Corporate Reputation: An Introduction to a Complex Construct

Sabrina Helm

Introduction

Reputation is the most relevant corporate asset. It needs to be painstakingly acquired, yet it can easily be lost if not properly managed. It is a challenge to grasp its core contents or to explain what specific value is associated with achieving a good reputation. After all, evidence on the value of reputation or its catalyst power to attain corporate goals is diffuse at best. As it is such an elusive construct and, hence, difficult to manage, do we really need to focus on reputation? Is it worth the trouble? The answer is "no" if reputation just stands for another management fad and comes down the catwalk as PR or image management in disguise. The answer is "yes" if there is explicit value (for the firm and/or stakeholders and/or society in general) in focusing and managing reputation. Demonstrating and providing evidence for the financial and nonfinancial value of reputation are the major objectives of this book.

Some authors regard reputation as indispensable in any exchange process on markets because stakeholders "usually enter into a contract with a firm based on its reputation" (Carmeli and Freund 2002); reputation then is to be regarded as "a precondition for people's willingness to do business with a company" (Ettenson and Knowles 2008). From stakeholders' perspectives, corporate reputation indicates the firm's contribution to stakeholders' welfare and social welfare in general. Corporate reputation is crucial for the stakeholders to determine their own support for the firm: "(i)f stakeholders are to feel and act positively towards a company, it will be in reciprocation for that company making a contribution to their lives" (Lewis 2001, p 35).

From a *utilitarian standpoint*, linking reputation to corporate profit may serve as proof of relevance of reputation for the firm. For example, Marconi (2002) claimed that "(r)eputations can affect the bottom line" (p XIII) and Herbig and Milewicz (1995a) cautioned that "(a)s reputation goes, profits follow" (p 10). Yet, neither the concrete value of corporate reputation nor its impact on corporate financial success could be satisfactorily substantiated empirically. Statistical techniques usually

S. Helm et al. (eds.), *Reputation Management*, Management for Professionals,
DOI 10.1007/978-3-642-19266-1_1, © Springer-Verlag Berlin Heidelberg 2011

applied in empirical studies do not serve to untangle causal ordering: both, reputation and performance are produced by the same underlying corporate initiatives. So it is still true that "despite its obvious worth, the dollar value of a company's reputation proves difficult to quantify" (Fombrun 1996, p 85). The quest for reputation metrics is under way as evidenced by numerous chapters in this book but will not necessarily aid in stapling a price tag on reputation. But this by no means should imply that reputation cannot be measured. Measuring and monetizing are two very different animals.

Reputations may also be based on perceptions of the moral principles that appear to guide firm conduct, leading to a *deontological perspective* of reputation (which basically means that the moral content of an action is not wholly dependent on its consequences). In other words, reputation is a social construction that can be based on observations of the consequences of actions as well as on observations of the guides used to generate the actions. Good reputations can flow when observers see good effects flow from actions, and when observers see the focal actor adhering to sound principles. It may be assumed that deontological reputations are more highly valued than utilitarian reputations. That is, society rewards reputations that are based on moral grounds more than it values reputations that are based in receiving or distributing benefits (Mitnick and Mahon 2007).

Reputation aligns corporate behavior and determines the role firms (can) play in an ever-increasing diverse, demanding, and disillusioned society. What we aim for in reputation management is, according to Mitnick and Mahon (2007), a state of reputational optimality, or "reputational bliss," signifying a condition that ensues when all those who construct reputations of the firm hold positive affect toward it, and the firm itself uses a moral directive to guide its decision-making.

Then, again, what is reputation? There are manifold facets to this question, and there is a managerial and an academic approach answering it. For managers, corporate reputation is an asset, a competitive advantage, a resource, a value – in short: a driver of economic performance that, at best, should be measurable. Moreover, the reputation of their employer affects managers' work; their chances at securing high-potential job applicants in the "war for talent"; their own standing; their "resale" value in labor markets. Finally, reputation and its enhancement are also an ethical component for managers' daily work. They are confronted with the task of making ethically acceptable decisions while ensuring efficiency for their firms and shareholders which in return shape reputation. Hence, managers are targeting the utilitarian and the deontological aspect of reputation.

