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Segmenting stakeholders in terms of Corporate Responsibility: Implications for Reputation Management

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ABSTRACT

Corporate Responsibility is a concept that is receiving increasing attention in the Corporate Reputation literature. Many researchers have sought to link high levels of Corporate Responsibility with good Corporate Reputations. Yet, the link between these two concepts is not clear and managers do not have much guidance on how they could embrace Corporate Responsibility to enhance Corporate Reputation. One potential reason for the current confusion is that stakeholders have, for the most part, been considered as being homogenous in terms of their expectations of Corporate Responsibility, which means reputational impact is difficult to define. This paper challenges the notion that Corporate Responsibility is an homogenous construct. A latent class model is used to provide evidence that customers and employees of a financial service organisation can be segmented into three groups. This suggests that these groups have different expectations of Corporate Responsibility and as such positive reputation is likely to be driven by meeting these different sets of expectations. The understanding of how Corporate Responsibility impacts on Corporate Reputation is heightened and further implications for the management of reputation and directions for future research are discussed.

1. Introduction

In recent years, academics and practitioners have become increasingly interested in understanding the best ways to manage Corporate Reputation. This has led to the development and application of a number of different reputation models. Money and Hillenbrand (2006) provide a synthesis of such measures. Application of reputation models to different organisations and stakeholder groups has aided benchmarking and comparative academic research. It has not, for the most part, allowed for the investigation of nuances in how Corporate Reputation may be perceived in terms of different characteristics across or within different stakeholder groups. Such an understanding would allow managers to tailor reputation building activities to relevant subgroups of stakeholders, thus enhancing Corporate Reputation. This paper is an attempt to increase understanding in this area. It does so by identifying sub-sets of stakeholders that build their perception of Corporate Reputation upon different sets of expectations regarding Corporate Responsibility. Corporate Responsibility is chosen because it is increasingly being seen as one of the key elements and drivers of reputation (Fombrun and Van Riel, 2004; Hillenbrand and Money, 2007). To achieve these objectives this paper now continues in the following stages:

1. Reputation Management literature is reviewed.
2. Corporate Responsibility literature is reviewed and its link to stakeholder literature is explored.
3. Theories and studies relating to how stakeholders may be segmented in terms of Corporate Responsibility are reviewed.
4. A quantitative methodology for segmentation is proposed.
5. Results of a study with customers and employees are presented.
6. A discussion of the results and implications for Reputation Management is provided.

2. Reputation Management

Corporate Reputation is often conceptualized as one of the key intangible assets of organisations (Roberts and Dowling, 2002). Therefore, Reputation Management is critical, but also difficult as the concept reputation is described as being held in the minds of stakeholders (Bromley, 2002). Corporate Reputation is often conceptualized as perceptions, attitudes and the esteem with which stakeholders hold an organization. For example, Fombrun (1996) provides the following definition: "*A Corporate Reputation is a perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all of its key constituents when compared with other leading rivals*" (p. 72). It follows that Corporate Reputation is both conceptualized as a perceptual construct, in terms of perceptions of a company's past actions, as well as an attitudinal construct, in terms of a firm's appeal. Both

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perceptions and attitudes are developed through stakeholder experience of organisations (MacMillan et al., 2004). These experiences are judged in terms of stakeholder expectations. Expectations therefore are important moderators between stakeholder experiences and perceptions of Corporate Reputation. Different expectations of stakeholders may result in the development of different perceived reputations, even if individual stakeholder experiences are very similar. Fombrun (1996) describes stakeholder expectations and perceptions with reference to the following elements of Corporate Reputation: vision and leadership, financial performance, social responsibility, products and services, and workplace environment. In addition to this, emotional appeal is a key outcome of the previously listed elements of Corporate Reputation. Emotional appeal is increasingly seen as a variable which encapsulates the overall reputation of an organisation (Fombrun and Van Riel, 2004). As such, it can be used as a dependent variable and the relative importance of other aspects of reputation can be gauged in relation to how they drive emotional appeal.

Of the above elements of Corporate Reputation, the most studied in the domain of marketing are customer expectations of products and services. Much research has focused upon identifying segments of customers with distinctive expectations and marketing plans have been developed to meet these expectations. There is now clear evidence that customers who have their expectations met in this way develop better perceptions of Corporate Reputation. Of the other elements in the model presented above, there is a more recent focus on the concept of Corporate Responsibility and its link to overall Corporate Reputation. The research in this domain is however more contested. The basic thesis of much of the theory is that companies with a high level of responsibility should also have a good reputation (Waddock, 2002). Evidence for the link between Corporate Reputation and Corporate Responsibility is, however, mixed with some theorists finding a strong link between the two concepts and others finding mixed results (Brammer and Pavelin, 2005).

