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CORPORATE BRAND REPUTATION REBUILDING AFTER THE COMPANY'S CRISIS

Summary. The paper examines the consequences a company may suffer when brand reputation is threatened by crisis situations and the possibilities of brand reputation rebuilding after a crisis. Presented herein is a broad literature review in the area of company reputation, company crisis, brand reputation and its influence on company performance. Following this are presented two contrary case studies of Polish enterprises, both of which show different methods of crisis management from a brand reputation point of view. On the basis of the cases and literature analysis, the authors suggest a 4-phase model of brand reputation rebuilding after a crisis, which may find practical applications or insights for an enterprise faced with a crisis.

Keywords: reputation, corporate brand, reputation rebuilding, crisis

ODBUDOWA REPUTACJI MARKI W NASTĘPSTWIE KRYZYSU W ORGANIZACJI

Streszczenie. W artykule przeprowadzono analizę konsekwencji sytuacji kryzysowych dla reputacji marki, a także możliwości odbudowy marki po kryzysie. Zaprezentowano tu szeroki przegląd literatury w zakresie reputacji przedsiębiorstwa, kryzysu, reputacji marki oraz jej oddziaływania na funkcjonowanie przedsiębiorstwa. Przedstawiono dwa studia przypadków polskich przedsiębiorstw obrazujące przeciwstawne modele zarządzania kryzysem z punktu widzenia reputacji marki. Na podstawie studiów przypadków oraz analizy literatury przedmiotu zaproponowano 4-fazowy model odbudowy reputacji marki po kryzysie, który może znaleźć praktyczne odzwierciedlenie w zarządzaniu przedsiębiorstwem w obliczu sytuacji kryzysowej.

Słowa kluczowe: reputacja, marka przedsiębiorstwa, odbudowa reputacji, kryzys

1. Introduction

Crises usually adversely affect companies in different respects, e.g. its organizational culture, image, identity, integrity, trustworthiness, or its goodwill. The public disclosure and exposure of a series of scandals in companies has uniquely highlighted the issues of a crisis of a company itself as well as its corporate brand reputation. Therefore a significant research question emerges: How should a company manage its corporate brand reputation after a crisis, especially when its source is from within the organization? This paper aims at presenting a model of corporate brand reputation rebuilding for companies that face a crisis caused mainly by the unethical internal actions of the company's leaders and employees (Two case studies of selected Polish enterprises were conducted). The paper provides a deep literature review on reputation, corporate brand and crisis, as well as presenting a method for an effective process of rebuilding the corporate brand reputation of a company. The methodology of the research was based on the stage model of reintegration proposed by Pfarrer *et al.* in order to reintegrate a company that was brought down by corrupt actions[1]. A model of corporate brand reputation rebuilding following a crisis is characterized by the occurrence of four phases: Phase 1: Recognition of the crisis; Phase 2: Clarification of the causes; Phase 3: Penance; Phase 4: Rehabilitation, i.e. what to do to rebuild a good reputation.

2. Reflections on reputation – theoretical background

Selected literature provides many explanations of what reputation is. According to Greyser "(…) everything an organization does, and does not do, has a direct impact on its reputation."[2] Balmer and Greyser define corporate reputation as "judgements made of the organization over time based on the organization's behaviours, performance, and collective experiences of the organization."[3] Corporate reputation can be defined in terms of "a number of attributes that form a buyer's perception of the extent to which a company is well-known, reliable, trustworthy, reputable, believable and generally good or bad."[4] Roberts and Dowling define corporate reputation as "a perceptual representation of a company's past

[1] Pfarrer M.D., Decelles K.A. Smith K.G., Taylor M.S.: After the fall: Reintegrating the corrupt organization. „Academy of Management Review", Vol. 33, No. 3, 2008, p. 730-749.
[2] Greyser S.A.: Corporate reputation: aid to growth and shield. Inside PR and Reputation Management, January – February 1995.
[3] Balmer J.M.T., Greyser S.A.: Multiple Identities of the Corporation, [in:] Balmer J.M.T., Greyser S. (eds.): Revealing the Corporation. Perspectioves on Identity, Image, Reputation, Corporate Branding and Corporate-level Marketing. Routledge, London 2003, p. 15-29.
[4] Levitt T.: Industrial Purchasing Behaviour: A Study of Communication Effects. Harvard Business School, Boston, MA 1965.

