Kazoleas and Teven 2007) Within this final factor would logically reside concepts such as governance and transparency.

Rawlins does propose a working definition of trust as "One party's willingness – shown by intention and behavior to be vulnerable to another party based on confidence developed cognitively and affectively that the latter party is (a) benevolent, (b) reliable, (c) competent, (d) honest, and (e) open. (Rawlins 2007) Here again the concept of transparency can be associated with Rawlins elements of honesty and openness.

The idea of being vulnerable to another party is also found in the discussion of an individual's attitude being conducive to trust when there is an "acceptance of risk, especially the risk of being betrayed." (Stanford Encyclopedia of Philosophy 2006)

The concept of vulnerability and trust is in turn linked to transparency in Rawlins study on transparency and employee trust in which he stated :

> "However, transparency also requires trust. Being transparent requires a willingness to be vulnerable because you can't ensure how people will use the information you share. Therefore, organizations must also trust their stakeholders in order to risk being transparent. (Rawlins 2008)

Thus, in order for an individual to trust a company they must take a 'leap of faith' that the company will honor its explicit and implicit commitments, so as not to betray that trust through withholding or misrepresenting important information. While the same 'leap' must be taken by the company because by disclosing potentially sensitive information to its stakeholders it must trust that they will not misuse that information to the detriment of the firm.

The factors that serve as the basis of trust under Rawlins definition are the same things that communications professionals tend to focus on when attempting to build a company's corporate reputation, though perhaps not directly associating them with 'trust' per se. As stated previously the honest and open factors have the most relevance to the discussion of transparency.

Honesty is a relatively new area of messaging for most companies. The possible reason for this apparent reticence to communicating the 'honesty' of the organization is that by doing so there is an implicit admission that there may be suspicions that it has been less than honest in the past. This is often too much for corporate leadership to accept.

The idea of openness, or more popularly, transparency, has been a central theme of corporate communications, especially over the last 8 years. The primary catalyst for this area of messaging was the series of revelations regarding corporate misconduct starting with the collapse of Enron in 2001.

As indicated in the recent Reputation Pulse survey and the 2009 Edelman Trust Barometer open and honest communications (or transparency) is an increasingly important component of corporate reputation.[3]

From the brief review of the academic and professional literature it can be contended that corporate reputation is important to the ultimate success of the company and transparency is in turn important to corporate reputation. Thus, transparency, the willingness and ability to disclose relevant information to internal and external stakeholders is important to the success of a company.

Transparency and Business Crises

Before commencing a discussion on the practical issues involved in being a 'transparent' company in today's business environment, a brief review of the events of the last decade that have led to the current focus on transparency is in order.

The first decade of the 21st century has not been easy for corporations that have sought to build or maintain strong corporate reputations. The various corporate scandals of the early part of the decade such as Enron, WorldComm, Tyco and others seriously eroded the global public's trust in corporations in general and led calls for greater public oversight of corporations. These calls led to the creation of much more stringent reporting requirements in several major countries, including Sabanes-Oxley in the U.S. and Basel II in the European Union. (Reputation Institute 2009). While the impact of these new reporting requirements on fostering transparency by large corporations is questionable their intent was clear; to try and force corporations to behave in an ethical and transparent manner. Something that, ideally they should be doing in any case.

In 2008 and 2009 a series of events starting with the collapse of the U.S. sub-prime housing loan market exposed the high risk behavior of several major financial institutions and led to a global economic crisis whose impact was far greater than the issues of the early 2000s. (Reputation Institute 2009) Because the blame for this economic

[3] In the 2009 Edelman Trust Barometer 'Communicates frequently and honesty on the state of its business' (91%) responses ranked just below 'Offers high quality products and services' (94%) and 'Is a company that treats its employees well' (93%) in terms of importance to reputation. These results were confirmed in Edelman's 2009 Special Mid-Year Trust Survey which found 'Transparent and honest business practices' (93%) and 'Communicates frequently and honesty' (91%) ranked just behind 'Treats employees well' (94%) and 'Keep producing quality products and services' (93%).

crisis has been laid at the door of many of the world's largest banks and finance companies and the effect has involved the destruction of significant amounts of shareholder wealth as a result of collapsing share prices in almost all global stock markets, the result has been a further erosion of confidence and trust in corporations and damage to the reputations of many companies. The 2009 Edelman Trust Barometer found that only 49% of respondents globally trusted business to do what is right, which is down from 51% of global respondents in the 2008 survey. In the U.S., trust in banks declined 33% and insurance companies fell 18% (2009 Edelman Trust Barometer) Further, and perhaps more significantly, it has raised questions as to the long-term viability of the capitalist economic system as practiced since 1945. (Reputation Institute 2009, McKinsey Global Survey Results, March 2009)

Prior to the various governance failures outlined above, the notion of transparency was for the most part limited to the financial information that was mandated by the regulatory authorities overseeing a given business combined with press releases and executive statements related to a company's successes or strategy. Outside of the audited financial results companies did not often report failures in strategy or operational underperformance, and there was little stakeholder pressure for this type of information.

