Corporate reputation – a value creating strategy

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Abstract This paper reviews an empirical study into corporate reputation strategies in large UK organizations. It considers what is meant by corporate reputation and its role in the strategic marketing communications mix. The findings confirm not only that over the past decade planning and implementation of reputation strategies has become a dominant focus of those concerned with corporate governance but also that the organizational communicator now perceives his or her role as one of guardian of that reputation. It notes further, that between academics and practitioners alike there remains much confusion over the terms reputation and image; are the two one and the same? The findings have implications not only for senior management but also for the development of communication strategies aimed at enabling an organization to gain a competitive advantage in an increasingly overcrowded market place. Evidently corporate reputation has developed more and more in the UK context – and is now recognized by enlightened management as a key weapon in organizational strategy formulations.

Keywords Corporate communications, Corporate strategy, Public relations, Corporate image

Introduction

This paper reviews the recent development of corporate reputation as a paradigm of concern to scholars of management. In considering the recent history of this fast developing management area it explores exactly what is understood by corporate reputation, how it is variously defined, and notes how problematical that definition proves to be. It reports the results of an empirical study into the extent to which reputation management has been adopted by the dominant coalition in large UK national and international organizations as a focus of planned communications strategies.

The significance of this study is that it is one of few investigations into the strategic use of corporate reputation in UK organizations. It will be of interest to all those concerned with corporate governance and organizational communication, and to scholars of reputation management in particular.

Over the last decade communication with audiences considered important to an organization has developed into a central focus of corporate strategy. Any communication that makes an organization more transparent enables shareholders to appreciate its operations more clearly,
facilitating a better reputation (Bickerton, 2000). So, the extent to which possession of a good corporate reputation wins the organization a competitive advantage in an increasingly crowded market place is considered here. The UK experience suggests that a good reputation brings increased sales, but certainly does not always enable the organization to charge premium prices: in one case very much the opposite.

The role of the CEO as corporate brand manager is reviewed. We discover that large UK companies increasingly consider reputational importance. In several cases their communication executives – as Wright (1995) styled them – see the role as that of a guardian of legitimacy. Surprisingly, a minority of companies are completely disinterested in the concept; in spite of the fact that we note that possession of a sound reputation is recognized by the majority as an asset of immense value. However, it is intangible, and, therefore, it is both difficult to measure and to replicate (which in itself may create a competitive advantage). Evidence from this investigation is that multiple audiences may see the organization in different ways, but that it is still one single reputation that results: and we note particular challenges both at group level and internationally.

Confusion has raged over the last 40 years as to whether image, identity and reputation are synonymous, or whether they differ starkly. This paper considers the literature and tries to resolve that debate, but it discovers that it is a problem that baffles practitioners in the same way that it concerns academics.

Finally, this study notes that reputation may help to attract good employees, who are themselves likely to be leading proponents of the good reputation that attracted them to the organization in the first place, whether they are well paid or otherwise as a result!

Today, corporate reputation is clearly a growing area of research interest although little research has been conducted into the non market arena (Mahon and Wartick, 2003). The astronomical growth in – and the significance attributed by many to – institutional reputations can be traced back to the seemingly innocuous idea that favorable reputations are precursors to sets of actions and behaviors favorable to an institution (Cornelissen and Thorpe, 2002).

The purpose of this study is to describe, analyze and improve understanding of organizational corporate reputation planning as a core element of a co-ordinated communications strategy, and to try to answer some of the questions raised in the review of the literature in the context of recent UK experience.

Review of the literature

Bennett and Kottasz (2000) report few developments in the field of marketing communications of greater academic interest than procedures for managing corporate reputation. Evidence of this is the fact that there are an increasing number of people active in reputation research (van Riel and Fombrun, 2002). According to Balmer (1998) the first historical phase in the study of corporate reputation was from the 1950s to the 1970s. It is a study with roots in – and cutting across – several academic disciplines (Hutton et al., 2001; Mahon, 2002) making analysis of the concept a challenging task (Nguyen and LeBlanc, 2001a).

Although research in this area is still in its infancy (Flatt and Kowalczyk, 2000), there is growing evidence that many organizations are concerned with their reputation (Goldsmith et al., 2000) and its effect on market behavior (Cornelissen and Thorpe, 2002). Today it is firmly positioned as a vital research area (Mahon and Wartick, 2003).