actions and future prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals."[5] It determines how an organization is valued in such terms by its various stakeholders over time, and can provide the firm with a valuable source of competitive advantage[6]. A positive reputation is an important driver of successful organizational relationships with clients, which can have a significant impact on the business performance of a firm.[7] The reputation will grow gradually depending upon how the organization deals with the public, its distributors, the media, employees, shareholders and everyone else in an open, honest way[8]. Traditional culture places great emphasis on its association with a set of core values: virtue, moral consciousness, integrity, trustworthiness, the sense of shame and the fear of loss of face.[9]

Reputation constitutes an assessment of company's value made by the external environment and therefore it may be treated as a particular kind of resource that can generate future profits. Hence, it is a significant factor in reinforcing or weakening of a company's effectiveness. In principle, one may single out two dimensions of corporate reputation: 1. recognizability, that is the degree to which a company's activity is identified with itself; 2. reliability, that is the quality of the opinions about the company among those who know it.[10]

To start the deliberations about the issue of reputation management it should be emphasized that reputation may be managed only partially. A company may try to build or create reputation by its behaviors, activities, declarations, attitudes towards different groups, quality of goods and services etc., broadly speaking by its corporate identity, but it never will be able to drive ones' mind and opinions into one direction. Davies *et al*. (2003) write that if the organization builds a positive identity, the natural result could be a positive reputation[11]. "Corporate reputation is no longer viewed as a result of mere manipulation by the company, but as the outcome of a joint process of image construction in which both the company itself and its various stakeholder take part."[12]

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[5] Roberts P.W., Dowling G.R.: Corporate reputation and sustained superior financial performance. „Strategic Management Journal", Vol. 23, No. 12, 2002, p. 1077-1093.

[6] Fombrun C.J., van Riel C.B.M.: Fame and Fortune: How Successful Companies Build Winning Reputation. Pearson Financial Times, London 2004.

[7] Ewing M.T., Caruana A., Loy E.R.: Corporate reputation and perceived risk in professional engineering services. „Corporate Communication. An International Journal", Vol. 4, No. 3, 1999, p. 121-128.

[8] Howard S.: Corporate Image Management. Butterworth-Heinemann, Singapore 1998, p. 41-53.

[9] Fan Y.: A classification of Chinese culture. „Cross Culture Management. An International Journal", Vol. 7, No. 2, 2000, p. 3-10.

[10] Paliwowa-Matiolańska A.: Odpowiedzialność społeczna w procesie zarządzania przedsiębiorstwem. C.H. Beck, Warszawa 2009, p. 179.

[11] Davies G., Chun R., Da Silva R., Roper S.: Corporate Reputation and Competitiveness. Routledge, London 2003.

[12] O'Neil H.W.: How opinion surveys can help public relation strategy. „Public Relations Review", Vol. 10, No. 1, 1984, p. 3-12.

3. Corporate brand understanding

There is a close link between the notion of reputation and the very idea of a brand, and in particular, a corporate brand. It would be difficult to lead a discussion on the topic of reputation without some reference to the elements which determine the identity of a company (a brand being at the top of the list of these elements). The significance of that issue rises in time when the product brand is also the corporate brand[13], which concerns actually the greatest majority of companies. As Bosch *et al.* write, most companies that are ranked high in global reputation studies use the same brand at both levels, corporate and product[14]. They claim that according to a survey of the world's most valuable brands, in 19 of the top 20 companies, the corporate and product brand were identical.

Keller and Lehman say that a brand is often mentioned as a firm's most valuable asset, therefore the term brand itself is widely described in literature[15]. Kapferer provides a brand identity model in which he proposes brand components or dimensions (brand elements) such as physique (a product's objective and tangible basis), personality (the character), culture (set of values feeding the brand's inspiration), relationship (love and friendship), reflection ('the customer should be reflected as she/he wishes to be seen as a result of using the brand') and self-image (one's own internal mirror stimulating an inner relationship with ourselves)[16]. A very interesting view of brand is presented by Raggio and Leone who differentiate the notions of brand equity and brand value. They interpret the brand equity as an intrapersonal construct that moderates the impact of marketing activities and brand value, which is the sale or replacement value of a brand. Brand equity represents what the brand means to the consumer, whereas brand value represents what the brand means to a focal company[17]. Nevertheless, for the purpose of that article, we will adopt a definition following Franzen and Bouwman[18], and state that "a brand is a network of associations with a name in the brain of a person". Brands, according to this view, are pieces of information, meanings, experiences, emotions, images, intentions, etc., interconnected by neural links of varying strength.[19]

