Exposé

Is the Reputation Quotient a valid and reliable measure for corporate reputation?

Submitted by

Richard Horn

Universität Kassel

European Master in Business Studies

Kassel, Germany

3rd December 2013
Abstract

“It is doubtful that anyone today would argue that corporate reputation is unimportant”
(Barnett, Jermier, & Lafferty, 2006, p.35).

Background - Corporate Reputation (CR) has been researched by multiple disciplines, such as management, social science and marketing. Various heterogeneous approaches of analyzing the CR construct are used and commonly agreed up-on definitions and measurement techniques are still missing. This context makes research on corporate reputation challenging. Hence, further research is required to shed light on some of the underdeveloped parts of theory building.

Purpose – This research work is designed to address reputation measurement specific weaknesses identified in prior research. More specifically speaking, the Reputation QuotientSM developed by Fombrun, Gardberg, and Sever (1999) is addressed in this study. The hypotheses developed address the validity of variables proposed by the Reputation QuotientSM.

Methodology - The data set on which this research is based will be collected via a quantitative online survey in three countries, France, Germany and USA. The survey on corporate reputation is conducted employing Mercedes-Benz as the company of reference. This choice was taken, because the German car manufacturer is world-wide known. Therefore a study on reputation with regard to this car manufacturer is likely to produce comparable results. In the following a regression analysis will be conducted, applying a Partial Least Square (PLS) model.

Keywords:
Reputation management;
Corporate reputation
Corporate image
Corporate identity
Reputation measurement
Reputation definition
## Table of Contents

Abstract ................................................................................................................................. i
Table of Contents .................................................................................................................. ii
Table of Abbreviations .......................................................................................................... iii
List of Figures ........................................................................................................................ iv
List of Tables .......................................................................................................................... iv
1. Introduction ......................................................................................................................... 1
   1.1 Reputation - A lively discussed construct ................................................................. 1
   1.2 Research objectives ................................................................................................. 3
   1.3 Structure of work ..................................................................................................... 4
   1.4 Definitional literature ............................................................................................. 5
   1.5 Measurement literature ......................................................................................... 9
2. Literature review ................................................................................................................. 13
   2.1 Reputation research - Status quo ........................................................................... 13
3. The research problem ......................................................................................................... 17
   3.1 Knowledge gap ....................................................................................................... 17
   3.2 Research question and hypotheses .......................................................................... 18
   3.3 Research Model ....................................................................................................... 20
4. Methodology ....................................................................................................................... 21
5. Work plan .......................................................................................................................... 22
6. Appendix ............................................................................................................................. 23
7. References .......................................................................................................................... 24
## Table of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMAC</td>
<td>America’s Most Admired Companies</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to Business</td>
</tr>
<tr>
<td>B2C</td>
<td>Business to Consumer</td>
</tr>
<tr>
<td>BE</td>
<td>Brand Equity</td>
</tr>
<tr>
<td>CB</td>
<td>Corporate Branding</td>
</tr>
<tr>
<td>CBR</td>
<td>Customer - Based Corporate Reputation</td>
</tr>
<tr>
<td>CC</td>
<td>Corporate Communication</td>
</tr>
<tr>
<td>CI</td>
<td>Corporate Image</td>
</tr>
<tr>
<td>CIId</td>
<td>Corporate Identity</td>
</tr>
<tr>
<td>CR</td>
<td>Corporate Reputation</td>
</tr>
<tr>
<td>CRC</td>
<td>Corporate Reputation Capital</td>
</tr>
<tr>
<td>CRC</td>
<td>Corporate Reputation Capital</td>
</tr>
<tr>
<td>e.g.</td>
<td>exempli gratia</td>
</tr>
<tr>
<td>etc.</td>
<td>et cetera</td>
</tr>
<tr>
<td>GMAC</td>
<td>Global Most Admired Companies</td>
</tr>
<tr>
<td>H</td>
<td>Hypothesis</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Merger and Acquisition</td>
</tr>
<tr>
<td>P&amp;S</td>
<td>Product and Service</td>
</tr>
<tr>
<td>PR</td>
<td>Public Relations</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RM</td>
<td>Reputation Management</td>
</tr>
<tr>
<td>RQ&lt;sup&gt;SM&lt;/sup&gt;</td>
<td>Reputation Quotient&lt;sup&gt;SM&lt;/sup&gt;</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprise</td>
</tr>
<tr>
<td>PLS</td>
<td>Partial Least Square</td>
</tr>
<tr>
<td>SEM</td>
<td>Structural Equation Modeling</td>
</tr>
</tbody>
</table>
List of Figures

Figure 1 - Google Scholar analysis of scientific journals ..................................................- 1 -
Figure 2 - Structure of work ..................................................................................................- 4 -
Figure 3 - Scale Development ............................................................................................- 18 -
Figure 4 - Research Model .................................................................................................- 20 -

List of Tables

Table 1 - Reputation - Definition process literature ..........................................................- 8 -
Table 2 - Measurement literature ........................................................................................- 12 -
Table 3 - Comparison of reputation measuring approaches .............................................- 16 -
Table 4 - Questionnaire reliability & validity ................................................................ ....- 17 -
1. Introduction

This master thesis begins with an introduction contextualizing the construct of corporate reputation and highlighting its importance. Second the research objectives are illustrated. Finally the structure of work is presented, providing a concise overview of the content to be covered.