For academics, corporate reputation is first of all a phenomenon, a construct to be analyzed which needs to be defined, separated, taken apart, and reassembled. The aim is to achieve an understanding which will create a solid basis for managing the construct in a second step. Hence, the structure of our book: I first provide a foundation to understand what is and what creates a corporate reputation (*understanding*) and my co-editors will then present state-of-the-art approaches of managing corporate reputation (*acting*) in the next chapter. I will follow the footpath of academic researchers in order to find an answer to the question what constitutes corporate reputation. While there are numerous review articles on reputation

(e.g., Barnett et al. 2006; Gotsi and Wilson 2001; Wartick 2002) that attempt to seize the construct, as yet no coherent theory on reputation has emerged and no consensus as to its definition could be achieved (Helm 2005, 2007; Highhouse et al. 2009; Mahon 2002). The profusion of research serves to bring to our attention the manifold facets reputation can have and highlights the complexity of the construct which addresses all stakeholders of the company, making it challenging to find a common core of reputation and to capture and steer it within a typical divisional organization.

"Defining reputation: what it really is" is devoted to provide an overview of current understandings of reputation. I will then proceed to separate reputation from other corporate associations, namely corporate image and corporate brand. In an attempt to properly dissect reputation, I will discuss its main components, determinants, and outcomes to explain how reputation evolves. A conclusion summarizes the main findings of the paper.

Defining Reputation: What It Really Is

Examining the morphology of the word "reputation" aids in understanding why it is an ambiguous term or complex construct to deal with. Originally, the term referred to an individual's character. The Compact Oxford English Dictionary (2008) defined it as (1) "the beliefs or opinions that are generally held about someone or something" and as (2) "a widespread belief that someone or something has a particular characteristic." Summarizing, reputation denotes "the estimation in which one is generally held" (Webster's Collegiate Thesaurus 1976, p 671). The debate in the literature as to how to define corporate reputation has led to conceptual confusion because different disciplines take an interest in reputation but not necessarily agree on terms and axioms of their analyses. So there is no common language. As Shenkar and Yuchtman-Yaar (1997) enumerated, "(i)n sociology, prestige is the preferred term, in economics, it is reputation, in marketing, image, and in accountancy and law, goodwill" (p 1361). Basically, a multi-disciplinary approach offers deep and novel insights and, therefore, valuable input for theory building (Shenkar and Yuchtman-Yaar 1997; Hatch and Schultz 2000; Mahon 2002) and a holistic understanding of reputation.

In the following, a number of definitions of reputation are cited in Table 1, sorted alphabetically by authors to illustrate the stage of the descriptive discussion on the construct. Moreover, the modules most often included in definitions will be extracted.

Condensing the elements of the definitions leads to the extraction of:

- Reputation being a *perception* (e.g., Fombrun et al. 2000a; Wartick 1992)
- A reference to a *time perspective* of the construct (e.g., Gotsi and Wilson 2001; Highhouse et al. 2009; Wilson 1985; Yoon et al. 1993) closely related to

Table 1 Selected definitions of corporate reputation

Author(s)	Definition of corporate reputation
Balmer and Greyser (2003, p 177)	Reputation is "formed over time; based on what the organization has done and how it has behaved"
Bromley (2002, p 36)	"Corporate reputation thus reflects a firm's relative standing, internally with employees and externally with other stakeholders, in its competitive and institutional environment"
Fombrun (1996, p 37),	"We define a corporate reputation as the overall estimation in which a company is held by its constituents"
Fombrun (1996, p 72)	"A corporate reputation is a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals"
Fombrun et al. (2000b, p 242)	"A corporate reputation is a collective construct that describes the aggregate perceptions of multiple stakeholders about a company's performance"
Gotsi and Wilson (2001, p 29)	"A corporate reputation is a stakeholder's overall evaluation of a company over time"
Herbig and Milewicz (1995a, p 5)	"Reputation is the estimation of the consistency over time of an attribute of an entity"
Highhouse et al. (2009, p 783)	"Corporate reputation is a global, temporally stable, evaluative judgment about a firm that is shared by multiple constituencies"
Post and Griffin (1997, p 165)	"Corporate reputation is a synthesis of the opinions, perceptions, and attitudes of an organization's stakeholders"
Wartick (1992, p 34)	Corporate reputation is "the aggregation of a single stakeholder's perceptions of how well organizational responses are meeting the demands and expectations of many organizational stakeholders"
Wilson (1985, p 27)	"In common usage, reputation is a characteristic or attribute ascribed to one person (firm, industry, etc.) by another [. . .] Operationally this is usually represented as a prediction about likely future behaviour"
Yoon et al. (1993, p 215)	"A company's reputation reflects the history of its past actions [. . .] and affects the buyer's expectations with respect to the quality of its offerings"

