



ARTICLE

Influence of management style on employee views of corporate reputation. Application to audit firms



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Abstract In the current economic context where the behaviour of firms is carefully examined by the markets, the corporate reputation which is generated by organisations among their stakeholders may facilitate their success. Since employees are actively involved in its shaping and influence the overall perception of the firm's corporate reputation, the aim of this research is to improve the management of the employee views of reputation in order to increase its global evaluation. To do this, we analyse whether the existence of a characteristic management style influences the employee views of reputation, studying the effect of control variables such as employee age, gender, level of education or job position. Using a sample of 148 employees of Spanish accounting audit firms, we develop a specific tool for measuring the reputation from the employee perspective of service SMEs, as well as confirming that a strong participative management style promotes a better perception of reputation by employees than a competitive style. Hence, this study reflects that men prefer a competitive management style. Also, a high level of education along with job position has a positive impact on the preference of a participative style with the job position being the main moderating variable of the proposed model.

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Introduction

In recent years, the global financial system has been shaken by the biggest wave of financial scandals in U.S. and Europe, including Spain. This has led to a deep crisis of confidence in the whole control system of information transparency

offered by all the companies, especially those that receive the savings of citizenship (García Benau and Vico Martínez, 2003). Indeed, the auditing sector has been one of the most damaged due to tighter control standards (Ruiz-Barbadillo et al., 2000; Carrera et al., 2007) and the bad reputation of their audited companies, having a direct impact on their professionals (Humphrey et al., 2009).

Since reputation is an intangible asset source of competitive advantage that ensures the development and survival of firms (Martínez León and Olmedo Cifuentes, 2010), professionals and academics have increased their interest in it,

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reflecting the critical role that reputation has in business management (Chun, 2005). Furthermore, it has become a key objective in the audit industry, because customers and users of these companies may be very sensitive to reputation. In this sense, firms more visible in the capital markets tend to be more concerned about engaging highly reputable auditors, consistent with such firms trying to build and preserve their own reputations for credible financial reporting (Barton, 2005). Another aspect to take into account is the way in which these companies are managed because it reflects their corporate reputation. Thus, the management style developed should be analysed. Finally, we must not forget that the fees that firms can earn are determined by the reputation that they have with consumers (Moizer, 1997), influencing their customer engagement and business results.

Traditionally, all the tools and studies have measured perceived corporate reputation through external stakeholders (customers, financial analysts, managers of other companies and society in general, among others) using the tools of Fortune, Reputation Institute (RepTrak) or Merco (in Spain). Indeed, the first academic approaches to the analysis of reputation in the field of auditing (Moizer, 1997; García Benau et al., 1999; Moizer et al., 2004) have focused on the study of the reputation and image of the auditors from the point of view of their customers (the audited companies). However, there is an important gap in the study of reputation from the view of employees and their influence in shaping the corporate reputation of the firm, since this group is the most influential in the perception of corporate reputation of external stakeholders. As audit firms are labour intensive services, the previous influence of employees is stronger (Helm, 2007; Davies et al., 2010).

This research focuses on the study of the employee views of reputation in SMEs audit firms and how to improve it as a previous and necessary step in the configuration of the reputation of the organisation, given the important role that this collective plays. In addition, the leadership style developed by their managers in the company is studied from the employee perspective.

Thus, the aim of this research is to analyse how the management style of senior management influences the employee views of reputation, given that it is strongly influenced by the personal and social identity of both groups. To get this, the paper is structured as follows. First, we review the literature about corporate reputation, identity and image, highlighting the important role of employees in its configuration. Next, we study the managerial styles, describing their different typologies. From this review, we establish several hypotheses that are empirically tested in audit firms that operate in Spain, including four control variables related to organisational staff (age, gender, level of education and job position), by using a path analysis whose estimation is developed by using AMOS 18. Several results are obtained and widely discussed including the most significant conclusions in the last section of this paper.

Corporate reputation and its estimation in audit firms

Although reputation is a term used in several disciplines (Fombrun and Van Riel, 1997; Arbelo Álvarez and Pérez

Gómez, 2001; Rindova et al., 2005), all of them agree that it is a perception which develops over time (Weigelt and Camerer, 1988; Podolny, 1993; Fombrun, 1996), and reflects the evaluations that different stakeholders, both internal (managers, employees) and external (consumers, users) (Fombrun and Shanley, 1990; Chun, 2005) have of a company. Additionally, reputation is compounded by a set of dimensions (Weigelt and Camerer, 1988; Dollinger et al., 1997; Ferguson et al., 2000), which will be discussed in section 'Dimensions of corporate reputation'.

Thus, 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' (Fombrun, 1996: 72). In this line, Gotsi and Wilson, 2001 understand reputation as 'a stakeholder's overall evaluation of a company over time', and this evaluation is based on the stakeholders' direct and indirect experience with the company. Therefore, most authors agree that reputation is the 'global (i.e., general), temporally stable, evaluative judgement about a firm that is shared by a multitude of constituents' (Highhouse et al., 2009a,b: 1482). In this line, the authors Weiss et al. (1999: 75) understand reputation as 'a powerful global perception by which an organisation is helped to achieve higher estimates or respect'.

However, the study of reputation in the field of audit firms has not always been supported on previous conceptualisations based on organisational perspective. Several studies in auditing use corporate image and corporate reputation as synonyms, and both have been used as a proxy for the quality of audit service (García Benau et al., 1999; Moizer et al., 2004; Cameran et al., 2010a,b). That is why both terms are differentiated from an organisational perspective of reputation (Villafañe, 2004) in the next section. In any case, other research has shown that customers tend to rely more on the social status of the audit firm than on the quality of their work (Rao et al., 2001), because they are unable to evaluate in its entirety.

In general, the reputation of the audit firms has been studied from a financial perspective, through (Moizer, 1997): (a) the audit fees, (b) the value of the shares of the audited customers, and (c) the effects of changing auditor to the audited company. In addition, several financial indicators of the audits (assets, leverage, ROA) and its customers (new value of their shares after changing of auditor) have been used to estimate the image (Srinivasan Krishnamurthy et al., 2006; Weber et al., 2008).

In any case, all these studies have been developed from the external perspective of investors or customers (CFOs of audited companies). However, the objective of this research is to study the reputation from an internal viewpoint of the audit firm, as the offered by its employees.

Relationship among corporate reputation, identity and image

To analyse the relationship between these three concepts it is essential to consider that reputation is the judgement or evaluation that is made of the behaviour of the firm (audit), from its identity and image (Davies and Chun, 2002). Both terms refer to the public perception of a certain organisation

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