Rebuilding a Brand’s Reputation: Strategic Decisions to Overcome Past Mistakes

Research Proposal

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European Master in Business Studies

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## Content

Abstract ................................................................................................................................. 3

Introduction/Background ...................................................................................................... 4

Problem statement ................................................................................................................ 5
  Hypotheses .......................................................................................................................... 5
  Purpose ............................................................................................................................... 6
  Relevance ........................................................................................................................... 6

Review of literature table .................................................................................................... 7

Methodology .......................................................................................................................... 12
  Desktop research ................................................................................................................ 12
  Field research .................................................................................................................... 12
  Other specifications ........................................................................................................... 14
  Contribution ....................................................................................................................... 15
  Potential limitations .......................................................................................................... 15

Overview of chapters .......................................................................................................... 16

Plan of work .......................................................................................................................... 17

References ............................................................................................................................ 18
  Already analyzed ............................................................................................................... 18
  Considered interesting for further steps ............................................................................ 19
Abstract

The thesis will explore the actions that companies carry out for recovering the trust of their stakeholders after a mistake, failure, controversial or deceiving decision has been taken. In the first part, I will go into the concept of reputation and its implications in depth, understanding the value for the organization and whether its management is worthy or not. Secondly, I will analyze the most significant literature on the rebuilding reputation process in order to extract some conclusions. As a third step, I will compare theory and practice, meaning by the latter, what some organizations have done in real life. For this, I will make use of case studies that will lead to the identification of some patterns of strategies and compare them with what scholars state. Fourthly, by means of a field research, I intent to gather stakeholder’s perceptions, to get a feedback on what the interest groups of the companies perceive of its recovery strategy. Finally, I will present conclusions and recommendations of my investigation.

KEYWORDS: reputation; reputation rebuilding process; reputation strategy
Introduction/Background

Rather often nowadays we hear in the news about companies’ unethical or reproachable actions, things that should not have been done according to good behavior standards. As a result, their images are damaged and so is the trust that society in general and consumers in particular had on them.

In other words, the company seems to be, or is perceived as, less reliable for future actions, assuming that if something reproachable has been done once, it can be repeated again.

The concept behind this idea is called reputation. Although many definitions have been proposed, one that summarizes the core aspects of decades of study is: “Observers’ collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time” (Barnett, Jermier, & Lafferty, 2006).

Reputations can be decent or wicked. In the second case, when the harm is done, first it is important to consider whether it is worthy to fix it or not. Companies operate in markets characterized by imperfect information, and given that consumers cannot know everything, firms with a positive background have a competitive and differentiation advantage.

The fact is that according to several studies, reputation is a relevant strength for the enterprise, as it can be seen in “Corporate Reputation: The Definitional Landscape” (Barnett et al., 2006) there is even a cluster of meaning that comprises definitions of reputation as an “intangible asset”. It needs to be preserved because of its fragility (Herbig, Milewicz, & Golden, 1994); and signals stakeholders about quality, enabling firms to obtain several benefits in its market (Fombrun & Shanley, 1990).

Considered the previous, what does the company do for fixing it and being back on the track of trustworthiness? Is there a clear strategy or at least an identifiable path of actions aimed at the restitution of the lost honor? Sims, (2009) in his paper “Toward a Better Understanding of Organizational Efforts to Rebuild Reputation Following an Ethical Scandal” proposes a very relevant model that I take as a base to build the core idea of my thesis up.
**Problem statement**

What are the crucial strategic decisions that a company has to make for rebuilding its reputation?

**Hypotheses**

**H1:** Proactive strategic actions have a positive impact on the reputation rebuilding process.

Considering the ones stated by Sims (2009) for evaluation:

- Leaders’ importance:
  - Reaction to crises
  - Leader’s attention
  - Role modeling
  - Allocation of rewards
  - Criteria for selection and dismissal

- Single-loop redressive actions (short-term)
  - Denials
  - Referential accounts
  - Reactive decoupling
  - Causal account
  - Penitential account

- Double-loop learning redressive actions (long-term)
  - Fixing the outcome
  - Rewarding positive behaviors
  - Employee training
  - Proactive decoupling
  - Implement new policies

**H2:** Only the passage of time, without any proactive action from the company, has a positive impact on the reputation rebuilding process.