Wartick (2002) comments that one cannot talk about measuring something until one knows what that something is. Defining reputation is a challenging task given that it is difficult to conceptualize (Nguyen and LeBlanc, 2001b) and that it does not lend itself to discrete measurement (Cole and Cole, 1979). Organizations must consider that their reputation is a powerful means of measuring their overall performance in their market place: indeed, perhaps the only way to measure organizational character is through reputation (Devine and Halpern, 2001).
Defining the construct

Corporate reputation has been variously defined (Caruana, 1997). Earlier lack of systematic attention was due to the diversity of relevant academic and practical literature exploring differing facets of the construct (Fombrun and Rindova, 1996). What is meant by reputation remains a matter of debate (Devine and Halpern, 2001). It is a construct with diffuse meanings (Cornelissen and Thorpe, 2002) and challenges scholars (Gotsi et al., 2001).

Reputation can be defined as a distribution of opinions (the overt expressions of a collective image) about an entity (Bromley, 2001) or as the interactions between and among stakeholders of which the organization has no direct role or input (Mahon, 2002). Roberts and Dowling (2002) echo Fombrun (1996) in defining it as a perceptual representation of a company’s past actions and future prospects – describing the firm’s overall appeal to key constituents compared to other leading rivals.

Views on the nature of corporate reputation as an organizational construct diverge (Cornelissen and Thorpe, 2002). It is an aggregate, perceptual judgment of various groups of the organization’s past actions (Herbig and Milewicz, 1993), the outcome of repeated interactions and cumulative experiences (Flatt and Kowalczyk, 2000). The organization might have numerous reputations – for each public often considers a different set of attributes (Wartick, 2002; Caruana, 1997). It is an attribute vital for stakeholder trust and competitive advantage (Pruzan, 2001).

Among scholars, Fombrun’s (1996) definition has been more widely used than most (Wartick, 2002), but there is no unambiguous, generally accepted definition of the term (Gotsi et al., 2001).

Reputation is bestowed upon us by other people (Vergin and Qoronfleh, 1998) and is formed on the basis of direct and indirect experiences (Fombrun and Shanley, 1990). Analyzing it is a challenging task for it is complex to conceptualize (Nguyen and LeBlanc, 2001a). Further, reputational research tells us that organizations and stakeholders do not always see issues or actions in the same manner (Cable and Vibbert, 1986). An organization may view itself as an environmental champion whereas stakeholders may at the same time perceive it as a polluter (Coombs, 1999).

Perhaps it is the reflection of an organization over time as seen through the eyes of its stakeholders; expressed through their thoughts and words (Saxton, 1998; Miles and Covin, 2000) rooted in trust and ethically shaped over time (Ettore, 1996). It embodies the history of other people’s experience with a service provider (Fombrun, 1996). It develops as stakeholders evaluate their encounters with an organization vis-à-vis their expectations (Whetten and Mackey, 2002): indeed it may well create those expectations (Bennett and Gabriel, 2001b). It may well represent stakeholders’ perception of the quality of the firm’s management (Hammond and Stocum, 1996) offering both benefits and challenges to the organization (Mahon and Wartick, 2003).

As a result, stakeholders will develop expectations as to how the firm will act in a given situation. Failure to meet those expectations may well have a negative reputational impact (Vandelo, 1998) for, as part of their assessment of a firm, stakeholders develop expectations as to how the firm will act in a given situation (Mahon, 2002).

Reputation is a highly visible signal of an organization’s capabilities and reliability providing information about future performance (Vandelo, 1998). Although Hutton et al. (2001) suggest that little research to date has tied reputation to bottom line behaviors – or measures of organizational goals – other writings suggest that reputational advantage allows marketers to exploit profitable marketing opportunities (Miles and Covin, 2000): for example, numerous authors assert that a good reputation helps to increase sales (Nguyen and LeBlanc, 2001b).

Corporate reputation represents a judgment about a company’s attributes (Gray and Balmer, 1998). It reflects behavior exhibited day in and day out through hundreds of small decisions.
(Virgin and Qoronfleh, 1998). Everything an organization does, and does not do, has a direct impact on that reputation (Greyser, 1995). A respected reputation develops from interactions between and among stakeholders (Mahon and Wartick, 2003) and assessment by a company’s audiences.

It may be a concept far more relevant to people who have no ties to an organization (Hutton et al., 2001). Many stakeholders may not have direct experience with the firm (Mahon and Wartick, 2003). Maybe reputation is something over which organizations have only limited control (Bromley, 2001). Those responsible for the governance of an organization need to understand that reputation may be formed in the interaction of stakeholders that are not under their direct control and influence. This suggests that reputation is not determined solely by direct organizational action (Mahon and Wartick, 2003); then again, perhaps it may be (Dolphin, 2003b).

Critical resource

A firm with a good overall reputation owns a valuable asset (Caruana, 1997), a critical asset (Gray and Balmer, 1998). It has become a critical resource both because it has the potential for value creation and because its intangible character makes replication by competing firms more difficult (Roberts and Dowling, 2002).