The first wave of corporate scandals of this decade involved the conscious and illegal misreporting or misrepresenting of financial information. This type of transparency failure ultimately led to the financial collapse or near collapse of most of the firms involved and conviction of several senior executives. (http://en.wikipedia.org/wiki/List_ of_corporate_scandals) As a result of these transparency failures various stakeholder groups called for increased regulatory oversight and more stringent reporting requirements in an attempt to legislate organizational transparency.

Ultimately, while the new legislation and reporting protocols did increase the amount of financial and performance data that companies needed to provide to the authorities, they did not have the intended result of preventing future irresponsible or unethical corporate activities.

The second wave of transparency failures of the decade were largely concentrated among financial institutions and generally did not involve the violation of the legally mandated reporting standards, but rather involved failure to disclose the true risk profile of the institutions. From a regulatory point of view this was more problematic than the earlier corporate failures as the problem was not so much legal as it was ethical.

Further, the level of risk to which a financial institution is exposed is difficult to determine with both accuracy and consistency, as it involves multiple assumptions regarding future events. Thus, regulators, who have once again been called upon to take action in the face of significant declines in the stock markets and consequent shareholder losses, are exploring new oversight measures and restrictions on certain types of financial products and transaction rather than new reporting mechanisms.

Beyond the threat of greater government involvement in the market, the most recent failures of corporate governance have led to a profound crisis of confidence regarding corporations and perhaps even the manner in which the global market system is currently structured. (Reputation Institute 2009, McKinsey Global Survey Results, March 2009)

For many individual firms the result of this situation has been a loss of stakeholder confidence and trust in management and a consequent decline in corporate reputation. Ironically, this loss of confidence has impacted many firms regardless of whether they have been shown to be engaged in high risk behavior or not. (McKinsey Global Survey Results, March 2009)

Thus, the nature of the corporate governance failures of the 2000-2009 period and the regulators' response to them have led to a situation in which corporate transparency has taken on our ever greater relevance and now is considered a prerequisite for a strong corporate reputation.

Transparency Going Forward – Communicating the Good, the Bad and the Ugly

In order to start to rebuild stakeholder trust and confidence, corporations today need to demonstrate by deeds as well as words that they are committed to good governance. (Freeman 2006, Bonini et. al. 2009) This must go beyond simply complying with the letter of all relevant laws and regulations. They must demonstrate that corporate management understands what stakeholders are concerned about and are ready to act accordingly.

A key element of this corporate response must be a commitment to transparency. This transparency should go beyond the legal minimum and disclose as much information as is legally permissible. Further, the information disclosed needs to be clearly communicated to all relevant stakeholders in order for the firm to derive reputational benefits from its commitment to transparency. (Rawlins 2008)

Recent research on corporate reputation clearly indicates that by embracing transparency companies can both build (or rebuild) their reputations as well as differentiate themselves vis-à-vis their more conservative competitors. (Fombrun and Riel 2004) The question then revolves around what, and how, to communicate to stakeholders. In today's emotionally charged business environment marked by a deep skepticism, if not cynicism, regarding statements by businesses, senior executives and their corporate communications teams need to 'open the kimono' and communicate the good, the bad and even the ugly corporate news in order to rebuild stakeholder trust and the corporate reputation.

The Good

Traditionally, communications professionals have focused on proactively communicating 'good news' that is, corporate operational or financial success stories along with a range of 'feel good' messages about corporate social responsibility programs and executive appointments. This material was normally communicated through the media and a range of static, or one-way, communications vehicles such as corporate websites, brochures, advertorials and newsletters.

This highly controlled release of positive messages was considered to be the appropriate way for the communications function to demonstrate transparency and support the establishment and/or maintenance of the corporate reputation. When it came to handling corporate news that was bad, such as missed targets, failed products or consumer complaints the communications team, and corporate management, would tend to go into a crisis mode, and communications would tend to be reactive in nature with the objective of minimizing coverage. (Gertsen et. al. 2006)

While the release of good news is obviously still an important element of the corporate communications program and a necessary part of building a strong corporate reputation, it is no longer considered sufficient to demonstrate an organizations commitment to transparency and/or good corporate governance.