[13] Keller K.L., Lehmann D.: How do brands create value? „Marketing Management", Vol. 12, No. 3, 2003, p. 26-31.
[14] Bosch van den A.L.M., Jong de M.D.T., Elving W.J.L.: How corporate visual identity support reputation. „Corporate Communications: An International Journal", Vol. 10, No. 2, 2005, p. 108-116.
[15] Keller K.L., Lehmann D.: op.cit.
[16] Kapferer J.N.: Strategic Brand Management: Creating and Sustaining Brand Equity Long Term. Kogan Page, London 1997, [in:] Ind N., Bjerke R.: The concept of participatory market orientation: An organization – wide approach to enhancing brand equity. „Journal of Brand Management", No. 15, 2007, p. 135-145.
[17] Raggio R.D., Leone R.P.: The theoretical separation of brand equity and brand value: Managerial implications for strategic planning. „Journal of Brand Management", No. 14, 2007, p. 380-395.
[18] Franzen G., Bouwman M.: The Mental World of Brands: Mind, Memory and Brand Success. Oxfordshire World Advertising Research Center 2001.
[19] Walvis T.H.: Three laws of branding: Neuroscientific foundations of effective brand building. „Journal of Brand Management", No. 16, 2008, p. 176-194.

As Meffert and Bierwirth write, on one hand competition between companies is no longer confined to product markets but has now expanded to include procurement and labour markets as well. On the other hand, the corporate brand is generally of particular importance, as it is often used to support other brands within the portfolio[20]. This perspective seems to be important from the point of view of this paper where there is a focus on the threats brought by a crisis to the very corporate reputation which equals the corporate brand reputation. However, Hatch and Schulz make a step ahead and suggest that there can be observed a shift from corporate branding, which represents what the corporate brand does, to 'enterprise branding' which represents also all stakeholders engaged by its purpose and in its activity. They define brand co-creation as an "emergent phenomenon based in networks of different and constantly changing stakeholder configurations. Many brand co-creation researchers conceptualize the phenomenon as a new branding paradigm."[21]

4. Corporate brand reputation and business performance

It is universally known that reputation is a difficult concept to measure, however it is frequently assumed that there is a positive relationship between business performance and corporate reputation.[22] "A company with a good reputation is more likely to stand out in the marketplace as a beacon drawing both repeat customers and trial users."[23]

Good reputation creates the goodwill of a company and reinforces kindliness towards it. It allows for management to have better possibilities to recruit and select the most talented and educated employees, offering jobs in a prestigious company for a competitive remuneration. In such companies the atmosphere of innovativeness is increased since employees tend to work in more effective and efficient ways, which will bring about new and innovative solutions. This in turn ensures the company's evolution, increase of its operational effectiveness and creation of good relationships among stakeholders (partners, suppliers, regulators, dealers, creditors) who often express their support to a company by e.g. lower prices of raw materials and services which then create the possibility of establishing higher prices for final goods. Furthermore, higher prices increase rates of return, which results in higher grading granted by financial analysts, which in turn induces shareholders to buy

[20] Meffert H., Bierwirth A.: Corporate Branding – Führung der Unternehmensmarke im Spannungsfeld unterschiedlicher Zielgruppen, [in:] Meffert H., Burmann C., Koers M., (eds.): Marken-Management. Wiesbaden, Gabler 2005, p. 143-162.

[21] Hatch M.J., Schultz M.: Toward a theory of brand co-creation with implications for brand governance. „Journal of Brand Management", No. 17, 2010, p. 590-604.

[22] Ewing M.T., Caruana A., Loy E.R.: op.cit.

[23] Connor D., Davidson J.: Marketing Your Consulting and Professional Services. John Wiley & Sons, New York, NY 1997, p. 3-37.

a company's equities. Moreover, scientists from the University of South Wales in Australia conducted long-lasting surveys (between 1984 and 1995) which proved that companies holding strong reputations have greater potential to maintain a high level of outcomes from their operational activities, and such companies have more capabilities to improve their operational performance in time.[24] Greyser identifies three major benefits of a positive corporate reputation. These are: a) preference of doing business with a company when several companies' products or services are similar in quality and price; b) support for a company in times of controversy; c) a company's value in the financial marketplace[25]. According to Paliwowa-Matiolańska good reputation constitutes an economic guarantee and is a tool of development for an enterprise. At times it may play the role of a safety barrier when faced with crisis situations. Factors which play the largest role in contributing to reputation building are as follows[26]:

- personality of managing directors;
- norms and values which create the corporate culture;
- methods and techniques of human resources management;
- social engagement, company's and employees' activities in that scope;
- the way that company cooperates with partners, suppliers and cooperants.

