CORPORATE REPUTATION IN SPAIN
MERCO RANKING & EL CORTE INGLÉS CASE STUDY

Mireia Alarcón Ferrer
Business Administration and Management
Supervised by Florina Silaghi

INTRODUCTION

It is usual to assess companies based on quantitative, material and substantial facts such as Return on Equity and other financial ratios. However, there are many intangible traits that must be kept in mind due to the influence they have on performance such as satisfaction or reputation. This study shows the importance to track corporate reputation and its impact in a context of globalization, great information flows and high competitiveness by analyzing the evolution of MERCO ranking in Spain and providing a real example through a case study of El Corte Inglés.

THEORETICAL BACKGROUND

Corporate reputation attributes

- Strategic value
- Source of differentiation
- Key intangible
- Competitive advantage
- Time consuming
- Stable but easy to damage

Corporate identity
- Internal stakeholders
- Corporate image: external projection

The aggregate perceptions held by all stakeholders, people inside and outside the company and it can be positive or negative (Fombrun, 1996; Walker 2010).

Nowadays, it is one of the two most popular indicators worldwide for organizations (Carreras, Alloza and Carreras, 2013).

LITERATURE REVIEW

Good Corporate Reputation is achieved with the fulfillment of expectations risen to all stakeholders by the company. It is driven by:

- Credibility
- Reliability
- Trustworthiness
- Responsibility

According to Walker (2010), reputation can be examined from many different perspectives. The most common theories to examine reputation are Signalling Theory, Institutional Theory and Resource-Based View.

Fombrun (1996) states that in order to measure corporate reputation correctly, company’s stakeholders must be identified and there must be a good representation of each group.

Some indexes are the World’s Most Admired Companies (W/MAC), Reptrak™ Index and Monitor Empresarial Reputación Corporativa (MERCO), a worldwide referent in the business sector.

MERCO RANKING

MERCO Ranking provides an assessment of corporate reputation of large companies operating in Spain by combining audits and direct evaluations.

Main top ten companies included in MERCO (2007-2017)

Inditex shows the best results with the greatest stability and highest score. It is followed by Mercadona, Santander, Repsol and Telefónica. All of them present a stable pattern mainly from 2012 onwards.

CASE STUDY: EL CORTE INGLÉS

It is considered a European referent in the Generalized distribution sector.

- Top leader in corporate reputation until the arrival of the crisis in 2007.
- Huge loss of reputational score in 2015 to the 32nd position.

Evolution El Corte Inglés in MERCO Ranking

El Corte Inglés Business Model: Client orientation & High Innovation

- Concentration on basic activities (distribution, sale, service)
- advises on specialization and high innovation
- Assortment
- Client orientation

- Low earnings generation from its capital and investments (ROE&ROA) which evinces inefficient management of its resources.
- More than 50% of investments dedicated to material assets, mainly property, plant and equipment which are not generating profits.
- Ownership conflicts due to conservative and familiar structure. Need to adapt the business model.
- Dependence on one single market: Spanish and Portuguese households are their only source of income. Need to enter new markets.

CONCLUSION

Powerful intangible
- Resources properly managed
- Value creation
- Convenient & beneficial
- Competitive advantage

Corporate reputation proves company’s ability to manage properly not only perceptions held by multiple stakeholders, but also its ability to fulfil their expectations. It must build a strong and trustworthy reputation based on good management of company’s relationships with all its stakeholders in order to face and overcome possible challenging situations for the company.

‘When a company serves its constituents well, its name becomes a valuable asset’, Fombrun (1996)