**Impact of Corporate Communications**

Corporate communication includes not only messages to everyone **outside** the company but also messages sent to everyone **within** the company. Examples include newsletters, advertising campaigns, web presence, social media and public relations initiatives, to name just a few. What is included in those communications can have far-reaching implications for the corporate brand.

Many have come to expect instant and helpful communication from corporations at all times. When a company does not communicate promptly, truthfully, or efficiently, consumers are quick to respond, and that response can be damaging to a brand. Understanding the consequences of corporate communications can help companies design effective communication plans that help to avoid negative consequences.

Events that have a negative impact upon the brand can also affect internal audiences. This can lead to a loss of morale, reduced production, and eventually disenchantment with the corporation. That in turn can impact the brand and its external stakeholders. By way of example, if consumers approach a corporation with concerns and complaints, it would not be unreasonable to expect some form of response. If, however, the corporation does not provide appropriate communication to address the concerns, those customers could end up feeling unimportant. If, as is likely, these same consumers share their opinions using their social networks and review websites, those concerns will permeate to a much broader audience. Not only will the unhappy customers take their custom elsewhere, but their opinions could dissuade others from trying the brand as well.

**Corporate Branding**

The process of corporate branding consists of a set of activities undertaken by the company to build favorable associations and positive reputation with both internal and external stakeholders. Developing a brand has become increasingly important in today’s connected environment. Externally, legal rules regarding corporate disclosure are forcing a greater degree of transparency and openness than ever before. Internally, employees, customers, and investors seek greater clarity and understanding of a company’s commercial and non-commercial activities. Everyone is therefore seeking knowledge of the company behind the brand, of its core competencies and social responsibility (van Riel & Fombrun, 2006).

**Public Scrutiny**

As *TheEconomist* reported in “When the Jobs Inspector Calls” (2012), corporations that manufacture items in poor countries are likely to encounter public scrutiny of their entire supply chain. If there is any hint of harsh working conditions, campaigners and worker groups, such as unions wary of competition from low-wage countries, will pounce on the hint of scandal. If such situations are found, sensational headlines can tarnish a brand and cause irreparable damage to the company.

Such groups have targeted brands like Nike, Gap, and Coca-Cola following revelations of poor and/or harsh working conditions in factories in the East (“When the Jobs Inspector Calls,” 2012). As an example, during the ‘90s, Nike was criticized for sourcing its products in factories and countries where low wages, poor working conditions, and human rights problems were rampant. This criticism was generated following a number of scandals and public relations nightmares relating to underpaid workers, child labor, and poor working conditions in suppliers based in Far East countries such as Indonesia, Cambodia, Pakistan, and China. During a speech in 1998, the Nike CEO stated, “The Nike product has become synonymous with slave wages, forced overtime, and arbitrary abuse” (as cited in Locke & Romis, 2007, “Nike and Its Global Suppy Chain” section, para. 2). Nike was therefore forced to address the situation in order to restore its reputation as one of the world’s leading suppliers of sports clothing.

Primark is a leading UK retail outlet with a reputation for selling budget-priced clothing that is sourced from 600 major suppliers in 16 different countries, and all the items are made specifically for Primark (Lee, 2011). In 2008, the BBC aired a documentary that showed poor working conditions in Indian factories supplying Primark, exposing child labor by featuring “an 11-year-old Indian girl at a refugee camp sewing sequins on a shirt ordered by Primark” (Lee, 2011, “Problem” section, para. 2). The ensuing controversy led to mass boycott and protests. Primark indicated it had no knowledge of such conditions and immediately cancelled all contracts with that supplier. Child protection groups argued that this action was actually likely to cause greater hardship for those involved and that the company should instead try to improve working conditions for such workers (Lee, 2011). Primark is still one of the most popular retail outlets in the UK, but will its brand be forever linked with the exploitation of child labor?

**Consequences of Bad Publicity**

Bad publicity can emerge at any time over almost any issue, leading to a corporation being portrayed as irresponsible, dishonest, or only looking out for its own best interest. When an organization fails to live up to its brand image, customers, employees, and partners may question the truthfulness of all of the organization's current and future messages, leading to a loss of trust by key stakeholders. Mistrust expressed by word of mouth and through social media can take years to repair. Regaining the trust of stakeholders can be difficult and time-consuming. Such bad publicity can have a negative impact upon sales and revenue, especially if buyers and/or storeowners express their negative opinions and cease to sell items from the corporation in question. Brand equity can suffer long-term damage as a result of such publicity, which is especially evident if a corporation has had to recall products because of safety or health hazards. In such cases, some buyers could avoid the brand altogether for a long period of time.

**Conclusion**

If effects illustrated above are left unchecked and the issues are not addressed with clear and appropriate communications, the corporation could very quickly find itself losing money. Unmotivated employees are likely to take longer to complete tasks, causing costs to rise. The marketing budget will probably require an increase due to declining sales and publicity. Customer loyalty is likely to fall, and the potential consumer base could all too easily shrink as the brand’s reputation goes downhill. Ultimately, poor communication can mean reduced corporate revenues. Consequently, an integrated communication plan is required to ensure that all corporate communications are carefully managed in terms of their content and timing in order to avoid such pitfalls.

References

Lee, M. M. (2011, May 16). Reacting to bad publicity over sweat shop issue: The case of Primark. *Journal of International Management.* Retrieved from http://journalofinternationalmanagement.wordpress.com/2011/05/16/reacting-to-bad-publicity-over-sweat-shop-issue-the-case-of-primark/

Locke, R. M., & Romis, M. (2007, January 1). Improving work conditions in a global supply chain. *MIT Sloan Management Review*. Retrieved from http://sloanreview.mit.edu/article/improving-work-conditions-in-a-global-supply-chain/

van Riel, C., & Fombrun, C. (2006). *Essentials of corporate communications.* Florence, KY: Routledge.

When the jobs inspector calls. (2012, March 31). *The Economist*. Retrieved from http://www.economist.com/node/21551498