**H3:** Proactive actions are perceived as faster reputation rebuilders than the passage of time by stakeholders.
H₄: Proactive actions are perceived as more successful reputation rebuilders than the passage of time by stakeholders.

**Purpose**

During the research process I would like to answer the following derived questions (partially based on the ones already formulated in the topics proposal)

1. **Problem resolution**
   - Are there different alternatives? Or does a clear path exist when it comes to achieving the outcome of having a restored reputation?
   - What do companies do in practice?

2. **Stakeholders perception**
   - Which are the involved stakeholders?
   - Do people perceive the strategy?
   - How do they approach each of the groups?

3. **Long-term consequences**
   - Has the behavioral pattern of the company changed?
   - How to set up the methods for not failing again?
   - Do people perceive that something has changed?

**Relevance**

The identification and test of a pattern of strategic actions carried out by companies who had failed in respecting social norms can result in a profitable set of tools for business that, for whichever reason, have lost the trust of their stakeholders.
### Review of literature table

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>TITLE</th>
<th>KEYWORDS</th>
<th>MAIN OUTCOMES</th>
<th>RELEVANCE FOR THESIS</th>
<th>CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTRODUCTORY ARTICLES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Fombrun, C., & Shanley, M. | What’s in a name? Reputation building and corporate strategy | Reputation definition, Model Reputation Building, Reputation Identification | - Sets the basis of:  
  - "The concept of Reputation"  
  - The consequences of managing Reputation  
  - Establishes a Model for Reputation Building.  
  - Sets and describes a list of signals to identify reputation in a market with incomplete information:  
    - Market  
    - Accounting  
    - Institutional  
    - Strategy | - Referred by many as one of the first Academic works on "Reputation".  
  - How to find out about the reputation of a company?  
  - Gives ideas for the practice part: "How would you rate these companies on each of the following attributes..." | - Importance of reputation management. |
| Fombrun, C., & Van Riel, C | The reputational landscape | Reputation perspectives | - Gives several perspectives on the concept of Reputation (economic, strategic, marketing, organizational, sociological) and finally proposes an integrative view. | - First article published in the "Corporate Reputation Review" and also a good starting point. | - An integrative view about what reputation means. |
### Rebuilding a Brand’s Reputation: Strategic Decisions To Overcome Past Mistakes

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>TITLE</th>
<th>KEYWORDS</th>
<th>MAIN OUTCOMES</th>
<th>RELEVANCE FOR THESIS</th>
<th>CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barnett, M. L., Jermier, J. M., &amp; Lafferty, B. A.</td>
<td>Corporate reputation: the definitional landscape</td>
<td>Corporate reputation; identity; image; reputation capital</td>
<td>• Differentiation between “Identity”, “Image” &amp; “Reputation”.</td>
<td>• Summarizes previous definitions: Very easy to identify differences and similarities among them.</td>
<td>• Quantitative and qualitative summary of “Reputation” and concepts related.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Link between the three concepts.</td>
<td>• Proposes a new one.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Very good inventory of previous Academic definitions of reputation, clustered according to groups of meaning.</td>
<td>• Clarifies connections between key concepts.</td>
<td></td>
</tr>
<tr>
<td>Herbig, P., Milewicz, J., &amp; Golden, J</td>
<td>A model of reputation building and destruction</td>
<td>Credibility; Reputation</td>
<td>• Link between “Reputation”-“Credibility”.</td>
<td>• Helps to continue the process of understanding “Reputation” and the related concepts.</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Proposes the: “Competitive credibility model” to connect both of them.</td>
<td>• A firm is reputed after its credible transactions.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• For a company to be sustainable, credibility and Reputation should have both a positive sign.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• A firm’s credibility is positively related to its reputation.</td>
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<td></td>
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<td></td>
<td>• Mixed signals will have larger negative effects on reputation and credibility if spaced closer together than further apart.</td>
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</tr>
</tbody>
</table>

