Universitat Autònoma de Barcelona

CORPORATE REPUTATION IN SPAIN:

MERCO RANKING & EL CORTE INGLÉS CASE STUDY

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ABSTRACT

This study aims to evince the importance to track corporate reputation and its impact in a context of globalisation, important information flows and high competitiveness. To do so, this study is focused on Corporate Reputation in Spain which in this case will be examined in two different ways, by analysing MERCO ranking, considered one consolidated reference and objective measurement tool for large companies operating in Spain; and then through a case study based on El Corte Inglés.

Overall, from MERCO ranking analysis we find that Corporate Reputation is a powerful strategic asset linked to successful performance and management. However, we also find that it is difficult to build and sustain such that it takes great effort to generate confidence and positive perceptions across key firm's constituents, regardless they are from inside or outside the company, in order to both keep a stability and maximize resources of competitive advantage against competitors in a constantly changing and competitive environment.

Furthermore, from the case study displayed dealing with concepts of reputation management and measurement, it highlights the importance of recognizing and adapting company's business model and overcome new market needs. Moreover, it also points out the strategic value of decisions taken in the long run such as growth financing through D/E ratio, and the allocation of company's resources in profit generation through ROE and ROA, not only in monetary terms but also in efficiency of company's assets.

Keywords: Corporate reputation, MERCO, El Corte Inglés, performance, strategic assets, competitive advantage.

TABLE OF CONTENTS

Index of Figures

Index of Tables

1. INTRODUCTION

It is usual to make assessments based on quantitative, material and substantial facts that can be measured, for instance companies use turnover, Return on Equity and other ratios.

However, there are many other aspects to keep in mind when trying to determine the assessment of a company. This is the case of intangible traits such as corporate reputation as well as confidence or satisfaction.

Actually, these intangible aspects have relevant impact on performance, competitiveness and perceptions held, not only by internal constituents as directors or employees, but also by external ones such as clients or competitors.

Recently, Corporate Reputation was grown relevance being in the spotlight due to its strategic nature driving significant competitive advantage for those companies with the ability to manage it appropriately and competitively.

Nevertheless, it requires great attention and effort to build, maximize and sustain it. Hence, it is relevant to focus on Corporate Reputation management in order to make adequate assessment of it and identify possible drawbacks.

There is a variety of measurement tools based on different dimensions. Among all these tools, MERCO Ranking assesses corporate reputation based on different groups of interest, also known as constituents, and it includes most well assessed companies operating in Spain on annual basis. The evolution of companies included in the ranking shows company's ability to manage its corporate reputation as well as the generation of perceptions and expectations on its key constituents which contributes to build and maintain corporate reputation.

From one special case in the ranking, El Corte Inglés, it is displayed a case study, analysing different components of the company in order to uncover possible reasons behind company's path followed over the years in the ranking.

Overall, some conclusions regarding Corporate Reputation management for the specific case of El Corte Inglés, as well as for the MERCO ranking are drawn at the end in this thesis.

2. THEORETICAL BACKGROUND

2.1. The Concept: The Rising of Corporate Reputation

Corporate reputation must be highlighted as an intangible capable of driving the company to excellence and competitive position (Carreras, Alloza and Carreras, 2013).

Actually, Fombrun (1996) referred to the significance of reputation's value stating that 'Reputation builds strategic value for a company by granting it a competitive advantage that rivals have trouble overcoming. To achieve that advantage, however, a company must develop appropriate practices, or character traits, as it were, that rivals find difficult to imitate'.

One important aspect is the position that the company takes regarding the management and, therefore, the maximization of the most valuable asset by actively working on it, or, in contrast, by allowing a passive generation by outsiders' perceptions. Indeed, that reputation's building process based on people thoughts requires long periods of time. Nevertheless, a good reputation can be damaged very quickly since it is not indestructible. It can be destroyed instantaneously due to its high volatility as it happened in the case of Enron Corporation Scandal[1] (Alsop, 2004).

As a result, companies must be constantly focused on threats' identification and defence strategies development to overcome possible challenges that may arise from the environment in order to avoid painful consequences derived from the failure when protecting corporate reputations (Alsop, 2004).

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[1] Enron Corporation Scandal is also known as 'The collapse of a Wall Street Darling'. The corporation was named as "America Most Innovative Company" for six consecutive years (1996-2001).
With the burst of the dot-com bubble, it decided to build high-speed broadband telecom networks that despite the project investment of hundreds of millions of dollars, the company realized almost no return from it.
Enron's claimed immediate profit on its books from recently created assets such as power plants - its main activity. Then, when revenues did not reach the projected amount, the company transferred these losses applying mark-to-market accounting which measures the value of a security based on its current market value rather than on its book value. Thus, these practices were designed to hide losses and make the company to appear more profitable than it actually was. In that way, Enron wrote off unprofitable activities without damaging its bottom line business. When the recession of 2000, Enron Corporation was exposed to the most volatile parts of the market that ended up with a collapse affecting thousands of employees and shocking Wall Street (NYSE). This shows a classical example of lack of transparency and financial manipulation (Alsop, 2004; Investopedia, 2018).

Consequently, the rise of competition together with a mass market of information imply a direct impact on the flow of information affecting the process of creation, growth and change of corporate reputation in a way such that there is the need to manage it appropriately and fight against possible rumours aiming to damage the reputation.

From the last few years on, the spotlight has been focused on corporate reputation (Barnett, Jemier and Lafferty, 2006). Indeed, it turned to be one strategic asset such that its importance is remarkable being one of the two most popular indicators worldwide for organisations nowadays (Carreras, Alloza and Carreras, 2013).

According to Barnett *et al* (2006), 'during the period of 2001 until 2003, the average number of scholarly articles on corporate reputation more than doubled in frequency compared with the year 2000. In short, the importance of corporate reputation is evident'.

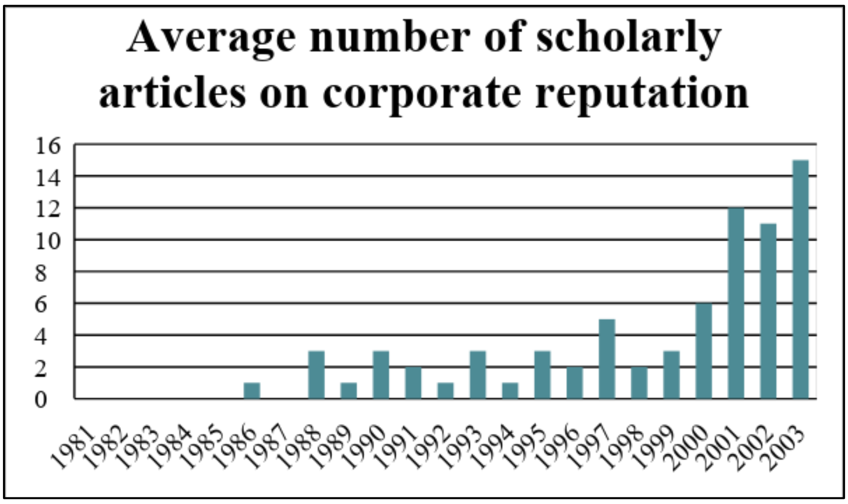

Figure 1. Average number of scholarly articles on Corporate Reputation. Author's computations based on Barnett et al, 2006.

Recently, it has been proved that competitive advantage that arises from reputation is even more powerful than the traditional approaches that managers have been applying based on strategic positioning (Fombrun, 1996).

Actually, the change in corporate reputation trends driven by recession and last economic crisis is translated into the rise of a new economic cycle which is characterised by the «economy of intangibles and corporate reputation» (Carreras, Alloza and Carreras, 2013).

Therefore, these fluctuations in economic cycles point out the relevance of achieving high levels of confidence and loyalty for organisations whose management of corporate reputation must be done properly due to its significance to build up and recover confidence. For this reason, behind a good reputation, which has the ability to gain and maintain confidence of company's groups of interest, lies a great tool that managers should foster to empower confidence needed (Carreras, Alloza and Carreras, 2013).

Furthermore, the internationalization process of many firms plays an important role in reputation because, not only internationalised firms, but also local ones, must overcome overseas competition of a nearly and progressively more globalised market. So, it is fundamental the inherent presence of a source of differentiation within corporate reputation that sustains company's competitive advantage (Carreras, Alloza and Carreras, 2013).

In that sense, there is a mutual link between the global view of a company and the country of origin, since it takes place a bidirectional exchange of attributes that defines both sides. For instance, according to the BAV (Brand Asset Valuator) study on the airline sector performed by Y&R agency, in accordance with the opinions of Spanish consumers, IBERIA is identified by 44% with the values Spain as well as Lufthansa by 89% with the ones from Germany. Therefore, in companies DNA can be distinguished their countries of origin and vice versa (ReasonWhy, 2016).

2.2. Corporate Identity, Corporate Image and Corporate Reputation

The concept of «corporate reputation» has been defined from distinct approaches which made evident the need to create a framework making possible to encompass those approaches towards a common demarcation and interpretation of it (Barnett et al, 2006).

Therefore, before reaching a concrete definition of corporate reputation, it is important to distinguish, according to Walker (2010), between the three terms 'corporate identity, corporate image and corporate reputation' and the relationship among them. Indeed, these concepts are related to successful organisation performance (Roberts and Dowling, 2002).

However, before presenting the different terms, it is interesting to consider the key organisational viewpoints and the relationship between them (Brown, Dacin, Pratt, and Whetten, 2006).

The four dimensions are presented through key questions.

1. ***Who are we as an organisation***: it refers to the internal stakeholders and, certainly, it is associated to the identity. In this case, Brown *et al* (2006) propose a distinction between organisational identity and perceived organisational identity. **Organisational identity** alludes to the organisational level of the company whereas **Perceived organisational identity** concerns the way individuals taking part on the organisation perceive this identity.

2. ***What does the organisation want others to think about the organisation*****:** it refers to the position the organisation occupies in key stakeholders minds. In other words, which desired attributes are the ones associated to the organisation by its constituents. In this case, Brown *et al* (2006) approach to it as 'the intended image of the organisation for a stakeholder group'. This intended image despite being spread across stakeholders will differ sometimes across individuals on the company.
3. ***What does the organisation believe others think of the organisation***: it corresponds to the mental associations that internal stakeholders believe that outsiders ones hold concerning the company. In this case, Brown *et al* (2006) refer to it as 'construed image'.

4. ***What do stakeholders actually think of the organisation***: it makes reference to reputation held by external stakeholders, so the actual perception held by stakeholders outside the organisation (Brown *et al*, 2006).

2.2.1. Corporate identity

Identity was often considered to be a key basic element of the company for its workforce (Barnett *et al*., 2006; Walker, 2010).

Afterwards, organizational identity distinguishes among **desired identity** which refers to the knowledge and thoughts of internal stakeholders according to the organisation, and, the other one based on **actual identity** referring in this case to the actual knowledge and thoughts the internal stakeholders have about the firm (Walker, 2010).

Concretely, corporate identity is composed by **corporate culture and philosophy** established in the **long-run** by internal stakeholders within the organisation in a unidimensional way. Therefore, it has the ability to provide an overview on values and principles that describe internal constituents, employees and managers, from the company (Fombrun, 1996).

Fombrun (1996) emphasizes the importance inherent in the name of the company stating that 'names matter because they convey information to people inside and outside the organisation'. Indeed, the company name represents the **essence**, the main core attributes of the company. As a result, any change on the company name is of complex nature since it does not only affect the image projected by the company but also those attributes and traits that identifies the company as well.

Actually, identity acts as a constraint in decision making, in long run actions and in the performance of the company since every decision taken must be consistent with the company's identity. Therefore, identity is considered to be a **backbone of reputation**. It shows the nature of company's relationships with four key constituents including employees, consumers, investors and communities they collaborate with.

2.2.2. Corporate image

Organizational image is considered to be formed by the **internal projection of the company** to the external agents (Walker, 2010).

Indeed, corporate image is composed by external stakeholders established in the **short-run**, but it is not static, so, it can also change in the short-run as well. It is set on corporate identity from outside the organisation and it is based on the communication of the organisation (Carrió, 2013).

Most managers aim to keep sustainable and favourable images among company's constituents by taking care of relationships with customers, investors, analysts and the media. However, it is very complex to control corporate image due to information asymmetries such as rumours affecting directly company's reputation and the impressions on it. Therefore, to show a well-regarded image, it is necessary to create a cognition that is coherent and consistent both internally and externally (Fombrun, 1996).

2.2.3. Corporate reputation

First of all, *reputation* can be defined as the collection of the opinions about someone or something. Therefore, it results into a combination of different points of view of many different people (Roper and Fill, 2012).

After defining the concept of reputation, we move forward towards **corporate reputation.**

According to Fombrun (1996), *reputation* is defined as 'a perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals'. Then, the reputation of an organisation consists of perceptions from different classes of people. Indeed, as pointed by this author, reputation is 'the overall estimation in which a company is held by its constituents, people inside and outside the company'.

The first two elements presented before –corporate identity and corporate image- are key aspects of corporate reputation (Carrió, 2013).

Overall, both corporate identity jointly with corporate image are pillars of reputation which is set by both internal and external stakeholders in the long-run. Hence, it comes from inside and outside the firm and it can be positive or negative (Walker, 2010)

As Fombrun (1996) stated 'when a company serves its constituents well, its name become a valuable asset' which is translated into the strategic value of having powerful competitive advantage against its rivals. Therefore, it is crucial to preserve that valuable asset which can only be achieved through an appropriate building and care of strong relationships among different stakeholders since they are considered essential for it. Actually, it is important to keep in mind that corporate reputation contributes to corporate performance (Rindova, Williamson and Petkova, 2005).

Moreover, there is a raise of expectations on their constituents, internal and external, such as profitability for investors, performance for employees, as well as, product and services conditions and quality for customers and involvement with local communities. As a result, responsibility emerges derived from the completion of these expectations that contribute to reputation (Alsop, 2004; Fombrun, 1996).

Hence, it can turn to be an attribute of the company that indicates firm's capability to create value and its competitive advantage position, along with the position in agents' mind (Roberts and Dowling, 2002).

Thus, reputation must be consistent defining company's identity and it must present favourable impressions to all constituents on what the company is, which is its activity, and what it stands for (Fombrun, 1996).

In consequence, it is indispensable for companies to work on their reputations over time to achieve that advantage by pursuing uniqueness, credibility and consistency (Fombrun, 1996). In that way, the company is able to differentiate itself by building trust and halo effect and, similarly, preventing uncertainty given in the market (Alsop, 2004).

In addition, Rindova *et* al (2005) stated from an economic perspective that 'uncertainty is a function of the information asymmetries between competing firms and their stakeholders'. Therefore, firms' aim is to reduce market uncertainty by managing information asymmetries in order to take decisions on the true firm's attributes. Thus, it is crucial to promote and ensure the exchange of information between all stakeholders in the organisational domain to avoid information asymmetries (Rindova *et al*, 2005).

Certainly, Roberts and Dowling (2002) making reference to uncertainty highlighted the important role that resides on reputation regarding what they called "the underlying quality of a firm's offerings" and the difficulties, driven by uncertainty, to maintain and prove quality levels in a scenario of competition between firms. Then, they concluded 'a good reputation will enhance a firm's ability to sustain superior financial performance over time'.

	Corporate Identity	Corporate Image	Corporate Reputation
Stakeholders	Internal	External	Internal and external
Perception	Actual	Desired	Actual
Origin	Inside	Inside	Inside and outside

Table 1. Summary table. Author's own elaboration based on data from Walker, 2010.

Actually, the relationship that exists between the three concepts presented above highlights companies' awareness regarding the difference between image and reputation which is increasing nowadays.

As a result, companies try to build and foster strong relationships with customers, going beyond the traditional management of company's image. For instance, Harley Davison developed what is called *Harley Owners Group* (HOG) which consists of 200.000 members worldwide whose consumer loyalty is empowered through a wide variety of services. This successful initiative has a direct impact on Harley Davison's identity being placed among the world's most valuable corporate brands (Fombrun, 1996).

2.3. Corporate Reputation Insight

2.3.1. Corporate reputation attributes

Regarding corporate reputation attributes, Fombrun (1996) emphasizes **three key ones**:

- *Reputation is based on perceptions*: as stated by Fombrun (1996) 'Because a reputation is not directly under anyone's control, it is difficult to manipulate'. Thus, it cannot be under control of the corporation (Brown et al., 2006).

- *It is the aggregate perception of all stakeholders*, internal and external ones. In other words, it is a collective concept that arises from the overall assessment all constituents of the company (Fombrun, 1996).

  Corporate performance is multidimensional; then, reputation is multidimensional as well since it is assessed on specific issues (e.g. Profitability, Social Responsibility). Thus, reputation assessment varies depending on the issue evaluated and on the stakeholder that is evaluating it. For instance, the case of Wal-mart with great profitability -affecting investors- but poor working conditions - affecting employees (Fombrun, Gardberg and Sever, 1999; Walker, 2010). Overall, companies may have multiple reputations depending on the stakeholders and the issues analysed, but reputation is the issue specific aggregate perception of all stakeholders, thus, there must be only one aggregated reputation per issue which is the sum of all identities and images of the interest groups on each dimension, such as an aggregate reputation on profitability and so on (Walker, 2010; Carreras, Alloza and Carreras, 2013).
- *It is comparative* in the long run such that companies evaluate their reputation making comparisons with past reputation situation or comparing reputations across leaders in the industry (Fombrun, 1996; Watrick, 2002).

Moreover, Walker (2010), as well as Carreras *et al* (2013), considers also two additional attributes:

- *Corporate reputation can be positive or negative* due to its comparative nature.
- *It is stable and enduring*. It is based on firms past actions and future prospects in the long run.

Consequently, corporate reputation according to Walker (2010), and considering the attributes presented above, provides the following definition: ‘A relatively stable, issue specific aggregate perceptual representation of a company’s past actions and future prospects compared against some standard’.

Overall, reputation is a representation of multiple images of a company and it shows company’s ability to deliver valuable results to multiple stakeholders (Roper and Fill, 2012).

Expectations from constituents are summarized in the figure 2. Mainly, the company in order to achieve a good reputation must be able to generate **trustworthiness** for employees through empowerment and respect; **credibility** for investors through profitability, stability and growth prospects; **reliability** for customers through product service and customer service; and finally **responsibility** with the community serving it and taking care of the environment (Fombrun, 1996).

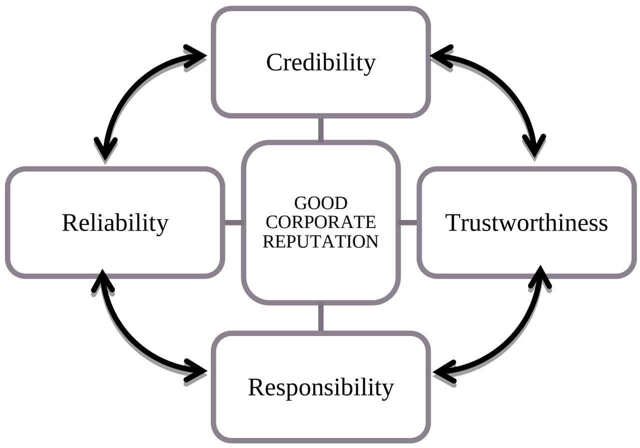

Figure 1. Elements for a good reputation. Source: Author's own elaboration based on data from Fombrun, 1996.

2.3.2. Corporate reputation landscape

As mentioned previously, there is the need to find a common approach towards corporate reputation in terms of definition. Therefore, taking into consideration the multidisciplinary concept, we can distinguish between different academic approaches (Fombrun and Rindova, 1996; Carreras, Alloza and Carreras, 2013).

Economic View

It is considered as the set of traits that signals a company’s likely behaviours. It refers to what the company is, what it does, what it represents and its capability to exert influence on economic agents (Fombrun, Gardberg and Sever, 1999; Carreras, Alloza and Carreras, 2013).

External agents such as investors count with less information than managers on the financial performance of the company. Thus, corporate reputation aims to generate and increase confidence on those external agents. Indeed, reputation generates perceptions on the company among all its constituents– employees, customers, investors, competitors and general public. Hence, managers' objective is to do a strategic use of it in order to signal company's attractiveness (Fombrun, 1997).

Strategic View

Reputation is a source of differentiation which is difficult to imitate. Hence, this intangible asset is crucial due to its potential for value creation, but also because of its complex character to be replicated by competitors (Fombrun, 1997; Carreras, Alloza and Carreras, 2013; Roberts and Dowling, 2002).

Therefore, it represents a barrier to rivals and a source of competitive advantage which allows the company to create value on a competitive environment where quality is not sufficient to be different and where product and services tend to be more homogeneous each time. Hence, the truly source of differentiation and sustainable competitive advantage comes from company's name and reputation associated to it (Fombrun, Gardberg and Sever, 1999; Carreras, Alloza and Carreras, 2013).

Marketing View

This perspective focuses on brand equity such that positive associations come to client's mind through brand name or logotypes (Carreras, Alloza and Carreras, 2013).

