

Corporate Reputation: Seeing through the eye of the beholder

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Abstract

This paper evaluates the contribution of a stakeholder perspective to the definition of the corporate reputation construct and to the development of measurement items. The literature identifies performance, identity, image, brand, management and ethical leadership as core components. The study provides a fit between these components and what stakeholders consider the most important components of corporate reputation. It suggests the three main concepts of the corporate reputation measurement literature: social expectations, corporate personality traits and trust need to be expanded to include legal-rational, functional, evaluative, normative and perceptual measures. The paper contributes to a growing body of corporate reputation literature that supports a stronger stakeholder focus.

Purpose of the Research

The purpose of this paper is to take what we have learned from analysis of the academic literature on corporate reputation and to provide clarification of some of the issues relating to the corporate reputation concept and to construct a definition from a stakeholder perspective. We will consider what implications this clarification may have for construct measurement.

Background

There has been a growth of interest in a company's intangible assets (Srivastava, 1998), so much so that the Marketing Science Institute (2005) has designated the study of intangible marketing assets a top tier research priority. One of these intangible assets is Corporate Reputation, which is also gaining increased attention (Deephouse, 2002, Herbig and Milewicz, 1993). Text analysis of a large body of academic journal articles on corporate reputation yielded a semantic network of concepts by topic structure (Lloyd and Mortimer, 2005). This provided an overview of topic organization and suggested that the corporate reputation literature focuses on three dimensions: the concept, definition and measurement (including ranking and rating methodologies). (See Table 1.)

Table 1: Orientations of the Corporate Reputation Literature

Concepts	Dimensions	Author
Corporate reputation	Concept	(Caruana, 1997, Dollinger, Golden, and Saxton, 1997, Fombrun, 1996, Fombrun, 1996, Gotsi and Wilson, 2001, Herbig and Milewicz, 1993, Pruzan, 2001, Schultz, Hatch, and Larsen, 2000, Shapiro, 1982, Shenkar and Yuchtman-Yaar, 1997, Weigelt and Camerer, 1988)
	Definition	(Fombrun, 1997, Gotsi and Wilson, 2001, Schwaiger, 2004)
	Ranking, rating, measurement	(Brown and Perry, 1994, Fombrun and Shanley, 1990, Fombrun and Rindova, 2000, Fryxell and Wang, 1994, Gardberg, 2002, Groenland, 2002, McGuire, Schneeweis, and Branch, 1990, McGuire, Sundgren, and Schneeweis, 1988, Rowe, Harris, Jr, and Francolini, 2003, Schultz, 2001, Thevissen, 2002)

It has been suggested (Berens and van Riel, 2004) that the corporate reputation measurement literature is based on three main concepts: the first is social expectations that people have

regarding companies; the second is the different corporate personality traits that people attribute to companies; and the third the level of trust or distrust people have for a company.

Reputation measures like Fortune’s annual Most Admired Companies Survey (Stein, 2003) and the Reputation Institute’s Reputation Quotient (Fombrun, Gardberg, and Sever, 2000) are seen by Berens and van Riel (2004) to be examples of methodologies that are based on social expectations.

A second approach attempts to distinguish between companies on the basis of people’s perceptions of corporate personality traits. The work of Davies and of Chun (Chun, 2001, Davies, Chun, Vinhas da Silva, and Roper, 2003) is cited by Berens and van Riel (2004) as examples of this approach. Corporate personality researchers believe that personality traits are constructs that are used to explain certain aspects of behaviour and that ‘people’ apply the concept of personality not only to other persons, but also to companies.

A third approach identified by Berens and van Riel (2004) uses the concept of trust as its starting point, that is, the perception of a company’s honesty, reliability and benevolence. The Corporate Credibility scale (Newell and Goldsmith, 2001) is an example of this approach. It has been shown how legitimization can provide a basis for stakeholder trust in a company’s products and services (Rao, 1994).

Earlier comprehensive reviews of the corporate reputation literature have made significant contributions to an understanding of the concept (Gotsi and Wilson, 2001). They have not, however, solved the problem of ambiguity, the result of having adopted, over the years, different definitions of the concept. Ambiguity is evident in the wide variety of definitions of Corporate Reputation that are evident in the literature. (See Table 2).