It is reasonable to regard reputation as an intangible asset (Budworth, 1989) and developing ways to gain a competitive advantage may increasingly depend on developing intangible assets (Flatt and Kowalczyk, 2000): a company’s reputation being chief among them (Roberts and Dowling, 2002).

Intangible assets – assets of immense value (Hall, 1993) – represent a significant portion of company worth. Hall reports that corporate reputation is the intangible resource most focused on by chief executives; what Fombrun (1996) referred to as “reputational capital”. However, it is a fragile resource. It takes time to build. It cannot be bought – or traded (Mahon, 2002) – and can be damaged easily (Petrick et al., 1999). Indeed it can be lost at a stroke.

The neglect of corporate reputation as an intangible asset is particularly alarming since reputation has been established as a critical competitive component of global firms (Petrick et al., 1999). It can lead to positional capability differentials (Michalisin et al., 1997). It may help a pioneering firm build an innovative image in the industry (Porter, 1985) – for newly founded SMEs suffers from the liability of newness (Stinchcombe, 1965) – leading to legitimization from stakeholders (Bromley, 2001).

Employees are a critical audience in corporate reputation management (Gotsi and Wilson, 2001a) for it is a responsibility of every employee to protect and enhance the reputation of the organization for which they work (Saxton, 1998). Companies interested in maintaining a good reputation go to great lengths to hire the kinds of people that they want to represent them (Ettore, 1996). Well reputed organizations have traditionally attracted top-notch applicants because of their sterling reputations (Gray and Balmer, 1998); a sound reputation does assist in attracting good people (Devine and Halpern, 2001).

Bright, dynamic, independent and creative employees want to feel that the corporate values are in harmony with their own values (Pruzan, 2001). Interestingly, a good reputation may give the firm a cost advantage because ceteris paribus employees prefer to work for high-reputation firms and should work harder or for lower remuneration (Roberts and Dowling, 2002). That good reputation attracts graduates from top universities (Vendelo, 1998) and reflects the healthy attitude of those employees (Ettore, 1996); well paid or not!

Strategic implications

Reputation is a new (but critical) component in the winning organization’s strategy (Kartalia, 2000). Since the mid-1980s senior managers have recognized the necessity of building and sustaining a favorable corporate reputation to create a corporate competitive advantage
(Gotsi and Wilson, 2001b). That reputation wins a competitive advantage independently of other considerations (Bennett and Gabriel, 2001b).

Research has shown that a positive reputation does contribute to corporate success (Fombrun, 1996) and that the notion of advantage can work in non-market place arenas like public opinion (Mahon and McGowan, 1996); indeed a good reputation might well be paramount to organizations like universities (Hutton et al., 2001).

The Coca-Cola executive team demonstrated strategic leadership in handling international expansion: enhancing the global reputation of the organization (Petrick et al., 1999). By understanding the cues that customers consider in formulating a corporate reputation, management can initiate activities aimed at enhancing organizational standing with customers (Caruana, 1997).

Focus of dominant coalition

Individual characteristics can impact on reputation – those characteristics may very well be associated with powerful individuals such as the CEO (Mahon and Wartick, 2003). It is a consistent finding that the most reputable organizations tend to have well known CEOs (Hutton et al., 2001).

Pruzan (2001) noted that corporate leaders appear to be reacting rationally to the new challenges arising from the increased focus on corporate reputation. A survey of large US companies indicated that CEOs view reputation as important (Fitzpatrick, 2000); recognizing that protecting and improving reputation is a necessary condition for maintaining a license to operate (Pruzan, 2001).

Reputation or image?

Corporate reputation is sometimes seen as synonymous with corporate image (Dowling, 1994). Wartick (2002) – in a fine analysis of the state of the art over the last decade – points out that:

- identity;
- image;
- prestige;
- goodwill;
- esteem; and
- standing

have all been used synonymously with reputation with varying degrees of generality and lack of precision (loosely and interchangeably say Cornelissen and Thorpe (2002)).

Bromley (2000) considers reputation as the aggregate of identity and image. However, according to Balmer (1998), image differs from reputation. He notes that, whereas the former concerns the public’s latest beliefs about an organization, reputation represents a value judgment about the organization’s qualities.

Cornelissen and Thorpe (2002) see reputation as a subject’s collective representation of past images of an institution (induced through either communication or past experience) established over time. Those perceptions of past actions may derive from personal experience, yet could result from word of mouth information (Bennett and Kottaas, 2000). However, they posit that because reputations evolve over time they cannot be fashioned as quickly as image.

