Corporate Reputation

Focusing the Zeitgeist

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This article identifies four themes that dominate the literature on corporate reputation and attempts to further distinguish the linkages between the concepts of identity, image, and reputation. Four dimensions of corporate identity are characterized. A rationale for comprehensive measurement of the components of reputation is provided, and a preliminary framework for measuring various dimensions of corporate identity, image, and reputation is developed. Finally, reputation-related questions intended to assist various decision-makers in predicting future business performance are posed in order to focus future advances in the usefulness of the construct of corporate reputation.

Zeitgeist: n. The spirit of the time; the taste and outlook characteristic of a period or generation.

The American Heritage Dictionary

Four themes dominate the literature on corporate reputation. First is the lexicon: definitions, distinctions, and multiple meanings. Second is interest in valuation of reputation as an intangible asset. Third are issues related to measurement of the reputation construct, including aggregated measures, flawed data sets, and the problem of the appropriate collective opinion. Finally, the usefulness of reputation as a theoretical construct is

AUTHOR’S NOTE: This article results from the intellectual consideration and debate of the concept of reputation as a useful theoretical construct that took place at Conversazione 2002 in Santa Fe, New Mexico. I am grateful to the organizers, Jeanne Logsdon and Donna Wood, and to all participants for their thoughtful conversation on the topic. Also, I wish to especially thank Professors Mahon, Wartick, and Whetten for the excellent paper presentations that formed the core of our discussions.

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446
debated, justified, and contested. This simplistic description, a distillation of the very thorough literature reviews found in the articles by Wartick (2002 [this issue]), Whetten and Mackey (2002 [this issue]), and Mahon (2002 [this issue]), portrays the zeitgeist of this literature, and challenges scholars that much remains to be done before the construct of reputation can be truly helpful for business decision makers.

I find the fourth characteristic of this literature the most immediately troubling. Existing studies on reputation do not clearly describe how or why to use the concept. Ironically, this is the question whose answer holds the most promise for managers and others who make decisions about business organizations. My objectives in this article include (a) describing briefly the linkages between the three articles by Mahon, Wartick, and Whetten and Mackey; (b) extending the framework provided by Whetten and Mackey to further delineate linkages between identity, image, and reputation; (c) focusing attention on five questions related to reputation that can provide managers with invaluable insights and strategic advantages associated with predicting future prosperity; and (d) suggesting a preliminary framework for measuring various dimensions of corporate image and corporate reputation that recognizes the limitations of a one-size-fits-all aggregate measure of reputation.

Three excellent articles in this issue make significant contributions to our collective understanding of the theoretical concept of reputation. Wartick examined myriad definitions, data sets, and the current state of efforts to measure corporate reputation. He attributed deficiencies in definition and data to insufficient theory. He also raised the important question about using an “aggregate” measure, rightly pointing out that the ratings or rankings based on measures such as the Fortune Most Admired Companies (MAC) or Fombrun’s Reputation Quotient (RQ) depend on who is asked and what their stake in the particular issue is. He suggested that the financial halo effect found in MAC data (Brown & Perry, 1994, 1995a, 1995b; Logsdon & Wartick, 1995; Wartick, 1992) derives from executives’ and analysts’ interest in the firm’s ability to increase wealth. Wartick explained that bias of this type exists within every distinct stakeholder group. Employees are interested in the kind of employer an organization is and could produce a “worklife” halo effect, if asked about the same companies ranked by executives and analysts in the MAC.

Mahon reviewed reputation in the strategy and stakeholder literatures specifically. He then focused on the role reputation plays between firms and stakeholders. A thoughtful consideration of the components of reputation forms the basis for his analysis. Reputation, wrote Mahon, is both an estimation of a person/thing and the actions the person/thing has taken over time. Internal or external stakeholders, who have a preselected set of
criteria, make these estimations. More precisely, evaluators have biases and expectations of corporations that (a) can be different from each other and (b) can and do change over time. Also, Mahon highlighted the expectational quality of reputation. Evaluators expect, based on past behavior, and they make decisions based on their expectations. This is important in at least two ways: Different expectation sets (distinct stakeholder groups) can be expected to produce different reputations for the same organization, and evaluations about past behaviors affect decisions that in turn affect future financial performance.

Whetten and Mackey alleviated the definitional problem, which is termed the “Goldilocks” typology by Wartick. They provided useful distinctions between three principal terms: reputation, identity, and image. Rather than continuing the tradition of defining them as components of each other (equal to, within, or embracing reputation), they provide linkages between the three terms. Extending the work of Bromley (2000), who defined reputation as an aggregate of identity and image, Whetten and Mackey further clarified the relationships. They defined organization identity as that which describes what is central, enduring, and distinctive in an organization. Identity is self-definitional and fulfills the organization’s need for assimilation and uniqueness.