**ON THE FIELD ARTICLES**

A more specific set of articles, that provide insights on the core objective of the Thesis: “The Reputation Rebuilding Process”
<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>TITLE</th>
<th>KEYWORDS</th>
<th>MAIN OUTCOMES</th>
<th>RELEVANCE FOR THESIS</th>
<th>CONCLUSIONS</th>
</tr>
</thead>
</table>
| Sims, R. | Toward a Better Understanding of Organizational Efforts to Rebuild Reputation Following an Ethical Scandal | Reputation management; reputation rebuilding process                     | • Increasing relevance of the study of Reputation.  
• Main structure of a reputation rebuilding process (Public breach, crisis, redressive action, reintegration).  
• Relevance of the leader’s role and actions to be implemented.  
• Differentiation between Single-loop (Short term) and Double-loop (long term) actions. | • It merges two models: one on social drama and another on leadership mechanisms for building or changing culture.  
• Provides what seems to be a consistent model on the Reputation Rebuilding routines.                                                                                                                                  | • Reputation is more like a marathon than like a sprint.  
• the consequences of a damaged reputation run far and deep (Pellet, 2008).  
• it is harder to recover from reputation failure than it is to build and maintain reputation.                                                                                                                        |
The two articles from Sabrina Helm presented below are part of the same Research. In “Designing a Formative Measure for Corporate Reputation” she investigates about a suitable technique to measure reputation, and in “One reputation or many?: Comparing stakeholders’ perceptions of corporate reputation” the results of the implementation of this already contrasted scales are shown.

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>TITLE</th>
<th>KEYWORDS</th>
<th>MAIN OUTCOMES</th>
<th>RELEVANCE FOR THESIS</th>
</tr>
</thead>
</table>
| Helm, S. | Designing a Formative Measure for Corporate Reputation. | formative indicators; reflective; reputation measurement; scales; structural equation modelling | Review of different methodologies for measuring reputation:  
  - Measurement approach  
  - Corporate personality  
  - Trust-based measures  
  - Expectations-based  
  - Display of her own methodology. | Useful for the methodological part of my study.  
  - I could use a similar approach to measure how stakeholders perceive the reputation reconstruction after a failure.  
  - Filtering questions. Consumers who:  
    - Knew the company name and were customers of the company’s products and  
    - Felt knowledgeable about its reputation. | Interesting and very comprehensive multi-step field research approach to:  
  1) Refine the terms to be used:  
    - 40 interviewees convenience sample  
    - Two focus groups  
    - Scales refine process (26 respondents)  
    - 20 consumers “Think aloud” answer mode”  
  2) Quantitative study once the scales are contrasted (762 usable questionnaires) |

Helm, S. | One reputation or many?: Comparing stakeholders’ perceptions of corporate reputation | stakeholder analysis | Different stakeholders consider similar criteria for evaluating a corporate’s reputation. |  |

Articles that clarify the methodological approach that can be taken in order to measure reputation.
<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>TITLE</th>
<th>KEYWORDS</th>
<th>MAIN OUTCOMES</th>
<th>RELEVANCE FOR THESIS</th>
<th>CONCLUSIONS</th>
</tr>
</thead>
</table>
| Puncheva-Michelotti, P. & Michelotti, M | The role of the stakeholder perspective in measuring corporate reputation | - Quantitative approach considering 500 respondents in different situations:  
  o purchasing products from a company  
  o seeking employment,  
  o purchasing shares  
  o supporting the operations of a company in their community  
  - Presentation of groups of factors to evaluate reputation. | - Introductory questions like: “You have been offered a job that you like, how much would each of this statement influence your decision to take the job”  
  - Six different versions of the questionnaire depending on the targeted interviewees in order not to make it boring. | - Good complement to Sabrina Helm's research in order to identify my methodological approach to the subject. |
Methodology

The working process on the thesis will be divided in two major subprojects: Desktop and Field Research. The two of them will be complementary and aimed at obtaining a global perspective of the topic.