- A reference to forecasted *future behavior* of the firm (e.g., Balmer and Greyser 2003; Herbig et al. 1994)
- An *evaluation* of a firm's characteristics (e.g., Gotsi and Wilson 2001; Herbig et al. 1994; Highhouse et al. 2009; Wilson 1985)
- A *stakeholder-dependency* of the construct (e.g., Post and Griffin 1997; Wartick 1992)
- An element of *reciprocity* (e.g., Wartick 1992)
- A reference to *corporate performance* (e.g., Bromley 2002; Fombrun 1996)
- And a reference to a firm's overall appeal or *benefit for the stakeholder* (e.g., Fombrun 1996)
- In its *competitive setting* (e.g., Fombrun 1996)

Approaches to classify definitions of reputation are scarce. Barnett et al. (2006) identify three distinctive clusters which they term "Awareness," "Assessment," and "Asset." One precondition for corporate reputation is that stakeholders – or, in more

general terms, individuals – know that the firm exists ("Awareness"). Hence, many definitions interpret reputation as a perceptual construct. Wartick (2002) for instance clarified that "reputation, be it corporate or otherwise, cannot be anything but purely perceptual" (p 374). Therefore, reputation is subjective – but it should be clarified that in such a case, the construct in question is *perceived reputation*. Other authors conceive reputation as the aggregation of subjective cognitions of individual stakeholders (Fombrun et al. 2000a). Consequently, reputation is a collective or social phenomenon, or – putting it in psychological terms – a form of meta-cognitive knowledge that refers to what individuals believe to know about what others think.

A second focus on established definitions refers to the presumption that reputation relies on the attractiveness of the firm regarding diverse attributes ("Assessment"; Barnett et al. 2006). Mainly, this refers to the degree of fulfilling stakeholder expectations and needs within the different performance domains of a firm (inventing and developing; purchasing and using; producing and polluting; marketing and serving; financing and investing; contracting and collaborating; etc.) and the consistency of such fulfillment of expectations. The qualitative shape reputation takes (in the sense of "How is the reputation? What does it stand for?") results from stakeholders' perception concerning the firm's *ability and willingness* to perform according to stakeholder needs (Helm 2007).

From the perspective of the firm, the result of consistent fulfillment of expectations is the establishment of an intangible, economic asset ("Asset"; Barnett et al. 2006). Value generation through reputation management is boiled down to a financial performance indicator (Caruana 1997), although – as has been pointed out – the causal relationship between reputation and monetary success has remained ambiguous even after numerous attempts of empirical study. Empirical data show a correlation of the variables but do not prove the directionality of their relationship (e.g., Hammond and Slocum 1996; Sabate and Puente 2003; Sobol and Farelly 1988). It is clear that the value of reputation goes far beyond the financial numbers attributable to it.

Condensing the findings on the construct interpretations leads to describing corporate reputation as a stakeholder's overall evaluation of a firm (=*perceptual element*) in respect to its past, present, and future (=*time perspective*) handling of stakeholder relationships (=*stakeholder affiliation*) that reflects a firm's ability and willingness to meet stakeholders' expectations (=*reciprocity element*) continuously (=*corporate performance*) and describes the firm's overall appeal (=*benefit, "customer" value element*) to all of its constituents when compared with other firms (=*competitive advantage, asset*). Reputation is a perceptual collective construct (Fombrun et al. 2000b; Wartick 2002) – or a socially shared impression – that relies on an individual's perception of a public consensus about how the firm will behave in any given situation (Bromley 2002; Sandberg 2002).

Is there a plural for corporate reputation? The answer to this question is by no means just relevant in etymologic terms. Rather, it entails conceptual and managerial implications. Corporate reputation is a stakeholder-related concept, it is rooted in the aggregated perceptions of the firm's stakeholders (e.g., Bromley 2002;

Fombrun et al. 2000a). Whether all types of stakeholders base their perceptions of reputation on the same fundamental set of dimensions is a matter of substantial debate. Bromley (2000) argued that "(c)ommercial and industrial companies [. . .] have as many reputations as there are distinct social groups (collectives) that take an interest in them" (p 36), Riordan et al. (1997) claimed that "each of the various stakeholder groups relates differently to the organization and, thus, has a different perception" (p 401), Dowling (1994) advised that "(i)t is therefore good to use the plural – reputations – to remind yourself that different people hold different reputations of your organization" (p 7), Nguyen and Leblanc (2001) pointed out that "(t)he firm can have multiple reputations defined according to each combination of attribute and stakeholder" (p 228). Yet, there might be an underlying consensus, a general understanding as to what is the core of a reputation which is shared by all stakeholders of a specific firm (Helm 2007). As the study by Highhouse et al. (2009) implies, small numbers of experts can deliver generalizable judgments about a firm's reputation and the average importance assigned to different performance domains of a firm does not significantly vary between different groups of experts. However, it remains unclear whether the generalizability of reputation judgments also holds across different stakeholder groups who are not very familiar with specific companies, such as consumers (Highhouse et al. 2009).