An important distinction that Whetten and Mackey drew between identity, image, and reputation is the source of each. Identity emanates from the shared understanding of the internal stakeholders of an organization regarding what the organization stands for. Identity, therefore, is intrafirm—a message communicated within a firm. Image is a message sent from an organization to its external stakeholders. When intentional, image communication is termed by the authors “impression management.” Image can also be unintentional, resulting from behaviors that communicate whether a firm is “walking its talk.” Firm behaviors that are experienced by various affected constituencies or those who hold expectations of and scrutinize the impacts of an organization can communicate image. Reputation is a message available to an organization from its stakeholders. Reputation occurs as stakeholders evaluate their knowledge of or encounters with an organization vis-à-vis their expectations, which are couched within their individual values (personal identities) or collective norms.

Whetten and Mackey’s self-other paradigm is used to model the dimensions of identity in Figure 1.

The collective dimension of identity includes characteristics that are both shared with other organizations (collective/social [CS]) and distinctive from others (collective/personal [CP]). CS identity is in essence the firm genetics, analogous to demographic characteristics—those things
that are true and unchangeable about the organization—such as whether it is a manufacturing corporation in the steel industry. CP characteristics are unique, self-oriented, and not easily imitated. These are the personality characteristics of an organization: how the members of the firm relate to each other and how the firm intends to treat others. These traits determine what types of relational/social (RS) and relational/personal (RP) behaviors will be—how exacting the quality standards of production will be, for example, and how engaged the firm wants to be with its stakeholders. CP traits determine how the firm treats its employees, suppliers, and customers.

The relational dimension of identity includes descriptors that define the firm that are shared (RS) with other firms in a particular context, for example, industry, and those that are unique (RP) to the firm. The relational dimension characteristics describe how the firm relates to all stakeholders. Relational identity characteristics are analogous to what I call “enablers” in a model of nonfinancial performance measurement (Lewellyn, in press). Enablers include all initiatives the organization undertakes to achieve its strategy. RS characteristics include participation in organizations and subscription to industry standards, sharing information, collaboration, and so forth. RP characteristics include the practices unique to the firm that are used to achieve interaction with stakeholders, such as recruitment/hiring procedures, supply-chain management, customer service, and so on. Michalisin, Smith, and Kline (1997) said that the intangible benefits of relational characteristics would lead to what they
termed “positional capability differentials”—consequences of past actions that take time but eventually lead to reputation.

Image communicates the four dimensions (CS, CP, RS, RP) of the identity of the firm illustrated in Figure 1. Aspects of how an organization communicates, or projects, image include

- source—who initiates the message (internal vs. external),
- motivation—decision to send the message (intentional vs. unintentional),
- diffusion—strength of the message (broad vs. narrow, deep vs. shallow),
- alignment—correlation between message and corporate identity (authentic vs. inauthentic),
- impact on reputation—how much influence the message has (high vs. low), and
- outcomes—how reputation is affected (positive vs. negative).

Several aspects of image, mapped simultaneously in Figure 2, illustrate at once the complexity of measuring image and hint at the usefulness of doing so.

Consider an example of an image communication: cause-related marketing. Assuming firm values are consistent with collective values, if the communication is high diffusion, authentic alignment (a strong message widely disbursed that is consistent with its identity), the impact on reputation could be expected to be high, with positive outcomes. That is, the receivers of the image message would experience a message that is congruent with their expectations of firm values and would reward the firm with a positive attitude and actions that are favorable to the firm. Conversely, if a firm achieves high diffusion and the message is inauthentic,
the impact on reputation could be expected to be high, with negative outcomes. If consumers perceive that a company that purports to have values consistent with collective norms—for example, a good neighbor with a strong environmental conscience—is actually polluting water resources or destroying virgin forests, there is likely to be a backlash. The more widely diffused the message, the more forceful the negative consequences. On the other hand, the same company without strong image projections to the contrary might suffer less reputation damage for identical behaviors.

The usefulness of measuring various aspects of image is obvious on several levels. First, image affects reputation from (at least) two dimensions: strength/impact and direction (positive/negative). If reputation is an important gauge for management to monitor how its constituencies are evaluating the firm, monitoring the aspects of image is a predictor of future reputation. As a monitoring device, image measures could inform managers about how well the messages of the firm are being received.

The usefulness of measuring reputation has a much broader appeal, with potential for multiple decision makers. Three important considerations for measuring reputation include (a) reputation “for what,” (b) reputation according “to whom,” and (c) use of the measure. These three considerations will determine the appropriate reference group, the evaluators, and the appropriate measure and data set.