Much debate surrounds the reasons for these conflicting results, with some theorists suggesting the results reflect methodological and conceptual limitations of previous studies (Margolis and Walsh, 2001; Brammer and Pavelin, 2006). The mixed results could, however, have another underlying reason: that individuals judge Corporate Responsibility in terms of different sets of criteria just as they judge products and services in terms of different criteria. Pushed to the extreme, this suggests that the number of conceptualisations of Corporate Responsibility could extend to the number of individuals and their associated expectations of an organisation and its responsibilities. The links between Corporate Responsibility and Corporate Reputation could therefore be equally diverse. This is an interesting notion since Corporate Responsibility is often defined and measured in terms of some established set of criteria, such as those relating to the Triple Bottom Line (Elkington, 1997) rather than the multiple expectations of stakeholders. The situation is likely to sit somewhere between the two positions we have described. Perceptions of Corporate Responsibility are likely to relate to some well established criteria and at the same time also relate to the specific expectations that individuals have of an organisation. Viewing stakeholders in this way is unlikely to help reputation managers to meet the expectations of stakeholders because they are either seen as an homogenous group or as individuals. The discussion above does, however allow for a further possibility: that segments or sub-groups of individuals with similar sets of expectations with regard to Corporate Responsibility exist. If an organisation could set out to investigate the existence of these sub-groups and then consequently set out to meet these needs, it should be better able to build reputation with its stakeholders. This paper sets out to investigate this key idea of whether stakeholders can be segmented in terms of their expectations of responsibility. To do this, it is important first to have a better understanding of Corporate Responsibility.

3. Corporate Responsibility

The late 1990s and the beginning of the new century have been characterised by a boost in public and media interest in Corporate Responsibility (Ulrich, 2002; Dawkins and Lewis, 2003). This interest has been attributed to a changing climate in the business world (Pryce, 2002): a number of accounting and corporate scandals have led to growing suspicion towards business that fostered the development of an anti-globalisation movement, shareholder activism and corporate governance reforms (Maignan and Ferrell, 2004). Businesses have found themselves increasingly a target of activism on issues such as labour and human rights, anti-corruption and environmental protection and sustainability (Andriof and Waddock, 2002).

To avoid negative consequences and reputational damage from these attacks, more and more businesses proactively try to profile themselves as responsible organisations (Dawkins and Lewis, 2003): voluntary reporting on social dimensions has grown considerably in recent years as has the number of companies joining associations like Business in the Community (BITC). The BITC has more than 850 member companies in 2008 in the UK, including more than 80 of the FTSE 100 companies. At the same time, business success is increasingly being attributed to the existence of flourishing relationships with stakeholders (Collins and Porras, 2000; Silinpaa and Wheeler, 1998; Kay, 1993). Corporate Responsibility is often suggested to be an important antecedent of trusting and committed relationships between individuals and organisations (Wood et al., 2006; Waddock, 2002).

Academically, Corporate Responsibility is a concept that has its roots in the business and society literature (Andriof and Waddock, 2002; Wood, 1991). Corporate Responsibility is closely linked to other concepts in the business and society literature, most importantly the concept of Corporate Social Responsibility (CSR) (e.g. Lockett et al., 2006; Windsor, 2006; Moir, 2001). The concept Corporate Responsibility, however, is described as broader than CSR, encompassing day-to-day operating practices and strategies of business as well as impacts on the business environment (Ahmad et al., 2003; Andriof and Waddock, 2002). The increasing use of Corporate Responsibility in relation to other concepts reflects a shift from research with a focus on social and philanthropic activities towards research into broader business impacts and practices (MacMillan et al., 2004; Andriof and Waddock, 2002).

Different terms and concepts in business and society literature have in common that, like Corporate Reputation literature, they are multi-stakeholder orientated and often used to provide perceptions and judgements at the organisational level (Brown et al., 2006). That is, the organisation is seen as an actor that can be judged as a unitary entity in terms of its impacts or its behaviours. Hence, theorists often claim it is possible to view the organisation as either good or bad citizens, as being either responsible or irresponsible, or being a high or low social performer. But is it really possible for organisations to be perceived in this unitary way across a wide set of industries and stakeholder groups? And is there any indication that individuals differ in terms of the criteria they use when judging Corporate Responsibility?

4. Link between Corporate Responsibility and stakeholder literature

Corporate Responsibility theorists often work with stakeholder theory as a foundation (Freeman, 1984). Therefore they start from the premise that to be responsible an organisation should engage