The Bad

Over the last two years the news coming from the international business and financial media has been marked by a preponderance of negative stories that started with the collapse of the sub-prime loan market in the U.S., and was quickly followed by the failure of Lehman Brothers and Bear Stearns and the near failures of AIG and Citibank. Additionally there were revelations of the criminal activities of Bernard Maddoff the failure of whose pyramid scheme shocked the global financial community. Beyond this, the serious international repercussions of the financial sector crisis include steep declines in commodity prices and falling demand for emerging market exports. (Lin 2009)

Considering this news environment and the generally low level of consumer confidence, it is now possible for companies to proactively release negative news regarding their performance. This is possible primarily because stakeholders are anticipating negative news from companies and thus find it credible rather than surprising.

That said, it is important for corporate communicators to deliver the negative news with the proper context, so that stakeholders can put the news in proper perspective. Further, the news should come with an acknowledgment by management of the situation, as well as a realistic plan to address the negative results or performance indicators. (Gertsen et. al. 2006) Internal and external stakeholders increasingly expect companies to provide them with the good as well as the bad in terms of news and information, but they also want companies to indicate what they are doing to address negative situations. (Eccles et. al. 2006, Rawlins 2008)

Further, stakeholders today increasingly demand the ability to provide feedback on the news they receive from companies, that is, they want bi-directional communications and the sense that they can have a dialogue with company management. This is true for both good and bad news, but stakeholders often have more to say regarding bad news. (Edelman 2003-2004, Bell 2008)

Increasingly this demand for dialogue is facilitated through on-line communications channels such as interactive advertisements and websites that offer the ability for visitors to provide feedback, executive blogs as well as more sophisticated use of call centers. (Bonini et. al. 2009)

The communication of negative news is obviously a sensitive topic for corporate management and often for the legal function as well, thus care must be taken when it is released that the demonstration of transparency does not lead to legal or competitive issues.

In spite of the risks associated with proactively communicating negative news about the corporation, it is what many stakeholder groups expect and what regulatory authorities are increasingly demanding. By attempting to get in front of negative news by allowing stakeholders to hear it directly from the organization's executives the corporate communications team has the ability to contextualize the news while simultaneously demonstrating transparency and commitment to stakeholders.

The Ugly

In certain situations an organization will be faced with a situation in which information that may be released to stakeholders is beyond the 'normal' bad news that would include missing quarterly financial targets or the failure of a local marketing campaign. Cases in which the news is 'ugly' rather than bad include, fraud or embezzlement by corporate executives, significant ethical violations committed by company personnel, negligence leading to injury or death of people or major environmental damage.

In these types of situations the corporate reputation is in jeopardy due to the severity of the governance failure and high potential for extensive prolonged negative media coverage. In addition to these factors there are often important legal ramifications and the threat of either regulatory actions or stakeholder lawsuits or both. If the organization is publicly traded these factors threaten to damage its stock price and if it is privately held they may increase the firm's cost of capital. (Gertsen et. al. 2006)

It is when the news is ugly that the question of how transparent the organization should be is the most difficult to answer. As in bad news situations, the firm has the potential to try and get in front of the news by informing stakeholders first and attempting to offer both explanation and corrective measures with the announcement. This approach has the advantage of being proactive and demonstrating a sincere commitment to transparency and good governance. On the other hand, there are often significant legal restrictions on what the firm can and cannot say to external stakeholders in theses situations and thus it is very risky to attempt to undertake proactive communications on a highly controversial topic when restricted to carefully controlled messages that must be approved by the legal department.

That said, the literature on corporate reputation and transparency clearly indicate that it is better to err on the side of disclosure than attempt to cover up or restrict highly negative information. (Freeman 2006, Eccles 2006, Edelman 2003-2004) The current information rich environment combined with the rise of increasingly sophisticated NGO's and other stakeholder groups lead to a significant risk of exposure. (Bell 2008) Further, regulatory authorities in many countries have become more aggressive in their oversight of corporations and have been equipped with new powers of investigation that further complicate the task of those seeking to hide ugly corporate news. (Reputation Institute 2009)

While communicating this type of news to internal and external stakeholders may not lead to neutral or positive media coverage or favorable market reactions initially, it does improve the chances that the organization will be able to survive the crisis. Further, over the long term the corporate communications team and senior management will be able to point to the situation as an example of the organization's deep commitment to transparency. Ultimately, this course of action offers the best chance for the organization to limit reputational damage associated with 'ugly' situations.

Transparency in Thailand

The issue of transparency emerged in Thailand, and several other emerging markets, after the financial crisis of 1997, which involved the collapse of several financial institutions including banks and investment firms. (Barton, Coombes, Wong 2004) This in turn destroyed considerable shareholder wealth. As a result of this situation the Thai regulatory authorities imposed most stringent reporting requirements on local firms.

