CHAPTER 5

THE BUILDING BLOCKS OF CORPORATE REPUTATION: DEFINITIONS, ANTECEDENTS, CONSEQUENCES

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What are corporate reputations? Where do corporate reputations come from? What effects do corporate reputations have on individuals, companies, and industries? These three questions have been central themes of the academic literature since its inception. They are addressed in different ways by researchers whose roots are mainly in marketing, organization science, economics, and finance. This chapter begins by examining seven principal reference frames that have guided theorizing about corporate reputations. The second section shows how these reference frames have influenced the answers that theorists give to the three fundamental questions posed above. In the third section, I present an integrative model that outlines the key components of an emerging theory of corporate reputations, one that identifies their causal drivers and links them to organizational-level and individual-level outcomes. I conclude by suggesting steps researchers can take to enhance ongoing learning about corporate reputations.

"Today we are in an all out war for reputation. Our companies are battling, to an unprecedented extent, for our most vital assets: our own identities."

Miles D. White
Chairman & CEO, Abbott Laboratories

"We only serve two masters: revenue and reputation."

Morten Albaek
Senior VP, Vestas
A growing literature focuses on the concept of corporate reputation. Barnett et al. (2006) pointed to the rapid growth in research articles published in peer-reviewed journals between 1984 and 2003. Growth in scholarship has been matched by a rising tide of media coverage that directly references “corporate reputation” and related constructs of “identity” and “image.” A search of both scholarly articles and online media coverage demonstrates a rising tide of interest in these constructs in discourse about companies (see Figure 5.1). It helps explain managers’ verbalized acknowledgments of the importance of reputation issues to their companies, as the opening quotes to this chapter illustrate.

Closer inspection of these accounts indicates that three fundamental questions have been central themes of published literature over the years. What are corporate reputations? Where do corporate reputations come from? What effects do corporate reputations have? They are addressed in different ways by researchers whose roots lie principally in marketing and organization science, with strong influences from the disciplines of sociology and economics (Fombrun, 2001; Fombrun & van Riel, 1997).

This chapter begins by examining seven reference frames that have guided theorizing about corporate reputations. The second section shows how these conceptual lenses have influenced the answers that theorists give to the three fundamental questions posed above. In the process, I address ongoing points of construct definition, as well as the antecedents and consequences of reputation. In the third section, I present an integrative model for studying corporate reputations that links it to a set of prior antecedents as well as to organizational-level performance outcomes. I conclude this chapter by

**FIGURE 5.1** Growth in research and media coverage about corporate reputation.
suggesting steps researchers and practitioners can take to enhance ongoing theory-building about corporate reputations.

**Bit by Bit: Framing the Reputation Landscape**

Seven conceptual frameworks have had disproportionate influence on theorizing about corporate reputations: Institutional Theory, Agenda-Setting Theory, Stakeholder Theory, Signaling/Impression Theory, Identity Theory, Resource-Based Theory, and Social Construction Theory.

*Institutional Theory* speaks to the context within which corporate reputations develop. The theory is generally called upon to explain how firms gain legitimacy and social support by developing privileged positions in the social order (Suchman, 2005). Firms' actions are driven partly by social pressures to conform to existing norms and regulations, and motivated by the desire to be regarded as legitimate and thereby secure a continuing license to operate (DiMaggio & Powell, 1991; Oliver, 1997). Institutional thinking calls attention to the importance of the “macro-culture” of the industry and the transactional network from which it derives (Abrahamson & Fombrun, 1994). A macro-culture arises from interactions between organizations and stakeholders, mediated by institutional intermediaries, such as the media and various specialized organizations (Hill & Jones, 1992; Fombrun, 1996). Conformity to the macro-culture generates isomorphism and firms’ initiatives come to look more similar over time (DiMaggio & Powell, 1983). For example, the exponential growth in social responsibility reports companies have issued in the past decade is an indicator of institutionalization and an acknowledgment by companies that maintaining favorable stakeholder relationships is of strategic value.