Early writers appeared to see corporate image as synonymous with corporate reputation (Kennedy, 1977). However, Nguyen and LeBlanc (2001a) saw little empirical evidence to support a relationship between the two (a concept related to, but not the same as, image (Bennett and Gabriel, 2001b)). Grunig (1993) cited Cutlip “we in PR must be concerned with that good old fashioned word, reputation – not image”. The difference between these constructs continues to present academics with real difficulty.
The reflective approach to corporate reputation deals with questions about corporate identity and integrity and regards an attempt to answer such questions as vital for commercial success (Pruzan, 2001). An important distinction (Lewellyn, 2002) made by Whetten and Mackey (2002) is the source of identity (the reality of the corporation (Gray and Balmer, 1998); the real facts concerning the firm (Bennett and Gabriel, 2001a)), image and reputation. Whetten and Mackey (2002) see identity as intrafirm: emanating from the shared understanding of internal stakeholders regarding what the organization stands for. They propose that image is a message sent from an organization to external stakeholders. Alvesson (1998) sees those images (true ones?) as an overall picture of the company and considers the terms corporate image and corporate reputation as identical.

Things have moved on. Cornelissen and Thorpe (2002) believe that images vary over time – due to differing perceptions – but some stakeholders have varying images of the same company (Gotsi et al., 2001). Images can be fashioned more quickly through well conceived communication programs. Either way, perhaps reputations are more endurable general estimates established over time (Cornelissen and Thorpe, 2002). Pruza (2001) suggests that the pragmatic reaction to challenges to corporate reputation is to build up a good image – clearly they differ in his mind.

Stakeholders who form the reputation of the company ultimately respond in some way, following their expectations, experiences and evaluations (Lewellyn, 2002). Here reputation is imbibed with a single monolithic quality taking no account of the diffuse ways in which an institution (a business school, for example) and its assets come to be valued by various stakeholder groups (who all look for different signs and messages) over time (Cornelissen and Thorpe, 2002).

Perhaps the corporate reputation does influence stakeholder images (Barich and Kotler, 1991). Those images – a continuous and multi-faceted process (Cornelissen and Thorpe, 2002) – are influenced by total evaluation of an organization (Gotsi et al., 2001) – the product of a mix of behavior, communication and expectation. So, there is a dynamic unfolding component (Mahon and Wartick, 2003): of course, corporate reputation itself is a dynamic concept (Balmer, 1997).

**Reputational advantage**

Where does the organization’s reputation produce an advantage (Mahon and Wartick, 2003)?

Multiple benefits accrue to a firm with a favorable reputation. It can serve as a value signal in situations of information overload (Bennett and Gabriel, 2001b). It is a resource that increases performance (Dhinesh, 1997). It helps to gain a sustainable competitive advantage (Barney, 1991) – improving the organization’s position against competitors – “a clear offensive use of reputation” (Mahon and Wartick, 2003).

A further reason for the increase in reputational strategies has been growing realization that the possession of an excellent reputation can significantly enhance financial performance (Bennett and Kottas, 2000): although the relationship between a firm’s reputation and its financial performance is complex (Hammond and Slocum, 1996). Srivastava et al. (1997) suggest that reputation may influence how favorably equity markets evaluate a firm – a matter of great concern to those responsible for corporate governance.

A sound reputation may enable the firm to charge premium prices (Greyser, 1995; Fosun and van Riel, 1997; Vendelo, 1998) particularly if the reputation is strong; helping them to earn extra revenue from the repeat purchases that quality products generate (Shaprio, 1983). Therefore, a favorable reputation is a means of enhancing an organization’s financial value as well as influencing buying intentions (Gotsi and Wilson, 2001b).

It is a highly visible signal of its capabilities and reliability (Powell, 1990). It affects a firm’s ability to issue valuable implicit claims: claims that are nebulous – and in most cases impossible to commit to writing (Devine and Halpern, 2001). It is a signal about the quality of companies’
products and strategies (Vendelo, 1998) compared to other firms (Hammond and Slocum, 1996). It provides clues about future performance (Mahon, 2002). It is a construct extended to new products (Caruana, 1997) one that extends the original reputation to new products and mitigating uncertainties about their performance (Karger, 1981).

Consumers’ buying decisions are increasingly influenced by a company’s social reputation (Fitzpatrick, 2000). Vendelo (1998) believes that reputation is a valuable input to the decision making of customers unable to invest resources in obtaining detailed information about companies’ products, acting as a mechanism for assuring product/service quality, influencing customer/employee loyalty and offering inimitability to the organization.

Goldsmith et al. (2000) suggest that the reputation of a company may well be foremost in consumer’s minds as they process an advertisement for a firm’s products. Customer loyalty has a tendency to be higher when perceptions of corporate reputation are strongly favorable (Nguyen and LeBlanc, 2001b). Customers value associations and transactions with high reputation firms (Roberts and Dowling, 2002) and failure to meet customer expectations is likely to have a negative impact on a reputation (Vendelo, 1998).