Therefore, from marketing perspective Fombrun *et al* (1999) consider reputation as 'perceptual assets with the power to attract loyal customers'. Consequently, marketers' objective is to distinguish and understand customers' responses regarding purchase and consumption attitudes and assess companies on decisions taken about products and services (Brown, 2006).

Organizational view

Company's identity and culture shape business practices. It provides a base for internal stakeholders – employees and directors – in order to achieve properly strategic objectives of the company. Then, it aims to communicate what the company does, how it is done, and how it is communicated to its stakeholders (Fombrun, 1997; Fombrun, Gardberg and Sever, 1999; Carreras, Alloza and Carreras, 2013).

Sociological View

Reputation is seen as an indicator of social legitimacy for the company. Indeed, reputation is built by all its constituents' contributions. Therefore, as Fombrun (1997) pointed out 'reputations are the aggregate assessments of firms' performance relative to expectations and norms'. As a result, all stakeholders are responsible of the impression projected and its social acceptance or rejection (Carreras, Alloza and Carreras, 2013).

Accounting View

Within the accounting perspective, there exists a mismatch between new intangible assets arising from perceptions and its incorporation to the accounting plan, in other words, earnings reflected in annual statements differ from market valuations of companies (Fombrun, 1997). Therefore, Fombrun *et al* (1999) referred to reputations as 'an intangible asset, a form of goodwill whose value fluctuates in the marketplace'.

Integrative view

Reputation is defined by the perceptions held by different collectives identity based on past performance that influences company's confidence and reliability levels (Fombrun, 1997; Carreras, Alloza and Carreras, 2013).

Multistakeholder view

Companies must both take decisions and set the base of their growth on a long-run vision by taking into account each constituent that composes the company and its reputation (Carreras, Alloza and Carreras, 2013).

Once and for all, in order to guarantee a good management of this valuable intangible – corporate reputation- it is crucial that all intangibles in the company are treated rigorously and equally by giving them the same relevance level (Carreras, Alloza and Carreras, 2013).

2.4. Measurement of Corporate Reputation

According to Alsop (2004), reputation can only be well managed by being appropriately measured first. Therefore, research procedures must be developed to collect data and learn from all different constituents to figure out what drives their reputations. Indeed, it refers basically to 'locate their strengths and weaknesses or image reputation compared with chief competitors'. Consequently, companies can develop strategies focused on strengthening relationships with their key constituents and, therefore, managing their reputation in an effective way (Alsop, 2004).

2.4.1. Measurement tools

In order to measure corporate reputation, company's key constituent groups must be identified and there must be a sample of constituents from each group as Fombrun (1996) stated 'The better represented are all of company's constituents in the reputational audit, the more valid is the reputational profile that it generates'.

This section provides the main measurement methodologies of corporate reputation.

Firstly, it is important to point out that there are global and rational measurement indexes. On one hand, **global** ones are based on direct rating that evaluates reputation's concept by interest group. They are synthetic and they provide some variability such that they are useful when the companies assess all accomplishments and results obtained. On the other hand, **rational** measurement indexes are indirect estimates taking into account all the items needed to create corporate reputation. They are able to identify weaknesses and strengths of reputation.

AMAC: *Most Admired Companies in America*

The ranking also known as 'Fortune AMAC' or 'Fortune 500' is the most used tool to measure corporate reputation. It presents a representation of the US economy, the changes on this economy and the prediction of future trends using data from previous annual rankings (Carrió, 2013).

It was created in 1984 by the Fortune Magazine as a published annual report of the 500 biggest companies in America that are present in the Stock Market Exchange (Carreras, Alloza and Carreras, 2013).

The ranking is constructed in accordance to the valuation done by a survey conducted to CEOs and financial analysts on different dimensions about the 10 companies with the highest revenues in each economic sector of the US. They are asked to rank them with respect to eight dimensions that are associated to corporate standing: (1) Management quality, (2) Quality of products, (3) Innovation, (4) Long-run invetsments, (5) Financial stability and performance, (6) Workplace (7) Social and environmental responsibility, and (8) Smart use of corporate resources (Carreras, Alloza and Carreras, 2013).

It depicts how strong and powerful are the US companies. Some companies such as Coca-Coca, Wal-mart and more well-known ones are included in the ranking together with new emergent ones with the aim to succeed in the place where other did not achieve it (Carrió, 2013).

The dimensions of the ranking lack of empirical base. Similarly, its foundation lays just on the perceptions of few groups of stakeholders, not taking into account all the other significant constituents that shape corporate reputation (Carrió, 2013). Moreover, due to AMAC's composition, the global reputation assessment depends more on business reputation which is evaluated by six dimensions rather than on social reputation which is measured just by three indicators (Carreras, Alloza and Carreras, 2013).

Overall, the Fortune AMAC is performed not taking into account the multistakeholder approach when referring to reputation (Carrió, 2013).

WMAC: *World's Most Admired Companies*

The WMAC stands for *World's Most Admired Companies*. It was created in 1997 as an extension of the AMAC to all globe's companies by the Fortune magazine (Carrió, 2013).

The WMAC consists on the first 1000 US companies including the biggest 500 previously stated in the AMAC, to which 500 international firms are added belonging to 55 different industrial sectors and to 33 countries. All of them must share the feature of a turnover higher than 10.000 million dollars (Carrió, 2013).

This tool follows the same methodology as the presented above. In the same way, since the WMAC is an extension of the AMAC this method excludes the multistakeholder approach when evaluating corporate reputation (Carrió, 2013).

CRAVENS REPUTATION INDEX

Cravens Index was presented in 2013 by Karen Cravens, Elisabeth Oliver and Sridhar Ramamoorti. It aims to assess reputation by an independent entity to avoid subjectivity. It consists of four stages: (1) Identification of criteria and subcriteria, (2) Definition of weighting plan, (3) Auditor's assessment based on the criteria stablished, and finally, (4) Presentation of the aggregated results obtained (Carreras, Alloza and Carreras, 2013).

The criteria is composed by eight components: (1) *Quality and value of products and services* relevant attributes that exert influence on clients loyalty and brand recognition; (2) *Employees* including factors such as training provided or profile of company's workforce; (3) *External relations* which comprises the quality of the relationships established with suppliers, investors and competitors as well as environment and social community care; (4) *Innovation and value creation* where aspects such as new products' introduction or adaptation to clients' needs is taken into consideration; (5) *Feasibility and financial stability* through the assessment on financial reports; (6) *Strategy* that evaluates risk on decisions taken to assure a good position for the company; (7) *Culture* making reference to ethic practices and ethic codes; and (8) *Obligations and intangible responsibilities* such as commitment with employees, communication systems or policies and processes applied (Carreras, Alloza and Carreras, 2013).

Therefore, the overall objective is to determine each component contribution. Thus, the index is an aggregated measurement elaborated by independent entities providing a trustworthy audit of remarkable components that create the reputation of a company (Carreras, Alloza and Carreras, 2013).

MERCO

Merco stands for **Monitor Empresarial de Reputación Corporativa**, in other words, it is the Spanish Monitor of Corporate Reputation. It was created in 2001 by Universidad Complutense de Madrid with the aim to evaluate corporate reputation of firms operating in Spain overcoming measurement weaknesses from other international rankings (Carreras, Alloza and Carreras, 2013).

It is a reference and objective measurement tool for large companies in the assessment and management of corporate reputation since it is the only Spanish monitor that evaluates reputation of companies operating in Spain annually.

It is considered a really significant referent both national and international in the business sector by exerting influence not only Spanish territory, but also towards other countries such as Argentina, Colombia or Chile.

From 2011 onwards, Merco expanded its monitors always dedicated to the business sector. Apart from *Merco Empresas*, other annual rankings are created: *Merco Líderes*, valuating business leaders; *Merco Marcas Financieras*, related to the financial sector; *Merco Consumo*, valuation from consumers point of view; *Merco Talento*, evaluating attractiveness of companies in regard with the employee; and finally, Merco dedicated to the valuation of companies with greatest *Responsibility* and the best *Corporative Government.*

Therefore, Merco aims to measure different aspects concerning corporate reputation. It combines audits and direct evaluations of groups of interest from expert populations. Afterwards, the marks obtained from groups of interest and audits are aggregated and computed through a detailed and specific weighting system to get the final Merco value.

According to Merco's website, as well as Fernandez and Luna (2007) and Carreras, Alloza and Carreras (2013), the methodology consists on surveys to five types of agents:

- *Well-known CEOs* to know the opinion on corporate reputation from companies operating in Spain regarding six-first-level variables: economic and financial results. All companies subject to be evaluated are chosen by them in accordance to a general and a sector classification.
- *Evaluation of experts* to provide information from different perspectives with the ability (1) to analyse and valuate reputational positioning of assessed companies, as well as, (2) to exert influence on public opinion.
- *Direct evaluation of merits* or *Audits*, which must be proven, relative to corporate reputation of the 100 companies selected from a provisional ranking done by qualified technician on analysis and investigation.

- *Merco Consumo* to evaluate corporate reputation of selected firms regarding general population by collecting consumers opinions.
- *Merco Talento* an independent monitor that assesses the attractiveness of different companies as workplaces through employees, undergraduate students, former business students and general population as well as human resources directors.

Provisional Ranking

	Weights 2016	
• GENERAL EVALUATION: Board of directors members	33%	DIRECTORS EVALUATION
• Financial analysts	6%	EXPERTS EVALUATION
• ONG	4%	
• Trade Unions	4%	
• Consumers' associations	4%	
• Journalists of economic information	6%	
• Business professors	4%	
• Influentials and Social Media Managers	4%	
• MERCO TALENTO: Internal Reputation	10%	OTHER MONITORS
• MERCO CONSUMO: General Population	10%	
• MERITS EVALUATION: Reputational merits	15%	BENCHMARKING

Final Ranking

Figure 2. MERCO methodology. The five evaluations to get a ranking. Source: Author's own elaboration based on data from Merco España 2016.

To sum up, MERCO index aims to depict the most illustrative representation of social recognition of a company. As a drawback, this measurement tool grants higher relevance to the CEOs vision because they are the ones deciding which companies will be evaluated.

Recently, MERCO has consolidated as a reference tool when measuring corporate reputation in organization.

The Reputation Quotient: RQ

The Reputation Quotient (RQ) was developed by Fombrun and Server due to the fundamental and conceptual weaknesses of corporate reputation measurement (Fombrun, Gardberg, and Sever, 1999; Carreras, Alloza and Carreras, 2013).

The proposal aims to both measure the reputation from an organisation -according to assessment done by the groups of interest- and set a valid and reliable empirical method based on multistakeholder perspective that compose corporate reputations, therefore, moving from a concrete group of stakeholders – investors and board of directors - as in previous tools presented (Fombrun, Gardberg, and Sever, 1999; Carreras, Alloza and Carreras, 2013; Carrió, 2016).

It is based on the measurement of 20 attributes distributed in the following six dimensions: (1) Emotional attractiveness, (2) Goods and services, (3) Vision and leadership, (4) Environment workplace, (5) Social responsibility and environment, and (6) Financial performance. In these dimensions we can find the attributes summarized in the table below (Carreras, Alloza and Carreras, 2013; Carrió, 2016).

	Dimension	Attribute
1	Emotional attractiveness	Positive opinion Appreciation and respect Trust
2	Goods and services	Care of products and services Innovation on products and services High quality products and services Quality-price relation *(value for money)*
3	Vision and leadership	Excellent leadership Future vision Great recognition of markets opportunities
4	Workplace environment	Well-management Work-post Workers
5	Social responsibility and environment	Supportive of good purposes Care of environment Well-treatment of people
6	Financial performance	Profits Low risk investment Overcome competition Growth perspectives

Table 2. Reputation Quotient (RQ). Source: Author's own elaborations based on data from Carreras et al, 2013 and Carrió, 2016.

This method is applied in two stages. Firstly, companies that will be evaluated are selected through telephone interviews and e-mail surveys where corporate reputation is assessed. Afterwards, the selected companies are evaluated from 1 to 7 scale taking into consideration the attributes presented above (table 2) through online questionnaire. This methodology allows not only getting general perceptions from the public but also the ones from professionals with expertise in financial markets (Carrió, 2016).

The Reputational Quotient is a better alternative to the ones based on ranking system. It became a reference when developing new assessment rates afterwards (Carreras, Alloza and Carreras, 2013).

The results on Reputational Quotient are published yearly in The Wall Street Journal (Alsop, 2004).

RepTrak™ Index

The RepTrak™ is the world's largest and highest quality normative reputation database which was created as a response to the increasing demand on companies and institutions to have a better management on their intangibles (Reputation Institute, 2017;Carreras, Alloza and Carreras, 2013).

The Global RepTrak™ 100 is a study conducted by the Reputation Institute. This institute was founded in 1997 by Dr. Charles Fombrun and Dr. Cees van Riel (Reputation Institute, 2017).

Annually a study is performed to measure global reputation of the world's 100 most highly-regarded and familiar global companies in 15 countries using RepTrak framework aiming to protect reputations of that companies as well as to analyze risks and drive their competitive advantage (Reputation Institute, 2017).

Firms included in the study follow some necessary qualifications: (1) have significant economic presence in the 15 largest economies, (2) have an above average reputation in its home country; and finally (3) have a global familiarity over 40% (Reputation Institute, 2017).

This system takes into account seven key rational dimensions to measure the ability of the company to comply with stakeholder's expectations. Thus, it connects emotional bonds of stakeholders with rational behaviours to determine the overall reputation of a company (Reputation Institute, 2017).

The seven rational dimensions include the following factors: (1) Products and services, (2) Innovation, (3) Workplace, (4) Governance, (5) Citizenship, (6) Leadership, and finally (7) Financial Performance. Reputation benefits derived from supportive behaviours are: purchase, recommendation, crisis proof, verbal support, investment and work (Carreras, Alloza and Carreras, 2013; Reputation Institute, 2017).

According to RepTrak™, companies with excellent or strong reputations get significally more support from the public. Indeed, in 2017, companies in the Top Ten position where from United States (*The Walt Disney Company, Google* and *Intel*), Japan (*Canon* and *Sony*) and Germany (*Bosch* and *Adidas*) (Reputation Institute, 2017).

The top three global drivers are Products and services which is the most important one, followed by Governance and Citizenship (Reputation Institute, 2017).

Apart from awareness, it is relevant the reinforcement of emotional bonds from consumers with the company, thus, increase company's familiarity which is a powerful reputation driver for companies and markets (Reputation Institute, 2017).

It is an index with great validity and predictive essence that helps managing effectively corporate reputation (Carreras, Alloza and Carreras, 2013).

To sum up, the RepTrak™ pulse is the global measurement of RepTrak™ that assesses relevant supportive behaviours of the industry. Overall, it is a powerful tool to be used when measuring (1) the assessment of corporate reputation based on perceptions by both specialized stakeholders and by the general public; as well as to (2) make comparisons of corporate reputations across stakeholders groups and finally to (3) make cross-cultural comparisons on this field (Reputation Institute, 2017).

2.4.2. Factors to be measured

Profitability

According to Fombrun (1996), investors pay a lot of attention to 'A company's profitability, volatility and indebtedness to gauge its future prospects and assess its attractiveness'.

There are three important traits to keep in mind regarding profitability dimension. The first one has to do with **earnings generation**. The ability to generate strong earnings steadily increases company's attractiveness to investors due to a rise on company's market value as well as corporate reputation capital. Consequently, it is important to keep certain level of earnings in order to project a healthy and profitable situation, and, therefore, keep or even increase the number of investors (Fombrun, 1996).

The second trait relies on **stability**. Company's environment is constantly changing, generating a lot of uncertainty. This uncertainty is reflected in investors' risk position such that the expected returns have to be above the average to compensate it. Hence, it is crucial to maintain stability in order to be able to deliver the level of returns expected. Indeed, earnings and risk are main factors to determine ratings on reputation by investors and analysts (Fombrun, 1996).

Finally, the third trait is related to the way in which companies project their positive prospects for **growth**. Certainly, this issue is complex to be figured out. The ratio between company's stock price over earnings (p/e) is a common tool used by investors since the higher the p/e ratio, the better the prospects with respect to rivals (Fombrun, 1996).

Product quality

Fombrun (1996) pointed out that 'Products that sell have more customers, and so brand revenues gauge the brand's popularity'. This fact is considered to be a guarantee of product visibility. For instance, Procter & Gamble is one of the companies that produce the most popular consumer products (Fombrun, 1996).

Accordingly, quality is a key distinctive on a company's products that affects consumer's preferences and it can have a direct impact on market share, profitability and growth prospects as well if consumer's preferences are set on quality products (Fombrun, 1996).

Moreover, quality is not only inherent in the product but also in the customer care. This encompasses a regular contact with the customer to gather and provide information as well on satisfaction or dissatisfaction, possible questions or other issues related to the product, its use, its results and potential improvements to be done.

To sum up, it is necessary to keep in touch with customers in order to enhance company's strategy and understand needs to be covered. Nevertheless, this consumer tracking must be well-managed in order not to be paying excessive attention to customers such that the company lose clients or they complain about it (Fombrun, 1996).

Employee treatment

It is basic to promote trust in order to foster the accessibility to information to everyone. To do so, many companies use profit-sharing plans and stock ownership to employees such that some kind of commitment by the employees' side is created. In that way, employees also become shareholders of the company (Fombrun, 1996).

Furthermore, to encourage employees' empowerment is also a factor taken into account when determining company's reputation. This has a lot to do with internal structure of the company, in other words, the degree of freedom and active participation of employees in decision making (Fombrun, 1996).

The type of relationship with company's employees outlines the level of effort and involvement the workforce which will be reflected in company's performance and reputation as well (Fombrun, 1996).

Overall, factors such as motivation, training, promotion opportunities, autonomy, involvement and working conditions play an important role regarding employee treatment dimension.

Corporate governance

This dimension is linked with the internal structure of the company and the degree of hierarchy in decision making.

Environmental and Social responsibility

Social and environmental responsibility is considered to be a differentiating element specifically linked with reputation.

In this case priorities will differ from the ones held by investors or employees since, in accordance to Fombrun's words (1996), 'From public's point of view, doing good is a precursor of doing well'.

The responsibility associated to social and environmental issues has to do with serving the community and going green, respectively. Therefore, it engages the company with the community. Indeed, this commitment is mostly present in every reputation index since it is considered to be an identity reputational trait. Again, for example the case

Procter & Gamble which recognized the challenge to contribute actively with communities by fostering partnerships to improve products' dimensions – related to safety and production process– or promoting environmental quality management by redesigning the distribution process (Fombrun, 1996; Carreras, Alloza and Carreras, 2013).

Actually, the RepTrak® index reflects social and environmental responsibility through three indicators – commitment with good causes, positive influence on the society and care of the environment's protection (Carreras, Alloza and Carreras, 2013).

2.5. Theories regarding Corporate Reputation

According to Walker (2010), the most common theories that have been used to examine corporate reputation are *Signalling Theory, Institutional theory* and *Resource-Based View Theory.*

However, apart from the ones presented above, other not so common theories have been used on the corporate reputation field such as *Stakeholder Theory, Social Identity Theory, Game Theory* or *Social Cognition* (Walker, 2010). Therefore, corporate reputation could be examined from many different perspectives which imply high complexity when trying to integrate them and create a common approach (Walker, 2010).

The three most common ones will be displayed next: Signalling theory, Institutional theory, and Resource Based View theory following a time-lapse of how they move from pre-action, to-action or to post-action.

Signalling theory

Signalling theory deals with the organizational image projected aiming to build, sustain and preserve corporate reputation.

Actually, it deals with information asymmetries. In 1973, Michael Spencer provided a formulation of signalling theory of the job-market as a function of education level. In the recruitment process, there are information asymmetries since employers do not have all information about the actual quality of candidates. In consequence, education level acts as a signal of this quality since low-skilled candidates would not be capable of getting higher levels of education. Therefore, education is a signal that allows a reduction of information asymmetries (Connelly, Certo, Ireland and R. Reutzel, 2011).

Thus, it analyses strategic decisions and choices made by the firm in order to send specific signals to the environment. In that way, it examines how these signals are perceived by constituents since stakeholders based their impressions on these signals. Then, signalling theory is assessing the corporate social performance of the company and how it is reflected on its reputation. This theory is applied in the action stage (Walker, 2010).

Overall, signalling theory analyses the signals sent and detected by firms, the reason behind the signals and the way they are sent (Ponzi, Fombrun and Gardberg, 2011).

Institutional theory

Institutional theory considers what brings legitimacy to the firm and therefore, the effort done by the firm in the building reputation process. Thus, it refers to the institutional field and the actions taken by the firm in this field as well (Walker, 2010).

It is considered to be in the pre-action or action phase. Furthermore, there are relevant variables to keep in mind, for instance, sustainability in terms of product and service, as well as, possible influence that it exerts on firm's reputation (Walker, 2010).

Overall, institutional theory remarks the significance of the institutional environment and context on the field of corporate reputation (Walker, 2010).