*Agenda-Setting Theory* suggests that the mass media play a powerful role in setting the agenda of public discourse and directing the public’s attention toward particular actors and issues (Carroll & McCombs, 2003; Wartick, 2002). The media are central to the process of creating reputations because they control both the technologies that disseminate information about firms to large audiences and the content of the information that gets disseminated (Rindova et al., 2006). The media inform the public about issues and events and thereby influence stakeholders’ impressions of firms (Deephouse, 2000). The media tend to highlight firms that take bold or unusual actions and display distinctive identities. The more visible companies are in the media, the more likely are those companies to be remembered. The more favorable their coverage, the more positively consumers will judge them. And the more salient are the specific features of companies that journalists highlight, the more likely are consumers to associate them with those companies (Carroll & McCombs, 2003).

*Stakeholder Theory* invites us to identify those groups of people who have a stake in the company’s actions and the outcomes they produce (Freeman, 1984). These
stakeholders are individuals or statutory groups in the environment within which firms operate, and who are therefore conceived as the direct and indirect targets of actions or communications firms should make to attract resources, or to build and sustain their legitimacy. Stakeholders have differential power in affecting an organization’s ability to achieve its objectives, and so their preferences must be regularly assessed and monitored if companies are to succeed in implementing their strategies (Jones, 1995). Companies do so for either or both instrumental and normative purposes—to deliver improved bottom-line performance and to fulfill ethical obligations (Donaldson, 1999). Investors, customers, and employees are generally viewed as primary stakeholders because of their power and legitimacy, as well as their ability to make urgent demands on companies. Suppliers and communities are viewed as either primary or secondary depending on their ability to affect corporate performance (Mitchell, Agle, & Wood, 1997).

Signaling/Impression Theory calls attention to the efforts companies make to influence their stakeholders and build support for their preferred initiatives and interests. Corporate communication, lobbying, and other social interactions/initiatives are considered strategic signals or impressions that companies broadcast in order to inform important resource providers or rivals about key features of their firms (Weigelt & Camerer, 1988). These signals are therefore marketing messages projected to stakeholders to convey either a desired or a desirable image of the company (Basdeo et al., 2006; Fombrun & Shanley, 1990; Turban & Greening, 1997). Firms also contribute to the construction of their reputations by targeting important intermediaries and seeking to manage the impressions about themselves that analysts and journalists portray to their respective audiences (Elsbach, 1994). In their communications, firms often help journalists to construct a “dramatized reality” that is designed to engage stakeholders emotionally (Bryant et al., 2002).

Identity Theory focuses on the interdependent characteristics of the organization that give it specificity, stability, and coherence, and thus make it identifiable. At its core, identity theory raises self-referential questions such as “who am I?” and “who are we?” and calls attention to an entity’s attempts to define itself (Albert & Whetten, 1985). Applied to organizations, identity theory seeks to capture the collective self-understandings of organizational members, be they tacit or explicit, taken for granted or more consciously available (Corley & Gioia, 2004). For identity theorists, corporate reputations are partly accurate but partly warped or distorted interpretations that stakeholders make about the main features of a company’s identity (Whetten & Godfrey, 1998).

Resource-Based Theory sets out to identify those resources that lead firms to develop a sustained competitive advantage in their industries (Barney, 1991). A firm builds advantage in an industry by gaining control over material, human, organizational, and locational resources and skills that enable it to develop a unique value-creating strategy. Heterogeneous resources create distinct strategic options for a firm that, over time, enable its managers to exploit different levels of economic rent (Peteraf, 1993). A firm’s resources are said to be a source of competitive advantage to the degree that they are scarce, specialized, appropriable, valuable, rare, and difficult to imitate or substitute (Amit & Schoemaker, 1993). Reputations are in and of themselves a cognitive source of
competitive advantage because they are unique, causally ambiguous to observers, and inimitable (Deeplease, 2000; Rao, 1994; Roberts & Dowling, 2002). The greater the ambiguity experienced by constituents, the greater the importance of reputation as it reduces uncertainty by signaling attractive features of companies such as their product quality or innovativeness. Insofar as stakeholders develop favorable interpretations and preferences for one organization over another (its products, jobs, or shares), their favorable perceptions of a company become a source of competitive advantage (Rindova & Fombrun, 1999).