Perhaps a positive corporate reputation prompts consumers to believe advertising claims (Goldberg and Hartwick, 1990) supporting and enhancing sales force effectiveness (Roberts and Dowling, 2002)? Mahon (2002) wonders to what extent a reputation transfers across goods and services and the market place of ideas – does a superlative reputation in one market place have an overlapping impact on other market places? Is a bad corporate reputation vis-à-vis the supply of pensions liable to affect the ability of that same supplier to provide satisfactory household and motor insurance (Bennett and Gabriel, 2001a)?

Hutton et al. (2001) suggest that while reputation is not something that can be managed directly it is omnipresent. They note a survey reporting that managing reputation is the driving philosophy in corporate communication departments. It may have particular relevance in some public sector areas. For example, a university’s overall reputation may enhance or diminish the reputation of constituent departments (Bromley, 2001). By understanding the cues that customers consider in formulating a corporate reputation, management can initiate activities aimed at enhancing the firm’s standing with customers (Caruana, 1997).

Perhaps the organization’s ability to manage its reputation may well determine its very existence (Argenti, 1997). No organization is immune from incidents (Devine and Halpern, 2001). Intel had dedicated itself to managing its corporate reputation. By the time of the 1994 crisis the organization had managed its reputation so wisely that it was a household name. As a result its hand-on approach dealing with that crisis persuaded its customers that they should give the corporation a second chance (Gaines-Ross, 1997).

So, not recognizing the importance of reputation is one of the gravest errors an organization can make (Kortan, 2000). Once forfeited a good reputation is hard to regain (Ettore, 1996); if it ever is. How an organization is perceived around the world may have a major impact upon its success (Chajet, 1997) and may indeed determine its very survival – as the White Star Line, Townsend-Thoresen and Railtrack can testify eloquently.

Research

Methodology

Baker and Bettner (1997) argue that it is important that a researcher’s perspective be made plain so that the reader can understand the context in which a study is being approached. So let us be clear, the empirical research reported here may be considered predominantly interpretive. The writer believed that original research conducted mainly by unstructured interview lent itself towards an interpretive position; for interpretive researchers see the limitations of quantitative measures (it has been found that the interpretive approach, by exploring themes that may previously have been captured only by statistics, provides valuable insights (Szmagin and Foxall, 2000)).
The interpretivist paradigm enables researchers to study people in their “lifeworld” – and this investigation is firmly rooted in a study of communication practices in their own environment – in an attempt to understand the nature of the meaning of their everyday experience (Nelms, 1996). Researchers (this researcher included) are the measuring instruments and their understanding derives from personal experience rather than manipulation of variables (Szmnigin and Foxall, 2000).

Central to academic discussion of interpretive research is whether the results are trustworthy for there can be a number of alternative interpretations from which to represent the phenomenon under study. Szmnigin and Foxall (2000) question whether this undermines the trustworthiness of the research or makes it a better exemplar of the real world.

Method

This researcher believes the latter. Accordingly, this report presents an empirical investigation into the extent to which corporate reputation enables a sample of UK organizations to attain and sustain superior competitive advantage.

van Riel (1997) noted “in the next decade our corporate communication research agenda needs to focus on questions that derive from qualitative data” so, this empirical investigation involved interviewing 21 communication of large national or international organizations. Each respondent was interviewed personally. The interviews took place in the corporate headquarters of their organizations: each lasted an average of 111 minutes. In two cases the interview was limited to one hour. In another two the interviewee was so engrossed that he invited the researcher to continue for three hours.

The interviews were conducted in an unstructured way. The aim was to keep the process as non-directive and open-ended as possible so that the findings would reflect the respondents’ own views rather than the researcher’s expectations. This technique allowed for a greater depth of questioning than can be gained from a more formal interview – and made provision for the fact that interviews would last differing lengths of time.

These discussions enabled the researcher to explore some areas of particular interest to him; including corporate reputation. The answers were then transcribed and word-processed the same evening. After the transcripts had been broken down, examined, compared and analyzed the reported conclusions were reached.

This account of the investigation now unfolds with a report of the findings arising from the analysis of both the qualitative and quantitative research.

Findings

The conclusions of this corpus of work suggest three emerging themes: each of central interest to an organization’s dominant coalition. The first is that today’s winning companies recognize that a good reputation is a recognizable tool of differentiation. The second is that professional communication directors see the role of guardian of their corporation’s reputation as a central focus of their job. The last emerging theme is that the difference between corporate image and reputation (if there is one) remains very much a matter of scholarly debate.