1.1 Reputation - A lively discussed construct

“Good corporate reputations are critical because of their potential for value creation, but also because their intangible character makes replication by competing firms considerably more difficult.” (Roberts & Dowling, 2002, p. 1077)

Reputation is without doubt a relevant topic for any organization, from Small and Medium-sized Enterprises (SME) to large multinationals (Helm, 2011; Garnefeld, & Tolsdorf, 2009; Sarstedt, Wilczynski, & Melewar, 2013). Corporate Reputation (CR) is reputation in corporate context. As the first definitional approach by Webster (1913) is in many cases not respected or even contradicted by later research manifold confusion with regard to the understanding of the construct reputation was and is still created amongst scholars. Early research referred to CR employing the term “image” when conceptualizing reputation in a company context (Kennedy, 1977). The concept of CR itself is lively discussed by business professionals and scientists.

Figure 1 - Google Scholar analysis of scientific journals containing the phrase “corporate reputation” in Google Scholar™ (Authors compilation)
The up-to-dateness of the CR concept is tested via Google Scholar™. Peer reviewed scientific contributions to CR have been identified between 1980 and 2012, as illustrated in Figure 1. Such peer-reviewed literature meta-analysis is in line with Barnett et al. (2006) and confirmed as a reliable method by Kousha and Thewall (2006).

The query checks for the phrase “corporate reputation” using the Google Scholar™ search algorithm. This analysis confirms the increasing scientific importance of CR during the last decades.¹

Each scientific discipline, such as accounting, economics, finance, management, marketing, organizational behavior and sociology has a different understanding of CR. Thus a comprehensive identification of CR is missing (Melewar & Jenkins, 2002). Yet, Dollinger, Golden, and Saxton (1997) identify four major theoretical models contributing to scientific research on CR; the resource-based theory, the game theory, the transaction theory and theories of organizational effectiveness. A more detailed mapping of reputation related themes is provided in the following.

Helm, Liehr-Gobbers, and Storck (2011) perceive the concept of reputation as a twofold construct with a managerial and an academic part. Both parts share the joint perceptions of reputation as a competitive advantage (Barney, 1991; Rindova, Willamson, Petkova, & Sever, 2005), an intangible asset (Griffith & Ryans, 1997; Sarstedt et al., 2013; Schwaiger, Raithel, & Schloederer, 2009) and a value (Fombrun & Shanley, 1990; Helm et al., 2011).

As per Helm et al. (2011) academics are still struggling to agree on general outlines of CR. Disentangling various stakeholders perceptions is a major obstacle toward a common understanding. The relatively recent recognition of reputation as a key intangible asset by corporations in the scientific discipline of management explains this struggle (Fombrun & Riel, 2003; Helm et al., 2011; Money & Hillenbrand, 2006; Roberts & Dowling, 2002).

Money, Hillenbrand and Dowling perceive the construct of CR “still at a formative stage” (Helm et al., 2011; Helm et al., 2011, p. 87). Further research requires consolidation and completion of today’s knowledge.

This master thesis addresses the issue of reputation measuring approaches. I question Fombrun et al.’s (1999) reputation measurement approach, denominated as Reputation Quotient™. To the

¹ No explicit reason for the decline of publications after 2010 is identified Most likely the aftermath of the financial crisis is reflected in research budgets and thus in the number of publications with regard to the subject of reputation.
best of the author’s knowledge no such research has been conducted prior to this. The research addresses reputation measurement improvement in accordance with Wartick (2002), Lewis (2001) and Bromley (2002).

1.2 **Research objectives**

This research intends to identify an improved measuring approach to the construct of reputation. The following meaningful research objectives add to the existing epistemic knowledge.

*Research objectives:*

1. Analysis of the definitional landscape of the construct reputation
2. Identification of prevailing reputation measurement techniques
3. Compilation of differences in prevailing reputation measures
4. Address shortcomings in the Fombrun Reputation Quotient℠
5. Proposition of an enhanced reputation measurement construct

Having set the research objectives, the research process is visualized in the following section, “Structure of work”, making the research process inter-subjectively traceable.
1.3 **Structure of work**

The structure of work provides a concise overview of key stages of this thesis in Figure 2.

<table>
<thead>
<tr>
<th>Part I</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Introduction to and explanation of the concept of corporate reputation</td>
<td></td>
</tr>
<tr>
<td>• Presentation of the research objectives</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part II</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Explanation of the research methodology applied</td>
<td></td>
</tr>
<tr>
<td>• Description of the most important literature under consideration</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part III</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Analysis of the literature on the construct of corporate reputation</td>
<td></td>
</tr>
<tr>
<td>• Identification of the status quo. of scientific research on corporate reputation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part IV</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Definition of the research problem and the knowledge gap to be closed</td>
<td></td>
</tr>
<tr>
<td>• Specification of the expected scientific value</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part V</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Clarification of the applied methodology</td>
<td></td>
</tr>
<tr>
<td>• Illustration of the measuring model and sample characteristics</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part VI</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Execution of the empirical survey</td>
<td></td>
</tr>
<tr>
<td>• Presentation of results and findings</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part VII</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Discussion of implications for management and science</td>
<td></td>
</tr>
<tr>
<td>• Explanation of limitations and the need for further research</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 2 - Structure of work* (Authors compilation)
1.4 **Definitional literature**

The definitional literature review gives a concise picture of scientific research central to this thesis. Table 1 provides a structured and meaningful insight in key contributions.