As Ewing *et al.* write, "firms that have earned a well-respected reputation over the years are getting much larger in size, while new entrants often struggle to gain awareness in the marketplace."[27] Companies with good reputation attract qualified workers, increase motivation, effectiveness and efficiency and provide a sense of mission. Good reputation causes that the enterprise's equilibrium is based on both social and economic factors. Thus, companies with a positive reputation are less likely to experience fluctuations in demand due to the high loyalty of their customers. Those firms are characterized by the transparency of activities, the fulfillment of their commitments, honesty and responsibility towards society and the environment. However it is worth noting that reputation is acquired over time and constantly needs to be worked on. Reputation itself is fleeting, elusive and very easy to lose, so it needs to be constantly renewed. As Benjamin Franklin noted "It takes many good deeds to build a good reputation, and only one bad one to lose it"[28].

[24] Krawiec F.: Kreowanie i zarządzanie reputacją firmy. Difin, Warszawa 2009, p. 29, 54.
[25] Greyser S.A.: Advancing and enhancing corporate reputation. „Corporate Communications: An International Journal", Vol. 4, No. 4, 1999, p. 177-181.
[26] Paliwowa-Matiolańska A.: Odpowiedzialność społeczna w procesie zarządzania przedsiębiorstwem. C.H. Beck, Warszawa 2009, p. 179.
[27] Ewing M.T., Caruana A., Loy E.R.: op.cit.
[28] Benjamin Franklin Quotes, Thinkexist.com: http://thinkexist.com/quotes/benjamin_franklin/2.html, 10.01.2012.

5. The destructive strength of a crisis

In the course of a company's life there may occur situations which threaten the reputation of the company or its brand. Sometimes it may be very difficult to identify the sources of those threats. When society receives (or is abound with) more and more negative messages, some established ingredients of reputation may be lost[29]. These negative messages may be triggered by crises occurring within an enterprise. In the past, crisis events were often defined as low-probability, high-consequence events that could threaten organizational legitimacy, profitability, and viability[30], and were characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly[31]. Seeger *et al.* write that "crises are specific, unexpected, and non-routine events or a series of events that convey a fundamental threat to system stability, a questioning of core assumptions and beliefs, and are threats to high priority goals, including image, legitimacy, profitability, and even survival". The same authors prove then that "the term crisis evokes a sense of threat, urgency and destruction, often on a monumental scale. The term crisis suggests an unusual event of overwhelmingly negative significance that carries a high level of risk, harm and opportunity for further loss. (…) For managers, employees, community members, and victims, a crisis often represents a profound personal loss. Careers may be threatened, livelihoods jeopardized, and health, wellbeing, and sense of security and predictability shattered."[32]

As the aforementioned definitions show, crises are usually destructive events for an organization. They happen immediately and in many situations can not be predicted or planned. The higher the level of unpredictability, the more disruptive results a crisis can bring upon for the organization as a whole, or for its separate departments or functions. Crises may differ from one another. There are many kinds of crises, depending on applied criteria. Knap-Stefaniuk propose the following division[33]:

1. According to the speed and time of duration – a sudden or lengthy crisis.
2. According to the place of sources – internal and external crisis.
3. According to the effects that may result from a crisis – destructive or constructive crisis.
4. According to the causes of a crisis – real or virtual crisis.

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[29] Wieeneder S., Cerny T.: Skuteczne zarządzanie reputacją i spójny image. Wyd. BestPress, Warszawa 2008, p. 11-13, 76.

[30] Shrivastava P.: Bhopal: Anatomy of a crisis. Ballinger, New York 1987 [in:] Fowler K.L., Kling N.D., Larson M.D.: Organizational Preparedness for Coping with a Major Crisis or Disaster. „Business Society", Vol. 46, No. 1, 2007, p. 88-103.

[31] Pearson C.M., Clair J.A.: Reframing crisis management. „Academy of Management Review", Vol. 23, No. 1, 1998, p. 59-77.

[32] Seeger M.W., Sellnow T.L., Ulmer R.R: Communication and Organizational Crisis. Praeger Publisher, Westport, USA 2003, p. 4.

[33] Knap-Stefaniuk A.: Kryzys w organizacji – i co dalej? Biuletyn Polish Open University, „Zarządzanie Zmianami", Nr 1, 2006, www.wsz-pou.edu.pl/biuletyn/druk.php?p=&strona=biul_kryz&nr=, 19.01.2012.

