

***Regaining Company's Reputation: What is a Brand and Who Cares about Them?  
The Case of Qantas***

**Mengembalikan Reputasi Perusahaan: Apa itu Merek dan Siapa yang Peduli Mereka?  
Kasus Qantas**

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**Abstract**

Tujuan dari penelitian ini adalah untuk meninjau sifat dan tingkat pengungkapan dalam memulihkan reputasi Qantas berdasarkan sebuah artikel muncul di Sydney Morning Herald, 29 November 2010 di konteks Mengembalikan reputasi Perusahaan. Pada bagian pertama, makna brand dan tanggung jawab Qantas dalam mempertahankan nama merek. Qantas harus menjaga nama merek melalui mengerahkan usaha dan itu tidak hanya untuk kepentingan para pemegang saham tetapi juga untuk seluruh masyarakat karena simbol Australia. Isu kedua adalah tentang Teori Legitimasi. Hal ini dibahas bahwa Qantas harus mempertimbangkan harapan masyarakat untuk menjalankan bisnis dengan sukses. Hal ini sejalan dengan gagasan legitimasi bahwa konsep bisnis harus memenuhi persepsi yang dimiliki oleh publik yang relevan dan masyarakat luas. Kesepakatan Masalah ketiga dengan tahapan yang perlu dilakukan oleh Qantas dalam menangani pelanggan bersumpah. Empat langkah yang harus dilakukan oleh Qantas menghadapi publikasi negatif. Pada bagian keempat, masing-masing teori akuntansi berorientasi sistem tiga dalam kaitannya dengan bagaimana Qantas bisa menggunakan teori-teori dalam menangani masalah pengungkapan akuntansi pertanggungjawaban sosial dan lingkungan. Akhirnya, apa yang Qantas telah dilakukan selama ini dalam mendapatkan kembali reputasi dan alasan mengapa perusahaan memiliki reputasi untuk suara sosial dan kinerja lingkungan mungkin mengungguli entitas lain. Oleh karena itu, untuk menjadi sukses, gagasan tanggung jawab sosial perusahaan harus diambil sebagai bagian dari operasi bisnis inti perusahaan, bukan pembatasan terpisah.

Kata kunci: Qantas, teori legitimasi, teori stakeholder, tanggung jawab sosial perusahaan

**Introduction**

In the modern global market nowadays, one of company's strategies to maintain its company's competitive advantage is by improving its reputation and offering a sustained high quality performance to fulfill customers' expectation (Argenti & Druckenmiller, 2004). Caruana (1997) suggested that there are eight indicators for the company to establish reputation: quality of management; quality of

products or services; innovativeness; long-term investment value; financial soundness; ability to attract, develop and keep talented people; responsibility to the community and the environment and wise use of corporate assets. In addition, Caruana (1997) argued that if company has a good reputation, it will lead to the improvement of an outstanding brand name. It comes from long process of the company's

ability to build reputation. Qantas company, the biggest air flight in Australia, suffers from reputation to achieve its global competitive advantage. This study aims to explore the Qantas brand image to gain its reputation.

We select Qantas as it face problem in term of its reputation in regard to increasing of customer complain of the Qantas service quality such as flight canceling, lost of luggage and in flight service defections both local and international flight. According to higher customer complain, Qantas has prominent task how to reduce service defections. Thus this paper has research question is how to regain company's reputation: what is a brand and who cares about them.

In order to answer research question, I applies the legitimacy theory, stakeholder theory, and institutional theory Legitimacy theory has increasingly accepted in the corporate social accounting and environmental accounting. Legitimacy theory refers that organizational activities should align with value and norm in the society (Dowling & Pfeffer, 1975 in Donovan, 2010). Furthermore, if company want to still legitimate in the society, it should care with social and environment and disclose it in corporate annual report.

Stakeholder theory refers that 'firms should pay attention to all their constituencies [...] which consistent with value maximization or value-seeking behavior, which implies that managers must pay attention to all constituencies that can affect the value of the firm (Jensen, 2001). The simple argument of stakeholder

theory assumes that managers should seek organizational goal to maximize its performance by deciding its activities to obtain its long-run value market of the market (Jensen, 2001). Stakeholder analysts assumes that all member or group within organization with legitimate interest may pursue benefit that based on their own (Donaldson & Preston, 1995).

Carpenter & Feroz (2001) argues about institutional theory is that it is "complementary to economic theory in general, and resource dependency theory in particular". In addition, they notes that Institutional theory offers another angles to seek economics resources within a social framework of norms, values, and taken-for granted assumptions about what constitutes appropriate or acceptable economic behavior in the society (2001).

## **The Method**

This study provides a contribution. It assumes most of study how to improve service quality in private sector has been conducted in management marketing areas. In this study, I bring this issue, especially in Qantas, accounting literature by exploring the issues of Qantas with the grounded theories. The remainder of this study is organized into three sections. In section 2, I explicate Critical Review. While, closing section of the paper is Conclusion for section 3.