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Author</th>
<th>Publication</th>
<th>Key terms</th>
<th>Key Facts</th>
</tr>
</thead>
</table>
| 1.  | A Systematic Review of the Corporate Reputation Literature: Definition, Measurement and Theory | Walker, Kent | Journal: Corporate Reputation Review, 2010, Volume 12 Issue 4, pp.357-387. Doi:10.1057/crr.2009.26 | Reputation definition – Measurement – Theory - Literature review – 54 well cited articles reviewed – Well-structured keyword, article, quality assessment – Five key attributes are identified – (1) Construct is based on perceptions - (2) Reputation is the aggregate construct of a group of stakeholders - (3) Reputation is inherently comparative (4) Reputation can be positive or negative (5) Reputation is relatively stable over time. | **Limitations:**
A. Usage of 2 databases, thus no unique point of reference.
B. Sample of analyzed articles might be subject to a bias (leaving out less well-known articles & authors).
C. Study included articles might be not sufficiently representative.
D. Limited literature review on 54 well-cited articles.
**Future research:**
A. Compare difference in CR research between mainstream and less well known journals.
B. Research the perspective of the two expert journals compared to this study. |
| 2.  | WHAT’S IN A NAME? Reputation Building and Corporate Strategy | Fombrun, Charles; Shanley, Mark | Journal: Academy of Management Journal, 1990, Volume 33 Issue 2, pp.233-258. Doi:10.2307/256324 | Reputation construct – Information about a firm creates reputation – Firms compete in a market of incomplete information – individual impressions sum up to collective judgments – Reputation reflects relative success to meet stakeholders expectations – Measures used: Quality of management; quality of services and products; long-term investment value, innovativeness; financial soundness; ability to attract, develop, and keep people; community & environmental responsibility; use of corporate assets – Reputation can be a competitive advantage. | **Limitations:**
A. Only the Fortune survey data was considered (US based view, limited sample, etc.)
**Future research:**
A. Identification of how an investment in R&D, labor force or any other activity affects reputation as a perception by target groups.
B. Impact of social networks and annual reports on reputation.
C. Design future studies with a longitudinal design in order to build stable and well-structured results.
D. Separate long-term from short-term reputation components.
E. Supposing there are different reputations, do they differ by domain or audience?
F. Do events like CEO change, M&A, joint ventures impact reputation.
D. Identify the effect of competitiveness, mobility and performance on reputation.
| Part VII: Managing | Reputation Management | Helm, Sabrina; Liehr-Gobbers, Kerstin; Storck, Christopher | Book, edited: Springer Berlin Heidelberg, 2011. Doi:10.1007/978-3-642-19266-1 | Reputation, the most relevant corporate asset – Two approaches to the subject a managerial & an academic one – Public experience forms reputation – Four sources of reputational perceptions: the firm itself, the media, the individual’s experiences, third party communication – Research is still conceptualizing – Concept discussion: Identity, Image & Reputation; Corporate branding & Corporate Reputation – Types of Measurements; Financial aspects of Corporate reputation – Corporate Reputation in praxis; Future developments – The concept of reputation is at the first stage of formalization with regard to scientific research. | Limitations: 
A. Struggle for a commonly agreed-upon definition; it would be valid to measure something that had been defined before. 
B. Study of CR is still at a formative stage. 
C. Study related to only one stakeholder group (customers) without longitudinal evidence. 
Future research: 
A. Are reputation judgments generalizable across different stakeholder groups? 
B. In which case are single item measures better than multi item measures? 
C. Is reputation an undimensional construct or should sub-constructs be integrated in measurement? 
D. Reputation a formative or a constructive construct? |
|---|---|---|---|---|---|
A. Literature review on only 49 well-selected articles (limited perspective). 
B. Proposed definition is not all inclusive or integrative (subjective to the author’s selection process). 
Future research: 
A. Identify a common and more concise definition of CR. 
B. Make a commonly agreed-upon definition usable for practitioners. 
C. Future research should focus on defining reputation in terms of estimation, judgment evaluation and opinion. |
A. Applied measures are not reliable and valid enough. 
Future research: 
A. Development of a comprehensive corporate identity model whose elements can be tested empirically. 
B. Develop existing reputation measures being as reliable and valid as possible. |
| Part VII: Managing | Post, James; Griffin Jennifer | Journal: Corporate Reputation Review, | Corporate reputation as a synthesis of opinions, per- | Limitations: 
A. Looks at 260 North |
| 6. | Reputation: Pursuing Everyday Excellence: Corporate reputation and external affairs management | nifer | 1997, Volume 1, Issue 2, pp. 165-171 | Doi:10.1057/palgrave.crr.1540038 | American companies (no cross-national validity) | Future research: A. Identify tools how to control the manageable part of corporate reputation within a company B. Check for cross-national validity of reputation constructs and their measurements |
| 7. | The effects of information and company reputation on intentions to buy a business service | Yoon, Eun-sang; Guffey, Hugh; Kijewski, Valerie | Journal: Journal of Business Research, 1993, Volume 27, Issue 3, pp. 215-228. | Literature review on corporate reputation is conducted, identifying the concept as goodwill and equity – Reputation is considered more important for less tangible products – The data set includes current potential buyer so insurance products under consideration - Key variables measured are the offering of information, the benefit expectation, the buying intention and company reputation - | Limitations: A. Limited generalizability of the findings produced by this study Future research: A. Findings need to be generalized beyond the insurance sector B. Measurement would be more precise and results more valid with a database developed for that purpose C. A time serious of measurements, a longitudinal study would be of great value D. More variables on buying intention should be included in the model beyond reputation |
| 8. | Corporate Reputation: Research Agenda Using Strategy and Stakeholder Literature | Mahon, John | Journal: Business & Society, 2002, Volume 41, Issue 4, pp. 415-445. Doi:10.1177/0007650302238776 | An in-depth literature review across multiple scientific disciplines identifies the various points of view – Strategy scholars see reputation as a competitive advantage, social issues scholars as an asset on the marketplace, marketing scholars in terms of branding of products and services, corporate communication scholars look at the image and a separate group of scholars develops reputation as a distinct field of study and research - Another perspective provides the financial perspective, as promoted by Fortunes Most Admired Companies survey, which should not be considered an overall valid measure for corporate reputation | Limitations: A. Different disciplines have very little common research referred to, thus a very heterogeneous understanding of corporate reputation persists and valuable insights are often not considered Future research: A. More cross-discipline research has to be conducted in order to use opportunities of new findings B. A common understanding of the construct corporate reputation should be the aim of future research C. More theory building has to be conducted to dispose of a solid base for measurement and analysis |
Commonly agreed definitions of corporate reputation are missing within the marketing discipline and amongst different scientific disciplines – Some definitions do even contradict the very origin of definitions established by Webster in 1913 – Two schools of thought can be identified, one considering corporate reputation a synonymous to corporate image the other school as an interrelated concept – The analysis of both perspectives leads to the result that the concept of reputation is dynamic, needs time to be build, is interrelated to the construct image and is stakeholder specific