Resource Based View

It was created by Birger Wernerfelt in 1984. It is a complex theory to be implemented which is actually implemented in the post-action phase. The firm has the ability to manage its resources and capacities such that it achieves a competitive advantage sustainable in the long run, thus, it examines how valuable and rare is reputation leading to an upgraded position (Walker, 2010; Carreras, Alloza, Carreras, 2013).

The Resource Based View theory (RBV) examines reputation according to the **V.R.I.O. properties**[2]. It considers reputation as a valuable and rare intangible which is a scarce resource difficult to imitate and it must be sufficiently favourable such that it can turn to be a source of distinction for the company. Furthermore, it is essential to achieve a competitive advantage position (Walker, 2010; Carreras, Alloza and Carreras, 2013).

The company must know very well how to manage this resource, by evaluating strengths and weaknesses, such that the company applies the most appropriate policies to boost it.

Therefore, the company can get a source of profitability from the competitive advantage that results of a great management of all resources, through the combination of human and material ones. Overall, companies must analyse and foster their strategic resources to enhance its profitability (Roberts and Dowling, 2002; Walker, 2010; Carreras, Alloza and Carreras, 2013).

Overall, the Resource Based View theory is the one that better encompasses all five attributes from corporate reputation presented before[3].

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[2] VRIO properties: an element is analysed taking into account four aspects: Value, Rarity, Imitability and Organizational Resources Sufficient.

[3] See page 10. Corporate Reputation Attributes.

3. MERCO RANKING

In this section, it will be displayed an overview of MERCO[4] ranking, which provides an assessment of Corporate reputation of companies operating in Spain.

The overview aims to provide a summary of MERCO's evolution and some insights regarding different issues during the ten last years from 2007 to 2017. At glance, it includes detailed information of main companies, sectors with higher presence in the ranking as well as distinction of local and foreign companies.

3.1. MERCO Overview of The Top Companies from 2007 to 2017

3.1.1. Ranking Overview: Main companies from 2007 to 2017

The evolution of the companies placed in the top 10 positions is shown in figure 3. Next, it will be displayed a brief company's description and its evolution assessment during the time period analysed.

Inditex is a vertically integrated Spanish holding of companies specialised in retail, textile manufacturing and distribution, with more than 150.000 employees and present worldwide. It includes brands such as ZARA, Oysho, Bershka or Massimo Dutti. Actually, it has remarkable stability being the consecutive leader of the ranking from 2012 onwards.

Following the same trend, **Mercadona** is a Spanish distribution family-owned company with more than 1.600 supermarkets and 74.000 employees. Its business model is based on proximity commerce and white label products combined with few branded ones. It has gained presence in the top of the ranking scaling up positions gradually approaching and keeping in the second place in MERCO's ranking since 2012.

The third position since 2013 belongs to **Santander**, a Spanish banking group with a network of financial entities all around the globe, mainly in Europe and Latin America. Before 2013, other companies were ranked in the third position such as Telefónica, Repsol, El Corte Inglés or the current leader Inditex.

[4] See page 18. Measurement of Corporate Reputation: MERCO ranking.

Telefónica is a Spanish telecommunications multinational company considered one of the most important one in Europe and the fifth worldwide in the telecommunications sector. I was placed in the third top position of the most well assessed companies in Spain in 2007. Currently, it occupies the sixth position far from the first position in 2010.

Repsol is a Spanish integrated global company from the oil and gas industry that has around 24.000 employees. It has kept stable record in the ranking being placed mainly in the fourth position during these 10 years period analysis, except from 2009 to 2012 when it occupied the sixth and the third one respectively.

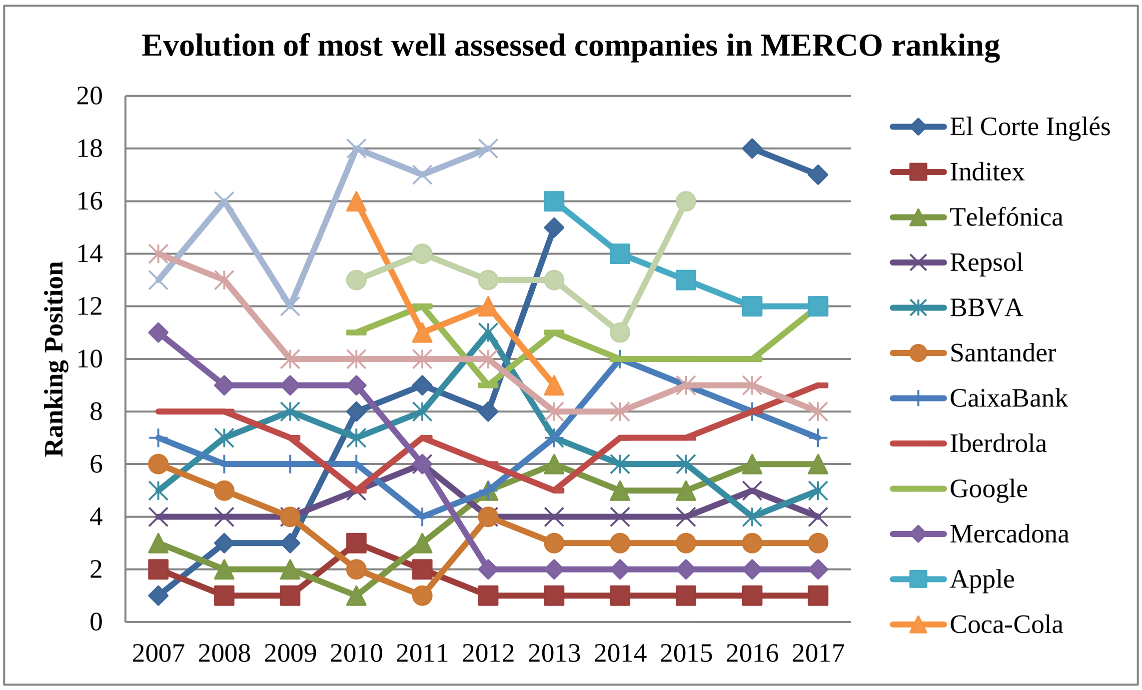

Figure 3. Evolution of most well-assessed companies in MERCO ranking from 2007 to 2017. Source: Author's own elaboration from MERCO ranking data.

Companies comprised within the range from the fifth to tenth position are mainly from the banking sector such as **BBVA** and **CaixaBank**, both suffering a decrease in 2012 and 2013 respectively up to 11th and 10th position. Furthermore, other companies belonging to different sectors, such as **Iberdrola** from the energy sector and **Mapfre** from the insurance one, are also comprised within that range. Mapfre has followed a scaling up trend from 14th to 8th position within that 10 year time period.

The range comprised between the tenth and twentieth position includes some well-known foreign companies which are gaining positions such as **Google** and **Apple** from the technological sector.Moreover, other companies such **Coca-Cola Company**, **Ikea** and **Indra** are also present in the top of the ranking following a less stable trend.

3.1.2. Ranking's stability: Top 10 companies between 2007 and 2017

Companies	Average punctuation	Standard Deviation	Minimum	Maximum
Inditex	9931	179,66	9405	10000
Santander	8745	772,38	7224	10000
Telefónica	8741	704,81	7880	10000
Repsol	8368	434,15	7384	8999
Mercadona	8320	1695,73	4738	9969
CaixaBank	7884	741,95	6792	9066
Iberdrola	7855	804,38	5880	8885
BBVA	7810	346,72	7228	8173
El Corte Inglés	7692	1329,63	5910	10000
Mapfre	6558	1265,96	4370	7771
Google	5955	2120,70	1448	7806

Table 3. MERCO's data on the top 10 companies (2007-2017). Source: Author's own elaboration.

Table 3 summarizes some statistical data regarding the stability of the ten top companies present in the MERCO ranking.

As it happened in figure 3, **Inditex** shows the best results, therefore, being the leader of the ranking. Indeed, it presents an average punctuation of 9.931 points, very close to the maximum score possible, which corresponds to 10.000 points and that it reached several times from 2012 onwards. Moreover, it has the lowest standard deviation of 179,66. Finally, its great performance led it to get a minimum score of 9.405, still very close to the maximum allowed.

The third most well assessed company in 2017, again making reference to figure 3, is **Santander** which shows the second best results with an average punctuation of 8.745 and a standard deviation far from the one of Inditex with 772,38 points. Despite this, its minimum punctuation is 7.224 points and, as well as the leader, its maximum score from 2011 is 10.000 points.

Telefónica, as Inditex and Santander, also reached a maximum of 10.000 points, following a similar trend to Santander, with an average score of 7841, a standard deviation of 704,81 and its minimum score of 7.880, even higher that Santander's minimum score. **Repsol** and **Mercadona** present an average punctuation very close to each other of 8.368 and 8.320 points respectively. In contrast, to Mercadona's standard deviation which is the second highest one with a value of 1.695,73, Repsol's standard deviation is the lowest one, except from the one of Inditex, with 434,45 due to its stability throughout the years always fluctuating between the 3rd and the 6th position[5]. Regarding their minimum and maximum, Repsol's minimum is higher than Mercadona's one, with 7.384 and 4.738 points, yet Mercadona achieved a greater maximum score of almost 1.000 points of difference higher than Repsol, getting 9.969 versus 8.999 points of Repsol.

The companies belonging to the banking sector present similar values, except from the ones of the standard deviation. In this case, **CaixaBank** and **BBVA,** they showed an average punctuation of 7.884 and 7.810 points, a minimum of 6.792 and 7.228 points, respectively, and a maximum of 9.066 for CaixaBank and 8.173 points for BBVA. Overall, Caixabank excels on the average punctuation and on its maximum, but BBVA has a lowest standard deviation of 346,72, almost a half of the one from CaixaBank which is 741,95. BBVA also has better minimum score around 430 points higher.

In the case of **Iberdrola**, it follows a similar trend to the one presented by Caixabank, with an average score of 7.855, a high standard deviation exceeding 800, concretely, 804,38. Its minimum and maximum scores are 5.880 from 2007 and 8.885 points from 2010.

The two companies with lowest average score are **Mapfre** and **Google** with 6.558 and 5.955 points each one. These two firms present a high standard deviation, greater than 1.000, concretely, 1.265,96 for Mapfre and the highest one for Google of 2.120,70. Indeed, Google presents a fluctuant pattern over years from 2010 to 2017, as observed in figure 3. Finally, despite the fact that Mapfre shows a minimum of 4.370 points, which is much higher than the 1.448 points scored by Google, this last one has a greater but closer maximum score of 7.806 points in contrast to the 7.771 points of Mapfre.

Finally, it is very interesting the case of **El Corte Inglés**, in which we will focus on in the following sections. It presents an average punctuation quite similar to the one of BBVA with 7.692 points. Nevertheless, its standard deviation is really high, indeed, the

[5] See figure 3.

third highest with a value of 1.329,63. As well as the leading companies, El Corte Inglés reached the maximum score of a leader, 10.000 points. However, its minimum punctuation is far from the leading ones getting almost 6.000, concretely 5.910 points.

3.2. Sector distribution overview between 2007 and 2017

Regarding the distribution of the ranking in accordance to the sector where companies belong, there are some sectors that present specific features during the period from 2007 to 2017.

The leading sectors of the ranking are mainly Banking sector, Technological one; and Infrastructures, construction and services. However, since 2013 onwards, new sectors have gained presence such as Clothing and retail as well as Generalised distribution.

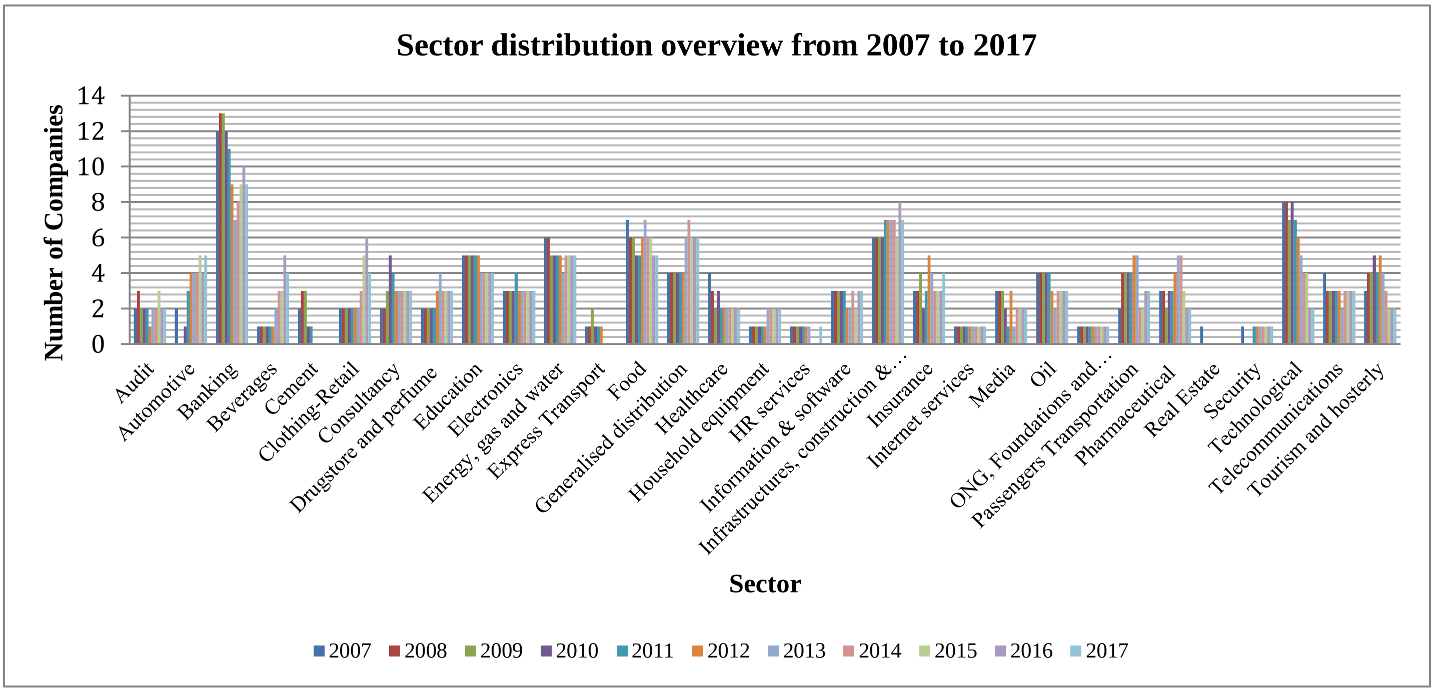

Figure 4. Sector distribution overview from 2007 to 2017. Source: Author's elaboration from MERCO's ranking data.

First of all, as observed in figure 4, we provide a general view of the three main sectors presented before.

The **Banking sector** represents the biggest share but also the greatest instability of the ranking. It accounted for more than 12 companies during the primary years of the period analysed, which coincides with the beginning of the economic crisis from 2007 to 2009. Actually, in 2009 it represented 14%[6] of total sectoral distribution. However, from 2010 onwards, the reputational assessment of companies belonging to that sector dropped, which implied an overwhelming reduction of companies from the banking sector present in the ranking. Despite this fact, currently, it is still a leading sector which gained positions in 2016 accounting for 10 banking companies such as *Santander* or *BBVA* both in the third and fifth position respectively[7].

Regarding the **Technological sector,** the first period from 2007 to 2010 presented a stable trend in which this sector accounted for more than 6 technological companies. However, during the following years, there is a constant down sloping trend, where just two technological companies remain as well-assessed in the top of the ranking, the case of the big players *Apple* and *Google* as shown previously in figure 3.

The **Infrastructures, construction and services sector** presents higher stability than the two sectors presented before. Actually, there is an up-scaling trend during years, reaching its maximum in 2016 when its representation augmented from 6% in 2007 to 9% in 2016[8]. Some companies within this sector are *Abertis* which was ranked in the 48th position in the ranking of 2016 as well as *AENA* and *Acciona* ranked in the 35th and 38th position respectively in 2017[9]. Therefore, in this case the importance of the sector is not given by the most-well assessed companies, as it happened in previous sectors, but by the increasing number of companies related to that area.

Furthermore, there are other categories that also show interesting patterns, for instance the **Generalised distribution** with companies such as *Carrefour* or *Amazon*. This category shows an increase of 3% from 2013 onwards[10]. Moreover, as observed in Figure 4, from 2010 on, there are more than 4 companies of this sector. This fact may be due to an increase of e-commerce through retailers such as *Amazon*. Here, we make special mention of *El Corte Inglés* which dropped considerably in 2014 until the 32nd position, far away from the top ones it was used to be placed in. This specific issue will be addressed in depth in the following sections.

[6] See Figure A3 on the Appendix 2.
[7] See figure 3.
[8] See Appendix 2.
[9] See Appendix 1.
[10]See Appendix 2.

Besides, **Energy, gas and water sector** exhibits a great stability through years with around 4 to 6 companies present in the MERCO ranking including *Repsol*, placed almost these 10 years in the fourth position[11]; or *Iberdrola*, also included in the top ten companies of MERCO. Actually, this category represents about 4% to 6%[12]. Telecommunications is following the same trend but with lesser presence in the ranking.

Finally, it is remarkable the patterns presented by Clothing and retail, Automotive and Tourism and hostelry.

Firstly, **Clothing and retail** moved from a stable period to almost the triple since 2013. Here, *Inditex* is the consecutive leader since 2012 placed in the 1st position[13] of the most well assessed companies reaching a punctuation near or even equal to 10.000 points[14]. In addition to it, other companies such as *MANGO*, *Nike* or *Desigual* also belong to that sector.

The **Automotive sector** is up-sloped since 2011 onwards. Indeed, in that year some companies such as *Toyota* and *BMW* entered in the ranking. Currently, they are valued in the 56th and 49th position respectively. Generally, in both cases, they followed a positive evolution over the years scaling up positions reaching their maximum punctuations in 2014 and in 2016, respectively, for Toyota in the 33rd position and for BMW positioned in the 40th place[15].

Regarding the **Tourism and hostelry**, it follows a down sloping trend reducing its presence on the sector from 5% in 2012 to 2% in 2017[16].

The final remark deals with **the Real Estate sector** which, as shown in figure 4, does not have any company accounting for it since 2007, a year previous to the early stage of the economic crisis.

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11 See Figure 3.
12 See Appendix 2.
13 See Figure 3.
14 See table 3.
15 See Appendix 1. Overview of the top100 companies included in MERCO ranking from 2007 to 2017
16 See Appendix 3. Sector distribution of the top 100 companies from 2007 to 2017.

3.3. Local Versus Foreign Presence

It is important to recall that the ranking does not only include local but also foreign firms operating in Spain. Hence, the yearly percentage of local and foreign firms have been summarised below in table 3.

It is possible to distinguish that during the whole period comprised from 2007 to 2017, more than 60% of companies are local ones. However, this percentage is reduced as time goes by, since at the beginning, in 2007, almost 69% of companies where Spanish ones, meanwhile since 2013 onwards, the ratio does not exceed the 64%. Indeed, in 2015, it was recorded the highest portion of foreign companies included in MERCO ranking accounting for 39%, and therefore, the lowest fraction of local ones accounting for 61%.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Local	69%	68%	66%	66%	65%	69%	63%	64%	61%	62%	62%
Foreign	31%	32%	34%	34%	35%	31%	37%	36%	39%	38%	38%

Table 4. Percentage of Companies: Local versus Foreign. Source: Author's own elaboration.

Actually, there are some sectors that during the period analysed (2007-2017) showed a higher dominance of foreign companies. As shown in Figure 5, on average foreign companies are mainly leaders in Automotive, Electronics, Information and software; Audit and Drugstore and perfume.

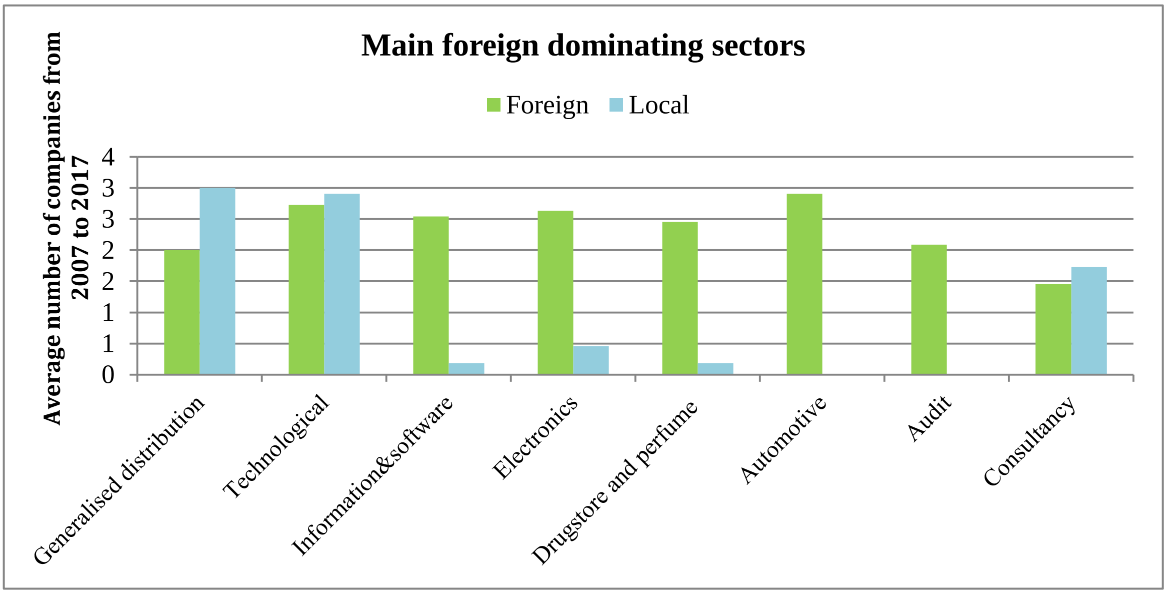


Figure 5. Main foreign dominating sectors on average in MERCO Ranking during 2007-2017.