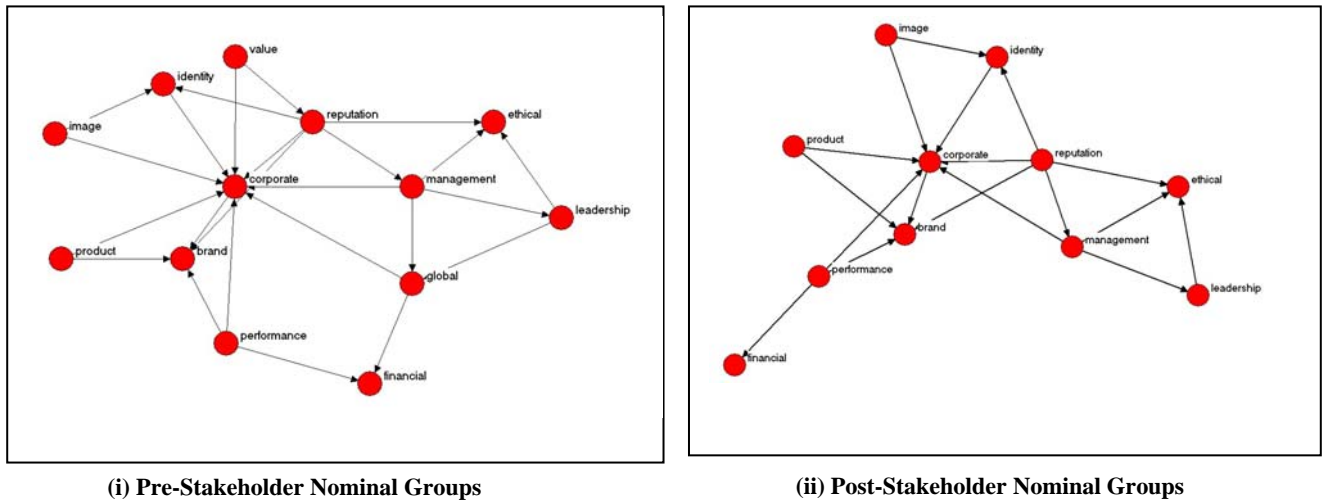
Table 2: Definitions of Corporate Reputation

Definition	Reference
One dimension of corporate image	(Barich and Kotler, 1991)
Synonymous with image and represents ‘the total impression of a company’	(Dowling, 1993)
Seen as resulting from the assessment made of incomplete information received about a firm by a public over time.	(Caruana, 1997)
Synonymous with image and credibility ‘the central link between company behaviour and public confidence’.	(Greysier, 1999)
A collective assessment of a company's ability to provide valued outcomes to a representative group of stakeholders.	(Fombrun, Gardberg, and Sever, 2000, Fombrun and Rindova, 2000)
‘Collective images ... a distribution of opinions (the overt expression of collective image) ... in a stakeholder or interest group’	(Bromley, 2001)

There remain conflicting views about what reputation is and about what are its key components. Definitions of reputation have been assessed in terms of relative standing or desirability, quality, esteem, and favourableness (Deephouse and Carter, 2004). Reputation has been equated with image, prestige, and goodwill (Shenkar and Yuchtman-Yaar, 1997). It has been argued (Caruana, 1997) that the problem of ambiguity in defining the concept of corporate reputation derives from confusion about the relationship between image and reputation, and whether these are experienced inside or outside an organization.

Text analysis of the academic literature on corporate reputation has identified direct relationships between reputation and identity, image, brand and performance; management, ethical and corporate leadership (Lloyd and Mortimer, 2005). (See Figure 1, i below.)

Figure 1: The Corporate Reputation Construct: Pre- and Post-Stakeholder Nominal Groups



One reason why such ambiguity exists may be that corporate reputation means different things to different people. Recent research on corporate reputation (Dowling, 2004) supports a ‘belief that attributes of the company are evaluated differently by different groups of stakeholders’. The construct therefore needs to be defined from the perspective of stakeholder segments.

Research Approach

Step 1: Talking to Stakeholders

Who are a company’s stakeholders? The corporate reputation literature suggests that key stakeholders have a disposition to buy an organization’s products and services, or to work, invest or trade with the company (Baker and Balmer, 1997). They can include potential or current employees, customers, government regulators (Fombrun, Gardberg, and Sever, 2000) as well as managers, directors and market analysts, whose assessments are important in an analysis of financial performance, plus others (e.g., customers, employees, and suppliers) ‘whose evaluations of the firm are also likely to have implications for financial performance dynamics.’ (Roberts and Dowling, 2002)

The perspective adopted for this study is that a stakeholder is a person or group with a direct interest, involvement, or investment in a company. Nominal group discussions were conducted among groups of stakeholders: consumers; investment/finance specialists; corporate communications directors; CEOs; marketing academics; business editors/editors of business publications; heads of PR companies; heads of advertising agencies. Sampling of a total of sixty-four stakeholders enabled documentation of the uniqueness of views about corporate reputation while enabling significant shared patterns of commonalities to be detected and characterized.

Stakeholders were asked to answer the following pre-tested research question: *What do you see as the most important components or ingredients of corporate reputation?* A standard NGT protocol was followed (Dunham, 1998).

Step 2: Construct Definition

Six experts, selected from across stakeholder groups, were provided with coding sheets consisting of a list of items (statements) developed from nominal groups. They were asked to code each item according to twelve descriptors: performance, financial performance, value, management, ethical management, management leadership, leadership, global presence, product, brand, identity and image (i.e., core Corporate Reputation components identified through text analysis, as shown in Figure 1, i). Raters were asked, for each of the items, to select the one descriptor that best classified that particular item.

