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Hybrid happening: Organizational reputations in corporate crises

So Young Lee^{*}, Esther Rachel Lim, Minette E. Drumwright

The Stan Richards School of Advertising & Public Relations, Moody College of Communication, The University of Texas at Austin, 300 W. Dean Keeton St. (STOP A1200), Austin, TX, 78712-1076, United States

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ABSTRACT

Public relations professionals strive to develop mutually beneficial relationships among key publics that will result in favorable organizational reputations, but crises typically threaten those reputations. Much of public relations crisis research focuses on how to respond after a crisis, but drawing on Expectation Violation Theory (EVT), this research focuses on the expectations of stakeholders before a crisis and how they process information during a crisis. Drawing from reputation management research in marketing, it conceptualizes corporate reputations as encompassing associations related to corporate ability (CA) and corporate social responsibility (CSR). Reputation management research generally has investigated reputations as strong on either CA or CSR, but this research examines the effects of a “hybrid” reputation, which is strong in terms of both CA and CSR associations. The results of an experiment reveal that stakeholders’ responses during a crisis vary based on their expectations, how they perceive a hybrid reputation, and the crisis type. The study has theoretical implications regarding stakeholders’ information processing during a crisis, and it provides public relations professionals insights regarding how to cultivate and protect an organizational reputation.

1. Introduction

Building mutually beneficial relationships between an organization and its publics is central to effective public relations (Bruning & Ledingham, 2000; Ehling, 1992; Ferguson, 1984). A favorable organizational reputation resulting from mutually beneficial relationships is considered a key indicator of public relations success and a valuable organizational asset (Bruning & Ledingham, 1999, 2000; Hon & Grunig 1999; Ki & Hon, 2007; Kim & Rader, 2010). Crises threaten to damage organizational reputations, and during crises, senior executives are more likely to call public relations professionals to the C-suite and rely on their advice and counsel than they are during non-crisis times (Bowen, 2009; Neill & Drumwright, 2012). As such, it is not surprising that much of the public relations research on crisis management in recent years has focused on post-crisis issues guided by Situational Crisis Communication Theory—e.g., the type of crisis, how various publics attribute blame for the crisis, and the appropriate response strategy. This research typically conceives of reputation as a dependent variable affected by various aspects of the crisis and the company’s response to it. It is highly valuable, but it typically does not focus on how stakeholders perceive and process information during a crisis (Fediuk, Coombs, & Botero, 2010). The intent of this research is to focus on how stakeholders process information during a crisis based on their prior expectations of the organization by drawing on concepts from reputation management research in marketing.

Though corporate reputations are obviously varied and multi-dimensional, reputation management research typically conceptualizes corporate reputation as an independent variable that reduces to two primary dimensions: 1) corporate ability (CA), which refers to a company’s competence in creating products and services, and 2) corporate social responsibility (CSR), which refers to a

^{*} Corresponding author.

E-mail addresses: leesy8733@utexas.edu (S.Y. Lee), esther7.lim@utexas.edu (E.R. Lim), mdrum@mail.utexas.edu (M.E. Drumwright).

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company's ethical and socially responsible activities (Brown & Dacin, 1997). Prior research generally has conceptualized and investigated corporate reputations as strong on one or the other dimension, but public relations professionals are often faced with the task of developing both dimensions of a company's reputation because stakeholders increasingly expect companies to develop both dimensions simultaneously (Kim, 2014; Kim & Rader, 2010). For example, Samsung, a company known for its competence in developing products (CA), has increased its CSR activities through sponsoring scholarship programs and philanthropic activities. Likewise, BMW has touted its continued product innovation while communicating its social commitment to diversity. We conceive of such a company as having a "hybrid reputation"—strong on both CA and CSR dimensions. However, it is unclear how publics perceive a hybrid reputation because previous studies have tended to focus on the singular effects of a reputation based on either CA or CSR associations (e.g., Dean, 2004; Sohn & Lariscy, 2012). There has been little research exploring the influence of hybrid reputations—the synergistic combination of positive CA and positive CSR associations—in the context of a corporate crisis. To fill this gap, our study investigates different types of corporate hybrid reputations based on the relative weight that people give to CA vs. CSR dimensions. We draw on Expectancy Violation Theory to investigate how stakeholders with different types of hybrid reputations respond to two different types of crises—a competence vs. a morality crisis.