Nevertheless, in the case of technological sector, foreign and local companies on average are almost present in the same proportion such as *Gamesa* and *Siemens*. In contrast, generalised distribution shows the reverse pattern.

3.4. Overall Ranking Stability

The environment is constantly changing, as well as companies' presence in the MERCO ranking. Companies' positions fluctuate in accordance to the score achieved when being assessed on many criteria, such that some companies exit to enter new ones.

As figure 5 shows, 20% of companies are only present in the ranking just once such as *AXA*, *ONO* or *ESTEVE*. In contrast, 24% of companies stayed during the whole period from 2007 to 2017, such as the leader *Inditex*, *Repsol* or *Google*.

Despite this fact, almost more than 50% of companies do not stay longer than 5 years in the ranking, or they are present in the ranking since 2012. Indeed, 9% are present for 2 years and 10% for 3 years such as *Ericsson*, *Renault* or *Tarradellas*. A 5% of companies in the ranking stay or are present for 4 years; and 9% for 5 years, as the case of *BP Oil* and *Amazon*.

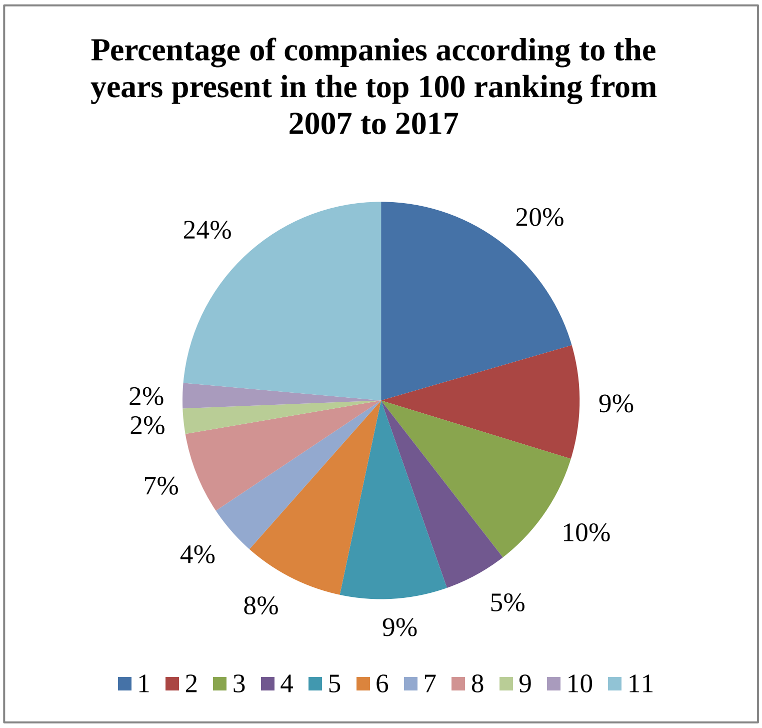


Figure 6. Percentage of companies according to the years present in the top 100 ranking during the period of 2007-2017. Source: Author's own elaboration**.**

Hence, 47% of companies in the ranking are there for six or more years. Actually, as the number of years that companies are present in the ranking increase, from six to nine, the percentage of companies' continuity decreases, except for those of eight years such as *Volkswagen Group, Apple or La Fageda.*

Overall, the companies of the ranking follow two patterns: (1) they are present there for 5 or less years, may be due to early emergent activity, such as the case of Amazon which is growing currently, or may be due to obsolescence such as Ericsson; (2) They are strong companies capable to sustain stable reputational value over time.

4. EL CORTE INGLÉS

The case study about El Corte Inglés displayed in this section contains corporate and financial data from the company obtained from company's website as well as annual reports published by the company, MERCO ranking and from SABI database.

4.1. About the company

4.1.1. Description of the company

El Corte Inglés is a Spanish familiar distribution group from the retail sector headquartered in Madrid. The majority of shareholders belong to the founder's family, Ramón Areces, and to its foundation *Fundación Ramón Areces* (Díaz, 2014).

The group is composed by eight different business lines: *El Corte Inglés* which is the core business; *Hipercor*, *Supercor, Viajes El Corte Inglés, Óptica 2000, Insurance group, Sfera* and *Bricor*. Currently, El Corte Inglés is present all over the Spanish territory with more than 90 establishments and it expanded its operations also to Portugal with an overall workforce of 91.690 employees (El Corte Inglés. 2018).

Figure 7. Number of centers by business line. Source: El Corte Inglés (2018).

4.1.2. Company background[17]

Company's name comes from a small tailor shop acquired by the founder of the company in 1935, which was located in Madrid since 1890.

Afterwards, El Corte Inglés was founded in June 28th of 1940 by **Ramón Areces** with the support of his uncle, who would become partner and president; César Rodríguez. By that year, the company had just 7 employees.

During the 70's until the 90's, El Corte Inglés began its national expansion to Barcelona, Sevilla or Bilbao showing a modern image to satisfy needs and demands through a diversified commercial activity.

Ramón Areces was succeeded by **Isidoro Álvarez** in 1989, after the founder's death. Under the management of Isidodo Álvarez, the company achieved great growth and business expansion.

Isidoro Álvarez died in September of 2014. He was succeeded by **Dimas Gimeno Álvarez** who is currently in charge of El Corte Inglés.

4.1.3. Corporate strategy

El Corte Inglés is focused mainly on <u>client's orientation</u> policy and innovation. To do so, they have a diversified market portfolio with differentiated business lines within the group. In that way, it is capable of offering a wide range of products and services to its customers (El Corte Inglés, 2018).

El Corte Inglés has a strong business model based on constant innovation, as well as adaptation to upcoming trends and consumers' needs through its broad assortment. Indeed, the company' principles include: *Guarantee and Service* as a main source of growth; *Ethics and Responsibility* building trust and reputation; *Relation and interaction with the agents of the environment*, keeping in mind all groups of interest; and, finally, the *Commitment with the environment* (El Corte Inglés, 2018).

[17] See Appendix 4. El Corte Inglés timeline.

Regarding its client's orientation policy, the company is highly engaged to it on five different dimensions: (1) Quality, (2) Assortment, (3) Service, (4) Specialisation; and (5) Guarantee. These five dimensions converge to the maximum clients' satisfaction and the differentiated image that the company aims to project (El Corte Inglés, 2018).

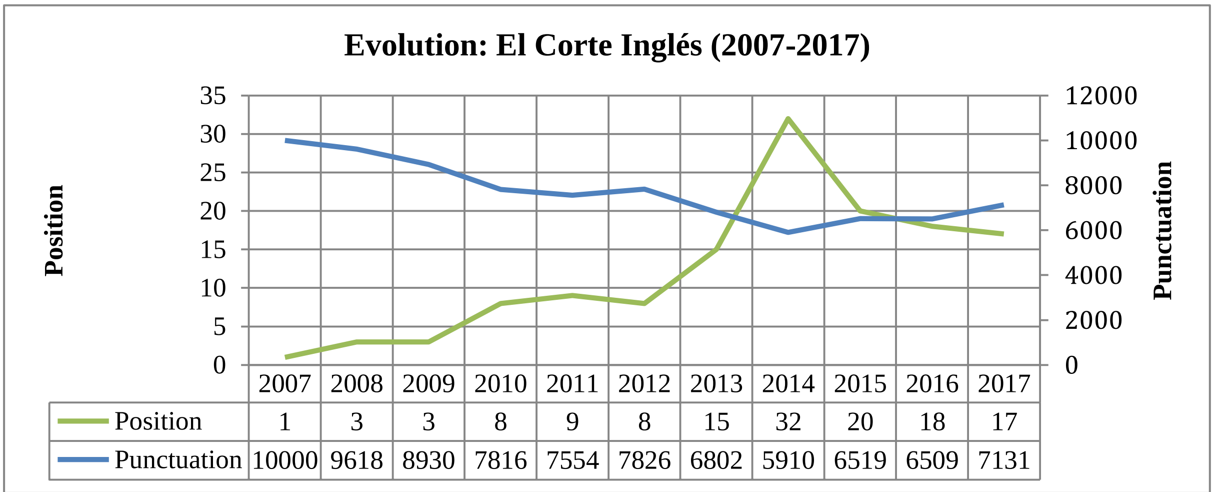
Overall, El Corte Inglés is considered as a leader in department store in Europe as well as a referent in Spanish distribution (El Corte Inglés, 2018).

4.2. El Corte Inglés by MERCO

In this section we analyse in depth El Corte Inglés in accordance to MERCO ranking by looking at the evolution during the period from 2007 to 2017, as well as the evolution of sector to which it belongs. Moreover, we also show some insights of El Corte Inglés's leadership style by analysing the leaders' ranking available in MERCO's website, called MERCO Líderes.

4.2.1. Evolution of El Corte Inglés

During the primary years of the period analysed, the company presents well-assessed reputational levels being positioned between the 1st and the 5th position of the ranking. Indeed, as observed in figure 7, its best year was 2007 when it was placed in the 1st position and valued with 10.000 points. From 2009 to 2013, there is a shift to lower positions fluctuating between the 6th and the 15th place with an average score of 7.732 points.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Position	1	3	3	8	9	8	15	32	20	18	17
Punctuation	10000	9618	8930	7816	7554	7826	6802	5910	6519	6509	7131

Figure 8. Evolution of El Corte Inglés from 2007 to 2017. Author's own elaboration from MERCO ranking.

After 2013, there is a huge decrease in the ranking until the 32nd position and 5.910 points reached in 2014. It is then, when there is an inflection point shifting to a positive up-scaling trend. Therefore, since 2014, El Corte Inglés is making up for the years of lower reputational score. Currently, it is placed in the 17th position and it is close to reach the average score from the period between 2010 and 2012.

4.2.2. Evolution of the sector: Generalised distribution

El Corte Inglés is classified, according to MERCO criteria, on the sector of **generalised distribution.**

Regarding the evolution of the sector, the figure 8 shows data collected from *MERCO Sectors*, looking concretely to the one that includes all companies dedicated to generalised distribution. Therefore, the figure below illustrates which are the main companies between 2007 and 2017 and how they switched positions in the ranking.

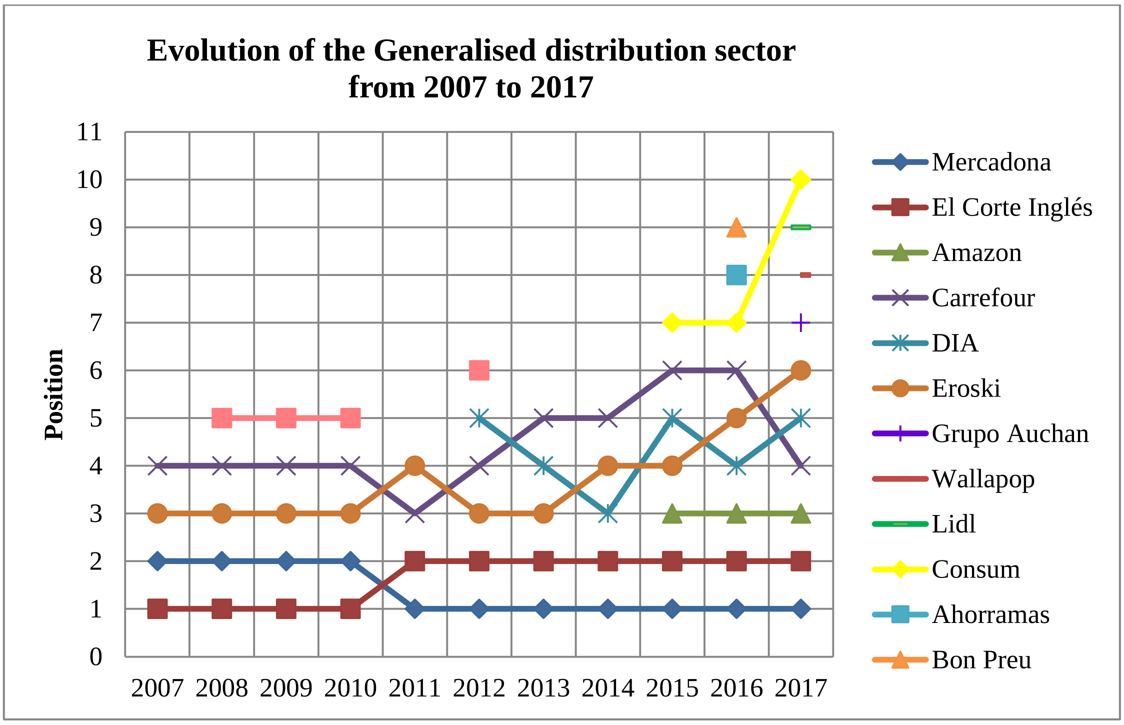


Figure 9. Evolution overview of the Generalised Distribution sector from 2007 to 2017. Author's own elaboration from MERCO ranking.

In the top of the ranking there are mainly two companies who switched their positions in 2011. These companies are El Corte Inglés for the first period, in the early stage of the crisis (2008-2010); and then, Mercadona, the company of Juan Roig, which has been the second main company until 2011, when it became the first one until now.

It is very interesting the fact that El Corte Inglés remains in the second position on this ranking from 2011 onwards, since recalling previous section discussed, it dropped significantly, exactly in 2014, on the general MERCO ranking that included other sectors. Moreover, referring to MERCO Sectors again, El Corte Inglés presented the ability to remain stable with the entry of new companies mainly since 2013[18] such as *DIA*, *Consum* or *Amazon*. The reason behind this fact could be its wide and diversified range of products that will be explained next.

Carrefour and Eroski are continuously moving around the 3rd and 4th position, also since 2011, the same year as the leaders stated before. In the next years, these companies together with DIA, which enters in the ranking in 2012, are constantly switching positions, following a down-sloping trend for the two oldest companies, Carrefour and Eroski. However, Carrefour had the ability to scale-up positions being in the 4th one in 2017.

In 2015, the foreign company Amazon and the local one Consum entered in the ranking. Despite this, they followed completely different trends, since Amazon has been very stable over years keeping always its initial 3rd position; meanwhile Consum is approaching lower positions in a short period of time. Concretely, in one year it fell almost to the 10th place.

Alcampo, a company from the Auchan French retail group, was present on the ranking in the 5th position during three years, from 2008 to 2010. Even though it disappeared, in 2017, the Auchan group has again presence in the ranking, exactly in the 7th place.

Overall, it is important to remark that the number of companies in the sector has increased during the period analysed. Furthermore, it is interesting to highlight the new entrance of companies such as Wallapop which has expanded a lot its business that was initially based on a platform where individuals could buy and sell second hand products.

[18] See figure 4.

To sum up, companies whose business model is based on e-commerce are gaining popularity and reputation, such as Amazon or, again, Wallapop, threatening the business strategy of traditional ones being forced to include also this online shopping possibility.

4.2.3. Leadership ranking

Leadership and proper management practices are essential to build up strong corporate reputation.[19]

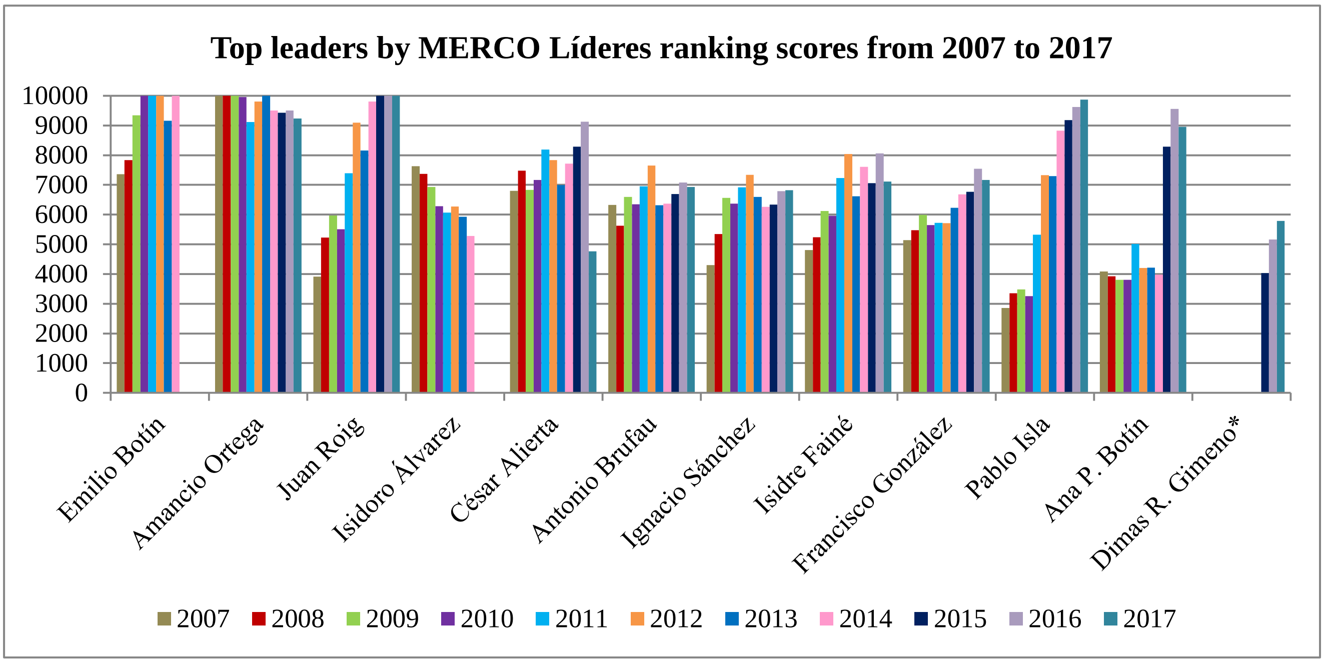


Figure 10. Top leaders by MERCO Líderes ranking scores from 2007 to 2017. Author's own elaboration from Merco Líderes.

As shown in figure 9 and looking also to table 5, it is possible to distinguish that all companies ranked with high scores were, and are still being managed by well-assessed leaders in the ranking of MERCO Líderes.

For instance, we can focus on the three main top companies, Inditex, Mercadona and Santander.

Leader	Company
Emilio Botín	Santander
Amancio Ortega	Inditex
Juan Roig	Mercadona
Isidoro Álvarez	El Corte Inglés
César Alierta	Telefónica
Antonio Brufau	Repsol
Ignacio Sánchez	Iberdrola
Isidre Fainé	CaixaBank
Francisco González	BBVA
Pablo Isla	Inditex
Ana P. Botín	Santander
Dimas R. Gimeno[20]	El Corte Inglés

Table 5. Leaders and companies. Source: Author's own elaboration.

19 Dimas Gimeno is not ranked as one top leader, but it is important as the successor of Isidoro Álvarez.

Firstly, Amancio Ortega founder of Inditex, who has a score higher than 9.000 points for all years. Pablo Isla, also from Inditex, began with a score lower than 3.000 points and from 2010 on, he increase its score almost reaching the 10.000 points.

In addition, following the same trend, there are Mercadona and Santander with Juan Roig and Emilio Botín ahead, respectively. Santander's leader was succeeded by Ana Patrícia Botín in 2015, after the death of the previous leader. Since then, her score has raised up significantly moving from a maximum of 5.000 points to more than 9.000 points. In the case of Juan Roig, he followed a regular up-sloping trend until approaching the maximum score levels since 2015.

In contrast to the pattern showed by the rest of companies represented in the chart, the leader of El Corte Inglés, Isidoro Álvarez, presented a decreasing score over the years until he died in 2014. This fact is supported by the evolution of El Corte Inglés in the overall ranking, where it presents a negative evolution achieving its lowest score in 2014 and being placed in the 32nd position[20].

From 2015 onwards, El Corte Inglés management was in charge of Dimas R. Gimeno, who has reversed the tendency of the last leader, showing a regularly increasing trend over the years.

4.3. Financial Analysis

4.3.1. Data Collection

The data collection process has been structured in two sections. The first part consists on corporate information gathered from two different sources of information. On one hand, some data belongs to the annual reports published by the company on its website. On the other hand, since the annual reports did not include all the information of the company we have gathered it on SABI database[21].