**Desktop research**

Objectives

1. Provide with a sustainable background of knowledge in:
   a. The core concepts of reputation and the reputation rebuilding process
   b. The field methodologies used by scholars specialized in this field.
2. Be an input for the field research

Implementation

Research on existing bibliography on the topic. Academic journals’ articles and books:
- Theory
- Companies’ case studies

Some of the documents that I am already considering can be seen at the bibliography section of this document.

**Field research**

Objectives

1. Obtain primary data to complement the findings obtained during the desktop stage of the project.
2. Confirm or deny the theoretical assumptions

Implementation

Considering my experience taking part in various researches, and after reviewing relevant literature on the methodological approach to study such an intangible concept as reputation: (Helm, 2005, 2007 and Puncheva-Michelotti & Michelotti, 2010) I find well-grounded the decision of opting for a Mixed Research Method; a combination of qualitative
and quantitative techniques in a sequential way; using qualitative data as an input for the quantitative one.

Qualitative methods, like an in-depth interview, may provide me with detailed information to justify my conclusions, whereas quantitative methods, like an online questionnaire, may bring a pool of answers to establish the base ground.

Implementation:

In order to contrast the results from the theoretical part, and also to figure out if there is a difference between individual and social perception of reputation; the implementation could follow the next guidelines.

- Ask about the stereotype of the company. What is your perception? before giving any information about the company and putting it in the frame of reputation repairing.
- Storytelling:
  - Propose a small text (between 100 and 150 words) explaining the situation of a company that has failed.
  - The firm could be:
    - Real (so the subjects recognize it and have a background on the story)
    - Invented (in order to present critical issues that might be of interest for the research)
  - After the text, some questions regarding the content will be proposed. the groups of questions might be:
    - Perception of the company’s reaction to the crisis.
    - Personal response in terms of behavior (i.e. did you avoid taking petrol from BP? for how much time? are you taking it again?
    - Group response in terms of behavior (i.e. what did your friends do? how long do you think that they would keep it in mind?)
    - Suggestions proposal (i.e. what would have you done if you were in the shoes of the company? (individual assessment), What do you think that society would like the company to do? (social component) what do you claim to be the best strategy to get back on track?
Participants

Individuals with enough knowledge about the companies analyzed and their past actions and who consider having enough knowledge about the company’s reputation (Helm, 2005).

At this moment I do not consider restricting the sample to a specific socio-demographic group, given that the chances for people to know about the subject are not constrained by these characteristics. Potentially, anyone with a sufficient level of awareness can take part in the study.

Nevertheless, it would be very interesting to be able to achieve a multi-perspective view of the rebuilding reputation process from different stakeholders. This would be a variant of the strategy used in Helm’s article, where she wanted to evaluate the way of assessing corporate reputation that different stakeholders had (Helm, 2007b). More information has been provided in the review of literature section of this document.

Other specifications

<table>
<thead>
<tr>
<th>Settings</th>
<th>Qualitative</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>In person (Kassel/León) or via Skype</td>
<td></td>
<td>The Internet</td>
</tr>
<tr>
<td>Measurement Instruments</td>
<td>− Storytelling</td>
<td>Online questionnaire</td>
</tr>
<tr>
<td></td>
<td>− Means-end chain</td>
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<tr>
<td></td>
<td>− Word association</td>
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</tr>
<tr>
<td></td>
<td>− Sentence completion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>− Wall of Pictures</td>
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</tr>
<tr>
<td></td>
<td>− Projective techniques:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>fictitious situations:</td>
<td></td>
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<tr>
<td></td>
<td>“You have been offered a job that you like, how much would each of this statement influence your decision to take the job” (Puncheva-Michelotti &amp; Michelotti, 2010)</td>
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</tr>
<tr>
<td></td>
<td>− Open-ended questions</td>
<td></td>
</tr>
</tbody>
</table>
Rebuilding a Brand’s Reputation: Strategic Decisions To Overcome Past Mistakes