Separating Corporate Reputation: What It Is Not

As related in the elephant-analogy,[1] individuals (according to their senses and motivations) will have different expectations as to a firm's activities in diverse performance domains and, hence, have different standpoints regarding a firm's reputation. The same can be said for researchers who not necessarily are concerned with a specific firm's reputation, but with the concept itself. They have different views as to where it begins and where it ends, according to the standpoint they take when initially touching the elephant.

Organizational behaviorists perceive strong links or overlaps between the three constructs: identity, image, and reputation; economists and accountants would see a resemblance between goodwill and reputation; marketing researchers consider constructs such as image, corporate brand and reputation to be closely related, if not synonymous. Researchers from other fields might investigate other similarities. While unable to cover them all, I – being a marketing researcher with a strong

[1]The analogy is this: there are four blind men who discover an elephant. Since the men have never encountered an elephant, they grope about, seeking to understand and describe this new phenomenon. One grasps the trunk and concludes it is a snake. Another explores one of the elephant's legs and describes it as a tree. A third finds the elephant's tail and announces that it is a rope. And the fourth blind man, after discovering the elephant's side, concludes that it is, after all, a wall. Each in his blindness is describing the same thing: an elephant. Yet each describes the same thing in a radically different way.

interest in organizational behavior – will attempt to clarify the relationships between corporate image, corporate brand and corporate reputation. For further reference on classifying and separating different related constructs see Barnett et al. (2006), Melewar and Jenkins (2002), Wartick (2002), and Westcott (2001).

In discerning reputation from *image*, I follow Balmer and Gray (1999), who suggested that image is an immediate mental picture that individuals conceive of an organization. In contrast, reputation is "formed over time; based on what the organization has done and how it has behaved" (Balmer and Greyser 2003, p 177). This means that reputation evolves as a result of consistent behavior that eventually creates trust. Middleton and Hanson (2002) also provided a cogent summarization of the image construct and define it to consist of "attitudes and beliefs about the company [. . .] held by the company's stakeholders [. . .] shaped by the organization's own communication processes" (p 4). Marwick and Fill (1997), as well as Nguyen and Leblanc (2001), explained that corporate image represents a dynamic portrait of a firm (and its products/brands) in the mind of a stakeholder that is mostly influenced by the firm's promotion efforts and, hence, may be altered relatively quickly. Image is a "firm-directed communicative act that conveys what an organization wants others to know about it" whereas reputation is "a consumer-controlled perception about an organization" (Stern 2007, p 220; see also Brown et al. 2006). Consequently, one possible criterion to separate image and reputation is *stability in behavior* which means that reputation requires consistent behavior over time (leading to a path-dependency) while images can be created and changed within a briefer period of time. The constructs also diverge in their *origin*: Image can be created by relying on corporate communication efforts so that image and reality may diverge (which is expected or tolerated by the stakeholders. Think of the Marlboro image, for instance). On the contrary, reputation is expected to reflect corporate reality and would be unveiled as sham or hypocrisy if it were otherwise. Reputation is built on the unsolicited communication between stakeholders, corporate efforts to "shape" reputation are dangerous regarding corporate credibility and authenticity. Hence, a very careful approach to reputation management is mandatory. A further distinction I see in the *carrier* of image/reputation: Whereas we ascribe an image to objects (e.g., brand image, product image), the term reputation should be reserved to describe a uniquely human phenomenon. This restriction is motivated by the assumption that – if reputation really relies on consistent behavior – such behavior logically cannot be exhibited by "things" or objects which cannot act. Who or what is unable to act autonomously and voluntarily and, hence, is unable to validate or disappoint expectations, cannot have a reputation and/or cannot be held responsible for not living up to it. This view is by no means shared by all researchers. Bromley (1993) for instance ascribed reputations to any kind of object: "Reputations (public images) are formed not only about people but also about other things – including organizations (corporate images), and commercial products and services (brand images)" (p 2). Yet, brands, products etc. are no actors as also seconded by Fournier (1998): "(a) brand may enjoy selected animistic properties, but it is not a vital entity [. . .] The brand cannot act or feel – except through the activities of the manager that administers it" (p 345). Hence, in my

view, reputations are characteristics of humans, or groups of humans such as organizations and firms.

With reference to the *corporate brand*, similar distinctions are necessary. If a corporate brand is understood to denote a mental representation, an idea, or a stakeholder's perception of psychological meanings (Stern 2007, p 219) or "a collection of perceptions held in the mind of the consumer" (Fournier 1998, p 345) and corporate reputation is likewise understood as "perception about an organization" (p 220), the differences between the two constructs are subtle and hardly suited for discrete monitoring and steering by managers.