Furthermore, in increasingly complex business environments, the causes of corporate crises have become both more varied and more ambiguous as subcontractors and suppliers collaborate with companies. Laufer and Coombs (2006) suggested that the effects of corporate reputation are likely to be more obvious and impactful in ambiguous crisis situations such as those involving subcontractors, but those situations have rarely been investigated. As such, our research examines the effects of hybrid reputations in crisis situations involving subcontractors to provide clear insight into how people process information during a crisis.

2. Theoretical background

This section addresses crisis communication research in public relations and then elaborates on the concept of a hybrid reputation. It describes Expectation Violation Theory (EVT), which provides the theoretical underpinnings for this research, and reviews research related to the types of corporate crises. It then proposes hypotheses related to an interaction effect between the types of hybrid reputations and the types of crises.

2.1. Crisis communication research in public relations

Crisis communication has become one of the most studied academic areas in public relations scholarship in recent years (Fraustino & Liu, 2017; Kim & Cameron, 2011). The primary goals in crisis management involve reducing the detrimental effects of a crisis on an organization and its stakeholders, so the focus in public relations research has been on understanding how public relations practitioners should navigate crisis situations, communicate to reduce the damage, and restore their reputations after a crisis (e.g., Coombs, 2004, 2007; Lee 2005; Lyon & Cameron 2004; Ulmer, Sellnow, & Seeger 2007). In response to the need to conduct empirical, theory-based research in crisis communication (An & Cheng, 2010), Coombs and his colleagues developed Situational Crisis Communication Theory (SCCT) by linking attribution theory and crisis response strategies (Benoit, 1997; Coombs, 1995, 2004, 2014; Coombs & Holladay, 2002). Drawing on attribution theory (Weiner, 1986, 1995), SCCT, as one of principal theoretical framework in crisis communication research, offers useful guidelines about how various response strategies ultimately affect crisis outcomes such as an organization's image and reputation and the behavioral intentions of various publics (e.g., Coombs & Holladay, 2002, 2007, 2008, 2009; Claeys, Cauberghe, & Vyncke, 2010; Lee, 2004). For example, studies focus on whether defensive crisis response strategies (e.g., denial) or accommodative strategies (e.g., apology) are more effective (e.g., Kim, Avery, & Lariscy, 2009) and on the advantages of optimal matching of the crisis type with the response strategy and the problems of mismatching (e.g., Claeys & Cauberghe, 2014). In the SCCT framework, reputation typically is the dependent variable being affected by a crisis and an organization's response to it (Coombs, 2007; Gaultier-Gaillard & Louisot, 2006).

Limited empirical research in public relations has explored how stakeholders perceive and process information during a crisis. Fediuk et al. (2010) recommended that researchers adopt a cognitive approach to better understand how stakeholders react to a crisis and why they react in certain ways. The concept of expectations based on a company's reputation could provide useful insight into how people process information during a crisis. In public relations research, reputation has been conceptualized as the ability to satisfy stakeholders' expectations; for corporations, the better the reputation, the higher the expectations (Olkkonen & Luoma-Aho, 2015). However, relatively little is known about approaching expectations analytically (Olkkonen & Luoma-Aho, 2015). More importantly, Olkkonen and Luoma-Aho (2015) posited that the negative aspects of corporate expectations have yet to be studied and synthesized with public relations research. To fill this void, the current research investigates the effects of stakeholders' expectations based on a company's corporate reputation during a crisis. As such, it is designed to provide insights into the cognitive processes that stakeholders engage in during a crisis as called for by Fediuk et al. (2010).

2.2. Corporate reputation: hybrid reputation

Understanding the concept of corporate reputation is key to exploring the cognitive processes of stakeholders during a crisis. Conceptually, corporate reputation is generally defined as "a cognitive representation of a company's actions and results that crystallizes the firm's ability to deliver valued outcomes to its stakeholders" (Fombrun, Gardberg, & Sever, 2000, p. 87). As a valuable asset and competitive resource (Hall, 1992), corporate reputations are created through corporate associations, which refer to psychological perceptions and assessments toward a company based on the company's activities and communication (Brown & Dacin,

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