Overview

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The articles in this part of the book lay the foundation for understanding, analyzing, and managing corporate reputation.

Liehr-Gobbers and *Storck* introduce this chapter by focusing on the concept of corporate reputation. They describe the shift from shareholder to stakeholder value as well as the added value of reputation resilience using the Vioxx case of Merck & Co. as an example and refer to the importance of taking the different reputation aspects into account before stakeholder perceptions can be managed.

In his article "*Reputation – A Sociological View*" author *Stephan Voswinkel* explains how human beings have a need for recognition – those individuals who are recognized by many others simply stand out. Recognition, however, loses its taken-for-granted status in modern societies. Everyone can claim legal recognition. But not esteem, esteem must be earned because it is assigned to somebody depending on accomplishments. As Voswinkel clarifies, reputation is one kind of esteem that is acquired and conferred for a limited time, for a specific quality or achievement, and has public validity. That is why reputation functions as capital and, as such, must be cultivated to yield additional revenues. This also explains why building and cultivating reputation are the focus of strategic management action. However, individuals as well as organizations can influence their reputation only in very limited ways as the formation of reputation involves a range of actors some of whom strive to damage the reputations of others. Because reputations are acquired and shaped they are open to mistrust as everyone is aware that the image one projects of oneself is not merely the result of what one "authentically" is but also of how one stage-manages oneself. Voswinkel transfers these general considerations to organizational reputation management. Profit-seeking organizations cannot function in a purely market-driven way but must take moral relations into consideration if they want to safeguard their legitimacy. As Voswinkel reminds managers, organizations are assigned higher levels of responsibility than individuals and reputation is always open to mistrust, meaning that management activities must be continually subjected to reputation tests. The media vie for attention and provoke scandals by exposing compromising material. Companies that want to be recognized for moral excellence and to build a corporate identity with a pronounced

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moral profile are exposed to especially high levels of risk because they easily inspire mistrust. With this observation, Voswinkel challenges reputation managers: Someone who wants to stand out in a positive way runs the risk of being more thoroughly scrutinized and examined whereas someone who does not stand out has a good chance of remaining unnoticed and shielding himself against harm to his reputation.

Corporate reputation is increasingly viewed as a behavioral process, which must be built from within and integrated across the organization, as *Nuno Zarco da Camara* expounds in his article "*Identity, Image and Reputation*." The rise of corporate brand management in highly competitive markets emphasizes this observation. In his article, da Camara explains the subtle differences between important constructs, i.e., identity, image and reputation and examines their operation and co-existence. The author defines corporate identity as the internal culture, values and behavior of an organization, as well as its visual appearance. In contrast, image is what a firm is perceived to be and represents the sum of an individual's beliefs, ideas, feelings and impressions about an organization and results in the set of meanings through which people know, describe, remember and relate to an organization. Reputation reflects an organization's internal and external behavior and its relationships with all stakeholder groups over time. Da Camara points out that any attempt to understand the interrelation between identity, image and reputation must focus ultimately on the relationship between internal and external stakeholders in organizations as the internal–external stakeholder interaction is at the heart of reputation building. The author points out that reputation building is most successful when it starts from within and repeatedly fulfills the expectations of (external) stakeholders and is most visibly influenced by the interaction between employees and customers. This mandates that organizations need to understand and manage the impact of internal behavior on the perceptions held by external stakeholders and to align corporate identity with image and reputation as much as possible. He warns managers that reputation should not be managed by public relations or corporate communications functions, but to embed reputational concerns in core business functions and integrate data from all stakeholder groups in a holistic reputation management strategy.

The dynamics and internal roots of reputation are also emphasized by *Claudia Fisher-Buttinger* and *Christine Vallaster* in their article "*Corporate Branding and Corporate Reputation – divided by a shared purpose*?" Increasingly, corporate reputation as well as corporate branding address the entire universe of internal and external stakeholders what raises the question whether a separation of corporate brand and reputation is possible and relevant. Analyzing both concepts in their development, the authors explain how corporate reputation management has long enjoyed an open ear with top management while, by contrast, branding was historically the domain of marketing managers. However, as the authors illustrate, more recent and ongoing social, political, and economic dynamics led the once clear boundaries to erode; reputation and corporate branding started to invade each other's territory. The authors suggest to not define or create artificial and impractical boundaries between the two disciplines and territories, but to instead focus on

how reputation management and brand management can work together in order to make an organization successful. Offering many insightful examples from different industries, Fisher-Buttinger and Vallaster discuss the broadening of the strategic purpose and goals of both concepts in building meaningful relationships with key stakeholders with the ultimate goal to drive competitive advantage.

With their article on "*Reputation in Relationships*," authors *Kevin Money*, *Carola Hillenbrand* and *Steve Downing* respond to concerns with regard to existing measurement tools for corporate reputation, many of which lack through theoretical conceptualization and clear reports on statistical properties, the research methodology utilized, the process of scale construction, and the modeling applied. As topical issues concern stakeholder groups differently, and are likely to have varying levels of importance for different stakeholders, such insight gets lost in traditional rankings of reputation. The model introduced by Money, Hillenbrand and Downing deals with these concerns and focuses on reputation in a particular stakeholder relationship. The application of structural equation modeling allows for prioritizing which aspects of reputation are likely to make the most impact on stakeholder behavior. The model integrates (a) customer perceptions and experiences of business behavior, (b) customer feelings of trust and commitment, and (c) customer-intended behavior towards a business. With this approach, it is emphasized that reputation is not an end in itself. Rather, it aims at fostering favorable stakeholder behavior which can directly influence the financial performance of firms in terms of shareholder value. Therefore, the authors' approach has the potential to be used as a tool by management to improve the performance of the firm.