Australasian Marketing Journal 17 (2009) 65–68

Contents lists available at ScienceDirect

Australasian Marketing Journal

journal homepage: www.elsevier.com/locate/amj

Editorial

Corporate reputation as anticipated corporate conduct – Introduction to the AMJ special issue

This special issue of the Australasian Marketing Journal deals with one of the firm's most valuable assets – its reputation. Mirroring the breadth of meaning of corporate reputation, the seven articles examine a rich field of contemporary issues. However, all the studies relate to a centrepiece of reputation research: The alignment of corporate conduct and stakeholder expectations. While some authors adopt a conceptual approach, others employ qualitative or quantitative empirical methods, and while three articles focus on a specific stakeholder group, namely consumers, the others are broader in orientation. Four of the papers deal with the interplay of social responsibility and corporate reputation, making this a focal area of investigation in this special issue. Other topics include the causality structure behind consumer satisfaction and corporate reputation, crisis communication, and a case study of the evolution of corporate reputation.

1. Introduction

A firm's reputation represents an important intangible asset of the firm (e.g., Dowling, 1994; Hall, 1993). It needs to be painstakingly acquired, but can be easily lost. Defining the core contents or explaining the specific value associated with a good reputation can be a challenge. After all, evidence about the financial value of reputation or its power to help attain corporate goals is diffuse. The vast literature on how to define corporate reputation is indicative of conceptual confusion and lack of a common language. This is partly because researchers from different disciplines do not always agree on terms and axioms of their analyses. Still, some authors remind us that a multi-disciplinary approach offers deep and novel insights and, therefore, valuable input for theory building and a holistic understanding (Shenkar and Yuchtman-Yaar, 1997; Hatch and Schultz, 2000; Mahon, 2002). A second reason for the confusion appears to lie in implicit disagreement about the meaning of corporate reputation. It is also worth noting that managers often use the terms corporate identity, image, brand, and reputation interchangeably, which suggests strong links between these concepts and/or the inability of practitioners to make the fine distinctions that academics strive for (Gray, 2006).

The goal of this article is to aid the debate about the nature of corporate reputation by synthesising the core elements that authors from different disciplines commonly focus on. We conclude that corporate reputation is a subjective, expectation-based construct. In short, it can be defined as *anticipated corporate conduct*. We will outline the evolved understanding of corporate reputation in the next section, followed by a brief interpretation of corporate reputation as co-creation, leading to our underling notion that corporate reputation means meeting stakeholder expectations. With this in mind, we will tie in the different articles assembled in this special issue and briefly highlight their main arguments. We will conclude with recommendations for future research.

2. Evolved understanding of corporate reputation

In an effort to grasp the core contents of corporate reputation, a broad variety of definitions and conceptualisations have been suggested (for overviews, see Barnett et al., 2006; Gotsi and Wilson, 2001; Chun, 2005). We will attempt to illustrate evolved meanings of the construct. Fombrun's (1996) widely-quoted definition is that corporate reputation is "the overall estimation in which a company is held by its constituents" (p. 37). Proceeding from here, it is useful to investigate what that estimation is based on. Reputation appears to be a relatively stable, long-term collective judgment by the firm's stakeholders concerning corporate conduct, performance and achievements (e.g., Helm, 2005; Wartick, 1992). However, the kinds of actions and/or achievements being evaluated are usually not part of the construct definitions. Also, we need to clarify who is evaluating corporate conduct. A logical conclusion is that corporate reputation is perceived and evaluated by the stakeholders of the firm. Bromley (2002) concurs that reputation is a product of social processes – a consensus about how a firm will behave in a specific situation.

It appears that the strength of the reputation concept is also a weakness. It is a broad concept addressing and potentially integrating all stakeholders of the firm – but it can only be addressed and managed if those stakeholders' expectations are aligned or, at least, transparent. Unlike brands, which are largely firm-driven, reputation is inherently stakeholder-driven. Although often called a corporate asset, reputation is not owned by the firm but by stakeholders who formulate expectations about a firm's conduct, and then monitor and sanction it. If we view corporate reputation as a collective and perceptual construct, it is ultimately a product of co-creation (for further discussion about the concept of co-creation in a marketing context, see for example Vargo and Lusch, 2004).

3. Co-creation of corporate reputation

Some authors regard reputation as indispensable in any market exchange process because stakeholders "usually enter into a

1441-3582/$ - see front matter © 2009 Australian and New Zealand Marketing Academy. Published by Elsevier Ltd. All rights reserved.
doi:10.1016/j.ausmj.2009.05.008

contract with a firm based on its reputation" (Carmeli and Freund, 2002, p. 52). In this sense, reputation becomes "a precondition for people's willingness to do business with a company" (Ettenson and Knowles, 2008, p. 20). Others interpret corporate reputation as a competitive advantage delivering value to customers and other stakeholders (Gray, 2006). The notion that it is preferable to do business with a favourably reputed firm than with a badly reputed firm is grounded in the risk-reducing function of corporate reputation, or its signalling value (Coase, 1974; Shapiro, 1983). In this sense, even a bad reputation is of value as this information reduces risk and enables stakeholders to refrain from engaging with a disreputable company and avoid making a costly commitment.