Ettenson and Knowles (2008) emphasized that "brand" and "reputation" are closely aligned but not the same. The main differences reside in the foci of the concepts: Brands are inherently "customer-centric"; they attempt to convey relevancy and differentiation of firms' offerings to customers. Reputation is "company-centric" and conveys legitimacy of corporate activities in respect to a wider range of stakeholder groups. Hence, a strong brand does not necessarily equate with a strong or good reputation (Ettenson and Knowles 2008). This means that reputation is a term that stands for what unites "good firms," whereas brand as a term stands for what differentiates firms in competitive settings. Ultimately, "business organizations 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" (Whetten and Mackey 2002). Reputation's role is that of "a precondition for people's willingness to do business with a company" (Ettenson and Knowles 2008, p 20). This argument misses an important point in that corporate brands also target a variety of stakeholders, not just customers, and stand for the entirety of corporate performances, not just the products and services offered. What differentiates the two concepts is the driving force behind them: Brands are inherently firm-driven and owned by the firm. With their corporate brand, the firm attempts to convey relevancy and differentiation of its offerings to customers and other stakeholders. Reputation is stakeholder-driven and conveys legitimacy of corporate activities and corporate conduct in respect to a wide range of stakeholder groups. Although oftentimes called a corporate asset, reputation is not completely owned by the firm but by stakeholders who formulate expectations toward a firm's conduct.

Dissecting and Reassembling Reputation: Where It Comes from and What It Is Made of

Where does (perceived) corporate reputation derive from? Basically, four *sources of reputational perceptions* can be extracted from the literature: the firm itself, the media, the individual's experiences, and others' communicated experiences. The first two sources will be dealt with extensively in later chapters of the book, so I would like to focus on the issue whether reputation is derived from a stakeholder's

own and/or others' experiences. Shamma and Hassan (2008) found in their empirical analysis that knowledge from experience had the strongest influence on perceptions about corporate reputation, followed by knowledge from the media. MacMillan (2002) assumed that own experiences in interacting with the firm have the strongest influence on reputation. Still, he added that "(i)n many cases it has to be a combination of experience and publicity that must lead to the formation of reputational judgments" (p 383). Mahon (2002) also accepted both possibilities and claimed that "for some stakeholders the reputation is a clear result of direct experiences [. . .]. However, many stakeholders will not have direct experience with the firm or industry, so that when an issue arises, they will rely on others to supply information about the reputation of the firm and the industry" (p 431). Caruana (1997) added that "(r)eputations can be formed even when the experience by a public is not direct as long as this is passed on either directly through word-of-mouth, or indirectly via the media or other publics" (p 110). While own experiences might be essential in developing trust, experiences communicated by others might be essential to perceive reputation. According to Emler (1990), reputation is rooted in the individual's capacity to learn from others' experiences, in "the capacity for individuals to become informed about their societies without relying on their direct personal experience alone" (p 177). This debate on the origins of reputation has implications for conceptualizing and managing corporate reputation: current approaches to measure and monitor reputation often rely on surveys of stakeholders who might report on their own experiences or on those that they believe others to have (meta-cognitive interpretation of reputation). Furthermore, in order to understand how fragile a firm's reputation is, one needs to find out whether stakeholders rely on their own experiences (which are built one-on-one in direct contact with the firm) or others' experiences (which are shared online, via the media, etc.).

Besides the origin of perceived corporate reputation, the *components of the construct* can be dissected which might be stakeholders' perceptions of the firm's credibility/authenticity, reliability/sustainability, responsibility/accountability, trustworthiness, and competence. Most of these factors are already mentioned by Fombrun (1996) in what he termed a "reinforcing network of factors" determining reputation (p 71). Davies et al. (2003, p 60) added that these components are of differing relevance to stakeholders: trustworthiness is most important for employees, credibility for investors, reliability for customers, and responsibility for the general public. One might also add that all of these components are notoriously hard to manage.

Herbig and Milewicz (1995b) differentiated reputation and credibility as follows: "credibility is the believability of the current intention; reputation is a historical notion based on the sum of the past behaviors of the entity" (p 26). Not necessarily do both concepts exist in parallel: "A firm can have a horrible reputation but be totally credible (as long as it is consistently bad!)" (p 27). Hence, reputation can be good or bad as it "is essentially an ethical evaluation, and must therefore permit the attribution of negative (undesirable) characteristics" (Bromley 2002, p 38). Other authors (e.g., Herbig et al. 1994) reduced the set of building blocks of reputation to two *dimensions*: competence and trustworthiness. Competence can be