"The shocking events leading up to the US government's bailout of financial institutions in 2008 show how even the most well-known and seemingly financially strong organizations can disappear in essentially the blink of an eye. The subprime mortgage fallout is the latest example but there have been many others, such as when a corporation's reputation comes under attack because of a rogue employee, boardroom scandal, product recall, or government investigation."[34] Problems with reputation may take on different forms. They may be triggered by short, incidental events or be developed for a longer period of time by long-lasting process of events. They may arise just in time when the negative event happens or be hidden at the beginning and revealed after some time, in most cases by journalists or reporters or some discerning investigators. The voices of disapproval of a company's actions may come from dissatisfied customers, institutions, regulators, groups of support or the public opinion. Greyser submits some categorization of occurrences that may become the source of a crisis of brand reputation. He singles out e.g. products failure, social responsibility gap, corporate misbehaviour, executive misbehaviour, spokesperson misbehaviour and controversy, poor business results and others[35].

Although a crisis may affect almost every company, even if it is an enormous corporation with a strong market position, appropriate actions could be undertaken to manage it.

According to James and Wooten a crisis is "any emotionally charged situation that, once it becomes public, invites negative stakeholder reaction and thereby has the potential to threaten the financial wellbeing, reputation or survival of the firm or some portion thereof."[36] Many crises however could be: 1) avoided at all; 2) minimized in terms of results they cause. Furthermore, not every crisis carries with it serious consequences for a company's reputation. It would be unjustified to claim that, for example, a natural disaster which undoubtedly can be critical to the organizational being threatens its reputation. Although there may be some external crises which are the cause of internal crises, like the world financial recession which society and companies faced between 2007 and 2009, that caused a number of companies worldwide to fall into trouble.

There are also crises which may create new chances and possibilities for a company. "It is interesting that the Chinese have an appropriate phrase for crisis, *wei ji,* which brings together danger and opportunity."[37]

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[34] Krueger T.M., Wrolstad M.A., Dalsem Van S.: Contemporaneous relationship between corporate reputation and return. „Managerial Finance", Vol. 36, No. 6, 2010, p. 482-490.

[35] Greyser S.A.: Corporate brand reputation and brand crisis management. „Management Decision", Vol. 47, No. 4, 2009.

[36] James E.H., Wooten L.P.: Leadership an (Un)usual: How to display Competence in Times of Crisis. „Organizational Dynamics", Vol. 34, No. 2, 2005, p. 142.

[37] Magit D.: Crisis? Oh, that crisis! Shell and Wendy's discover the dangers of too little action too late. „Strategic Direction", Vol. 23, No. 4, 2007, p. 6-9.

On the basis of an in-depth literature review, former research, and on our observations and cases we studied, we pose a thesis that a crisis which is a real threat corporate reputation has its origins inside an organization (internal crisis) and needs to be highlighted by the public media.

6. Case studies

The cases selected for the analysis were appointed deliberately with the aim of showing two examples of different methods of crisis management. Both examples present a crisis that has its origins inside the company (Company X – unethical practices in the production (re-production) process[38]; Company Y – unethical practices in treating its employees[39]). Both crises had been extensively highlighted by the media, which influenced the opinion of the public and therefore undermined the corporate brands' reputation of both companies. However, each of those crises had been managed and communicated in considerably different ways, which resulted in different market positions thereafter attained by each company. The first case of Company X submits the example of wrong crisis management while the second one of Company Y, in contrast to the first one, gives the example of an appropriate way of crisis management. The case studies in the presented paper are worked out on the basis of the following model:

1. Type of the company.
2. The source and the cause of the crisis event.
3. How the crisis was publicized?
4. The characteristics of the crisis.
5. Crisis management actions.
6. The state of the company after the crisis.

Table 1

Case study1 – Company X

1. Type of the company
A Polish company in the meat industry; a major Polish meatpacking plant, the biggest exporting meat plant in Poland.
2. The source and the cause of the crisis event
The crisis was triggered off by the unsanitary practices at Company X's plants, consisting of "refreshing" sausages by scraping mould (mold) of expired sausages and sending them back to the retailers.
3. How the crisis was publicized?
Company X's workers were secretly filmed by one of the most well known Polish TV stations, then the scandal was exposed by all types of media for a number of months.

[38] The case characteristic was based on the Animal Welfare Institute's information, press releases (Rzeczpospolita, Gazeta Wyborcza) and TVN programme's reports.