The stock exchange of Thailand has put in place comprehensive annual and importantly quarterly reporting requirements for all listed companies. (www.set.or.th/en/regulations/supervision/listed_disclosure_p5.html) While the SEC has mandated that corporate boards include independent directors on the audit committee. (www.sec.or.th/laws_notification/)

The regulatory developments regarding reporting and governance are clearly important in putting in place a framework corporate transparency. But there have been instances when the authorities have failed to act against firms that have violated the regulations for no apparent reason.[4]

Beyond increased government oversight of business and more stringent reporting requirements corporate transparency in Thailand is being

[4] "Thailand has seen several high-profile cases of corporate misconduct in which the party under investigation, despite strong evidence of culpability, eluded prosecution because law-enforcement authorities failed to act." (Barton et. al. 2004)

advocated by various industry groups and alliances. For example, the Institutional Investor Alliance was formed by a group of local Thai funds, asset-management firms and life insurance companies to promote improved corporate governance in Thailand. (Limpaphayom and Connelly 2004) Additionally, institutes of directors in several regional markets, including Thailand, offer seminars and training programs on corporate governance for directors and officers. (Barton et. al. 2004)

The importance of corporate governance, including transparency, is currently a key concern among educated members of the Thai population, who ranked it as the single most important driver of corporate reputation in the 2009 Global Reputation Pulse study. (Reputation Institute 2009) Thailand can also boast a best practice example when it comes to corporate governance. Siam Cement was ranked number two in the world for governance in the Reputation Institutes Top 20 Global Companies on Governance 2009. (Reputation Institute 2009)

The above not withstanding, it is not clear that a true culture of transparency has emerged in Thailand. There are several potential reasons for this including cultural norms, traditionally strong corporate leaders who are loath to publicly admit errors and the fact that companies are closely held and the rights of minority shareholders remain weak. (Barton et. al. 2004)

In particular, the field of public relations and corporate communications as practiced in Thailand remains focused on communicating business and marketing success stories and news about CSR programs and philanthropy. There are few examples of communications programs designed to inform stakeholders and the public about corporate news which is not completely positive. Further, the concept of corporate transparency beyond that which is legally mandated is not well established in the consulting lexicon of many local public relations practitioners.

In fact, in many instances public relations consultants and corporate communications professionals see their role as one of minimizing exposure of negative news while 'spinning the story' in case negative information enters the public domain. This task is normally called issues or crisis management depending on the severity of the situation and is traditionally not viewed as an opportunity to enhance the organization's credibility with stakeholders and build its long-term reputation.

This situation is certainly not unique to Thailand as organizations across Asia tend to maintain a conservative stance when it comes to corporate communications and generally opt to minimize communications related to organizational missteps. That said, the global trend appears to be toward increased transparency driven by both increased stakeholder skepticism of corporate actions and the growing realization of the economic and reputational benefits that transparency offers. It is for Thai corporate leaders and communications professionals to determine the most appropriate manner in which increased transparency can be incorporated into the local business and cultural dynamics.

Conclusion

While there is considerable evidence that indicates that increased transparency is being mandated by government regulators in countries across the world. Further, the research on transparency and corporate reputation indicate that by increasing transparency organizations can build trust with stakeholders, which in turn leads to improved corporate reputation. The factors that have led to transparency's rise in importance include changes in the nature of stakeholder groups, increased access to information and perhaps most importantly the corporate failures of governance that have occurred throughout the first decade of the 21st century.

This paper has attempted to outline the trends in the literature on transparency and corporate reputation as well as argue that rather than view negative news as an issue or crisis to be managed, these situations offer opportunities to demonstrate transparency and build the corporate reputation. While many organizations in Thailand and across Asia remain skeptical of this view, there have been signs a combination of increased statutory requirements of disclosure along with growing awareness of the importance of governance on the part of local stakeholders are leading to changes in corporate behavior.

The study of organizational transparency in Thailand would greatly benefit from increased empirical research into stakeholder perceptions of transparency and its relationship with corporate reputation. Additionally, research that focuses on the ownership and management structure of Thai corporations and the relation of these variables to commitment to transparency would increase understanding as to why certain local organizations embrace transparency, while others continue to resist it.

Finally, multidisciplinary work in the area of social-cultural attitudes toward leadership and willingness to publicly admit failure would provide insight into the role that corporate leaders can be expected to play in advocating or resisting increased transparency.

Globally, organizations are increasingly expected to share information, both positive and negative stakeholders. This reality must be understood by Thai companies that wish to participate in international trade and ways must be found to accommodate these expectations in a manner that is acceptable to local corporate leadership.

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