Limitations:
A. Analysis of the article is limited to a marketing literature review

Future research:
A. Research should focus on identifying the influence of reputation on the image and vice versa with regard to image components such as behavior, communication and symbolism

<table>
<thead>
<tr>
<th>Table 1 - Reputation - Definition process literature</th>
<th>(Authors compilation based on analysis provided by Barnett et al. (2006), Fombrun and Shanley (1990); Gotsi and Wilson (2001), Helm et al. (2011), Mahon (2002), Post and Griffin (1997), Melewar and Jenkins (2002), Walker (2010) and Yoon et al. (1993))</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>Corporate reputation: seeking a definition</td>
</tr>
</tbody>
</table>

Multiple dimensions of the reputation construct as well as heterogeneous points of view of CR are illustrated in Table 1. Key terms and key facts illustrate study limitations as well as implications for further research.

Major findings of the literature review formalized in Table 1 indicate that research on reputation is struggling with basic problems in this field of research. Key issues are:

1. Missing commonly agreed up-on structure and components of the corporate reputation
2. Measuring is conducted in many cases without sufficient prior definition of the items to be measured
3. Cross-discipline research is not sufficiently conducted, missing opportunities of interesting findings

Having conducted the analysis of important definitions of corporate reputation, a further compilation of measurement literature is conducted in the following.
1.5 Measurement literature

The reputation measurement literature review provides a concise picture of relevant scientific research to this thesis. Table 2 gives a structured and meaningful insight in key contributions.

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Author</th>
<th>Publication</th>
<th>Key terms</th>
<th>Key Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The Personified Metaphor as a Measurement Approach for Corporate Reputation</td>
<td>Davies, Gary; Chun, Rosa; Vinhas da Silva, Rui; Roper, Stuart</td>
<td>Journal: Corporate Reputation Review, 2001, Volume 4, Issue 2, pp.113-127. Doi:10.1057/palgrave.crr.1540137</td>
<td>Personification metaphor as an assessment of internal and external corporate reputation perceptions – Image, Identity &amp; Reputation are clearly defined – The study makes image and identity, as parts of reputation, more understandable via the usage of the metaphor personality – Using the Aaker scale with five dimensions of human personality – Identity and image correlation is demonstrated</td>
<td>Limitations: A. Further proof for the usability of the Aaker scale in the context of image and identity is needed&lt;br&gt;Future Research: A. Further dimensions could be examined, beyond the Aaker scale&lt;br&gt;B. Less positive aspects of reputation should be researched&lt;br&gt;C. More in-depth linkage to personality, branding and brand image literature is needed</td>
</tr>
<tr>
<td>2.</td>
<td>The Reputation Index: Measuring and Managing Corporate Reputation</td>
<td>Cravens, Karen; Oliver, Elizabeth Goad; Ramamoorti, Sridhar</td>
<td>Journal: European Management Journal; 2003, Volume 21, Issue 2, pp. 201-212. Doi:10.1016/S0263-2373(03)00015-X</td>
<td>Make corporate reputation a reliably measurable intangible asset – Establish a reputation index for financial reporting purpose – Corporate reputation might be transferred from related companies such as banks and should thus be better identified – Development of an composite index with scale weights evaluating internal and external information – Leadership, strategy, culture &amp; innovation as key reputation components</td>
<td>Limitations: A. Limited reference to other key contributions in the corporate reputation research&lt;br&gt;Future Research: A. Refine specific measures of corporate reputation&lt;br&gt;B. Empirical back-up for corporate reputation components is needed&lt;br&gt;C. Weighting of corporate reputation components has to be verified</td>
</tr>
<tr>
<td>3.</td>
<td>Using Reputation measurement to create value: An analysis and integration of existing measures</td>
<td>Money, Kevin; Hillenbrand, Carola</td>
<td>Journal: Journal of General Management; 2006; Volume 32, Issue 2, pp. 1-12.</td>
<td>Compilation of reputation measurements – Manage reputation to create value – explain utility of existing reputation measurements – Control antecedents to make corporate reputation a value creation for the company – reputation an intangible asset improving performance as a part of strategy – Linkage of multiple models and their measurement helps to identify appropriateness to a given context – Both Reputation Quotient™ model by Fombrun and Corporate Personality Scale by Davies are not linked to antecedents and consequences of</td>
<td>Limitations: A. Selected number of referred corporate reputation models&lt;br&gt;B. Proposition of an integrated reputation models framework to be validated&lt;br&gt;Future Research: A. Identify links between antecedents and consequences with regard to performance of a company in the reputation context&lt;br&gt;B. Combine the usage of different reputation models in one measurement in an integrated framework&lt;br&gt;C. Develop a single conceptual framework combining the complementary reputation measurement models</td>
</tr>
</tbody>
</table>
4. Designing a Formative Measure for Corporate Reputation

Helm, Sabrina


Epistemic nature of corporate reputation – Corporate reputation a formative or a reflective model? – How to conceptualize a reflective model – Effective measure is still missing – Rankings most often way to measure reputation today - Measurement model latent variables & assigned observed variables, thus deducted causality needs to be defined – Conceptualization of reputation as a formative construct.