The second section corresponds to a selection of news related to El Corte Inglés. The news collection is focused on the period from 2013 onwards, when the company strove

[20] See Appendix 1. Table A1.
[21] SABI database: Sistema de Análisis de Balances Ibéricos which includes financial information about Spanish and Portuguese companies.

to achieve better results. It aims to provide some insight and support the economic data analysed in section one. In order to so, they have been classified according to the information provided on five main issues: **Business model**, which includes the company's management style; **Ownership structure**, which is related to El Corte Inglés shareholders; **Performance, Strategic management,** and **Future prospects**.

Overall, it will provide the evolution of the company in terms of company's financial structure (Assets, equity and liabilities) as well as in operational terms for instance revenue, net profit and more. This information will be useful to develop a profitability analysis based on Return on Equity (ROE), Debt-to-Equity, Return on Assets (ROA), Fixed-Asset Turnover, and the evolution and distribution of revenues, net profit and investment.

4.3.2. Financial ratios

The **Return on Equity (ROE)** is considered one of the most important financial ratios as well as one of the best indicators of company's profitability. It is the amount of net income returned as a percentage of shareholders equity which reveals how much profit a company earned in comparison to the total amount of shareholders' equity, in other words, how much profit a company generates with the money shareholders have invested (Bodie, Kane and Marcus, 2014; Ross, Westerfield, and Bradford, 2010).

The general formula to find the ROE is as follows:

$$ROE = \frac{Net\ profit}{Shareholders'equity} \qquad (1)$$

Return on Equity is composed by three main components: Profit Margin, Asset Turnover Ratio and Equity Multiplier.

The breakdown of Return on Equity formula is known as ***DuPont Analysis*** which allows checking the three different dimensions affecting ROE (Bodie *et al*, 2014; Ross *et al*, 2010).

$$ROE = Profit\ Margin * Asset\ Turnover\ Ratio * Equity\ Multiplier \qquad (2)$$

- **Profit margin**: it reveals information about operating efficiency. It measures what part of revenue is kept as profit. A high profit margin would be a sign of well-managed costs in comparison to competitors. In the same way, low profit margin percentage may be a sign of high expenditure relative to revenue, in other words, uncertain profitability.

- **Asset Turnover ratio**: it shows to what extent assets are effectively generating revenue. It allows checking possible improvement or deterioration in assets performance. The higher the ratio, the better the company is performing.
- **Equity multiplier**: it provides information about financial leverage, thus, the way company's operations are financed through debt or equity. In this case, the higher the ratio, the higher the debt financing the assets of the company.

$$ROE = \frac{Net\ profit}{Revenue} * \frac{Revenue}{Total\ Assets} * \frac{Total\ assets}{Shareholders'equity} \tag{3}$$

The interpretation of the ROE value varies across industries and other macroeconomic factors. On average it is around 10% and 12% , actually, the desirable percentage moves between 12% and 15%. However, the higher the ROE is not always the better. It depends whether the high value obtained is based on high financial leverage or not, since a high financial leverage may compromise the solvency of the company (Bodie *et al*, 2014; Ross *et al*, 2010).

The **Debt-to-Equity ratio (D/E)** provides a measurement on company's financial leverage. Thus, it shows company's debt used to finance its assets relative to shareholders' equity. Hence, it compares total liabilities to shareholders' equity.

$$D/E = \frac{Total\ Liabilities}{Shareholders'Equity} \tag{4}$$

This ratio allows knowing how the company has financed its growth since the higher the debt/equity ratio, the higher the growth financed through debt. Therefore, it provides some insight on company's borrowing dependence and risk. Generally, the optimal value of the ratio should not exceed 2 which would imply that two-thirds of the capital is financed by debt and just one-third by equity, in other words, the money borrowed double company's funding. Actually, volatile earnings may be caused by high levels of risk are associated to aggressive leverage.

The **Return on Assets** (**ROA) ratio** indicates company's profitability relative to total assets, in other words, company's ability to generate earnings from invested capital, therefore, from company's assets (Bodie *et al*, 2014; Ross *et al*, 2010).

$$ROA = \frac{Net\ Income}{Total\ Assets} \tag{5}$$

Return on assets can be also understood as return on investment. Indeed, this ratio can provide a picture of company's efficacy on translating investment into net income.

On general terms, the higher the ROA value, the better. This is because a high ROA number indicates that the company is gaining more money with lower investment showing solid performance in financial as well as in operational field. In the same way, a low ROA value may indicate little income in return from investment. Overall, it is useful for investors willing to invest in a company (Bodie *et al*, 2014; Ross *et al*, 2010).

Indeed, both **Return on Equity (ROE)** and **Return on Assets (ROA)** project a clear picture of corporate health of a company. Through these we will obtain a great overview on corporate health in the case of El Corte Inglés.

The **Fixed-Asset Turnover ratio** measures operating performance by projecting a picture on company's ability to generate revenues from fixed-assets investments also known as Property, Plant and Equipment (PP&E). Thus, as in the case of ROA, it indicates revenue generation from investment, but in this case on fixed assets.

$$\boldsymbol{Fixed\ Asset\ Turnover} = \frac{Net\ Sales}{Net\ PP\&E} \tag{6}$$

It will be useful to check earnings generation profitability from fixed assets of El Corte Inglés, including from huge department stores in key locations around Spain.

Apart from the ratio analysis, the **investment** and **revenues** will also be studied. Firstly, investment will be analysed, its evolution and its distribution across material, intangible or financial assets. Secondly, there is an assessment of revenues' evolution and growth over the years, as well as in the case of net profit where we will compare sales relative to revenue per employee which indicates operating performance.

$$\boldsymbol{Sales/revenue\ per\ employee} = \frac{Revenue}{Number\ of\ employees} \tag{7}$$

All these data will be compared across years in order to obtain useful and conclusive inference since reference values vary across industries.

To sum up, it will be linked to the results shown in MERCO ranking during the years between 2007 and 2017 and its significance on the media by looking at the news published.

4.3.3. Results

In this section it is displayed the results from the analysis of El Corte Ingles obtained from all data and ratios presented in previous section.

To begin with, we analyse corporate situation through the years between 2007 and 2017 by addressing to Return on Equity and Return on Assets ratios.

Return on Equity

Company's profitability relative to its shareholders' equity, there is a reduction of almost a half from 9,50% in 2007 to 4,94% in one year as shown in figure 11. This trend lasts during the following periods since ROE value continues decreasing over years until its lowest value of 1,50% in 2014.

These low ratio values are a bad signal since the average Return on Equity value oscillates between 10% and 12%. Therefore, El Corte Inglés is far away from this average value which would imply that the net income generated from money invested by shareholders' is almost insignificant, and it keeps reducing over years until 2015, when there is a little change in trends from down-sloping to up-sloping trend. Indeed, the lowest value corresponds to the year when the chairman, Isidoro Álvarez, at the age of 79 died.

In order to obtain further details on company's profitability relative to shareholders' equity, we focus on the analysis of its three main components. In that way we can try to identify the reasons behind the constant down-sloping Return on Equity.

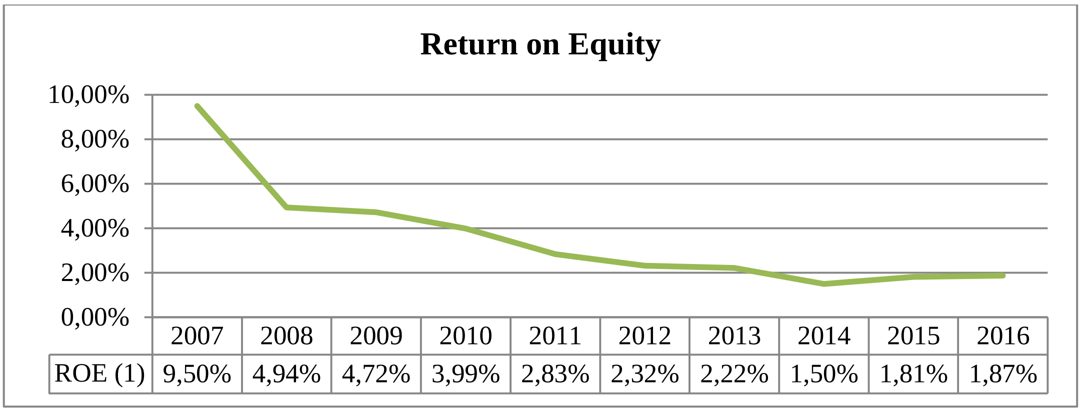


Figure 11. Return on Equity from 2007 to 2017. Author's elaboration from SABI data.

Components included in ROE ratio using DuPont analysis are displayed in table 6.

ROE DuPont	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Profit margin	0,040	0,021	0,022	0,019	0,013	0,012	0,012	0,008	0,010	0,010
Asset Turnover	1,262	1,001	0,935	0,928	0,879	0,819	0,792	0,798	0,829	0,853
Equity multiplier	1,862	2,317	2,267	2,241	2,453	2,446	2,330	2,353	2,135	2,138

Table 6. ROE applying DuPont analysis.

Regarding **profit margin ratio**, it follows the same trend as the overall ROE ratio. Actually, the higher value corresponds to 2007 with a profit margin of 0.04, meanwhile in 2016 this value is four times lower being 0.01. Moreover, the lowest value corresponds to the year of the death of the chairman.

The **asset turnover ratio** follows again the same pattern as the last one, profit margin. Its lowest value was also in 2014 with a ratio of 0.798. Indeed, total assets value, which has been growing over years, exceeded by far the amount of revenues earned from 2009 onwards[22].

In contrast, the **equity multiplier** keeps increasing over the years which imply that company's financial leverage is getting higher. At the beginning of the period, in 2007, the equity multiplier accounted for 1.862 meanwhile at the end of 2016 it increased up to 2.138. In this case, the higher value corresponds to 2011 with a value of 2.453. Thus, company's assets have been financed by debt over these years, being 2011 the year with the highest value of financial leverage. Despite this fact, from 2011 onwards, El Corte

[22] See Appendix 5. Table A2. Balance sheet.

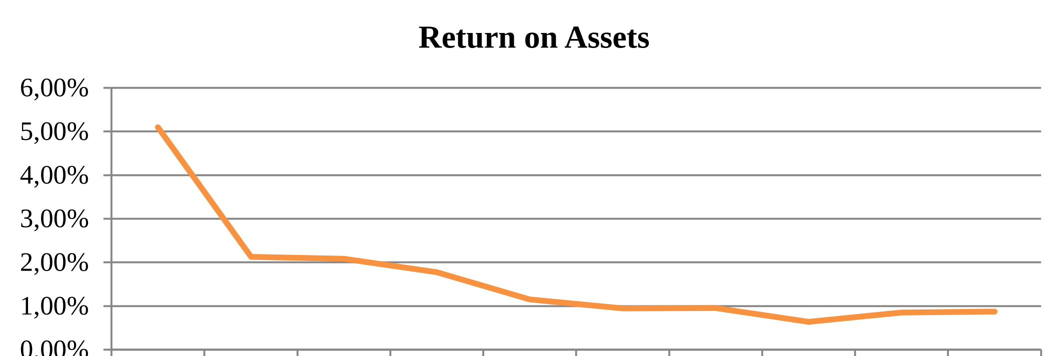
Inglés tried to reduce its financial leverage by accomplishing a reduction of around 0.315 until 2016.

Overall, it is possible to distinguish that the major component affecting negatively on Return on Equity value is the Equity multiplier. Moreover, El Corte Inglés presents low operating efficiency from revenues since it is only able to keep between 1% and 4% of revenues as earnings.

Return on Assets (ROA)

Regarding Assets performance, **Return on Assets (ROA)** ratio presents almost the same pattern as Return on Equity. In this case, it refers to returns from capital invested.

By looking at figure 12, which summarizes ROA from 2007 to 2016, we can check that there is a huge decrease in company's ability to generate earnings from its capital. When El Corte Inglés was leading the MERCO ranking, its ROA value accounted for 5,10%, in contrast to the year 2014 when it reached the lowest ROA value of 0,64% and its lowest position on the ranking as well[23].



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ROA	5,10%	2,13%	2,08%	1,78%	1,15%	0,95%	0,95%	0,64%	0,85%	0,87%

Figure 12. Return on Assets. Author's own elaborations from SABI data.

In 2008, the first year of the early stage of the crisis, is an inflection point because the value of revenues are almost equal to the value of total assets, in contrast to the past trends when revenues were higher than total value of company's assets.

However, from 2009 onwards, there is a shift where total assets are always greater than the value of revenues, being between 2012 and 2016, the time period with revenues

[23] See Appendix 1. Table A1.

much lower than total assets. Concretely, 2013 and 2014 are the years that show the worst results on ROA and ROE as well[24].

It is interesting to notice that, in 2008, despite the fact that both, Return on Equity and the Return on Assets suffered an important shift downwards; El Corte Inglés was able to keep in the third position of MERCO ranking. Actually, El Corte Inglés managed to be between the fifth top positions from 2007 and 2009, as well as, between the fifth and tenth position from 2010 to 2012. Despite the positions loss in MERCO ranking between 2013 and 2014, its worst years, it has been able to recover since 2015. This fact can be also seen on its Return on Assets and Equity ratios.

Following with the analysis of company's assets, we also computed the **Fixed-Asset Turnover**[25], to know the ability of company's fixed assets to generate earnings through Property, Plant and Equipment (PPE).

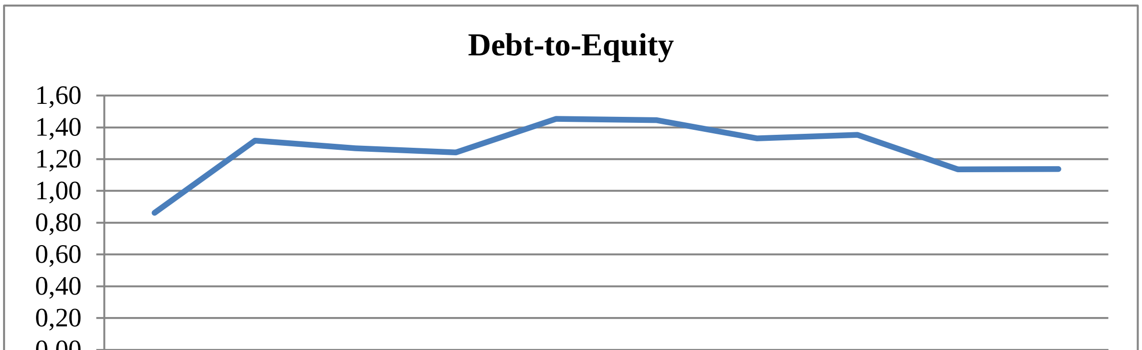
Figure 13. Fixed-Asset Turnover. Source: Author's elaboration from SABI data.

As shown in Figure 13, earnings generation from assets dropped a lot between 2009 and 2013. Actually, from 2007 to 2009, it dropped by almost 0.5. Since then onwards, it has kept a decreasing trend, being steeper between 2012 and 2013. However, during the last years there has been a recovery.

[24] See Appendix 5. Table A2.
[25] Assumption: data available on SABI about Property, Plant and Equipment is already the net value after subtracting depreciation.

D/E

Recalling financial leverage information revealed by equity multiplier of Return on Equity ratio, the **Debt-to-Equity ratio** also provides insights on financial leverage of the company. Indeed, the debt-to-equity does not exceed 2, it is between 1 and 1,45.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
D/E	0,86	1,32	1,27	1,24	1,45	1,45	1,33	1,35	1,13	1,14

Figure 14. Debt-to-Equity ratio. Source: Author's own elaboration from SABI data.

This implies that company's growth has been financed almost by debt, and that El Corte Inglés is dependent on external financial sources, in other words, it has borrowing dependence.

Hence, since **Debt-to-Equity ratio** compares total liabilities to Shareholders' Equity, in the case of El Corte Inglés, it presents total liabilities higher that equity from the company. As shown in figure 14, the proportion of debt compared to shareholders' equity has increased from 2007 to 2008 onwards. Actually, the years 2008, 2013 and 2014, El Corte Inglés presented almost the same level of financial leverage near or equal to 1.35. This was mainly because in 2008 the crisis had a significant impact on the Spanish economy, and therefore on Spanish households as well, the main source of revenue of El Corte Inglés. In 2013 and 2014, El Corte Inglés was facing its worse years, financing its growth through debt, and facing the loss of its chairman Isidoro Álvarez in September of 2014.

Nevertheless, in 2015 there is a reduction on the dependence on debt to finance company's growth, which is directly linked to the entry of a new shareholder, a sheikh from Qatar, who invested 1.000 million euros in exchange of 10% of company's shares. This deal triggered an argument within the counsel and the board of directors, since not all shareholders agreed with the conditions he established as shareholder and investor of the company. Indeed, sheikh's proportion of shares could increase over the years if the performance of the company does not reach certain target amount established previously.

Investment

El Corte Inglés has been always well-known by its investment on new outstanding buildings in key locations around Spain. Indeed, it is located in strategic attractive places in the main capitals of Spain such as the case of El Corte Inglés from Catalunya Square in Barcelona or the one in Callao Square near to la Gran Vía in Madrid. The fact is that it is not only present in main capitals, but there is also establishments' concentration around the territory. In general terms, in Madrid it has around 19 establishments, in Barcelona it has 8 and in Zaragoza as well as in Valencia it has 4. Moreover, it has also expanded to Portugal, concretely to Oporto and Lisboa with one establishment in each place[26].

As a matter of fact, this strategy adopted by el Corte Inglés lead to high indebtedness and low profitable stores located in places not as crowded as big capitals where consumers visit department store regularly or there is great tourism. One example of this unprofitable building would be the case of El Corte Inglés in Getafe.

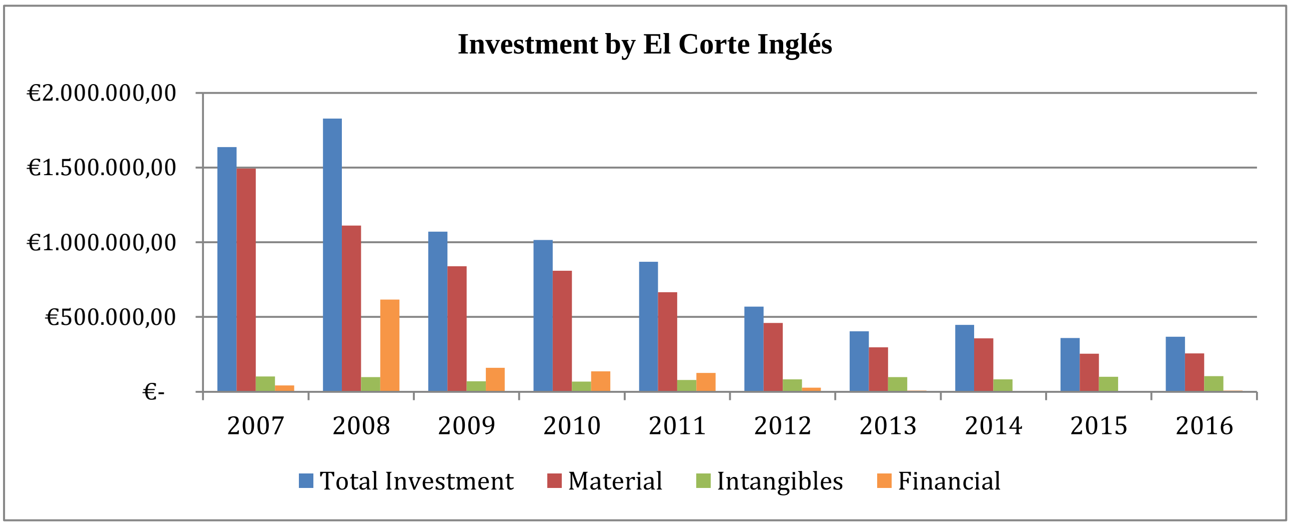


Figure 15. Investment by El Corte Inglés between 2007 and 2017. Author's own elaboration from El Corte Inglés annual reports.

[26] See Appendix 4. Figure 31.

First of all, in figure 15, it is possible to appreciate high investment levels in the years previous to the hit of the crisis and even increasing in the early stage of it with a maximum investment greater than 1,8 million euros in 2008.

In contrast, when the crisis really touched households' income in 2009 there was drastic reduction on investment, which kept a regular down-sloping pattern until 2013. During this period, investment levels decreased by more than a half moving from 1 million euros to almost 0,4 million euros.

Since 2013 onwards, El Corte Inglés have devoted not more than 0,6 million euros to investment. Actually it followed a stable trend close to 0,4 million euros, which is far from initial investment levels that were 4 times higher than recent ones. This fact made evident the need to reduce debt and to find strategies to increase company's performance in constant decrease since 2008.

Regarding the distribution of the investment, the major part of it was for material one. Material investment refers to everything related to building, properties, equipment and more which represented more than 60% of total investment, being almost 91% in 2007 and moving between 70% and 85% between 2009 and 2016 as shown in table 7. At this point, it is important to recall company's strategy based on opening department store in key locations all around the territory and its business model based on constant innovation.