Ultimately, social construction theory underlies much of the discussion taking place in reputation research. It comes from a more sophisticated view of an organization's managers and stakeholders as intimately involved in a reciprocal process of social construction (Berger & Luckman, 1966). Managers and stakeholders co-create shared understandings of their respective roles and involvements as they participate in social and informational exchanges. As stakeholders, intermediaries, and organizations interact, they construct a web of interpretations characterized by: (1) a widespread exchange of information and interpretations among firms and constituents; (2) varying degrees of knowledge and understanding about the industry and the firms inside it; (3) a multiplicity of interpretations, many of which are of a persuasive, self-serving nature; (4) some degree of agreement about standards of performance in an industry; and (5) evaluations of firms relative to these standards and their rivals that give content to their reputations. From these interactions, definitions of success and failure emerge that make of some companies "winners" and others "losers"—and reputations and rankings are created (Rao, 1994; Rindova & Fombrun, 1999).

These seven theoretical frameworks drive much of the conceptual thinking that has taken place in the reputation literature. The first six frames have been used willy-nilly to justify the definitions given to the key constructs we use, and are also regularly called upon to guide the construction of propositions and hypotheses, some of which are then subjected to empirical testing. The seventh frame (social construction theory) provides a context within which to understand reputational dynamics and the evolution of macro-cultural content, but provides little guidance for empirical research.

The next section examines how researchers have relied on these reference frames to address three central questions of particular interest to this Handbook, namely: What are corporate reputations? Where do corporate reputations come from? What effects do corporate reputations have on companies and individuals? The table at the end of the chapter summarizes some of the main theories, constructs, and citations examined in this chapter.

What are Corporate Reputations?
the many reference frames they use, the field has taken a long time to converge on a common definition of the reputation construct. The problem is compounded further by practitioners whose applied concepts overlap with, but do not always correspond directly with, those used by scholars. As Pfarrer, Pollock, & Rindova (2010: 1131) point out: "this research has often given different labels to the same types of collective perceptions or has used the same observable proxies to operationalize conceptually distinct constructs... As a result, labels and definitions have proliferated, making it difficult to determine if different studies consider the same or different phenomena, leading to a fragmented body of work and limiting the development of theory that can explain and predict the effects of different intangible assets."

The main points of contention continue to involve overlaps and distinctions between reputation, identity, brand, and image, as well as related constructs such as status, legitimacy, and celebrity. Barnett et al. (2006) examined definitions of corporate reputation in 49 books and articles and found that they grouped around three distinct clusters of meaning: reputation as a state of awareness, reputation as an assessment, and reputation as an asset. They recommend disentangling reputation from related constructs of identity and image in order to minimize confusion. Elsewhere in this Handbook, various chapters examine closely these related constructs and their ties to the reputation construct. I dwell here on the reputation construct itself, its definition, antecedents, and consequences.

Drawing on signaling/impression and identity theories, corporate reputation is increasingly conceived as the outcome of identity-consistent initiatives and communications (Whetten, 1997; Barnett et al., 2006) that organizations target to stakeholders, a set of actions generally described as corporate image-building or corporate branding (Hatch & Schultz, 2008; Dowling, 1994). As van Riel and Fombrun (2007: 40) point out, "corporate reputation" has gained attention largely because it captures the effects that brands and images have on the overall evaluations which stakeholders make of companies.

Nonetheless, developing a consensus definition of corporate reputation has proven elusive. Barnett et al. (2006: 34) concluded their review of reputation research by recommending that we reserve the construct of "corporate reputation" to describe the judgments made by observers about a firm. They then proposed a definition of corporate reputation as "observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time."

I agree with the idea. Unfortunately, the definition they proffer itself falls prey to the criticism that the construct includes not only overall judgments of the company, but also a set of financial, social, and environmental antecedents of reputation that confound the construct since those antecedents are many and varied and unlikely to be consensually agreed upon.