Limitations:
A. Just a single consumer goods producer examined in the study. Thus validation in different industry settings is needed.
B. Missing clear common framework of the definition of the concept reputation.

Future research:
A. Examine the interplay of the construct of reputation with other constructs via structural equation models for instance.
B. Weighting of reputation dimensions should be investigated with regard to different stakeholder groups.
C. Theory of reputation measurement needs further clarification.
D. Measure reputation with regard to corporate personality or trust based concepts.

5. Comparing Corporate Reputation: League Tables, Quotients, Benchmarks or Case Studies?

Bromley, Dennis


Explanation of existing measurements of corporate reputation – League tables – Quotients – Benchmarks – Case studies – Different models for measuring exist but none is completely valid (internal & external) – Important limits to today’s methods – Further method development is needed.

Limitations:
A. Research design could be more detailed and the interrelation between arguments should be considered. Arguments should thus be considered in a net of interrelations and not in terms of a chain of arguments.
B. Classical league table reputation measurement is not sufficiently exact.
C. League table measurement underlies subjective judgments and consequent doubts about underlying assumptions.
D. Even benchmarks and quotients depend on questionable assumptions on the legitimacy of psychometric assessment.

Future research:
A. Classical league table reputation measurement is not sufficiently exact.
B. League table measurement underlies subjective judgments and consequent doubts about underlying assumptions.
C. Even benchmarks and quotients depend on questionable assumptions on the legitimacy of psychometric assessment.
D. Case comparative methods relying on Boolean logic should algebra should be researched.

6. Components and Parameters of Corporate Reputation – An Empirical Study

Schwaiger, Manfred


Corporate reputation may produce sustainable profits – New measurement approach is developed from a literature review, theory conceptualization & expert interviews – Two reputation dimensions are identified, a
cognitive and an affective one – The cognitive dimension is subsumed as competence and the affective on as sympathy – The construct of corporate reputation is considered as a valuable sustainable competitive advantage over competitors – Different measurement methods are compared such as Fortunes AMAC (America’s Most Admired Companies) and GMAC (Global Most Admired Companies) – Corporate reputation is a task of communication as it is based more on perceptions than on knowledge.

**Future research:**
A. Confirmation of smaller and less renowned companies, as the ones used in the study has to be conducted
B. A differentiated stakeholder analysis has to be conducted
C. Empirical evidence has to confirm findings of strong reputation

**Limitations:**
A. Past research does not provide access to their data sets an methodology, making a clear understanding impossible

**Future research:**
A. New data sets have to be gathered to give the research more validity
B. Deficits of Fortune Most admired Companies data sets have to be addressed by future research
C. Theory development beyond conceptual idea should be the first step to produce valid and reliable future research results (Critic of Fombrun (1996) approach)
D. It should be identified by future research whether it is measure what is intended to measure
E. The data should be collected with reference to what is needed to know, not what is available link in the Fortunes Most Admired Companies surveys
F. Statistical analyses should only be conducted when measurement is clearly defined with regard to the original purpose

| 7. | Measuring corporate reputation: Definition and data | Wartick, Steven | Journal: Business and Society, 2002, Volume 41, Issue 4, pp. 371-392. Doi:10.1177/0007650302238774 | Too many heterogeneous definitions of corporate reputation do exist, what makes a clear definition of the construct impossible – reputation is closely linked to constructs such as identity, image – As clear definitions are missing, serious measuring is not possible – Corporate reputation is a perceptual construct and thus manageable – A homogeneous group of people has to be surveyed to produce valid results – Measurement issues relates then to the method, sample instrument and response rate – Wartick questions Fombrun’s aggregated measurement of all stakeholders and proposes disaggregation to differentiate groups of stakeholders – Weighting different stakeholders ratings with regard to the issue under consideration might be more realistic – Generally speaking a solid definition is missing and many authors do not state clearly what definition they refer to when measuring reputation – Besides survey measurement approaches attitude scales and the personified metaphor are identified as interesting measures

| Limitations: | 
| **A.** A measurement which is exclusively developed based on a us population |
a measuring approach to corporate reputation

-12-

stakeholder measure of corporate reputation

Sever, Joy 255. approach via focus groups and pilot studies - Scale development as proposed by Spector (1992) – Cross-discipline literature review based definition of corporate reputation is done – Eight practitioner measures are identified as key reference for scientific research – Sampling frame, respondents, administration and items are reviewed – Tow major weaknesses in content validity and items not capturing multiple stakeholder perceptions are identified – The RQSM is designed via the selection of items (prior studies) and items identified in literature – An online pilot test in the is conducted – Scale rating and open ended questions are asked – A factor analysis is conducted and the measurement refined – Second a focus groups of different sectors, age and gender are analyzed – Common dimensions and priorities across stakeholder groups are identified – Third a refined version of the questionnaire is tested – A varimax factor analysis is conducted – Highly correlated items are removed – 20 items are retained for the RQSM – A third pilot test is conducted to confirm measure usability – A multiple stakeholder and multi-dimensional measurement tool is created

under consideration

B. A precise measurement illustration is not provided and thus a check-up of prior research is difficult to conduct

C. The rating score calculation for the Reputation QuotientSM is not published by Fombrun et al. (1999)

Future research:

A. Cross-cultural validity has to be proven to make the measurement a usable tool beyond the USA

Table 2 - Measurement literature (Authors compilation based on analysis provided by Bromley (2002), Cravens et al. (2003), Davies et al. (2001a), Helm (2005), Money and Hillenbrand (2006), Schwaiger (2004) and Wartick (2002))

Various central opinions of key scientific authors are summarized in Table 2. Key terms, study limitations as well as implications for further research complete the overview of reputation measurement literature. Summarizing the here above conducted analysis on measurement literature the following key aspects should be highlighted.