defined as *ability*, and more specifically, the sustained coordinated deployment of assets and capabilities in ways that help a firm achieve set goals (Sanchez et al. 1996). In this respect, Brown and Dacin (1997) used the term "corporate ability" which relies on corporate know-how and skills. Contrarily, trustworthiness relies on a firm's *willingness* to honor trust bestowed upon it and to adhere to explicit as well as implicit agreements. Both components have been integrated in the definition of reputation I provided above – reputation is understood to reflect a firm's ability and willingness to meet stakeholders' expectations. Both dimensions are complementary. When not aligned, reputation becomes indeterminate – then, reputation is (temporarily) built on incompetence or fraud (opportunistic behavior). As Darby and Karni (1973) pointed out, efforts to reduce incompetence or occurrence of fraud in order to improve or re-establish reputation lead to unequal social (and private) cost. The first mentioned approach, reducing incompetence, requires investment in, e.g., education, instructing, training of personnel, whereas reduction of fraud does not require investment of resources, but simply a decision to not act fraudulently or to end deception. Hence, honest behavior always results in social profit, whereas improving competence is profitable only if increased benefits exceed the cost incurred. From a micro- and a macro-economic perspective, as well as the utilitarian and deontological views, constitution of reputation by enhancing trustworthiness then is more desirable than improvement of competences.

Most literature dealing with the construct reputation does not fail to outline the positive *consequences of achieving a high reputational status* (Caruana 1997). Such favorable outcomes include ease of acquiring new and retaining current customers, capitalizing on customers' augmented willingness-to-pay, ability to attract and keep the best workforce, gain access to capital markets, all of which result in improved financial performance and corporate success (Caruana 1997; Caruana et al. 2006; Fombrun and Shanley 1990; Helm 2007; Thevissen 2002). Fombrun and Wiedmann (2001a, p 5) likened reputation to a magnet that draws representatives of the different stakeholder groups to the firm. While intuitively plausible, these presumed correlations rarely are subject to empirical verification (Chun 2005) or analyzed as to their causal coherence. Research is still mostly engaged in conceptualizing the core construct of reputation, to a lesser extent in embedding it in a nomological network including drivers, consequences, and moderators of reputation and its relationship to determinants and outcomes (Money and Hillenbrand 2006).

For good measure, I would like to highlight one often-claimed outcome of a good reputation as it is also closely related to the proverbial challenge to attain or retain a good reputation and the fragility of the painstakingly nurtured and protected reputation. Henry Ford is credited with the declaration that a good name, like goodwill, is achieved by many actions but lost by just one, and reputation literature also likes to mention Warren Buffet's appeal to his employees that "It takes 20 years to build a reputation and 5 min to ruin it. If you think about that, you'll do things differently." Academics sing from the same hymn sheet and claim reputation to be a most fragile resource as "it can be damaged easily" (Hall 1993, p 616). Davies et al. (2003, p 99) warned that "(c)orporate reputations are

constantly in danger of being eroded, damaged, dented or even destroyed." From an academic standpoint, a lack of empirical evidence concerning this readily agreed upon fragility of reputation has to be diagnosed. Practice shows that a good reputation leads to better chances in overcoming crises as reputation serves as a sort of "buffer" or "safety net" (Fombrun et al. 2000a, p 89). Hence, stability of the firm depends on the stability of its corporate reputation. Opposing the "one blow destroys it all" view of reputation erosion, Thevissen (2002) likened reputation to a sand dune: firms with a good reputation have accumulated it during many years just like a sand dune steadily grows by many tiny grains of sand blown in by the wind. A big sand dune cannot be ablated by the wind as quickly as a small one. Now, a crisis such as bad media coverage or a product recall resembles a strong wind that takes away the uppermost layer of sand first, leaving untouched the lower layers and the core of the dune (the historical values of the firm). Likewise, reputation can be interpreted as a reservoir which in times of crises can serve to extinguish a raging fire (Fombrun and Wiedmann 2001a, b). Possibly, reputation is more resilient than implied by most of the literature. It is one task of reputation management to build and safeguard corporate reputation in order to be able to profit from it in times of crises.

Conclusion

Interest in corporate reputation has surged during the last decade, mostly due to declining trust of stakeholders in corporate aims and actions. Many consider reputation as one of the most important gauges to steer a company's future. Hence, taking a stakeholder-value perspective and a utilitarian view, reputation is important because of the profit potentials it offers. But reputation also is a reflection of the moral principles our economies and corporations adhere to and therefore also relevant from a deontological perspective.

As I pointed out, there is as yet no converging theme or consensus on definitions concerning this construct. A holistic understanding of *perceived corporate reputation* was suggested by defining it as a stakeholder's overall evaluation of a firm in respect to its past, present, and future handling of stakeholder relationships that reflects a firm's ability and willingness to meet stakeholders' expectations continuously.