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
% Material	91%	61%	78%	80%	77%	81%	74%	80%	71%	70%
% Intangibles	6%	5%	7%	7%	9%	15%	24%	19%	28%	28%
% Financial	3%	34%	15%	14%	14%	5%	2%	1%	1%	2%

Table 7. Investment components percentage. Source: Author's own elaboration.

The other two components of total investment presented a shift between them. The proportion of investment in intangibles has been lower than 10% from 2007 to 2011, meanwhile financial investment during these years, except for 2007, was around 14% and 35%. In 2012 there is a shift where Intangibles kept increasing its proportion until representing almost 30% and financial did not represent more than 5%. The reason behind this pattern for intangibles is the emergence of new competitors from 2012 onwards, such as Amazon, mainly based on the e-commerce which forced the company to develop also online tools to be able to face the competition.

Revenues and net profit

Next, we will display an analysis of the evolution of revenues as well as net profit between 2007 and 2016.

To begin with, both, revenues and net profit, followed a down-sloping pattern. Actually, net profit comes from earnings generated through revenues. As a result, the decrease in revenue generation triggered a drop in net profit. However, even though revenues reduction accounted for almost 2 million euros, net profit decreased dramatically from 2007 to 2016, but significantly between 2007 and 2008 dropping almost 370.000 euros as shown in figure 16. The reduction on net profit continued over the years being steeper from 2010 to 2012 and from 2013 to 2014.

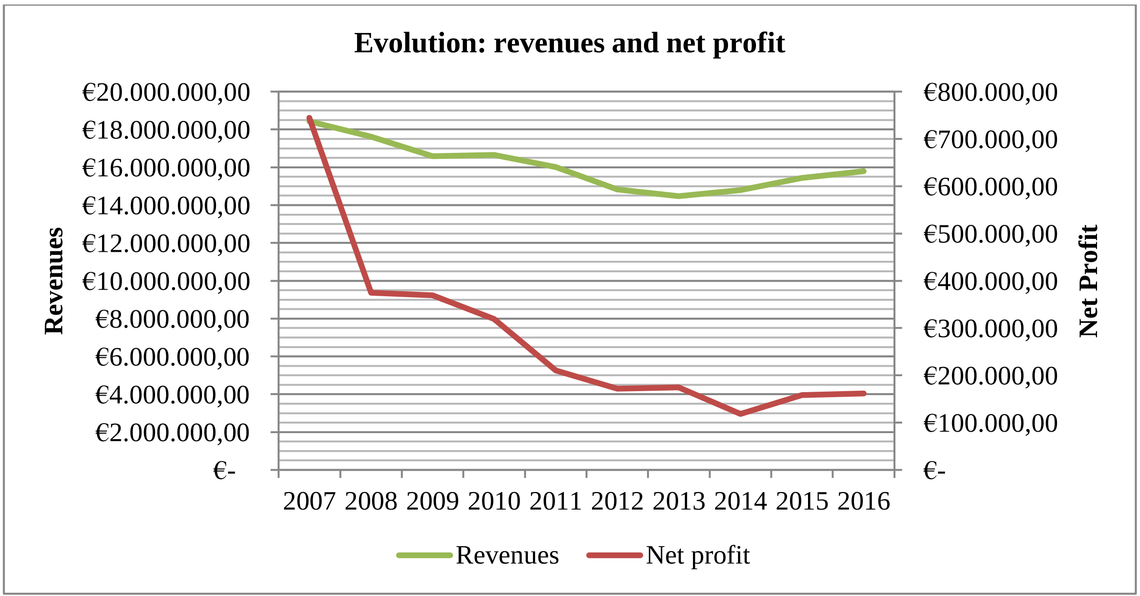


Figure 16. Evolution of Revenues and net profit from 2007 to 2016. Source: Author's own elaboration from SABI data.

Since the arrival of the new chairman, Dimas Gimeno succeeding its uncle Isidoro Álvarez, there is little improvement in both, revenues and net profit. This fact may be link to the reduction in investment as well as the reduction on financial leverage.

In addition, El Corte Inglés workforce also dropped in the period between 2007 and 2016 by around 17.000 employees.

In spite of this fact, personnel productivity expressed through sales/revenue per employee ratio, shows that current workforce which accounts for less employees than in 2007, exhibits higher levels of productivity despite much lower revenues than in 2007.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
# employees	97.328	97.389	90.240	90.836	88.820	86.481	83.128	82.085	82.059	80.640
sales/revenue employee	189,34 €	180,83 €	183,76 €	183,32 €	180,26 €	171,53 €	174,12 €	180,19 €	188,17 €	195,77 €

Table 8. Earnings per employee. Workforce productivity. Source: Author's elaboration from SABI data.

Indeed, in this year, El Corte Inglés workforce accounted for 97.328 and its earnings per employee were around 189.34€ meanwhile in 2016 personnel was 80.640 and its earnings were 195.77€. Overall, employees' productivity has increased as the number of employees as well as revenues has been reduced as observed in table 8.

We have also analysed profit by business line in order to understand individual contribution from each business line to the business as a whole.

The most important business line is the one from the department store of El Corte Inglés. Until 2010, it has been able to generate a level of profitability close to 400.000 euros. Despite the reduction on company's operating efficiency it kept being the main source of net profit for the group as seen in figure 17.

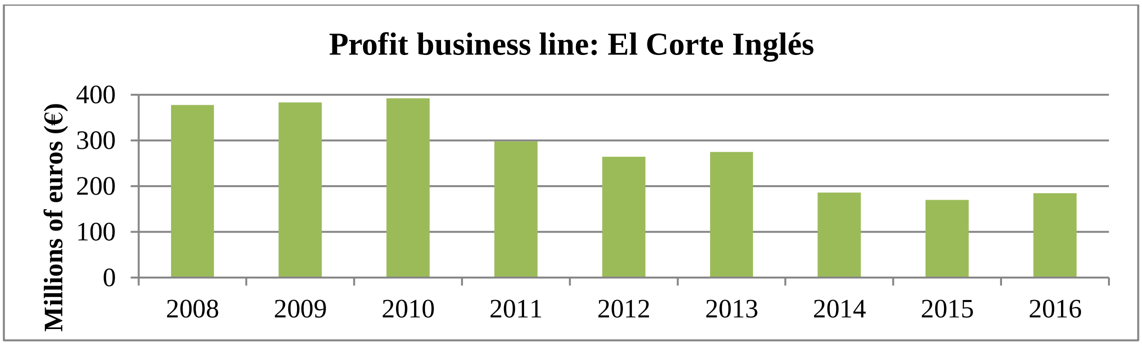


Figure 17. Net profit: El Corte Inglés business line. Source: Author's own elaboration from El Corte Inglés annual reports.

In regard with the other business lines from the group, the most important ones are Hipercor Hypermarkers, being the second most important source of profit just after El Corte Inglés; Óptica 2000, the TIC services, Insurances El Corte Inglés and the financial business line.

All of them, except from Opencor convenience store, the insurance and financial business line, presented a decreasing profit generation over the years. In contrast, the one devoted to financial issues has followed an up-and-down trend and the insurance line and convenience stores have increased its profitability, even though in the case of Opencor business line finally closed in 2013.

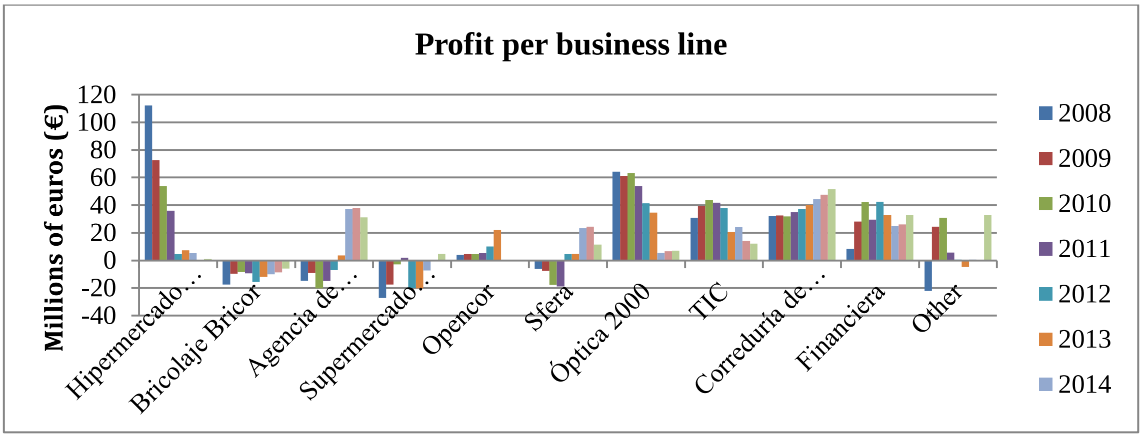


Figure 18. Profit per business line. Source: Author's own elaborations from El Corte Inglés annual reports.

News selection

Regarding the news selection, they have been classified in accordance to the issues they address.

From a total of 19 news[27] collected about El Corte Inglés, most of them made reference to performance, ownership and strategic management issues, concretely 14, 9 and 8 respectively.

When referring to performance most news highlighted the difficult situation El Corte Inglés strove between 2013 and 2017. In this sense, the news pointed out low levels of earnings growth within that period. Actually, many news related performance to ownership and conflicts of interest within the company. All these facts affected directly on strategic management decisions to be done in order to recover healthy and wealthy positions where El Corte Inglés was located in the past.

Some news related the fail in operating performance to an obsolete business model which has to be rethought and renewed. Moreover, the succession of Isidoro Álvarez by Dimas Gimeno has been seen as an opportunity for the business as a whole to be

[27] See Appendix 6.

updated and modernised. This is a great challenge for Dimas Gimeno due to the bad financial situation that El Corte Inglés was facing since the arrival of the crisis to Spanish households, which was the main source of income of the company since its business model was focused on the Spanish market. In this sense, four pieces of news directly referred to the business model of El Corte Inglés as well as the need to implement some changes to make it competitive for the current market situation.

Moreover, some news also pointed out issues linked to future prospects of the company and corporate reputation, in both cases 2 pieces of news.

The years with higher news concentration were 2015 and 2016 with five and seven news respectively. In the case of news from 2015, most of them addressed the ownership issue of the company. This year took place the modification of company's internal norms in order to allow the entrance of a new external shareholder, the Sheikh Hamad bin Jassim bin Jaber al Thani with 10% of company shares. Indeed, it created an internal argument and disagreement which ended into the cessation of one member of the board of sharehoders, the Ceslar Corporation represented by Carlota Areces.

In contrast, in 2016, all the news were related to El Corte Inglés business model, performance and corporate reputation apart from ownership again.

4.4. Conclusions

In regard with the case study developed about El Corte Inglés, it is possible to determine that despite being a well-reputed leading company, it has suffered the consequences of the crisis on the Spanish economy having a direct impact on households' income and, therefore, households' consumption, the main source of income for El Corte Inglés. As a result, company's operational performance has been reduced, jointly with an increasing borrowing dependence financing company's growth. The worst year for El Corte Inglés was 2014 due to the loss of its chairman, Isidoro Álvarez and its operational and financial bad performance which was reflected on its corporate reputation since there was a decrease in MERCO ranking. Actually, El Corte Inglés has been facing an increasing competition with the ability to perform efficiently at lower costs in the sector.

The leadership of the company, together with its business model based on client's orientation and high level of innovation, has been an identity trait for the company. However, this familiar and conservative model was not always positive for them since it restricted new growth opportunities. Actually, the lack of these growth opportunities itself, as well as, internal conflicts within the company as the one that took place with the entry of a new external shareholder to the company, breaking the untouchable and rigid ownership structure, which led to project an image of instability.

The change in the top of the board of directors after the death of Isidoro Álvarez in 2014, with the arrival of Dimas Gimeno was seen as an opportunity for the company to update and adapt the business to new buying needs and features of the market. The new president, Dimas Gimeno, had to face a challenging situation with a highly diversified but unprofitable portfolio of different business units.

The financial problem of the company was evident when analysing company's financial structure. Certainly, the company exhibited problems in earnings generation from its capital and investments as shown by the evolution of its Return on Equity as well as its Return on Assets. Both presented the same pattern with a lack of ability to generate profitability from its capital or shareholders' equity. Indeed, since 2009 onwards, total assets exceeded the value of revenues generated by the company. Moreover, the company traditionally has always invested a lot in property, plant and equipment expanding its operations all over the Spanish territory and even further to Portugal, which led to a situation of high inefficiency and the need to restructure all those department stores that were unprofitable and, instead of providing earnings to the company, they generated costs.

Furthermore, El Corte Inglés showed high financial leverage which was an evidence of company's borrowing dependency. The total liabilities of the company exceeded the value of shareholders' equity which was a signal of growth financed by debt. The need to find alternative funding outside, since the company was not listed in the Spanish Stock Exchange to get financing sources, was partially solved with the arrival of the Sheikh Hamad bin Jassim bin Jaber al Thani and its investment of 1.000 million euros in exchange of 10% shares of the company. This fact was seen as an opportunity to reverse that financial leverage since the company is obliged to fulfil the contract terms established by the new shareholder, which in case of impossibility to fulfil them would imply an increase in Sheikh’s power over company’s decisions by increasing his percentage of shares.

The media was not unaware of company’s situation highlighting its low profitability and ownership issues. Truthfully, the news pointed out the inherent need to change and adapt company’s business model in order to be able to overcome the current situation as a European leader in department store may do.

Overall, all the analysis performed on financial dimension of the company proved the power that exerts the environment on the growth of the company which was evident in the case of El Corte Inglés and the hit of the crisis, as well as, the lack of attention to corporate reputation issues such as a strong and consistent ownership structure to take strategic decisions on company’s operating and financial performance.

To sum up, it is essential for El Corte Inglés to find alternative ways to reverse unprofitability levels from certain department stores and, it that way, achieve earnings from invested capital in order to be attractive to future investors by lowering their debt and also their risk. All in all, recover their well-known past popularity by adapting its business model to new consumer needs and trends facing highly competitive markets by taking advantage of such attractive locations and large amount of assets they count with.

5. CONCLUSION

Corporate reputation has the ability to capture lots of information about a company, not only internal corporate information but also external one which cannot be controlled by the company. Thus, it is essential to care about the image a company is projecting in order to build strong positive reputation such that the company can grow from a strong and stable basis of good practices and confidence on all its constituents.

From the analysis performed on MERCO ranking data, it is possible to distinguish that corporate reputation is difficult to build and to keep certain stability due to constant changes in the environment affecting company’s performance and strategic decisions.

Indeed, only big companies with well-known management and strong confidence generation have the ability to be placed for long periods in the top of the ranking performing successfully. Despite this fact, there are no guarantees for any company, regardless of its size or power or the years devoted to build up a strong reputation. In fact, corporate reputation can vanish quickly. However, it is not impossible to recover reputational levels, but it is time-consuming and requires appropriate strategic decision making and, if necessary, changes in the business model, policies or philosophy of the company, for instance, the case of El Corte Inglés or other companies such as the Volkswagen Group or Samsung.

From MERCO analysis, it is evident that dominant companies in the ranking belong to the banking, technological; and Infrastructures and construction sectors even though not all companies from these sectors are leading ones.

The top companies of the ranking are big players in each of their sectors which makes difficult for new ones to reach these top positions and keep certain stability. Actually, the main leaders have been there almost for 11 years, which represents 24%, meawhile just 20% of companies manage to be present in the ranking for one year.

The main leaders are, firstly, Inditex managed by Amacio Ortega, also a well-assessed leader by the Merco leaders’ ranking called ‘Merco Líderes’; followed by Mercadona managed by Juan Roig; and Santander.

It is really convenient and beneficial to be included in any ranking assessing corporate reputation as a guarantee of firm’s capability to create value from their resources as well as from good management of them. Actually, it is great to be included in the general Merco ranking or any other ranking such as Merco líderes or Merco Sectors due to its consolidated position as a measurement tool of Corporate Reputation.

Overall, Corporate Reputation is a powerful intangible with the capability to certify company's ability to manage properly, not only perceptions held by multiple stakeholders, but also the ability to fulfil the expectations they have rose.

To sum up, the company must be aware of the importance of building strong and trustworthy reputations from the very beginning taking care of the relationships with all stakeholders because the aggregate perception allows comparing company's situation across time and industries in order to find new strategies and solutions against uncertainty as well as competitors contributing to an overall better, stable and successful performance.

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<u>News Selection</u>

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APPENDIX

Index Figures in the Appendix

Index of Tables in the Appendix

Appendix 1. Overview of the top100 companies included in MERCO ranking from 2007 to 2017.

Position	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	El Corte Inglés	Inditex	Inditex	Telefónica	Santander	Inditex	Inditex	Inditex	Inditex	Inditex	Inditex
2	Inditex	Telefónica	Telefónica	Santander	Inditex	Mercadona	Mercadona	Mercadona	Mercadona	Mercadona	Mercadona
3	Telefónica	El Corte Inglés	El Corte Inglés	Inditex	Telefónica	Repsol	Santander	Santander	Santander	Santander	Santander
4	Repsol	Repsol	Santander	La Caixa	Repsol	Santander	Repsol	Repsol	Repsol	BBVA	Repsol
5	BBVA	Santander	Repsol	Iberdrola	La Caixa	Telefónica	Iberdrola	Telefónica	Telefónica	Repsol	BBVA
6	Santander	La Caixa	La Caixa	Repsol	Mercadona	Iberdrola	Telefónica	BBVA	BBVA	Telefónica	Telefónica
7	La Caixa	BBVA	Iberdrola	BBVA	Iberdrola	CaixaBank	BBVA	Iberdrola	Iberdrola	CaixaBank	CaixaBank
8	Iberdrola	Iberdrola	BBVA	El Corte Inglés	BBVA	El Corte Inglés	Mapfre	Mapfre	CaixaBank	Iberdrola	Mapfre
9	Endesa	Mercadona	Mercadona	Mercadona	El Corte Inglés	Google	Coca-Cola	CaixaBank	Mapfre	Mapfre	Iberdrola
10	Ferrovial	Acciona	Mapfre	Mapfre	Mapfre	Mapfre	CaixaBank	Google	Google	Google	ONCE y su fundación
11	Mercadona	Caja Madrid	Caja Madrid	Google	Coca-Cola	BBVA	Google	Ikea	Danone	ONCE y su fundación	Google
12	Caja Madrid	Ferrovial	Indra	Acciona	Google	Coca-Cola	Acciona	Danone	Nestlé	Apple	Apple
13	Indra	Mapfre	Vodafone	Ikea	Acciona	Ikea	Ikea	Nestlé	Apple	Nestlé	Meliá Hotels International
14	Mapfre	Vodafone	Microsoft	Gas Natural Fenosa	Ikea	Danone	Danone	Apple	Microsoft	Mutua Madrileña	Mutua Madrileña
15	Acciona	Bankinter	Acciona	Vodafone	Danone	Microsoft	El Corte Inglés	ONCE y su Fundación	Mutua Madrileña	Danone	Mahou San Miguel
16	Vodafone	Indra	Gas Natural	Coca-Cola	Microsoft	Acciona	Apple	Mutua Madrileña	Ikea	Gas Natural Fenosa	Heineken
17	Siemens	IBM	Ferrovial	Microsoft	Nestlé	Mutua Madrileña	Indra	IESE	ONCE y su fundación	Meliá Hotels International	El Corte Inglés
18	Bankinter	Gas Natural	MRW	Indra	NH Hoteles	Endesa	Microsoft	Indra	Meliá Hotels International	El Corte Inglés	Danone
19	ACS	Microsoft	Siemens	Ferrovial	Endesa	Nestlé	Nestlé	Microsoft	L'Oréal	Mahou San Miguel	Amazon