If management is interested in the reputation of the firm as an innovator (reputation “for what”) for strategic monitoring purposes (use of the measure), the appropriate reference groups might include the scientific community and consumers (reputation according “to whom”). Reputation measurement data might include general assessments, such as customer satisfaction, as well as special-purpose metrics, for example, asking the scientific community to rate the firm as to the innovativeness of its products and services in relation to other firms in the industry. If, on the other hand, the reputation of the firm as a “good neighbor” is of interest (reputation “for what”), the reference group might include members of the local community and local government agencies.

Other decision makers who could use reputation measures include investors making capital allocation decisions who are interested in the firm’s reputation as a wealth creator. Appropriate measures might include Fortune’s Most Admired Companies rankings and Wall Street analyses. These measures would be relevant because the reference group that provides these rankings share the investors’ interest in wealth creation.

Potential employees (use of reputation in employment decision) are interested in a firm’s reputation as a good employer. Their reference group should include both current and former employees, because these
employee groups have experienced the attributes of the identity of the firm and are in the best position to assess the alignment of image to corporate identity.

Mahon observed that decision makers often trade off one reputation in favor of another. That is, a consumer might be willing to trade off buying from an innovator in order to buy from a provider of quality products that is also reputed to be a good environmental conservationist. Reputations “for what” can result in conflicting goals. A firm that is reputed to be an excellent innovator might not also be the best collaborator. Its innovativeness might preclude its willingness to freely share information across organizational boundaries, thereby negatively affecting its interest in collaborating with others.

Figure 3 combines the three components of corporate identity, image, and reputation, suggesting a potential measurement framework.

As Figure 3 suggests, identity captures who the organization is and what it does, image captures the message the organization sends outward about who it is and what it does, and reputation captures what others think about who the organization is and what it does. Measurement of the reputation construct must capture each element to be of maximum utility to managers. The static, behavioral, and predictive characteristics embedded in the constructs of identity, image, and reputation are complex and highly correlated.

Measuring identity must address both the dimensions of who the organization is (personal) and what it does (relational). Much of the information about identity is qualitative, such as the description of stakeholder engagement processes, or factory health and safety procedures. But there is a great deal of quantitative information available concerning identity also, especially on the relational dimension. Loyalty of suppliers (longevity, turnover) reflects the quality of supply chain management. Loyalty of customers (customer retention, satisfaction) measures the quality of
products and services and customer relations. The quality of relational initiatives is invaluable to management as predictive of future financial performance and the achievement of strategic goals.

The several aspects of image depicted in Figure 3 (not intended to be exhaustive but merely representative) can also be measured. Unlike external stakeholders, managers are in the unique position of being able to actually know the degree of alignment between the messages being projected and the actual identity (values) of the firm. The marketing and communications disciplines have well-established methods of measuring diffusion of messages. Although firms cannot control the initiation of image messages by external sources, for example, the media, they can monitor the alignment of firm values with collective norms regarding issues of concern within their industry and manage the risks associated with externally promulgated negative image messages.

Although management might enjoy the prestige associated with being highly ranked in a widely read publication such as *Fortune*, the predictive value of such rankings is marginal unless the answers to three questions relevant to reputation happen to be profitability, executives, and Wall Street, respectively. Potentially, the power of being able to determine how various constituencies regard the behaviors (identity and image) of the firm lies in asking the questions “for what” and “by whom” appropriately.

Related to the reputation construct, ultimately it is the outcomes associated with reputation that are paramount to managers. The stakeholders who form the reputation of the firm ultimately respond to the organization in some way, following their expectations, experiences, and evaluations. Evaluators of the firm with respect to its culture and practices concerning employees will make decisions based on their evaluations. The decisions will affect the firm in a variety of ways. Outcomes related to employees can include failure to accept employment offers, employee turnover, negative recommendations, inferior customer service, fraud and/or theft, and so forth. Reputation is the feedback variable that can predict these outcomes, if management asks the right questions of the right people. (See Lewellyn, in press, for a more complete discussion of the relevance of outcomes.)

What are the important questions management needs to ask with respect to organizational reputation? Here are five that could provide significant predictive power to astute managers:

1. Does our image reflect our identity? (alignment, authenticity)
3. Have we successfully communicated our identity? (diffusion)
4. What outcomes can be predicted on basis of reputation? (for what, by whom)
5. To what extent is our reputation being intentionally formed?

It is my hope that the future of inquiry about reputation will include methods of identifying and designing valid and reliable metrics to measure the components of reputation that can answer these questions. My overall objective for this article, as the title suggested, was to focus the “conceptual mess”—the zeitgeist of the reputation literature—by building on the definitional work of Whetten and Mackey and addressing the weaknesses identified by Wartick and Mahon. Figure 3 offers a framework for thinking about the many and varied aspects of each component. There is no simplistic answer to the reputation question that will provide real usefulness to decision makers, but by modeling the linkages among the constructs of identity, image, and reputation, I hope to have made a contribution that will help us get on with the measurement of reputation.

REFERENCES


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