[39] The case characteristic was based on the press releases (Gazeta Wyborcza, Rzeczpospolita, Gazeta Prawna), TV programme's and Author's own observations. The names of the Company X and Company Y are known to the paper's authors.

cont. tab. 1

4. The characteristics of the crisis
The biggest private television channel and a major Polish daily newspaper in April 2005 caught workers at the Company X's plant on hidden cameras, debating whether expired products sent back by stores should be thrown out or cleaned up and sent out again. After shocking revelations of unsanitary practices at Company X, i.e. the system of scraping mould off expired sausages and sending them back to its retailers was revealed, the plant was closed for 11 days. The Polish government launched an investigation conducted by food safety inspectors. Moreover, the Company X's owner, headquartered in the USA, hired a third party, Poland's former top veterinarian, to oversee an investigation of the incident and the inspection of Company X's plant. The European Commission was awaiting the results of the Polish investigation before deciding whether to take any action. In addition to it, an internal audit had been introduced. But to make things worse it appeared that the "independent" expert, a professor used to perform duties on behalf of Company X's US owner was a chairman of the board of trustees. It is worth noting that the situation that took place in Company X was not commented on by the executives at all. Not before the management were on the verge of decline that they called a press conference to explain their behaviour and to blame production supervisors. During the conference the chairman of the board of trustees announced that Company X's director had been suspended from performing his duties and that production had been halted until the matter was cleared up and the meat had been withdrawn from the markets. Nobody (apart from the Company X's president) had been made redundant. During the conference, nothing which had not been known to the public, was said. The chairman of the board of trustees had trouble in answering questions. He did not want to make a confession relating to one of the most popular of Company X's brands, which the company was awarded some time earlier. He could not even say where, at that moment, was the food which had been removed from the markets. He replied tritely that it was being transported somewhere around Poland in long vehicles. The crisis situation was communicated in a completely wrong way. Instead of approaching the media and trying to explain the misbehaviours, the organization made mistake after mistake. Some time after the crisis came to its climax, Company X wanted to rehabilitate and made an effort to engage in solving social problems. It decided to offer food packages to the poorest inhabitants of one of the Polish cities. As one can imagine, this situation did not appease the public. This occurrence undoubtedly can be labelled as an organizational crisis as it put a real threat to a company's wellbeing and even existence.
5. Crisis management actions
The example of Company X clearly shows many mistakes made unconsciously and the reason why the crisis became more intensive. Management did not deal with the situation in a proper way, did not deal properly with the press because of a badly-prepared conference after 5 days of the scandal's explosion, blaming innocent people and lack of efforts to save the plant's good name are only a few factors why the crisis negatively influenced Company X's identity.
6. The state of the company after the crisis
As one of the Polish daily newspapers reported then, Company X had been working on improving its identity and therefore create an image to rehabilitate its former reputation. The enterprise was rehabilitating, trying to rebuild its position on the market and to restore its previous reputation. Before the crisis the scale (presence) of Company X's products was twice as high as right after the crisis. They believed that all would be improved by an advertising campaign aimed at associating the plant's brand and their products with the motto: "Considerably the highest controlled pork company in Poland" and "We are better, thanks to you". This was in hopes of changing the defamed image of the company and its reputation. The scandal involved customer's health and product's quality. This scandal reflected badly not only on this particular company but on the whole meat industry in Poland and proved that large, high-tech slaughterhouses do not make for a safer food supply. The identity and therefore the reputation of innovative, high-tech organization, meeting the highest market demands was completely lost. This incident became embedded in Polish customers' memory and lasts till today. The company made and still makes every effort to rehabilitate and rebuild identity and therefore influence its reputation, but as it is supposed, will be a long-lasting process.

Source: Authors' own study.