20	Banco Popular	Siemens	IBM	Caja Madrid	Mutua Madrileña	Apple	IESE	Acciona	El Corte Inglés	Banco Sabadell	Leroy Merlin
21	IBM	ACS	Gamesa	Danone	RENFE	ONCE-FUNDOSA	Gas Natural Fenosa	Gas Natural Fenosa	Mahou San Miguel	Calidad Pascual	Nestlé
22	Gas Natural	Endesa	Ikea	RENFE	IBM	Gas Natural Fenosa	Siemens	Siemens	Gas Natural Fenosa	Ikea	Calidad Pascual
23	Microsoft	Banco Popular	RENFE	Abertis	Gas Natural Fenosa	Siemens	Endesa	L'Oréal	Siemens	Sanitas	Ikea
24	Abertis	Abertis	Nestlé	Nestlé	Indra	IBM	Mutua Madrileña	EAE Business School	Novartis	NH Hotel Group	Gas Natural Fenosa
25	Grupo Agbar	Novartis	Abertis	IBM	Ferrovial	RENFE	ONCE y su Fundación	La Fageda	IBM	Bankinter	Coca-Cola
26	Gamesa	Accenture	Instituto de la empresa	ACS	REE	REE	IBM	Accenture	IESE	Coca-Cola	Banco Sabadell
27	Accenture	MRW	Novartis	Grupo AGBAR	Sanitas	Indra	Accenture	Novartis	La Fageda	Leroy Merlin	Sanitas
28	Iberia	Gamesa	Coca-Cola	Siemens	Sol Meliá	MRW	Novartis	Banco Sabadell	P&G	Amazon	Bankinter
29	Novartis	Nestlé	Google	Sanitas	Abertis	Abengoa	Calidad Pascual	Mahou San Miguel	Acciona	L'Oréal	RENFE
30	Instituto de Empresa	CEPSA	Sanitas	Endesa	ONCE-Fundosa	NH Hoteles	Instituto de la empresa	Calidad Pascual	Sanitas	Siemens	DKV Seguros
31	IESE	Coca-Cola	Danone	Bankinter	FCC	Accenture	EAE Business School	Meliá Hotels International	Banco Sabadell	Microsoft	Campofrío
32	Nestlé	DKV Seguros	DVK Seguros	DKV Seguros	Apple	Abertis	Ferrovial	El Corte Inglés	DKV Seguros	RENFE	Microsoft
33	MRW	Instituto de la empresa	Price Waterhouse Coopers	ONCE-Fundosa	Price Waterhouse Cooper	IESE	Meliá Hotels International	Toyota	Coca-Cola	DKV Seguros	Siemens
34	Banesto	IESE	Mutua Madrileña	Price Waterhouse Cooper	Siemens	Leche Pascual	ESIC	Sanitas	NH Hotel Group	Acciona	Decathlon
35	Price Waterhouse Coopers	Iberia	Accenture	NH Hoteles	Accenture	Meliá Hotels International	Toyota	NH Hotel Group	Leroy Merlin	Red Eléctrica de España	AENA
36	Danone	Bancaja	Banesto	Mutua Madrileña	IESE	ADIF	L'Oréal	Leroy Merlin	EAE Business School	Heineken	Grupo Damm

37	DKV Seguros	Grupo AGBAR	Endesa	Abengoa	ACS	Sanitas	Sanitas	P&G	Indra	Vodafone	Red Eléctrica de España
38	CEPSA	Eroski	Grupo AGBAR	Banesto	MRW	Novartis	PWC	Hewlett Packard	ING Bank	IBM	Acciona
39	EROSKI	Danone	Deloitte	Instituto de la empresa	L'Oréal	Gamesa	Segurcaixa Adeslas	Abertis	IAG	P&G	Mercedes Benz
40	Unión Fenosa	Nokia	ACS	IESE	DKV Seguros	L'Oréal	Abertis	DKV Seguros	Calidad Pascual	BMW	Linea Directa
41	Banco Sabadell	FCC	NH Hoteles	Caja Navarra	Caja Madrid	Instituto de la empresa	Mercedes Benz	Instituto de la empresa	Prosegur	IESE	AXA
42	Coca-Cola	Unión Fenosa	ONCE-Fundosa	Novartis	Abengoa	FCC	Garrigues	IBM	Grupo Volkswagen	Prosegur	L'Oréal
43	Bancaja	ESADE	Eroski	MRW	Instituto de la empresa	Garrigues	Grupo Volkswagen	Grupo Siro	Mercedes Benz	Campofrío	Prosegur
44	Deloitte	NH Hoteles	Mango	L'Oréal	Leche Pascual	Toyota	ESADE	ESIC	Grupo Damm	Grupo Damm	NH Hotel Group
45	Nokia	Price Waterhouse Cooper	Bankinter	REE	ESADE	Corporación Mondragón	Deloitte	ESADE	Vodafone	EAE Business School	ALSA
46	Orange	Ikea	IESE	Accenture	Deloitte	EAE	RENFE	Garrigues	Accenture	DIA	La Fageda
47	FCC	ING Direct	Banco Popular	ESADE	VidaCaixa Grupo	Price Wterhouse Coopers	Grupo Siro	ING Direct	RENFE	Mercedes Benz	BMW
48	Ikea	ONCE-Fundosa	Unión Fenosa	P&G	Gamesa	ACS	P&G	Zeltia	Instituto de la empresa	AENA	P&G
49	RENFE	Sanitas	ESADE	Bancaja	Garrigues	Deloitte	REE	Gamesa	Suez Environnement Company	Banco Popular	CEPSA
50	Sacyr Vallhermoso	Banesto	AC Hoteles	Nokia	ADIF	DKV Seguros	Vodafone	Endesa	Bankinter	Linea Directa	CLH
51	Leche Pascual	Deloitte	BP Oil	Banco Popular	Iberia	Ferrovial	DKV Seguros	IAG	ESIC Business and Marketing School	Novartis	Vodafone
52	BSH Electrodomesticos	RENFE	CEPSA	Leche Pascual	Grupo Volkswagen	Eroski	Gamesa	CLH	ESADE	CLH	Indra
53	Ericsson	Google	Nokia	AC Hoteles	Nokia	ESADE	CLH	Prosegur	Amazon	La Fageda	Instituto de la empresa

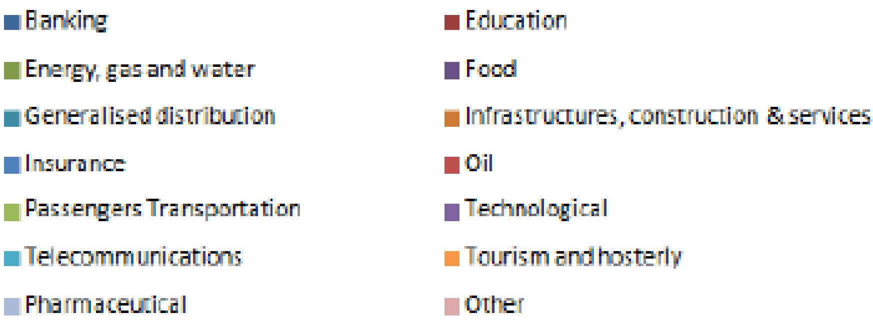
54	NH hoteles	MANGO	FCC	FCC	Novartis	Grupo Volkswagen	La Fageda	PWC	BMW	Toyota	EAE Business School
55	Isofotón	Banco Sabadell	REE	Sol Meliá	CEPSA	BMW	ALSA	Linea Directa	REE	Deloitte	IAG
56	AC Hoteles	SOS Cuétara	Leche Pascual	Deloitte	Bankinter	Grupo Siro	ING Direct	Enagás	Enagás	Accenture	Toyota
57	ESADE	BSH Electrodomés ticos	BSH Electrodomes ticos	ING Direct	ING Direct	Enagás	Prosegur	RENFE	Banco Popular	ESIC Business and marketing school	Garrigues
58	Sanitas	AC Hoteles	L'Oréal	CEPSA	Grupo AGBAR	ALSA	Abengoa	Coca-Cola	Endesa	Suez Spain	Carrefour
59	ING Direct	Procter&Ga mble	SONY	ESIC	Banco Sabadell	Vodafone	Corporación Mondragón	Bankinter	Deloitte	Decathlon	DIA
60	ONCE-Fundosa	Orange	Hewlett Packard	General Electric	CLH	CLH	Leroy Merlin	Deloitte	Zeltia	Samsung	Samsung
61	Prisa	REE	Bancaja	Banco Sabadell	Bancaja	MANGO	MANGO	Mercedes Benz	CLh	ING Bank	Accenture
62	Carrefour	Ericsson	Iberia	Gamesa	Vodafone	Metro de Madrid	Samsung	REE	Abertis	IAG	Eroski
63	BP Oil	Sacyr Vallhermoso	Sol Meliá	ADIF	Banco Popular	SegurCaixa Adeslas	FCC	Vodafone	Decathlon	Instituto de la empresa	Novartis
64	General Electric	Leche Pascual	Adeslas	BP Oil	Metro de Madrid	Banco Sabadell	Línea Directa	Grupo Volkswagen	Gamesa	Garrigues	IBM
65	Sos Cuétara	Adeslas	Caja Navarra	Eroski	EAE	Prosegur	BMW	Banco Popular	Garrigues	Abertis	ING Bank
66	Holcim	Caja Navarra	Abengoa	Iberia	Grupo Siro	AC Hoteles	NH Hotel Group	FCC	Samsung	Nike	Nike
67	Vocento	Isofotón	EAE	MANGO	MANGO	ESIC	Banco Popular	Agbar	Linea Directa	SONY	Abertis
68	Prosegur	BP Oil	Banco Sabadell	SONY	Enagás	Grupo AGBAR	Banco Sabadell	BMW	PWC	Gamesa	Deloitte
69	REE	Holcim	Holcim	La Fageda	Toyota	La Fageda	Zeltia	ADIF	Abengoa	PWC	Triodos Bank
70	Ebro Puleva	Mutua Madrileña	ING Direct	CLH	ESIC	Bankinter	AC Hoteles	Decathlon	Campofrío	Eroski	Bankia
71	L'Oréal	Sol Meliá	Garrigues	Lilly	Zeltia	Iberia	Agbar	Samsung	SONY	Indra	MANGO
72	MANGO	Caixa Catalunya	SOS Cuétara	Adecco	Corporación Mondragón	SONY	ADIF	Grifols	Toyota	Adidas	ESIC Business and

											Marketing School
73	Tarradellas	General Electric	General Electric	Hewlett Packard	Adecco	ING Direct	SONY	Amazon	Everis	MANGO	PWC
74	Grupo Planeta	Zeltia	ESIC	Apple	Everis	CEPSA	Bankinter	SONY	Eroski	Carrefour	IESE
75	Corporación Mondragón	CLH	Carrefour	EAE	BMW	NOKIA	Everis	MANGO	Triodos Bank	Triodos Bank	ESADE
76	Hewlett Packard	Abengoa	KPMG	Grupo Siro	General Electric	General Electric	Grupo ACS	Grupo ACS	Grifols	Endesa	Grupo ACS
77	Adeslas	ESIC	BASF	Schneider electric	La Fageda	EBRO foods	Grupo Planeta	Grupo Planeta	MANGO	Unilever	BSH Electrodomesticos/Balay
78	ESIC	Prisa	CLH	Everis	BSH Electrodomesticos	Grupo Planeta	Grifols	Ferrovial	Grupo ACS	ESADE	Unilever
79	SONY	BASF	Atos Origin	Grupo Volkswagen	Grupo Planeta	Banco Popular	Kellogg's	Everis	Unilever	Bankia	Amadeus
80	Lilly	Carrefour	Allianz	Enagás	BP Oil	Everis	Campofrío	Unilever	FCC	Grupo ACS	Airbus group
81	Catalana Occidente	Lilly	Orange	Grupo Planeta	Banesto	Grupo Villar MIR	Eroski	Abengoa	Grupo Planeta	Codorniu	Endesa
82	Mutua Madrileña	L'Oréal	Grupo Planeta	El Bulli	Prosegur	Linea Directa	Decathlon	CEPSA	DIA	Desigual	Banco Popular
83	Clínica Universitaria de Navarra	Ernest&Young	Grupo Siro	Boston Consulting	Schneider electric	Unilever	Grupo Villar MIR	DIA	Desigual	FCC	Grupo Planeta
84	Procter&Gamble	Grupo Planeta	Schneider electric	ABB	Bassat Ogilvy	Grupo VIPS	DIA	Campofrío	Barceló Hotels and resorts	Grupo Planeta	Adecco
85	Toyota	Allianz	Adecco	Portland	Orange	Grupo Puig	Imaginarium	Grupo Damm	Carrefour	Grupo Volkswagen	Grupo Volkswagen
86	EAE	Vocento	Procter & Gamble	Vocento	Dow Chemical	Bankia	Unilever	Eroski	Nike	Amadeus	Talgo
87	Metrovacesa	Grupo Siro	Caixa Catalunya	Globalia	Portland	Banesto	Carrefour	McDonald's	CEPSA	Airbus group	Ferrovial
88	Abengoa	Corporación Mondragón	ADIF	Dow Chemical	ABB	Grifols	Mahou San Miguel	Carrefour	Ferrovial	Bimba y Lola	Sacyr
89	CLH	Adecco	Lilly	Tecnove	Mckinsey	Euskatel	Almirall	ESTEVE	Técnicas reunidas	Orange	Holaluz

90	Google	Grupo VIPS	Globalia	Adeslas	Grupo Villar MIR	Vueling	McDonald's	Desigual	EY	Ferrovial	Grifols
91	Caixa Catalunya	EAE	Vocento	ALSA	P&G	Vidacaixa Grupo	Ogilvy & Mather	Orange	Corporación Mondragón	SENER	Orange
92	ONO	Globalia	ALSA	Carrefour	AC Hoteles	Carrefour	Grupo Puig	Acerinox	Grupo Prisa	Grifols	FCC
93	ADECCO	SONY	Tarradellas	Orange	Carrefour	Zeltia	General Electric	Técnicas reunidas	Grupo Villar MIR	Técnicas reunidas	Everis
94	Renault	Cemex	Ericsson	Caixa Catalunya	Banca civica	McDonald's	Técnicas reunidas	Havas Media	Grupo Siro	Grupo Prisa	Técnicas reunidas
95	Campofrío	Tarradellas	Prisa	Grupo VIPS	Grupo VIPS	Adecco	Vueling	Grupo Prisa	Imaginarium	Grupo Villar MIR	Grupo Prisa
96	Lafarge	Lafarge	Cemex	Garrigues	Eroski	Lilly	Metro de Madrid	Grupo Villar MIR	BBK	Enagás	Renault
97	Sol Meliá	Hewlett Packard	Lafarge	McKinsey	SONY	Vocento	Iberia	Corporación Mondragón	Airbus group	Unicaja Banco	Enagás
98	Zeltia	ALSA	Kutxa	CAF	Hewlett Packard	Schneider electric	Adecco	Triodos Bank	H&M	Everis	Desigual
99	BASF	Kutxa	Seur	Zeltia	Lilly	Mercedes Benz	Amazon	Imaginarium	Orange	ALSA	Corporacion Gestamp
100	Unicaja	Altadis	Grupo VIPS	Corp.Mondra gón	Globalia	Prisa	Sanofi Aventis	Almirall	Renault	CEPSA	Gamesa

Table A 1. Overview of top 100 companies included in MERCO ranking from 2007 to 2017**.** Source: Author’s own elaboration with data from MERCO ranking.

Appendix 2: Sector distribution of the top 100 companies from 2007 to 2017.



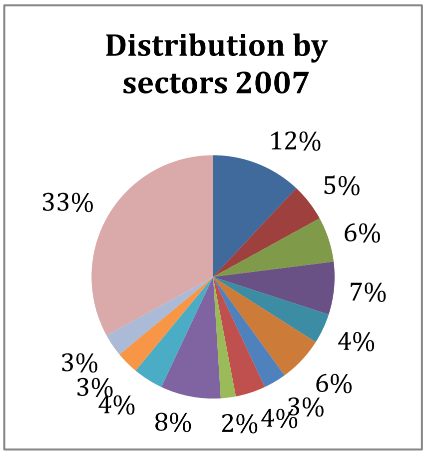


Figure A 1. Distribution by sectors in 2007. Source: Author's own elaborations.

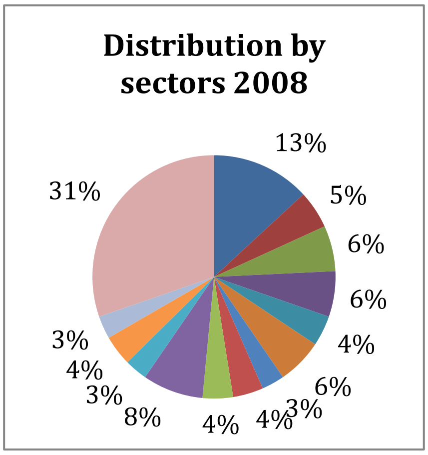


Figure A 2. Distribution by sectors in 2008. Source: Author's own elaborations.

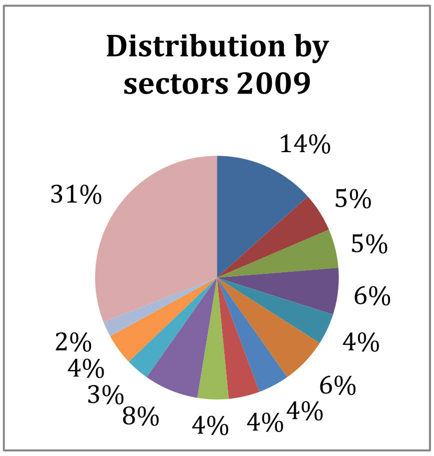


Figure A 3. Distribution by sectors in 2009. Source: Author's own elaborations.

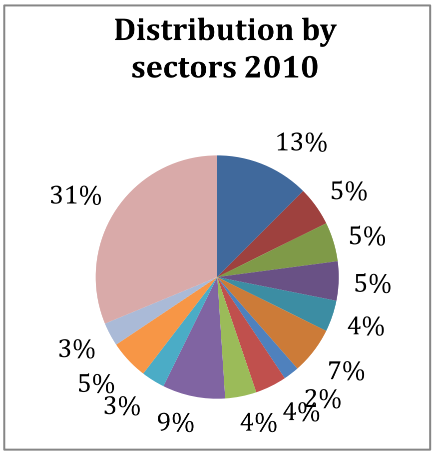


Figure A 4. Distribution by sectors in 2010. Source: Author's own elaborations.

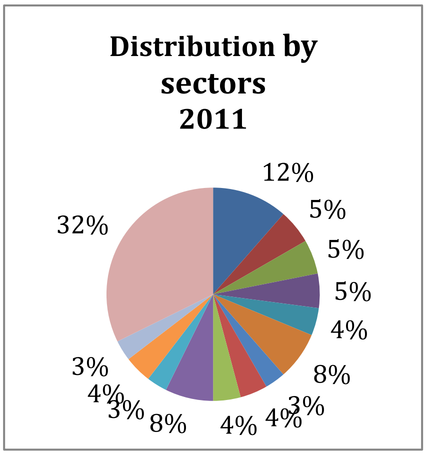


Figure A 5. Distribution by sectors in 2011. Source: Author's own elaborations.

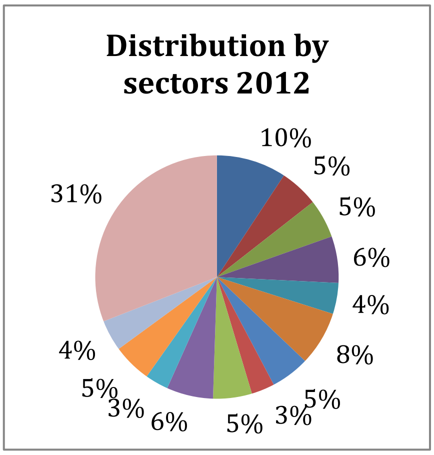
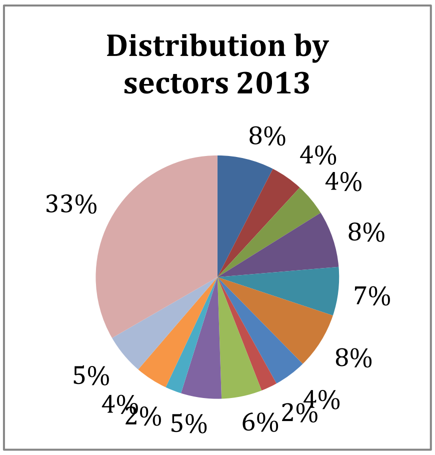
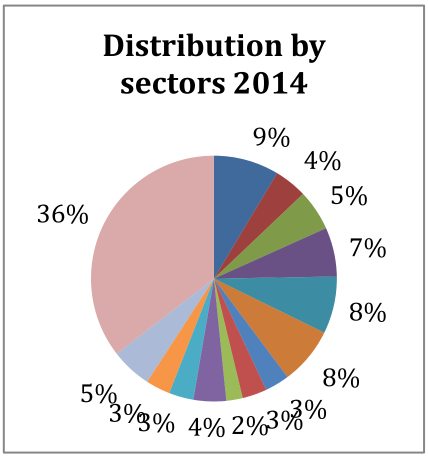


Figure A 6. Distribution by sectors in 2012. Source: Author's own elaborations.





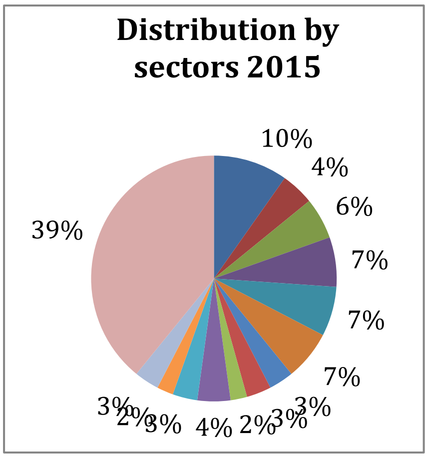
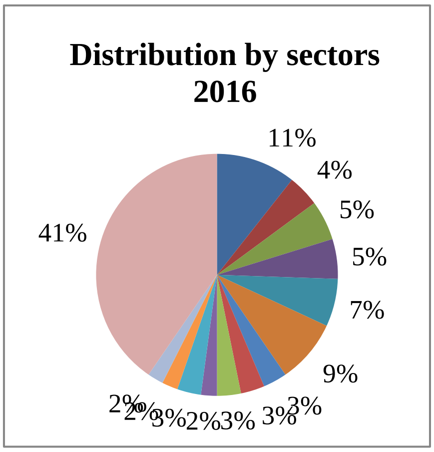


Figure A 7. Distribution by sectors in 2013. Source: Author's own elaborations.