Sound reputation = success

Shell International explicitly recognizes the strategic value of good reputation (de Segundo, 1997) – however, some organizations ignore its strategic value altogether. A minority of respondents declared no faith in the concept of reputation management; one conglomerate with interests in paint and building products told the researcher that it chose not to manage its reputation – allowing it to emerge, unmanaged and unfocused. It declined to be interviewed. The first finding of this paper is that few organizations follow this example.

In 1997 Chrysler Corporation announced its first corporate advertising campaign in years – recognition that how a company is perceived externally has a major impact upon its success (Chajet, 1997). A rubber company spokesman commented that his communication department was “absurdly funded” (Dolphin, 2003a), adding that his organization never advertised on
television; had staged no national campaign since 1977; and disregarded its reputation entirely. A sentiment echoed by a high street retailer. Their spokesman noted “we have no group promotion at all”. The rubber company spokesman continued regretfully, “we have a good story to tell”.

Similar thoughts were expressed by the communicator for the capital’s transport system “we have little control over our reputation” she noted; and the communication spokeswoman for the ambulance service commented “we have no budget with which to promote a reputation”. However, to the contrary, the spokesman for a north of England supermarket reflected “we have a national reputation for offering exceptional value for money” and the dynamic spokeswoman for a north east brewery emphasized “we are very conscious of the importance of our reputation locally”.

Guardian of the reputation

A clear majority of respondents reported playing a significant role in formulating reputation management schemas. A national supermarket noted its involvement “in strategically focused local promotions – aimed at allowing the organization to factor better management decisions into the organizational process”. It noted that the focus was to “take account of the views of those stakeholders and opinion formers instrumental in the creation of our reputation”. So a reputation may be created!

Then again, maybe it cannot. Perhaps that reputation represents an aggregate assessments of a firm’s institutional prestige (Shapiro, 1987)? A clear majority of interviewees acknowledged that peer assessment was of concern to them strategically. A national leisure organization noted “constant consideration to its reputation” and elucidated that “reputation management can bring powerful competitive advantage”.

Evidently, corporate reputation plays a significant role in the investment decisions made by financial institutions (Devine and Halpern, 2001; Pruzan, 2001). The communication director for a high street retailer commented that “we have a reputation for being more friendly and for being more knowledgeable about mother and baby needs”. This spokesman recognized that reputation management increasingly influences the appeal of an organization as an investment choice. He continued “the full reflection of this is in the share price”. As its share price deteriorated continuously following the interview the researcher pondered what conclusions to draw.

Over half of those interviewed agreed with de Segundo (1997) that a sound reputation helps to sell products at an increased margin. The global airline commented that “people buy from people with whom they feel comfortable – I have to ensure that my publics are comfortable with the airline”. The success of their Executive Club frequent flyer card, he said, “offers proof of the repeat purchase value of reputational strategy”.

However, not all organizations have the flexibility to charge premium prices; the supply of electricity is no niche market. Here a spokesman commented that he had “limited scope for differential product price” and, therefore, the organization’s “perception in the market place will be a major factor in the future”. He added “a sound corporate reputation must be the foundation on which to position an undifferentiated product”.

A clear majority of those interviewed stressed reputational importance as a philosophy; an international bank commented “banking is a reputation business”. The spokesman at Scotland’s premier lager producer added “communication is all about image and the perception of things”. The bank spokesman reflected that his institution “had a reputation for being hard-nosed” and continued “this is something of which I am conscious. It will effect how I run the communication strategy”. He commented that his sponsorship program “is designed to soften that reputation”.

Reputations may be indicators of legitimacy (Fombrun and van Riel, 1997). The communicator at a tobacco firm believed that he acted as his organization’s “guardian of reputation”. His counterpart at the leisure group added “my most important role is to advise the board on group reputation – and how to protect and enhance it”.

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The researcher noted a clear and underlying theme emerging from these interviews. Quite clearly the spokesman and women of large national organizations see their role as protector of the faith but it is not a role that they associate with manipulation. While they accept that image may be created or indeed changed – note British Airway’s high profile attempts to create an image as the world’s first global airline (via extravagantly colorful ethnic tailfins) – with few exceptions they do not see themselves attempting to engineer a reputation.

All those interviewed see the organization as having a common reputation notwithstanding the diversity of audiences. This is the unanimous finding of this report; but, it does suggest, however, an added dimension to the role at group level. The communicator at a high street chemist spoke about “the management of his reputation world-wide.” He observed “it is a big challenge”.

**Corporate image = corporate reputation?**

We noted that Dowling (1994) saw reputation and image as being synonymous; but that many other writers differ. Certainly, Bennett and Kottasz (2000) believe that traditionally public relations and corporate reputation were regarded as synonymous. The finding of this paper is that, while UK communication executives see a strong correlation between the two, few think of them as one and the same thing.