## **Result and Discussion**

### **Maintaining Brand Name**

According to American Marketing Association as cited by Argenti and Druckemiller's (2004), brand is defined as a 'name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition'. Qantas has responsibility to maintain its brand name not only for the sake of shareholders but also to the society as it is symbol of Australia. To do so, Qantas should exert effort to build brand awareness, enhance a brand image, establish brand credibility, evoke brand feelings, create a sense of brand community, and elicit brand engagement (Hoeffler & Keller, 2002).

By doing so, a company could build its own valuable assets. According to AASB 138.119, a valuable asset of brand name can be recognized in the balance sheet as part of intangible assets.

Similar to Qantas that the higher brand name is the higher total assets of the company. However, a big company like Qantas is in contrast with the amount of brand name listed in the intangible assets. Moreover, as reported in its financial reporting that there is no any single amount allocated to brand name and trademark (see: Qantas, 2010). Based on this financial reporting, it is suggested that Qantas should consider allocating its capital for brand name that leads to the increase of the Qantas net assets value.

### **The Society Expectations and the Impact of Failure to Comply With**

As it has been discussed above, Qantas should consider the society's expectations to run the business. This is in-line with the notion of legitimacy that business concept has to fulfill the 'perception held by relevant publics and by society at large' (Aerts & Cormier, 2009). Thus, Qantas has social contract with the society that binds Qantas to operate in accordance with the prevailing norms. Deegan (2009) suggest that company should seek and respond with the public and society's norms and bound that always change over time. Hence, Qantas have to explore their resources to keep continue to be innovative to comply with the society's expectations. Additionally, to fulfill expectation of the society in the sector, Qantas should provide superior quality service to the public.

However, if Qantas fails to maintain and care the society's expectations, public will avoid using and involving with it. In addition, an extreme case is that company may 'get sanctions being imposed by society' (Deegan, 2009). The evidence could be some customers' complaints on Qantas when it's unable to handle unexpected problems like flight delays due to weather problems. For example, "when it happened they don't care about customer's accommodation and it just leaved them on the airport with no apologize from Qantas staff" (Dorman, 2010, comment from Frustrated Traveller, Nov 29, 2010, 11.25AM).

As the unsatisfied service provided by Qantas, customers may decide to use another flight service provider. For example, one of customers said that 'Virgin Blue will getting my weekly business to Melbourne moving forward' (Dorman, 2010, comment from a Frustrated Traveller, Nov 29 2010, 11.25 am). Furthermore, the sadness is that some customers do not want to use Qantas anymore as one of customers said that ordinary Australians never to use the Qantas again after the abandonment experience of their flight to Europe due to technical issues (Dorman, 2010).

Therefore, due to lack of meeting the society's expectation, the Qantas reputation declines sharply. As a consequence, Qantas cannot recognize a brand name. Additionally, these relationships have been explored by Argenti and Druckenmiller (2004) who found that reputation has significant effect on the organizational brand name.

### **The Stages to Restore Qantas Reputation**

According to Lindblom (1994) as cited in Deegan (2009), there are four steps that should be done by Qantas to encounter negative publicity. Firstly, Qantas should evaluate the current problems to fulfill the society's expectation. In this case, Qantas should change their service quality outputs and handle unexpected problems based on the society expectation. Of course, in the service sector the major issue is service quality. Hence, Qantas should improve service quality relating to ticketing, boarding, luggage, food, schedule, on

flight entertainment and handle risk that could happen; such as, delay in and cancel of flights due to weather and technical problems. In addition, Qantas should think about how to handle customers that want earlier flight and whose flight is abandoned.

Then, it should report to the public about the company's activities and performance with the objective of changing the relevant publics' perception while the company itself does not change in terms of its organizational behavior. Additionally, this way also useful to inform the interested parties about information that has not been gathered in the previously. Furthermore, disclosing the social and environment responsibility of Qantas in its annual report is one way of introducing its activities to the public.

Also, repair legitimacy could be conducted by manipulating public's perception through diverting society's attention into other sides of organizational activities. For example, via announcing the Qantas's achievement of winning the 2010 Australasian Investor Relations Awards: City Award for Best Environmental, Social and Governance disclosure by an Australasian company. This would help to enhance the positive image of the company and thereby conceal any negative implications of its activities.

Finally, Qantas should use media to communicate its present practices, output, and value. It is important for Qantas to change society's expectation, in general, in relation to

its services. This is because 'legitimacy as transpiring through media coverage and media evaluations is one of the most salient' (Aerts & Cormier, 2009).

### **Types of system-based theory that can be applied if a company would like or would not like to disclose its social and environmental responsibility accounting**

The three system-oriented accounting theories in relation to how Qantas could use the theories in addressing the disclosure issue of social and environmental responsibility accounting will be briefly discussed.

#### **Legitimacy Theory**

Legitimacy is considered as a resource and a base upon which survival of a company is dependent on (Dowling & Pfeffer, 1975; O'Donovan, 2002). This is because; Legitimacy Theory relies upon the notion of 'social contract'. Therefore, if Qantas would like to disclose its social or environmental responsibility of accounting, Legitimacy Theory can be applied to ensure that it operates within the dynamic, not static, bounds and norms of their respective societies, i.e. to be perceived by outside parties as being "legitimate".