1. Measurement approaches should be valid with regard to different groups of stakeholders across different nationalities.
2. Antecedents and consequences should be considered when developing a measurement.
3. Future research on reputation has to be better linked to existing models.
2. Literature review

The versatile construct of reputation is researched by multiple scientific disciplines. All-embracing definitions are missing (Walker, 2010; Wartick, 2002). Overlaps as well as inter-relatedness with other constructs, such as image are not clearly addressed in many scientific research papers (Melewar & Jenkins, 2002; Wartick, 2002). Hence prior research is analyzed, highlighting core aspects and thoughts of major scientific contributions.

First key aspects of reputation are explained. Second the importance of reputation is identified. Third a differentiation to closely related constructs is conducted. Fourth the status quo of research on reputation is summarized. Finally this chapter provides the definition of reputation I am referring to in this thesis.

2.1 Reputation research - Status quo

Reputation itself is important to any corporation, as the here above conducted analysis indicates. Multiple scientific disciplines identified key aspects of the concept of reputation (Rhee & Valdez, 2009). Both, definitions as well as are measuring tools are lively discussed with regard to their usability and validity. Basically every measurement approach is linked to a definition of what actually is measured (Wartick, 2002). Thus the objectives of the measurement are illustrated (Helm et al., 2011). The measurement should therefore always be linked to a definition of “what is measured” before measuring it.

Table 3 illustrates a non-exhaustive comparison of 5 central measuring approaches, referring to key analysis literature on reputation measurement (Bromley, 2002; Helm et al., 2011; Wartick, 2002).

<table>
<thead>
<tr>
<th>Name, Author, Year</th>
<th>Fortune’s Most Admired Companies, by the Fortune Magazine, since 1982</th>
<th>Reputation Quotient( ^{SM} ) (RQ(^{SM} )), by the Reputation Institute, since 1999</th>
<th>RepTrak( ^{TM} ) Reputation Score Card, by the Reputation Institute (based on the RQ(^{SM} )), since 2010</th>
<th>Harris Poll Reputation Quotient, by Harris Interactive, since 1999</th>
<th>Personified metaphor Davies et al. 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A measuring approach to corporate reputation

**Rank**

- No communicated definition of “reputation” as a construct.
- “A corporate reputation is a collective representation of a firm’s past actions and results that describes the firm’s ability to deliver valued outcomes to multiple stakeholders. It gauges a firm’s relative standing both internally with employees and externally with its [other] stakeholders, in both the competitive and institutional environments.”
- Signaling theory
  - “A corporate reputation is a collective representation of a firm’s past actions and results that describes the firm’s ability to deliver valued outcomes to multiple stakeholders. It gauges a firm’s relative standing both internally with employees and externally with its [other] stakeholders, in both the competitive and institutional environments.”
- Corporate Reputation can be defined as a sum of all perceptions and expectations that relevant stakeholders have about a company in relation to that specific stakeholder’s own agenda.
- Reputation is taken to be a collective term referring to all stakeholders’ views of corporate reputation, including identity (internal elements) and image (external elements).

**Dimensions**

- Quality of management / Financial soundness / Quality of products and services / Ability to attract, develop and keep talented people / Innovativeness / Responsibility for the community and environment / Long-term investment value / Wise use of corporate assets
- Emotional appeal (Trust / Admiration) / Rational appeal (Financial performance / Products and services / Social Performance / Vision and leadership / Workplace environment) (based on 20 reputation attributes in six categories)
- Esteem (Performance & Product and services) / Trust (Governance) / Admire (Innovation & Workplace) Feeling (Citizenship & Leadership) (based on 23 reputation sub-items) Emotion based measure
- Emotional appeal / Financial performance / Products and Services / Social Performance / Vision and leadership / Workplace environment (based on 20 attributes)
- Sincerity (11 items) / Competence (9 items) / Sophistication (6 items) / Excitement (11 items) / Ruggedness (5 items)

**Sample**

- Top Managers & Analysts, only a USA based sample is considered
- Different stakeholders, different ages, different sectors, first only USA based, now cross national tested
- Representative in all 5 studies to construct the measurement
- Non-business executive stakeholder groups, e.g. general public, customers, employees
- Representative sample in the USA

**Data set**

- 11 point rating scale 0 = poor
- 11 point rating scale & not sure & decline
- 0 to 100 scale
- Survey based data
- Three companies
<table>
<thead>
<tr>
<th>Strengths of the measure</th>
<th>to respond</th>
<th>Strengths of the measure</th>
<th>to respond</th>
<th>Strengths of the measure</th>
<th>to respond</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Covers various sectors</td>
<td>2. Proper scale development process via; construct definition, design scale, pilot testing, administered scale &amp; analysis items, validation &amp; norm</td>
<td>2. Assess perceptions across stakeholder groups (general public, doctors, consumers, public sector employees)</td>
<td>2. Internal and external perspective of a company are considered</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Cross sector valid</td>
<td>3. Cross-cultural tested (Canada, USA; Denmark, Europe)</td>
<td>3. Metaphors (mental pictures) employed are mutually comprehensive</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Cross stakeholder valid</td>
<td>5. A total of 5 studies results in the RepTak® construct</td>
<td>5. Reliability is proven for customers and employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Reputation considered as a multidimensional construct</td>
<td>6. Check in 17 countries &amp; 9 different cultural clusters as per the globe study</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shortcomings of the measure</strong></td>
<td><strong>to respond</strong></td>
<td><strong>Shortcomings of the measure</strong></td>
<td><strong>to respond</strong></td>
<td><strong>Shortcomings of the measure</strong></td>
<td><strong>to respond</strong></td>
</tr>
<tr>
<td></td>
<td>1. US based analysis</td>
<td>1. Aggregate perception of multiple stakeholders</td>
<td>1. Lacking transparency (no communication of the final construct in use)</td>
<td>1. Aaker scale does not correlate as strong as it should on the five dimensions</td>
<td></td>
</tr>
<tr>
<td>2. Aggregate perception of multiple stakeholders</td>
<td>2. Average ratings (scores) are ranked \rightarrow ordinal scales (not suitable)</td>
<td>2. No communication how the measure was developed</td>
<td>2. Missing dimensions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Biased &amp; varying sampling frames, items and length</td>
<td>3. Claims to provide a quotient (ration between two numbers) \rightarrow not the case</td>
<td></td>
<td>2. Missing sector internal comparison</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Not stated “what” is measured. (definition of reputation)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. Stakeholder groups are assumed equally important  
6. Restriction to public traded companies  
7. Questionable use of multivariate statistical analysis (averaging ranks)  