Corporate reputation needs to be evaluated from stakeholders' point of view and rely on the media, corporate communications, stakeholders' own and their shared experiences which are communicated in the diverse marketplaces the firm acts on. Reputation can be differentiated from corporate image and the corporate brand. Reputation consists of a number of components, or dimensions, of which I discussed competence and trustworthiness in more detail. From a firm's viewpoint, a good reputation leads to numerous favorable outcomes although empirical evidence on the relationship between (perceived) reputation and the outcome variables, such as customer acquisition, capital gain, profit, safeguarding from

crises, etc., is sparse. Hence, more research is needed to understand the functioning of reputation in marketplaces in order to provide a more solid foundation for managerial action in the domain of reputation management.

References

Balmer JMT, Gray ER (1999) Corporate identity and corporate communications: creating a competitive advantage. Corp Commun Int J 4(4):171–176
Balmer JMT, Greyser SA (2003) Revealing the corporation. Taylor and Francis, London
Barnett ML, Jermier JM, Lafferty BA (2006) Corporate reputation: the definitional landscape. Corp Reput Rev 9(1):26–38
Bromley DB (1993) Reputation, image, and impression management. Wiley, New York, NY
Bromley DB (2000) Psychological aspects of corporate identity, image and reputation. Corp Reput Rev 3(3):240–252
Bromley DB (2002) Comparing corporate reputations: league tables, quotients, benchmarks, or case studies? Corp Reput Rev 5(1):35–50
Brown TJ, Dacin PA (1997) The company and the product: corporate associations and consumer product responses. J Market 61(1):68–84
Brown TJ, Dacin PA, Pratt MG, Whetten DA (2006) Identity, intended image, constructed image, and reputation: an interdisciplinary framework and suggested terminology. J Acad Market Sci 34(2):99–106
Carmeli A, Freund A (2002) The relationship between work and workplace attitudes and perceived external prestige. Corp Reput Rev 5(1):51–68
Caruana A (1997) Corporate reputation: concept and measurement. J Prod Brand Manag 6(2):109–118
Caruana A, Cohen C, Krentler KA (2006) Corporate reputation and shareholders' intentions: an attitudinal perspective. Brand Manag 13(6):429–440
Chun R (2005) Corporate reputation: meaning and measurement. Int J Manag Rev 7(2):91–109
Compact Oxford English Dictionary (2008) published in the Internet: http://www.askoxford.com/concise_oed/orexxputation?view=uk (retrieved: March 27th, 2008)
Darby MR, Karni E (1973) Free competition and the optimal amount of fraud. J Law Econ 16(1):67–88
Davies G, Chun R, Vinhas da Silva R, Roper S (2003) Corporate reputation and competitiveness. Taylor and Francis, London
Dowling GR (1994) Corporate reputations. Oxford University Press, London
Emler N (1990) A social psychology of reputation. Eur Rev Soc Psychol 1:171–193
Ettenson R, Knowles J (2008) Don't confuse reputation with brand. MIT Sloan Manage Rev 49(2):19–21
Fombrun CJ (1996) Reputation. McGraw-Hill, Boston, MA
Fombrun CJ, Shanley M (1990) What's in a name? Reputation building and corporate strategy. Acad Manage J 33(2):233–258
Fombrun CJ, Wiedmann K-P (2001a) 'Reputation Quotient (RQ)', Working Paper Series Marketing Management, Marketing Department II, University of Hannover
Fombrun CJ, Wiedmann K-P (2001b) Unternehmensreputation und der "Reputation Quotient" (RQ®). PR-Magazin 32(12):45–52
Fombrun CJ, Gardberg N, Barnett ML (2000a) Opportunity platforms and safety nets: corporate citizenship and reputational risk. Bus Soc Rev 105(1):85–106
Fombrun CJ, Gardberg N, Sever J (2000b) The reputation quotientSM: a multi-stakeholder measure of corporate reputation. J Brand Manage 7(4):241–255
Fournier S (1998) Consumers and their brands: developing relationship theory in consumer research. J Consum Res 24(4):343–373