There was no consensus among interviewees regarding the difference between image and reputation. The inescapable fact is that a number used the terms interchangeably. However, a clear majority would have nothing to do with the notion of manufacturing an image that bore no relationship to actuality. So the general view is that wherever image starts and reputation ends professional communicators are not in the business of manipulation.

The spokesman for the rubber company referred to his organization having a sound reputation in its industry but no image. The Avon and Somerset constabulary perceived their image to be that of the corporate brand manager (the Chief Constable – a “reassuring figure in uniform”), but thought that its reputation depended largely on which members of the criminal fraternity were consulted. The spokesman for the retail chemist emphasized that he was “not an image creator”; and that he was “not in the business of creating a reputation that did not match with reality”.

However, the bank spokesman believed that he could manipulate an image. His organization having gained a poor reputation by refusing to write off Third World debt he clearly imagined that he could soften that image by generous sponsorship programs – as have many other businesses before it.

Similar views were expressed by the water company spokeswoman. “Our reputation for good customer service is built upon our image as a customer driven company.” A brewery spokeswoman noted its downmarket image but reflected on the reputation enjoyed by its renowned brown ale. While the communicator for Scotland’s largest producer of lager saw the image of his products associated closely with the reputation enjoyed by its national parent group.

The finding of this paper is that, while UK communication executives see a strong correlation between the two, few regard them as synonymous. There was no consensus among interviewees regarding the difference between image and reputation. Indeed, the inescapable fact is that a number used the terms interchangeably. However, a clear majority would have nothing to do with the notion of manufacturing an image that bore no relationship to actuality.

**Discussion**

The central finding of this paper is that corporate reputation as a matter of scholarly interest has come of age. Today it is a central focus both of academic and professional attention. It is now widely recognized as one of the few tools of differentiation remaining to competitors (Chajet, 1997).
Strategic management theory suggests that favorable reputations can create a sustainable competitive advantage and affect corporate performance (Fombrun and Rindova, 1996; Rindova and Fombrun, 1995; Devine and Halpern, 2001). The evidence of this paper is that communication executives understand that a sound reputation does contribute to winning a competitive advantage. This paper finds that strategies to gain such an advantage are high on the agenda of those charged with responsibility for corporate governance. The reputable organization is likely to be a winning organization.

This paper notes the number of UK organizations who believe that a sound reputation does impact stock value; and the perceptions of institutional investors. Chajet (1997) suggests that it is difficult to imagine that corporate reputation will be ignored in valuing stock and comments it is a mind boggling thought to imagine what anti tobacco lobbyists might say about investing funds in Philip Morris.

Bickerton (2000) suggested that reputation is one of four constituent parts of the corporate brand. Leveraging that brand may result in the ability to charge premium prices; enhancing the year end results. We note at least one utility quite unable to benefit in this way: the same is true of London Transport who, of course, have little say in the matter.

The relationship between the high profile CEO and the well earned reputation is an issue not resolved. Nothing in this research suggests such a correlation or throws light on the issue. It remains debatable. The communicator at the national mother and baby chain (possessing a well earned reputation for caring for mothers and their needs) and the leisure retailer (the best regarded in its sector) both had, at the time, talented but faceless, colorless CEOs.

On the other hand, the communicator at the bank clearly saw his role in part as one of guarding the reputation of the organization. This study notes how a hard-nosed strategy (not writing off third world debt) is softened by sponsorship designed to ensure that an unamnished reputation emerges. Perhaps this suggests that reputation management takes on a moral – even ethical – dimension. Shades of the reputation engineer; it may also suggest cynicism.

Fombrun and van Riel (1997) consider reputations as indicators of legitimacy. Anecdotal evidence from two interviewees suggests that some executives see themselves as guardians of reputation; perhaps even protectors of the corporate faith. Maybe they see their role as mission-led? Communicators at both the tobacco and the leisure group perceived their role at least in part as one of stewardship.

Importantly, we note that communication executives do not believe that corporate image and corporate reputation are synonymous. This research confirms the debate concerning a possible relationship between the two – but provides no certain answer. It is an inherent conflict causing unease among some communicators and media people alike.

There is a tension hinted at by the tobacco spokesman. He admitted that there were times when a spin was put on things. Perhaps this suggested that sometimes image does not equal reputation – or that it is manipulated to do so! The researcher felt that the suggestion – of an inherent ambiguity – was echoed by the telco communicator when he confessed that he was a reputation (as well as a telco!) engineer.

Empirical evidence from large national and international organizations confirms the findings suggested by the literature. It suggests clearly that reputation management is high on the agenda of the UK communication executive and that it has developed into a major weapon in the armory of the communication strategist. It confirms that it has as its focus the role of gaining the support of those audiences perceived to be important to the organization; helping to win the approval of stakeholders; getting them on the corporate side; a value creating strategy in one way or another.