4. No explanation of construct measure development is communicated  
5. Reputation score calculation is intransparent  
6. Unclear validity of the construct  
7. No weighting of the stakeholder importance

<table>
<thead>
<tr>
<th>Stakeholder perspective</th>
<th>Limited perspective to financial analysts and managers</th>
<th>Measures the aggregate perception of all stakeholders</th>
<th>Various stakeholders considered</th>
<th>Reputation stakeholders are identified separately</th>
</tr>
</thead>
<tbody>
<tr>
<td>Related construct considerations</td>
<td>Reputation is not distinguished or related to related constructs such as image or identity.</td>
<td>Reputation is not distinguished or related to related constructs such as image or identity.</td>
<td>No related constructs, such as image, or identity are discussed</td>
<td>Reputation is not distinguished or related to related constructs such as image or identity.</td>
</tr>
<tr>
<td>Definition satisfies research purpose</td>
<td>No. There is no clear definition of what is measured.</td>
<td>Link between provided definition and the measurement does exist. However it is criticized that the definition lacks a systematic view &amp; does not sufficiently specify relations amongst variables.</td>
<td>Yes, to the extent that it is cross culturally, cross-sectorial and cross-stakeholder groups valid</td>
<td>Link between provided definition and the measurement does exist.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes, to the extent that not all relevant research issues are transparent and accessible (measurement tool, etc.)</td>
<td>Yes, to the extent that it is focused on reputation as a result of image and identity.</td>
</tr>
</tbody>
</table>

Table 3 provides a brief overview of a selection of frequently used reputation measuring techniques. Fortune’s league table approach stands as one example for comparable measures like the Financial Times “World’s (Europe’s) Most Respected companies” and others (Fombrun, 1998; Schwaiger, 2004) (1998). The Reputation Quotient SM was developed by the Reputation Institute and both, RepTak® and Harris Poll Reputation Quotient SM are based on the same ranking construct.

3. The research problem

Identifying a relevant research problem and formulating it to the point makes research an added value and produces subsequently results of further use. First the preceding research is identified. Second the knowledge gap to be closed is determined. Third the research question and related hypotheses are established. Finally the measurement items are illustrated. In line with Töpfer (2012) such approach is considered constructive.

3.1 Knowledge gap

The here above conducted analysis of the Reputation Quotient SM measurement reveals several disputable assumptions or omissions. Bromley (2002) questions the methodology with regard to “what type of reputation is measured?” and “whether the transformation of obtained results in a quotient or benchmark are valid.

Numerous researchers challenges the Reputation Quotient SM on its measurement approach, such as Bromley (2002), Helm et al. (2011) as well as Money and Hillenbrand (2006). I propose to question the setting of the data collection with regard to the sample under consideration. As to the authors best knowledge Fombrun et al. (1999) do not communicate their questionnaire. This observation in turn leads to several reliability and validity issues with regard to the data collected by the RQ SM research tool.

- Careful design of individual questions.
- Clear pleasing layout of the questionnaire.
- Lucid explanation of the purpose of the questionnaire.
- Pilot testing.
- Carefully planned and executed administration.

Table 4– Questionnaire reliability & validity (Saunders, Lewis, & Thornhill, 2009, p. 362)
All of the in Table 4 mentioned reliability and validity concerns are not addressed or at least not communicated by Fombrun et al. (1999). Thus this research challenges reliability and validity of the measurement tool with regard to design and execution of the questionnaire.

A stereotyping is performed on two different sub-samples. A third non-stereotyped sub-sample is compared to the first two observations. Thus it can be checked whether reputational observations are valid and reliable.

**Research problem:**

*Is the Reputation QuotientSM a valid and reliable measure for corporate reputation?*

The instrument itself was constructed as described in detail here above. The measurement was built via the scale construction method proposed by Spector (1992) as illustrated in Figure 3.

Thus the knowledge gap with regard to reliability and validity of the Reputation QuotientSM is addressed in the course of this work.

### 3.2 Research question and hypotheses

Starting from the knowledge gap, with regard to the reliability and validity of the Reputation Quotient® (Bromley, 2002; Falkenreck, 2010; Helm et al., 2011), data is collected and thereafter evaluated in order to test the measurement approach proposed by Fombrun et al. (1999).

“Is the Reputation QuotientSM a valid and reliable measure for corporate reputation?”

- The example of the German car manufacturer “Mercedes-Benz”.

Based on this research question the hypotheses as well as the general framework of the research is developed, executed and evaluated.
The types of stereotyping:

Positive stereotyping

Assume you just read in a newspaper that Mercedes-Benz is known for the high quality of its products and related services. It is the outstanding German car manufacturer. // I understood.

Negative stereotyping

Assume you just read in a newspaper that Mercedes-Benz had major quality problems with its cars and 60% of the clients are unhappy about the after-sales service. // I understood.