Gotsi M, Wilson AM (2001) Corporate reputation: seeking a definition. Corp Commun Int J 6(1):24–30
Hall R (1993) A framework linking intangible resources and capabilities to sustainable competitive advantage. Strat Manag J 14(8):607–618
Hammond SA, Slocum JW (1996) The impact of prior firm financial performance on subsequent corporate reputation. J Bus Ethics 15:159–165
Hatch MJ, Schultz M (2000) Scaling the tower of Babel: relational differences between identity, image, and culture in organizations. In: Schultz M, Hatch MJ, Holten Larsen M (eds) The expressive organization. Oxford University Press, New York, NY, pp 11–35
Helm S (2005) Designing a formative measure for corporate reputation. Corp Reput Rev 8(2):95–109
Helm S (2007) One reputation or many? Comparing stakeholders' perceptions of corporate reputation. Corp Commun 12(3):238–254
Herbig P, Milewicz J (1995a) The relationship of reputation and credibility to brand success. J Consum Market 12(4):5–10
Herbig P, Milewicz J (1995b) To be or not to be ... credible that is: a model of reputation and credibility among competing firms. Market Intell Plann 13(6):24–33
Herbig P, Milewicz J, Golden J (1994) A model of reputation building and destruction. J Bus Res 31:23–31
Highhouse S, Broadfoot A, Yugo JE, Devendorf SA (2009) Examining corporate reputation judgments with generalizability theory. J Appl Psychol 94(3):782–789
Lewis S (2001) Measuring corporate reputation. Corp Commun Int J 6(1):31–35
MacMillan K (2002) Best and worst corporate reputations – nominations by the general public. Corp Reput Rev 4(4):374–384
Mahon JF (2002) Corporate reputation. Bus Soc 41(4):415–445
Marconi J (2002) Reputation marketing. McGraw-Hill, Chicago, IL
Marwick N, Fill C (1997) Towards a framework for managing corporate identity. Eur J Market 31(5/6):396–409
Melewar TC, Jenkins E (2002) Defining the corporate identity construct. Corp Reput Rev 5(1):76–90
Middleton S, Hanson D (2002) Reputation, research, and the resource-based view: determining a suitable methodology. In: Proceedings of the 6th international conference on Corporate Reputation, Identity and Competitiveness, Reputation Institute, Boston, MA
Mitnick B, Mahon J (2007) The concept of reputational bliss. J Bus Ethics 72(4):323–333
Money K, Hillenbrand C (2006) Using reputation measurement to create value: an analysis and integration of existing measures. J Gen Manag 32(1):1–12
Nguyen N, LeBlanc G (2001) Corporate image and corporate reputation in customers' retention decisions in services. J Retail Consum Serv 8(4):227–236
Post JE, Griffin JJ (1997) Corporate reputation and external affairs management. Corp Reput Rev 1(1/2):165–171
Riordan CM, Gatewood RD, Barnes BJ (1997) Corporate image: employee reactions and implications for managing corporate social performance. J Bus Ethics 16:401–412
Sabate JMF, Puente EQ (2003) Empirical analysis of the relationship between corporate reputation and financial performance: a survey of the literature. Corp Reput Rev 6(2):161–177
Sanchez R, Heene A, Thomas H (1996) Dynamics of competence-based competition: theory and practice in the new strategic management. Pergamon, Oxford
Sandberg KD (2002) Kicking the tires of corporate reputation. Harv Commun Lett 5(1):5–6
Shamma HM, Hassan S (2008) A customer and non-customer perspective for examining corporate reputation. Paper presented at the 4th international colloquium of AM's Brand, Corporate Identity and Reputation Special Interest Group, Atlanta, GA, 2–4 Sept 2008
Shenkar O, Yuchtman-Yaar E (1997) Reputation, image, prestige, and goodwill: an interdisciplinary approach to organizational standing. Hum Relat 50(11):1361–1381

Sobol MG, Farelly GE (1988) Corporate reputation: a function of relative size of financial performance? Rev Bus Econ Res 24:45–59

Stern B (2007) What does brand mean? Historical-analysis method and construct definition. J Acad Market Sci 34(2):216–223

Thevissen F (2002) Corporate reputation in the eye of the beholder. Corp Reput Rev 4(4):318–326

Wartick SL (1992) The relationship between intense media exposure and change in corporate reputation. Bus Soc 31:33–49

Wartick SL (2002) Measuring corporate reputations. Bus Soc 41(4):371–392

Webster's Collegiate Thesaurus (1976). Merriam-Webster's, Springfield, MA

Westcott Alessandri S (2001) Modeling corporate identity: a concept explication and theoretical explanation. Corp Commun 6(4):173–182

Whetten DA, Mackey A (2002) A social actor conception of organizational identity and its implications for the study of organizational reputation. Bus Soc 41(4):393–414

Wilson R (1985) Reputations in games and markets. In: Roth AE (ed) Game-theoretic models of bargaining. Cambridge University Press, New York, NY

Yoon E, Guffey HJ, Kijewski V (1993) The effects of information and company reputation on intentions to buy a service. J Bus Res 27(3):215–228