Figure A 8. Distribution by sectors in 2014 Source: Author's own elaborations.

Figure A 9. Distribution by sectors in 2015. Source: Author's own elaborations.



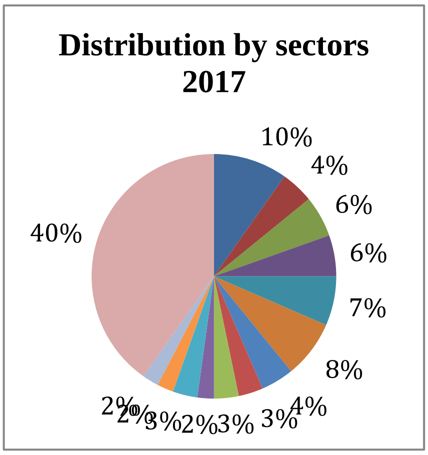


Figure A 10. Distribution by sectors in 2016. Source: Author's own elaborations.

Figure A 11. Distribution by sectors in 2017. Source: Author's own elaborations.

Appendix 3. El Corte Inglés timeline

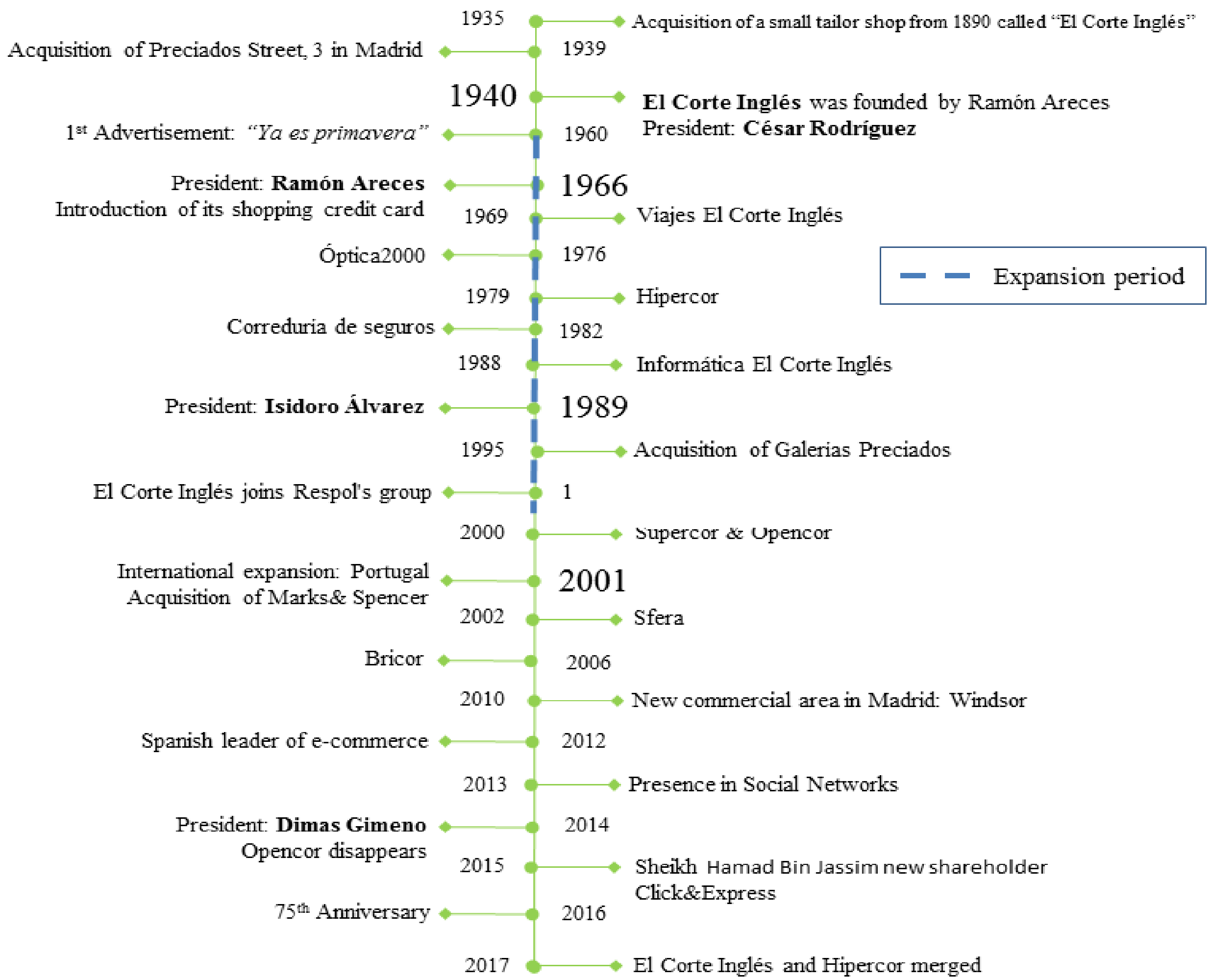


Figure A 12. El Corte Inglés timeline: 1940-2017. Source: Author's own elaboration from El Corte Inglés website.

Appendix 4. El Corte Inglés presence in Spain and Portugal.

Figure A 13. El Corte Inglés presence in Spain and Portugal. Source: El Corte Inglés.

Appendix 5. El Corte Ingles corporate data: Balance Sheet, Income Statement and ratios.

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Consolidated Accounts	29/02/2008	28/02/2009	28/02/2010	28/02/2011	29/02/2012	28/02/2013	28/02/2014	28/02/2015	29/02/2016	28/02/2017
	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
	Approved	Approved	Approved	Approved	Caveats	Caveats	Favorable with uncertainty	Approved	Approved	Approved
	Abreviated	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010
Balance Sheet										
Non-current Assets	11.008.446,00€	12.274.265,00€	12.730.621,00€	13.060.402,00€	13.325.264,00€	13.450.800,00€	15.681.437,00€	15.625.753,00€	15.690.177,00€	15.415.598,00€
Intangible assets	825.813,00€	463.838,00€	466.103,00€	465.555,00€	513.016,00€	508.198,00€	520.858,00€	520.779,00€	546.190,00€	572.095,00€
PP&E	9.410.114,00€	10.077.528,00€	10.409.560,00€	10.622.750,00€	10.631.374,00€	10.678.867,00€	12.941.064,00€	12.747.769,00€	12.610.443,00€	12.304.258,00€
Other fixed assets	772.519,00€	1.732.899,00€	1.854.958,00€	1.972.097,00€	2.180.874,00€	2.263.735,00€	2.219.515,00€	2.357.205,00€	2.533.544,00€	2.539.245,00€
Current Assets	3.588.852,00€	5.313.650,00€	4.997.303,00€	4.892.655,00€	4.880.660,00€	4.652.938,00€	2.600.235,00€	2.901.952,00€	2.941.043,00€	3.093.448,00€
Inventory	2.273.106,00€	2.366.387,00€	2.139.940,00€	2.332.804,00€	2.251.376,00€	2.286.487,00€	1.648.109,00€	1.788.351,00€	1.897.925,00€	1.860.880,00€
Accounts receivable	990.248,00€	2.601.165,00€	2.400.497,00€	2.264.102,00€	2.257.327,00€	2.073.428,00€	777.594,00€	829.326,00€	783.504,00€	984.605,00€
Other current assets	325.498,00€	346.098,00€	456.866,00€	295.749,00€	371.957,00€	293.023,00€	174.532,00€	284.275,00€	259.614,00€	247.963,00€
Cash and cash equivalents	261.921,00€	178.456,00€	211.823,00€	108.182,00€	191.598,00€	105.833,00€	90.107,00€	125.777,00€	171.406,00€	154.139,00€
Total Assets	**14.597.298,00€**	**17.587.915,00€**	**17.727.924,00€**	**17.953.057,00€**	**18.205.924,00€**	**18.103.738,00€**	**18.281.672,00€**	**18.527.705,00€**	**18.631.220,00€**	**18.509.046,00€**
Shareholders' Equity	**7.840.221,00€**	**7.590.286,00€**	**7.818.280,00€**	**8.009.660,00€**	**7.422.349,00€**	**7.401.539,00€**	**7.845.632,00€**	**7.875.300,00€**	**8.727.739,00€**	**8.658.815,00€**
Share capital	473.340,00€	486.864,00€	486.864,00€	486.864,00€	486.864,00€	486.864,00€	486.864,00€	486.864,00€	486.864,00€	486.864,00€
Other SE	7.366.881,00€	7.103.422,00€	7.331.416,00€	7.522.796,00€	6.935.485,00€	6.914.675,00€	7.358.768,00€	7.388.436,00€	8.240.875,00€	8.171.951,00€
Total Liabilities	**6.757.077,00€**	**9.997.629,00€**	**9.909.644,00€**	**9.943.397,00€**	**10.783.575,00€**	**10.702.199,00€**	**10.436.040,00€**	**10.652.405,00€**	**9.903.481,00€**	**9.850.231,00€**
Non-current Liabilities	1.925.405,00€	3.585.123,00€	4.804.073,00€	4.200.680,00€	4.710.888,00€	4.623.638,00€	7.150.444,00€	7.309.902,00€	6.154.824,00€	6.074.891,00€
Current Liabilities	4.831.672,00€	6.412.506,00€	5.105.571,00	5.742.717,00€	6.072.687,00€	6.078.561,00€	3.285.596,00€	3.342.503,00€	3.748.657,00€	3.775.340,00€
Shareholders' Equity and Liabilities	**14.597.298,00€**	**17.587.915,00€**	**17.727.924,00€**	**17.953.057,00€**	**18.205.924,00€**	**18.103.738,00€**	**18.281.672,00€**	**18.527.705,00€**	**18.631.220,00€**	**18.509.046,00€**
Working capital	331.223,00€	2.550.909,00€	2.136.521,00€	2.241.270,00€	2.353.372,00€	2.328.036,00€	- 509.295,00€	383.132,00€	364.527,00€	656.432,00€
Employees	97.328,00€	97.389,00€	90.240,00€	90.836,00€	88.820,00€	86.481,00€	83.128,00€	82.085,00€	82.059,00€	80.640,00€

Table A 2. Balance Sheet.Source: Author’s elaboration. Data from Sistema de Análisis de Balances Ibéricos (SABI).

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Consolidated accounts	29/02/2008	28/02/2009	28/02/2010	28/02/2011	29/02/2012	28/02/2013	28/02/2014	28/02/2015	29/02/2016	28/02/2017
	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
	Approved	Approved	Approved	Approved	Caveats	Caveats	Favourable with uncertainty	Approved	Approved	Approved
	Abreviado	Conso PGC 2007	Conso PGC 2007	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010	Conso PGC 2010
Income Statement										
Revenues	18.428.463,00€	17.610.884,00€	16.582.425,00€	16.652.024,00€	16.010.975,00€	14.833.918,00€	14.474.460,00 €	14.791.012,00€	15.440.851,00€	15.786.628,00€
Net sales	17.897.978,00€	17.362.526,00€	16.356.255,00€	16.413.415,00€	15.777.745,00€	14.552.454,00€	14.291.678,00 €	14.592.029,00€	15.219.842,00€	15.504.573,00€
Operating income	890.183,00€	565.379,00€	537.349,00€	443.688,00€	328.202,00€	336.403,00€	185.789,00 €	295.708,00€	299.131,00€	319.454,00€
Financial revenues	73.353,00€	148.033,00€	110.728,00€	166.784,00€	111.203,00€	114.032,00€	135.530,00 €	65.358,00€	59.283,00€	72.818,00€
Financial revenues	121.561,00€	223.239,00€	191.710,00€	197.036,00€	248.090,00€	274.744,00€	306.200,00 €	346.258,00€	281.408,00€	214.934,00€
Financial results	- 48.208,00€	- 75.206,00€	- 80.982,00€	- 30.252,00€	- 136.887,00€	- 160.712,00€	- 170.670,00 €	- 280.900,00€	- 222.125,00€	- 142.116,00€
**	841.975,00€	490.173,00€	456.367,00€	413.436,00€	191.315,00€	175.691,00€	15.119,00 €	14.808,00€	77.006,00€	177.338,00€
Taxes	226.750,00€	115.409,00€	87.199,00€	94.029,00€	- 18.672,00€	4.182,00€	- 126.370,00 €	- 103.270,00€	- 81.127,00€	15.479,00€
Net profit	**744.725,00€**	**374.764,00€**	**369.168,00€**	**319.407,00€**	**209.987,00€**	**171.509,00€**	**174.349,00 €**	**118.078,00€**	**158.133,00€**	**161.859,00€**
Materials	12.408.903,00€	12.100.177,00€	11.317.318,00€	11.397.244,00€	11.011.105,00€	10.141.371,00€	9.898.690,00 €	10.226.009,00€	10.760.014,00€	11.000.011,00€
Personnel	2.906.182,00€	2.986.267,00€	2.817.655,00€	2.884.305,00€	2.805.344,00€	2.656.604,00€	2.587.844,00 €	2.556.065,00€	2.607.906,00€	2.521.950,00€
Amortization	588.878,00€	520.378,00€	545.305,00€	548.835,00€	505.329,00€	515.853,00€	549.716,00 €	516.612,00€	522.389,00€	519.153,00€
Financial costs	121.561,00€	214.668,00€	180.753,00€	197.036,00€	243.504,00€	271.131,00€	305.459,00 €	341.924,00€	268.804,00€	207.413,00€
Cash flow	1.333.603,00€	895.142,00€	914.473,00€	868.242,00€	715.316,00€	687.362,00€	724.065,00 €	634.690,00€	680.522,00€	681.012,00€
Aggregated value	4.588.096,00€	4.211.486,00€	4.000.080,00€	4.043.612,00€	3.745.492,00€	3.619.279,00€	3.490.998,00 €	3.429.409,00€	3.476.105,00€	3.425.854,00€
EBIT	890.183,00€	565.379,00€	537.349,00€	443.688,00€	328.202,00€	336.403,00€	185.789,00 €	295.708,00€	299.131,00€	319.454,00€
EBITDA	1.479.061,00€	1.085.757,00€	1.082.654,00€	992.523,00€	833.531,00€	852.256,00€	735.505,00 €	812.320,00€	821.520,00€	838.607,00€

Table A 3. Income Statement.Source: Author's elaboration. Data from Sistema de Análisis de Balances Ibéricos (SABI).

ROE (2)[28]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net profit	744.725,00	374.764,00	369.168,00	319.407,00	209.987,00	171.509,00	174.349,00	118.078,00	158.133,00 00	161.859,00
Revenues	18.428.463,00	17.610.884,00	16.582.425,00	16.652.024,00	16.010.975,00	14.833.918,00	14.474.460,00	14.791.012,00	15.440.851,00	15.786.628,00
Total Assets	14.597.298,00	17.587.915,00	17.727.924,00	17.953.057,00	18.205.924,00	18.103.738,00	18.281.672,00	18.527.705,00	18.631.220,00	18.509.046,00
Equity	7.840.221,00	7.590.286,00	7.818.280,00	8.009.660,00	7.422.349,00	7.401.539,00	7.845.632,00	7.875.300,00	8.727.739,00	8.658.815,00
ROE	9,50%	4,94%	4,72%	3,99%	2,83%	2,32%	2,22%	1,50%	1,81%	1,87%
Profit margin	0,040	0,021	0,022	0,019	0,013	0,012	0,012	0,008	0,010	0,010
Asset Turnover	1,262	1,001	0,935	0,928	0,879	0,819	0,792	0,798	0,829	0,853
Equity multiplier	1,862	2,317	2,267	2,241	2,453	2,446	2,330	2,353	2,135	2,138
ROA	5,10%	2,13%	2,08%	1,78%	1,15%	0,95%	0,95%	0,64%	0,85%	0,87%

Table A 4. El Corte Inglés timeline: 1940-2017. Author's own elaboration from SABI data.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
El Corte Inglés	377,81	383,66	392,4	297,94	264,52	274,85	186,29	170,03	184,52
Hipercor	112,2	72,51	53,96	35,91	4,48	7,28	5,28	0,02	1,07
Bricolaje Bricor	-17,44	-9,56	-8,56	-9,4	-15,54	-11,94	-10,1	-8,67	-5,9
Agencia de Viajes	-14,8	-9,12	-20,34	-14,92	-7,03	3,69	37,42	38,12	31,16
Supercor	-27,19	-17,46	-2,84	1,89	-20,14	-20,32	-7,31	0,26	4,71
Opencor	4,03	4,59	4,42	5,18	10,05	22,14	0	0	0
Sfera	-6,06	-7,6	-17,8	-18,91	4,59	4,77	23,35	24,42	11,45
Óptica 2000	64,28	61,2	63,29	53,87	41,34	34,73	5,53	6,68	7,15
TIC	30,87	39,39	43,96	41,87	37,8	20,54	24,18	14,27	12,16
Correduría de seguros	32	32,46	31,91	34,81	37,34	40,26	44,42	47,55	51,45
Financiera	8,44	28,04	42,2	29,55	42,56	32,86	24,97	26,1	32,77
Other	-22,15	24,45	30,95	5,62	0,68	-4,75	0,64	-0,36	33,01

Table A 5. Profitability by business unit. Source: Author's elaboration by data from El Corte Inglés annual reports.

[28] ROE computation from disglosed formula: Equation 2.

Appendix 6. News Collection

Date	Source	Title	Issues
April 14, 2013	Pymesyautonomos.com	¿Está atravesando El Corte Inglés por problemas financieros?	• Performance
May 20, 2013	Eldiario.es	El Corte Inglés se ve forzado a refinanciar su deuda de 5.000 millones de euros.	• Performance • Strategic management
September 14, 2014	Financial Times by Tobias Buck	Álvarez of El Corte Inglés diez aged 79.	• Ownership • Performance
September 15, 2014	Capital Madrid by Carlos Fons	El Corte Inglés saldaría toda su deuda saliendo a bolsa sin ni siquiera perder el control.	• Ownership • Strategic management
January 27, 2015	El Economista by Javier Romera	El Corte Inglés avaló su refinanciación con Hipercor y la agencia de viajes.	• Performance • Strategic management
August 30, 2015	El Confidencial by S- McCoy	Dimas, tenemos un problema: El Corte Inglés no gana dinero.	• Performance
August 30, 2015	El Confidencial by Carlos Hernanz	Qatar aterriza con un 12,25% del capital de El Corte Inglés y tiene garantías sobre otro 3%	• Ownership structure
September 12, 2015	The Economist	A debt hangover is forcing some family firms to seek outside help. Opening up.	• Ownership structure
September 15, 2015	Expansión	Dimas Gimeno, un año al frente de El Corte Inglés	• Ownership
January 7, 2016	Hispanidad.com	El Corte Inglés, en guerra civil. Un grave problema de reputación corporativa	• Corporate reputation • Performance • Strategic management
January 31, 2016	Mil21.es	Endeudamiento, pérdidas y modelo de negocio obsoleto lastran El Corte Inglés.	• Business model • Ownership structure • Performance
March 1, 2016	El Mundo	El Corte Inglés pone en venta 200 inmuebles por 1.000 millones de euros.	• Strategic management • Future prospects
May 16, 2016	Financial Times by Tobias Buck	The big read: El Corte Inglés. Spanish retail: Deep cuts in store	• Business model • Ownership structure • Performance
May 17, 2016	Radiocable.com	Los problemas de El Corte Inglés puestos de relieve en el Financial Times	• Business model • Ownership structure • Performance
June 7, 2016	prnoticias by Gonzalo Fernández	Qué empresas y por qué han perdido reputación en los últimos años.	• Corpoarte reputation • Strategic management • Performance
February 7, 2017	El Periódico by Agustín Catalán	El Grupo El Corte Inglés genera más de 340.000 empleos con un immpactio económico equivalente al 2,4% del PIB.	• Performance

April 17, 2017	Merca2.es by Arturo Criado	Así se está desangrando El Corte Inglés	• Business model • Performance • Strategic management
May 29, 2017	El Confidencial by Agustín Marco	Qatar exige a El Corte Inglés que inicie el estudio de su proceso de salida a bolsa.	• Ownership • Performance • Future prospects • Strategic management
November 27, 2017	El Confidencial by Agustín Marco	El Corte Inglés y la banca se reúnen para negociar la deuda y los pagarés de la plantilla.	• Financial performance,

Table A 6. News classification. Source: Author's own elaboration.