Although reasonably sound, the above argument leads one to question the foundations of reputation. Is it only legitimacy as pointed out by Ettenson and Knowles (2008)? These authors emphasize that reputation conveys legitimacy of corporate activities. In essence, this means that reputation is a term that stands for what unites "good firms", whereas it is something else (e.g., the brand) that differentiates firms in competitive settings. The latter view is supported by Whetten and Mackey (2002) who explain that "business organisations must be both similar to and different from related businesses. By being different, they face less competition, and by being similar, they are considered legitimate" (p. 404). What makes firms similar is a reputation that "derives from similar characteristics across companies" (Bergstrom et al., 2002, p. 134). This means that although reputation is a necessary condition for doing business, it is not sufficient. In order to compete successfully, the firm needs a differentiating factor, such as a brand, while dimensions of a strong corporate reputation simply represent points of parity (Ettenson and Knowles, 2008, p. 20). Characteristics such as credibility, reliability, responsibility, and trustworthiness help to build a "reinforcing network" that determines reputation (Fombrun, 1996, p. 71). Davies et al. (2003, p. 60) add that these factors are of diverging relevance to stakeholders: trustworthiness is most important for employees, credibility for investors, reliability for customers, and responsibility for the general public.

Other authors (e.g., Herbig et al., 1994) reduce the set of building blocks of reputation to two so called dimensions: competence and trustworthiness. This perspective might offer a solution to the similarity-versus-differentiation conundrum surrounding the meaning of corporate reputation. Competence can be defined as *ability*, which denominates specific corporate know-how and skills (Brown and Dacin, 1997). Contrarily, trustworthiness relies on a firm's *willingness* to honour trust bestowed upon it and to adhere to explicit as well as implicit agreements. This understanding is shared by Helm (2007) who declares that reputation results from stakeholders' perceptions concerning the firm's ability and willingness to perform according to their needs. While trustworthiness can be understood as a basic character trait of an entity, competence is a differentiator, as it combines different sets of knowledge and skills. It is the competence part of corporate reputation that answers the question "Reputation for what?" The answer to that question might enable us to understand that reputation has different meanings to different individuals because they rely on different competencies of the firm to satisfy their needs. If reputation of the same firm can mean different things to different stakeholders that helps to explain the profusion of definitions, and also the equivocal empirical findings about links between corporate reputation and profitability.

Stakeholders use corporate reputation to gauge future behaviour of a firm. Hence, corporate reputation can be defined as *anticipated corporate conduct*. In a general sense, it describes what the firm, and its representatives, can be expected to do in a specific situation. It is possible to *anticipate* behaviour because of the trustworthiness of the firm. The *kind of conduct* expected results from the ascribed competencies of the firm. Generally, corporate reputation exists in the minds of the firm's stakeholders who monitor past corporate conduct and develop expectations about future conduct. It is strictly a product of co-creation, of communicated and perceived behaviour, of actual and vicarious experience. Firms' actions and intentions are interpreted by and shared amongst stakeholders, and as such are subject to interpersonal influence and subjective views.

It takes a critical mass of stakeholders and interactions between the firm and stakeholders to create corporate reputation. Whether all stakeholders base their perceptions of reputation on the same fundamental set of abilities of a firm, though, is a matter of debate (Gatewood et al., 1993; Fombrun et al., 2000; Helm, 2007). Bromley (2002) for instance argues that "commercial and industrial companies ... have as many reputations as there are distinct social groups (collectives) that take an interest in them" (p. 36). Similarly, Riordan et al. (1997) claim that "each of the various stakeholder groups relates differently to the organisation and, thus, has a different perception" (p. 401). If there were an underlying consensus, a general understanding of the core of what makes the reputation of a specific firm, it is more likely to be based on perceived trustworthiness than on competence (Helm, 2007).

4. Overview of articles

At this point it is worth discussing how the articles in this special issue of *Australasian Marketing Journal* address some of the issues raised above. Two papers highlight different effects that corporate reputation may have on consumer expectations and satisfaction by applying experimental designs. The article on *Perceived Corporate Reputation and Consumer Satisfaction* by Sabrina Helm, Ina Garnefeld, and Julia Tolsdorf specifically focuses on causality issues and whether corporate reputation is a determinant or a consequence of consumer satisfaction. Based on consistency theories, the authors conduct two experiments in the FMCG sector and find that a positive product experience leads to favourable perceptions of the firm's reputation. The authors conclude that satisfaction, which relates to consumers' expectations and experiences, can be viewed as one of the drivers of perceived corporate reputation. The authors do not find a significant impact of reputation on satisfaction, although this opposite directional effect is often assumed in the literature. The article adds to our understanding of the complex interplay of diverse consumer attitudes and also provides insight into the link between marketing and corporate reputation management.

The second article also employs an experimental design to assess consumer reactions to corporate activities, but this time the link between corporate reputation and organisational crises is highlighted. In their article entitled *Why say sorry? Influencing consumer perceptions post organisational crises*, Angelo Deblasio and Roberta Veale explore different crisis responses and their impact on reputational perceptions of consumers and their purchase intentions. In accordance with prior studies in the fields, the results indicate that taking corrective action is one of the most effective ways of minimizing negative outcomes for an organisation experiencing a crisis. Surprisingly, the findings challenge some broadly accepted managerial assumptions regarding the most effective way to repair corporate reputation. The authors state that apologizing for a crisis is no more effective in reducing damage to reputation than providing an excuse or refusing to comment on a crisis. This unexpected outcome suggests that managers may be able to use less accommodative responses which are less risky from a legal or financial perspective.

Four articles in the special issue address the connection of Corporate Social Responsibility (CSR) and corporate reputation, albeit

Download English Version:

https://daneshyari.com/en/article/1027253

Download Persian Version:

https://daneshyari.com/article/1027253

Daneshyari.com