Overview of working Hypotheses:

H1: Emotional appeal and stereotyping

A sample with a negative stereotyping will show a lower emotional appeal than a sample with a positive stereotyping.

H2: Products & Services perception and stereotyping

A sample with a negative stereotyping will show a lower products and services perception than a sample with positive stereotyping.

H3: Vision & Leadership perception and stereotyping

A sample with a negative stereotyping will show a lower vision and leadership perception than a sample with positive stereotyping.

H4: Workplace & Environment perception and stereotyping

A sample with a negative stereotyping will show a lower workplace and environment perception than a sample with positive stereotyping.

H5: Social & Environmental responsibility perception and stereotyping

A sample with a negative stereotyping will show a lower social and environmental responsibility perception than a sample with positive stereotyping.

H6: Financial Performance perception and stereotyping

A sample with a negative stereotyping will show a lower financial performance perception responsibility perception than a sample with positive stereotyping.
H7: Overall reputation and stereotyping

A sample with a negative stereotyping will perceive a lower overall reputation than a sample with positive stereotyping.

Furthermore age, gender, nationality and ownership of a product, in this case a Mercedes, are planned to be moderators in the modeling process.

3.3 Research Model

The research model is based on the original Reputation Quotient\textsuperscript{SM} instrument by Fombrun et al. (1999). The different Variables are bundled in categories and measured in the following.

![Research Model Diagram](image-url)

**Figure 4- Research Model** (Authors compilation, based on Fombrun et al. (1999))
4. **Methodology**

The chapter describes the methodology applied to the scientific research process on which the research is built. The construct of corporate reputation is researched in the context of the German car manufacturer Mercedes-Benz. Hence, research objectives set in the beginning are dealt with the research model to obtain results.

First the methodological process is outlined. Second methodological survey considerations are addressed. Third the methodology of the analysis is described. Fourth the research instrument is presented. Finally the analysis to be conducted is outlined.

The methodological process below is based on research recommendations by Denscombe (2010), Töpfer (2012) and Saunders et al. (2009). Hence, most central steps to this research are detailed.

- **Literature review:** Key scientific contributions to the research on corporate reputation and related constructs were identified and analyzed.
- **Theoretical foundations:** Corporate Reputation (CR) is depicted and various points of view of the construct are carved out, revealing both shared and opposed perceptions of CR.
- **Research problem:** The identification of relevant scientific contributions is conducted. One specific limitations of the RQSM instrument is addressed with the research problem.
- **Research objectives:** Clearly stated research objectives in the beginning of this work direct the research to produce added scientific value, via the conducted analysis.
- **Hypotheses:** The proposed hypotheses are based on Fombrun et al.’s (1999) article to CR.
- **Data collection:** A framework of data collection is designed. This includes amongst other things revising, pretesting and coding of a questionnaire. Thereafter a survey is conducted.
- **Data exploration and analysis:** The collected data is evaluated based on the research model. Hence the previously established hypotheses are addressed.
- **Contribution:** Both scientific as well as managerial implications are identified.

Furthermore the data collection, sample properties are discussed, pilot-testing as well as the survey execution, data coding and evaluation methods are described in detail. Hence a maximum of reliability and validity is guaranteed.
The above stated hypotheses are will be checked with a quantitative survey in three countries, France, Germany and USA. All variables will be measured on a 5 point Likert scale, as proposed by Friedman and Amoo (1999) and Saunders et al. (2009).

In the following step the obtained numerical data is planned to be processed via Smart PLS. Hence, interrelations between the different variables are conducted employing the **Partial Least Square (PLS)**. Thus hypothesis are checked and modelling is conducted.

### 5. Work plan

**Master thesis work plan**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretical framework</td>
<td>17.10.2013 - 20.11.2013</td>
</tr>
<tr>
<td>Methodology</td>
<td>29.10.2013 - 23.11.2013</td>
</tr>
<tr>
<td>Questionnaire (design &amp; pre-test)</td>
<td>18.11.2013 - 01.12.2013</td>
</tr>
<tr>
<td>Evaluation of results</td>
<td>02.01.2014 - 21.02.2014</td>
</tr>
<tr>
<td>Slack time</td>
<td>22.02.2014 - 13.03.2014</td>
</tr>
<tr>
<td>Finalize - Thesis</td>
<td>13.03.2014 - 03.05.2014</td>
</tr>
<tr>
<td>Finalize - Presentation</td>
<td>04.05.2014 - 18.05.2014</td>
</tr>
<tr>
<td>Correction &amp; Slack time</td>
<td>12.05.2014 - 25.05.2014</td>
</tr>
</tbody>
</table>
6. **Appendix**

Appendix 1 describes the original measurement proposal in Fombrun et al.’s (1999) article “The Reputation Quotient: A multi-stakeholder measure of corporate reputation”. It includes 6 categories, 20 items

**The Reputation Quotient℠ // (Fombrun et al., 1999)**

**Emotional Appeal**

- I have a good feeling about the company.
- I admire and respect the company.
- I trust this company.

**Products and Services**

- Stands behind its products and services.
- Develops innovative products and services.
- Offers high quality products and services.
- Offers products and services that are a good value for money.

**Vision and Leadership**

- Has excellent leadership.
- Has a clear vision for its future.
- Recognizes and takes advantage of market opportunities.

**Workplace and Environment**

- Is well managed.
- Looks like a good company to work for.
- Looks like a company that would have good employees.

**Social and Environmental Responsibility**

- Supports good causes.
- Is an environmentally responsible company.
- Maintains high standards in the way it treats people.

**Financial Performance**

- Has a strong record on profitability.
- Looks like a low risk investment.
- Tends to outperform its competitors.
- Looks like a company with strong prospects for future growth.
7. References