Roberts and Dowling (2002) demonstrated empirically that a corporate reputation is an important asset. This paper finds that communication executives see reputation management
as a form of asset management – a core element of their communications strategy; and an essential role in corporate governance. This paper has reflected on the importance of the reputation construct to those concerned with corporate governance as seen through the eyes of those responsible for communication programs. It finds that planning and implementation of reputation schemas have developed more and more in the UK context.

**Conclusions**

The significance of this research is that it is one of only a small number of inquiries into the strategic use of corporate reputation in large UK organizations. At a time when academics and practitioners alike have an increasing awareness of reputational value this paper will interest all those concerned with corporate governance, organizational communication and scholars of reputation management in particular.

Gaines-Ross (1997) notes that the intangible equity in a corporate reputation is an organization’s most enduring and lasting asset – requiring thoughtful management and communications. Evidence here is that UK organizations regard it as such – and pay an increasing attention to it as an integral part in planning communication strategies.

A growing body of research argues that excellent reputations have value creating properties for the firms that possess them. They seem to preclude ready imitation (Vendelo, 1998; Mahon, 2002) and are difficult to measure. Reputations are intangible and complex – for the main drivers of reputation creation are embedded deep inside the firm (Dowling, 2001). Reputations act as a gauge defining and giving a firm a sense of identity (Devine and Halpern, 2001): an important gauge for management to monitor how its constituencies evaluate the firm (Lewellyn, 2002).

The review of the literature provides numerous indications that marketers are concerned about their companies’ reputations and the advantages wrought by a good reputation. Today there is no doubt that corporate reputation is given more attention than ever before in the history of organized business activity. According to PricewaterhouseCoopers the management of reputation will become a key business process like quality management, financial management or customer care (Pruzan, 2001).

According to an earlier study, profit has the greatest effect on reputation – followed by risk and the market value of the operation (Fombrun and Shanley, 1990). The extent to which those firms concerned with good reputation management turn in superior performance is an area worthy of future study. If the findings are positive and conclusive the strategic implications are beyond dispute.

This paper determines that a majority of UK organizations recognize the strategic value accruing from reputation management, and that they strive to achieve successful outcomes; aimed at achieving superior performance; both operationally and in their financial results. It posits that the majority of UK organizations recognize that beneficial relationships with stakeholders are likely to impact favorably both on competitive advantage and on stock value; especially where the market offering is an undifferentiated product. The results suggest that communicators in most large UK organizations accept this new value adding paradigm – and appreciate that reputation management has a key role to play in the development of their communication strategies. But, whether the CEO or the communication director is the ultimate guardian of the corporate good name is an area ripe for future research.

The executive at the chain of chemists spoke about the management of his reputation overseas. He said “it is a big challenge if you are managing a group reputation world-wide”. This suggests a previously unexplored dimension to the paradigm; one worthy of further investigation; as is the impact of corporate reputation on the internal audience – a primary target of organizational communications (Dolphin, 1999). Whether or not reputation can be manipulated, engineered or created are further areas worthy of future investigation.

At the end of the day the communication executive assumes responsibility for the management of the corporation’s reputation on behalf of the executive team. Thus the role truly is becoming one of guardian of the corporate reputation. So reputation does become an issue of great significance for those concerned with governance of the corporation. There is increasing
recognition not only that it can help to deliver a competitive advantage and bolster a flagging share price, but also that it can support other marketing tools to soften unpalatable strategies made in other areas of the business.

One final conclusion from the themes emerging in this paper is that there is frequent misunderstanding between academics and practitioners of the terms reputation and image. They are often used interchangeably and with little understanding. This causes confusion. This paper does not resolve this dilemma. It does, however, suggest that a reputation is gained over time and may not be open to manipulation and that an image clearly may be manipulated. Image creation is, after all, a fast growing industry.

References


Appendix

Table AI List of companies

| ASDA plc                      | Northumbria Ambulance NHS Trust |
| Avon Rubber plc              | J. Sainsbury plc                |
| Avon and Somerset Constabulary | W.H. Smith plc                  |
| B.A.T. Industries plc        | South Western Electricity plc   |
| Boots Group plc              | Storehouse plc                  |
| British Airways plc          | Tennent Caledonian Breweries Ltd|
| British Telecommunications plc | Vaux Group plc                  |
| GlaxoWellcome plc            | Wessex Water plc                |
| Lloyds Bank plc              | Whitbread plc                   |
| London Transport             | Yorkshire Tyne-Tees plc         |
| Wm Morrison Supermarkets plc |                                   |