Table 2

Case study 2 – Company Y

1. Type of company
Chain of Polish supermarkets, part of a Portuguese group.
2. The source and the cause of the crisis event
The crisis was triggered of by employees' expressing dissatisfaction with working conditions. The employees were treated badly by their supervisors and directors, they received low salaries, worked overtime for free and were physically overburdened with work.
3. How the crisis was publicized?
The crisis was publicized by groups of workers who were brave enough to voice their opinions and displeasure. Some of them sued the company for moral damages. The real icon of the crisis appeared to be a women, an employee of Company Y in one of the biggest cities in Poland, who as a first, sewed the company.
4. The characteristics of the crisis
Disputes on the worker-employer line seem to be a quite normal occurrences in any business, therefore as well as in a business such as a huge market chain. However, the scale of the lawsuits brought against Company Y's Portuguese owner – mainly by its former employees, the formation of an association of persons affected by the chain, and the media fuss associated with those happenings, caused that Company Y's chain had become, in the public opinion, synonymous with the exploitation of Polish workers by international retail operators. The head of the association was a former supplier for Company Y, who was in a purely business dispute with the Company Y. The peculiar icon of the whole venture was the employee mentioned above who, as a first, sued Company Y for moral damages. The allegations against the chain even suggested that the bad behavior towards the employees was a part of a conscious policy. All these accusations "met with a favourable response". That is the Company's Y chain had become a peculiar "whipping boy". The chain itself and its employees had became the subject of a number of jokes undermining the diligence and reliability of the business. Nobody aspired to work for the chain and, if anybody did, he/she was exposes to mockery from one hand and sympathy from the other. Despite the fact that nothing was said about the goods offered by the chain, simultaneously with the negative reputation of Company Y as an employer, negative light was cast on the quality of the business as a whole. One could observe the untidiness and unpleasant smell in particular store locations. The situation caused customers to resign from shopping in the chain and shifted to the others. The general director's responsible for the operation of the Company Y's chain was truly tested during the period of a difficult crisis and he appeared to be a really good manager for these times.
5. Crisis management actions
The general director had to cope with the smear campaign against the chain, with multiple trials and simultaneously had to start to restore the company's image. Company Y changed its information policy for a more open and, at the same time, introduced changes in the shops aimed at improving the working conditions by e.g. launching an electronic system of a work-time measurement or arranging for special trucks for transporting goods. The chain started to create good relations with employees. The trials that were being conducted demonstrated that most of the accusations made were unjustified. The transparency of operations introduced by the general director resulted in the considerable improvement of its corporate image.
6. The state of the company after the crisis
It appeared that the media and judicial confusions did not stop the company's development. The chain started to focus on improving the quality of goods offered and on creating long-term relations with suppliers (which is proven by the fact that it has suppliers who have been cooperating with the company for over 10 years, which means they are satisfied with the cooperation, i.e. the financial, business and social conditions). The chain has grown to over 1520 discount stores and 8 distribution centers in 2010, the value of its sales in the first half of the year (2010) amounted to almost 9 billion zlotys. The chain employs more than 29 000 workers. It even intends to open 150 discount stores yearly. Currently Company Y is seen and awarded as one of the best employers on the Polish market. The corporation was even acknowledged as being one of the most innovative companies in Europe. Such honourable mention was justified by company's awareness of its customers' needs, its simplicity, low prices and the scale of operation.

Source: Authors' own study.

7. 4-phase model of corporate brand reputation rebuilding – the method and its application

On the basis of the aforementioned two cases, opposite in terms of the actions the enterprises took to manage the crisis, reintegrate the ingredients of their corporate identity and therefore influence their market reputation, we propose to apply a 4-phase model of corporate brand reputation rebuilding created on the basis of the model of reintegration of the corrupt organization, built by Pfarrer *et al*[40]. Nowadays corruption practices constitute a real problem for corporations around the world and are vivid subjects of in-depth scientific examination by many researchers[41]. Corrupt behaviors, if revealed in the company, first of all trigger off a scandal, and secondly they initiate a crisis, and thirdly, which is the result of these two, they threaten the corporate reputation. Corruption as well as unethical practices with products and the inappropriate treating of employees are transgressions that are harmful to the internal and external perception of a company, regardless its size, type of production or services, location, structure, voiced policy of operation etc. Therefore we find a broader application of an organizational reintegration model as a model of corporate brand reputation rebuilding after an internal crisis. Following the authors of the stage model of reintegration we focus on the actions that an organization might take in a particular phase in response to the varying environmental demands while attempting to reestablish its reputation. We theorize that since the environment's demands change as the crisis goes through different phases, so too must an organization's actions. This change in environmental demands or questions and organizational actions signify the evolution of the reputation rebuilding process from one phase to the next. We base the 4-phase model on four assumptions that are also boundary conditions for the propositions. First, we assume that a crisis has its origins inside an organization (internal crisis), is caused by misbehaviors of employees or management, constitutes a transgression and is publicly exposed so the society who is aware of the event. Second, since the model was adjusted and based on the case studies conducted in Polish organizations, the model depicts a corporate brand reputation rebuilding process that can occur in similar cultures (Middle and Western Europe, USA). As Pfarrer *et al.* suggest, following Farh *et al.*[42] and Hasegawa[43] „the importance of saving face as well as the ignominy of public shame in Eastern cultures may alter the course of action as shown here."[44]

[40] Pfarrer M.D., Decelles K.A. Smith K.G., Taylor M.S.: op.cit.
[41] Comp. Stachowicz-Stanusch A. (ed.): The Katowice Branch of the Polish Academy of Sciences, Katowice 2009.
[42] Farh J.L., Hong C.B., Organ D.W.: Organizational citizenship behavior in the People's Republic of China. „Organization Science", No. 15, 2004, p. 241-253.
[43] Hasegava A.: The consequences of Japan's shame culture. „Business Week", No. 19, February 2001.
[44] Pfarrer M.D., Decelles K.A. Smith K.G., Taylor M.S.: op.cit.