#### **Stakeholder Theory**

Donaldson and Preston (1995) revealed that stakeholder theory explicitly or implicitly is divided into three types which are descriptive/empirical, instrumental, and normative. They (1995) argued that

Descriptive/empirical is a descriptive of member of organization especially managers that are actually behave. Other, Instrumental theory explain the effect of managers behave in different way in both society and within organization (Donaldson & Preston, 1995). Another, Normative theory is related to moral consideration of behavior of the organization and managers within organization. Different from Donaldson and Preston (1995), Freeman & Reed (1983). This theory has got two branches: Ethical (normative) branch and positive (managerial) branch (Freeman & Reed, 1983). Clarkson (1995) divided stakeholders into primary and secondary stakeholders. If a company/Qantas would like to disclose its social or environmental responsibility of accounting to all stakeholders, ethical branch of stakeholder theory can be applied. According to Neu, Warsame and Podwell (1998), particular stakeholder groups can be more effective than others in demanding social responsibility disclosures. Therefore, Qantas could apply managerial branch of stakeholder theory to disclose to a particular/powerful stakeholders. Unlike legitimacy theory and ethical branch of stakeholder theory, the managerial branch of stakeholder theory could also be applied if a company would not like to disclose to the rest (non-powerful/'secondary') stakeholders of the company.

## **Institutional Theory**

According to Deegan (2009), Institutional Theory provides explanation for why organizations within a particular 'organizational field' tend to take on similar characteristics and form. Therefore, Qantas could disclose using isomorphism dimension of Institutional Theory to maintain company's homogeneity in terms of forms and practices. On the other hand, decoupling dimension of Institutional Theory would be applied if Qantas want to be perceived by the public as if it adopts certain institutional practices and formal processes while the actual organizational practices are different.

### **The way for Qantas in gaining its reputation for sound and environmental performance to outperform other entities**

Corporate Social Responsibility (CSR) deals with as to how a company consider, manage and balance the economic, social and environmental impacts of its activities (PJC, 2006). Behaving responsibly help to gain direct business benefits through building reputation and thereby have a positive impact on how customers perceive the company. Therefore, in brief, companies that have a reputation for sound and environmental performance might outperform other entities because of the following reasons:

1. Reducing waste & emissions and proper utilization of resources to keep the environment safe and reduce costs.

2. Reputation makes recruitment of employees easier and also helps to maintain motivated and long staying employees.
3. CSR helps to fulfil regulatory requirements.
4. Involvement in community activities creates ideal opportunities to get positive media coverage.
5. CSR creates more competitive advantage that protects a company from risk of sudden damage to reputation and business operation.

Therefore, Qantas states that it recognizes the importance of the environment and society in its daily operations and promotes continuous improvement in this area (Qantas 2005). A company should have a Sustainable Future program designed to help it achieve savings through improvement in operational efficiency (Gregg, 2005). Thus, Qantas has started publishing sustainability report. Qantas is responsible for stakeholders in gaining its reputation. Accordingly, what Qantas have done so far is discussed in the following sections:

## **Social Performance**

Qantas believes that it is conveying its values to employees and it communicates this to external audiences through existing media channels including websites. According to Qantas (2009) that Qantas has major contribution to charitable, educational, sporting and cultural endeavors, notably in Australia's regional and remote communities.

## **Environmental Performance**

According to Qantas (2009), it is working to reduce the emissions intensity of its business and has developed its long term strategy. The Group supports voluntary action and provides customers with the option to fly carbon neutral by offsetting their own share of flight emissions. Qantas (2009) also stated as a result, and in alignment with industry aspirations, the Qantas Group has reset its 2011 fuel efficiency target with an ambitious 2020 target. This, combined with a greater focus on sustainable aviation fuels, provides a foundation for the Group's commitment to environmental improvement. Hence, Qantas introduced more fuel efficient airplanes with minimum carbon emissions. In addition, water consumption improvements reflect investment in new, more efficient equipment in Q Catering and continuous improvement in Airports. Mandated water restrictions have also contributed to this result.

## **Conclusion**

Therefore, to be perceived by outside parties as being legitimate, public disclosures like periodic/annual reports and various Medias

including websites could be used to address the society regarding activities that the company is undertaking to achieve legitimacy as per the notion of social contract. Moreover, sustainability and environmental issues are also expanding. Companies that have good reputation for sound and environmental performance might outperform other entities since it has positive impact on how customers perceive the company. Thus, Qantas is seeking to acknowledge the full extent of its responsibilities to the community. It uses website and other mechanisms to be more transparent to the public.

In short, to regain its reputation, Qantas should strive to do some actions including improvement of services, disclose the changes of the performance in annual reports, announcement of the company's strength, and using media to change the public perspectives. In general, to be successful, the notion of corporate social responsibility should be taken as part of the core business operations of a company, rather than a separate adjoin. Otherwise, sanctions could be imposed by society in case of failure to comply with societal expectations

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