### Intervention materials

<table>
<thead>
<tr>
<th>Qualitative</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intervention materials</td>
<td>Video or voice recorder</td>
</tr>
<tr>
<td></td>
<td>Online survey software</td>
</tr>
<tr>
<td>Procedures</td>
<td>5 to 10 in-depth interviews</td>
</tr>
<tr>
<td></td>
<td>Between 200 and 300 responses</td>
</tr>
</tbody>
</table>

### Contribution

1. Analyze the impact of the different strategies in the success of reputation rebuilding.
2. Provide with a different implementation of Helm's reputation measurement scales (Helm, 2005) in the field of reputation rebuilding.
3. Statistical evaluation of the different strategies proposed for each of case using the concept of support from the association rule learning method (Wikipedia, 2012)

### Potential limitations

The most interesting approach would be being able to gather primary data from both the companies subject of the study and the stakeholders involved.

In this regard, I currently find two major issues:

1. Unfortunately, lacking a direct contact with CEOs or business men from those companies would risk my chances of reaching them. I will consider contacting them as an additional option, but not as a first solution.
2. When interviewing stakeholders, it may be difficult to find subjects who are familiar with the insights of how the reputation of a company is built.
Overview of chapters

1. Introduction
   1.1. Background on the topic
   1.2. Purpose of the study
   1.3. Methodology used
      1.3.1. Desktop Research
      1.3.2. Field Research
2. Theoretical framework
   2.1. The concept of reputation
      2.1.1. The definitional landscape
      2.1.2. Linked concepts and its relationships with reputation
      2.1.3. Relevance of reputation and validity of the term “The Reputation Economy”
   2.2. The reputation rebuilding process
      2.2.1. Concept
      2.2.2. The successful strategy
         2.2.2.1. Different authors’ proposals
         2.2.2.2. The reputation rebuilding journey: Agreed steps
         2.2.2.3. Short vs. Long term actions
      2.2.3. Short vs. Long term consequences
3. Case studies: Reputation rebuilding implemented
   3.1. Identification and analysis of main patterns of actions from companies trying to rebuild their reputation
   3.2. Comparison with theory
4. Stakeholders
   4.1. Perceptions of the stakeholders about the process
5. Outcomes of the thesis and conclusions
6. Recommendations and limitations
7. References
## Plan of work

<table>
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<th>Tarea</th>
<th>Duración</th>
<th>Comienzo</th>
<th>Fin</th>
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<tbody>
<tr>
<td>1</td>
<td>DESKTOP RESEARCH</td>
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<td>Jun 17/12/12</td>
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<td>Jun 12/11/12</td>
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<td>10 días</td>
<td>Jun 12/11/12</td>
<td>Vi 23/11/12</td>
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<td>4</td>
<td>The definitional landscape</td>
<td>5 días</td>
<td>Jun 12/11/12</td>
<td>Vi 16/11/12</td>
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<tr>
<td>5</td>
<td>Linked concepts and its connection</td>
<td>5 días</td>
<td>Jun 19/11/12</td>
<td>Vi 23/11/12</td>
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<td>6</td>
<td>The Reputation Rebuilding Process</td>
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<td>Jun 26/11/12</td>
<td>Jun 17/12/12</td>
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<td>7</td>
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<td>The successful strategy</td>
<td>5 días</td>
<td>Jun 26/11/12</td>
<td>Vi 30/11/12</td>
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<td>Jun 03/12/12</td>
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<td>Intermediate Report</td>
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<td>Jun 17/13</td>
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<td>Vi 22/02/13</td>
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<td>15 días</td>
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<tr>
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<td>FINAL CONCLUSIONS</td>
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</table>
References

Already analyzed

Especially the work of Charles Fombrun (Founder & Chairman of the Reputation Institute), Ronald Sims and Sabrina Helm seems very interesting to me up to now. My Research Proposal and knowledge about the subject is highly grounded on their publications.


**Considered interesting for further steps**