The following quote provides and example to illustrate this statement: "Bridgestone's CEO Yoichiro Kaizaki's decision to avoid disclosing the company's problems despite a highly publicized recall of faulty tires, which seems likely to have been influenced by aspects of the Japanese culture, where silence is generally viewed as an appropriate way to convey an image of calm and control". Third, the model is developed under the assumption that attaining and maintaining positive reputation are important to an organization being in crisis – and that it is therefore willing to take the steps necessary for reputation rebuilding. Finally, time and speed play important roles in each stage of the model. Ideally, an organization would like to be reintegrated as quickly as possible, because time spent under suspicion may impact its ability to acquire resources and, consequently impact its very survival[45]. Therefore the more time the organization spends in any one phase can jeopardize the organization's chances of rebuilding its reputation.

The model refers directly to actions that were taken or which taking was missed by the enterprises described in the case studies. Company X's example depicts the wrong way of meeting the crisis management process requirements, therefore is synonymous with negative actions taken, while Company Y as a successful company that managed to restore its reputation or even improve the company's perception in the environment, constitutes a synonym of positive actions, worthy of being followed. Particular phases of reputation rebuilding are presented in table 3.

Table 3

4-phase model of corporate brand reputation rebuilding

Phase	**I Recognition**	**II Clarification**	**III Penance**	**IV Rehabilitation**
Interested environment's groups	Media Regulators Consumers Society	Consumers Media	Consumers Media Society	Consumers Media Regulators Society
Interested internal groups	Employees Management Investors/ Owners	Investors/ Owners Employees	Investors/ Owners	Employees Management Investors/ Owners
Key environment's and internal groups' questions	What happened?	Why did it happen?	What consequences should be suffered by the organization?	What organizational changes have been made?

[45] Ibidem.

cont. tab. 3

Additional discourse of the environment groups	How egregious the transgression was? Was the company forthcoming and cooperative? Do we have all the facts? Were there any codes and norms in the company?	Does the explanation fit the transgression? Could the transgression be prevented? What are the weakest areas of the company? May there occur other transgressions?	Did the organization acknowledge the transgression? Do the consequences equal the transgression? Should the organization be punished officially and/or unofficially? Does the organization have any recovery plans?	Are internal and external changes consistent? Do symbolic changes reflect real behavior? Are changes real or simply window dressing? Did the organization learn anything from the situation? How the organization is going to prevent future crises?
Possible actions by the organization	Voluntary disclosure; Internal investigation; Internal audit; Public cooperation.	Acknowledge wrongdoing; Justification, Express regret; Accept responsibility; Offer amends; Apologize; Open and transparent communication with media.	Accept verdict; Acknowledge that Verdict is equitable; Serve time without resistance; Change the information policy.	Changes in line with transgression; Internal changes in management; reward structures; social benefits and personnel (if needed); New projects and procedures; External portrayal of new ethical image; Corporate responsibility; New mission statement; Code of conduct; New corporate values.
State of reputation	Loss of positive reputation and company's goodwill	If an organization takes the actions proposed, its reputation stops decreasing	Start the reputation rebuilding	Further reputation rebuilding; Regaining positive reputation; Improving former reputation.

Source: Author's own study on the basis of „Model of Reintegration", Pfarrer M.D., Decelles K.A. Smith K.G., Taylor M.S.: After the fall: Reintegrating the corrupt organization. „Academy of Management Review", Vol. 33, No. 3, 2008, p. 730-749.

8. Summary

What can be done to exit a crisis and rebuild the lost reputation as a consequence of a crisis which was the result of a transgression? The approach takes the form of a detailed set of examinations and interpretations of recognized corporate reputation rebuilding phases.

It lays out the choices of aim and the strategies in carrying out the appropriate means and certain behaviors, e.g. providing a justification, confession, expressing regret, apologizing, ensuring the improvement, transparency and openness. Organizations that need to rebuild their reputation must devote time and effort to improving the relations with consumers and employees and other interested groups in the environment as well as with their stakeholders. A company should first make public the circumstances and causes of the transgression and second, the actions taken to gain understanding. The 4-phase model suggests that rebuilding a corporate brand reputation is a complex process involving multiple actions to be taken by an organization, and also involves external as well as internal groups. Specific columns in the model's table present which questions can be posed to the organization, what actions the organization could take and what is the state of the reputation at given phases.

The model may have some limitations resulting from the fact that the focus was put on crises arising from committing a transgression by a company, and that the examination didn't involve companies which lost their reputation during defamation or in other circumstances. Moreover, all the crises described above were media driven, therefore it can be recommended for further research to examine in what way smaller companies, who had lost their reputation due to a crisis they faced, may recover and rebuild their external perception in the environment.

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