Findings

There are differences across stakeholder groups in the range of what each considers as the most important components or ingredients of corporate reputation (see Table 3 in which corporate reputation components are ranked by importance to each stakeholder segment). Some stakeholders, for instance consumers and CEOs, are more focused than others (e.g., advertising specialists), providing a narrower range of components.

Table 3: Key Components of Corporate Reputation

Consumers (n=9)	Public Relations (n=7)	CEOs (n=8)	Investment and Finance (n=8)	Business Editors (n=7)	Corporate Communications (n=9)	Marketing Academics (n=9)	Advertising Specialists (n=8)
Product Ethical Management and Leadership	Performance Ethical Management and Leadership	Ethical Management and Leadership Product	Performance Financial performance	Performance Financial performance Ethical Management and Leadership	Performance Ethical Management and Leadership	Product Identity Ethical Management and Leadership	Performance Ethical Management and Leadership
Performance	Image	Performance	Identity Ethical Management and Leadership	Management leadership	Identity	Leadership	Product
Identity Management leadership	Identity Management leadership	Management leadership Corporate leadership Identity	Identity Ethical Management and Leadership Corporate leadership Image	Management leadership Product Identity Corporate leadership	Products Corporate brand Image Corporate leadership	Image Financial performance Performance Corporate brand Corporate leadership	Identity Image Management leadership Financial performance Corporate leadership Corporate brand

This suggests, therefore, that stakeholders display varying orientations towards corporate reputation. This variation is expressed not only by what each segment considers the most important components of the reputation construct: differences were apparent in the range of constituents which each stakeholder segment cited as critical and integrated into the various corporate reputation components. Table 4 shows the range of corporate reputation components and constituents overall, across all stakeholder segments.

Table 4: Key Components and Constituents of Corporate Reputation

Components	Constituents
Performance	Achievements, Communications competence, Trust, Customer satisfaction, Style of performance, CRM
Financial performance	Consistent return to shareholders, Stakeholder/shareholder value, Strong standing
Products/services	Quality, Satisfaction , Safe, secure, reliable, Personability
Management leadership	Adaptability/ability to learn, Effective problem solvers, Strong corporate governance, Smart/go-getter attitude, Risk management, Top down leadership, Employee involvement, Accountability / sense of ownership Sound structures, Consistent , Straightforward, accessible and responsible
Corporate leadership	Innovative, passion to be the best, Progressive, Educates shareholders, Industry leadership
Ethical management and leadership	Good citizen, Environmental responsibility, Honesty and integrity , Involvement with “greater good”, Supportive of lawfulness, ethics and governance, Transparent communications, Balances triple bottom line, Stakeholder relationship management
Identity	Good place to work, Clear vision, strategy and values, Good employer, Clear stand on issues
Image	Substance and relevance, Consistent, Positive perceptions by stakeholders
Corporate brand	Creates confidence, Respected, Performer

Discussion and Implications

In Helm’s attempt to develop a formative measurement of corporate reputation (Helm, 2005), no attempt is made to explore differences in perceptions across stakeholder segments. Indeed the research among customers, shareholders and employees notes that there was no ‘stakeholder bias’. No exploration was conducted into the varying perceptions of the three stakeholder groups (Helm, 2005, p. 101).

In their review of the corporate reputation literature, Sabate and Puente (2003) point to the importance of including ‘evaluations of a firm's behavior towards all its stakeholders in the definition of corporate reputation’ (Sabate and Puente, 2003, p. 281). The researchers take into account the effect interactions between the firm and one particular stakeholder can have on the perception of other stakeholders; they see stakeholders as essential to the concept of reputation (Sabate and Puente, 2003). The need to take a stakeholder perspective on the definition of the corporate reputation construct and on the development of measurement items is consistent with the perspective of the C-OAR-SE methodology which requires that constructs be described in terms of (1) the object, (2) the attribute, and (3) the rater entity (Rossiter, 2002). The C-OAR-SE approach would support the need to provide research insights into stakeholder perceptions of the components of corporate reputation.

Based on observations from this study, the three main concepts of the corporate reputation measurement literature: social expectations; corporate personality traits; trust for a company identified by Beerens and van Riel (2004) while being helpful, may need to be expanded, or re-evaluated to include: legal-rational (Weber, 1947) performance measures, functional measures such as evaluations of products and services, evaluative measures such as management leadership and corporate leadership, normative measures and perceptual measures. (See Figure 1, ii above.)

This study contributes to a growing body of corporate reputation literature that supports a stronger focus on stakeholder perceptions: to understanding better the differing perceptions of corporate reputation and the need for a more stakeholder-specific measurement approach.

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