In her review, Walker (2010) states that one of the most widely referenced definitions of reputation is the one I originally proposed: "A corporate reputation is a collective representation of a firm's past actions and results that describe the firm's ability to deliver valued outcomes to multiple stakeholders" (Fombrun, 1996). The three key attributes emphasized in that definition were: (1) reputation is based on perceptions; (2) it is a
collective judgment of all stakeholders; and (3) it is comparative (Brown & Longsdon, 1997; Wartick, 2002). In addition to these three attributes, Walker (2010) suggested two additional dimensions mentioned in her systematic review of over 62 studies of corporate reputation: (4) it can be positive or negative, and (5) it is stable and enduring. She concluded that these five attributes could form the basis of a definition of corporate reputation as "a relatively stable, issue specific aggregate perceptual representation of a company's past actions and future prospects compared against some standard."

Although there are merits to such a measure, I also believe that both my own original definition, and the refinements proposed by Barnett (2006) and Walker (2010), may be too limiting: For one, building issue-specificity and varying standards into the construct will severely hamper our ability to cumulate research findings. More importantly, however, the more fundamental weakness embedded in all of these prior definitions is that they embed both antecedents and consequences of reputation within the reputation construct itself.

That core weakness is probably the principal factor that has confounded our efforts to define the reputation construct. It suggests the need for a revised approach, one that could enable a more readily accessible understanding—and ultimately measurement—of corporate reputation. To address that issue, I take my cue here from qualitative and quantitative research conducted since 1999 by Reputation Institute. Analyses of empirical measurements of reputation have consistently confirmed that two factors drive stakeholder perceptions of companies: One factor consists of a set of broad emotional attributes that are highly correlated; a second factor is made up of domain-specific perceptions of companies (Fombrun, Gardberg, & Sever, 2000).

Qualitative discussions about "corporate reputation" with different stakeholders, and in various industries and countries, have confirmed these quantitative findings. From answers provided to the question "what do you think of when you think about a company's reputation," we have found that stakeholders regularly interpret the expression "corporate reputation" to be closely associated with emotional reactions that involve "good feeling," "trust," "admiration," "respect," and related synonyms. An analysis of this research by Ponzi, Fombrun, and Gardberg (2011) further tested and confirmed the psychometric properties of an empirical measure of reputation based solely on the emotional factor across a variety of stakeholder groups, countries, and industries.

Following the recommendations of Barnett et al. (2006) to disaggregate constructs, as well as those of Walker (2010) to focus on reputation as stakeholder perceptions—and consistent with survey research conducted by Reputation Institute around the world—I suggest here that it may be worthwhile for scholars to make the construct "corporate reputation" whole again by removing from its definition all reference to antecedents and consequences. Instead, in the construct of corporate reputation, I propose that we retain four components: Reputations are (1) collective assessments (2) of a company's attractiveness (3) to a defined set of stakeholders (4) relative to a reference group of other companies.

Definition: A corporate reputation is a collective assessment of a company's attractiveness to a specific group of stakeholders relative to a reference group of companies with which the company competes for resources.
This definition suggests that a corporate reputation should always be defined in terms of a specific stakeholder group and a specific reference group. To the question “What is the reputation of this company?” there should be an unambiguous answer: “When compared with a particular reference group of rivals, this company’s reputation with stakeholder group X is A, and its reputation with stakeholder group Y is B.” Hypothesis development about reputations should therefore always be contextualized in terms of both a stakeholder group and a reference group.

Defined in this way, antecedents and consequences are excluded from the reputation construct itself. Factors that drive a collective view of a company as more or less attractive and appealing to observers can be studied separately from the reputation construct itself. Doing so will facilitate causal examination of the factors that induce reputation, as well as any consequences reputation may have for companies, individuals, and society as a whole. It will also enable segmented comparison and analysis of that company’s reputation with investors, customers, employees, managers, the general public, or other specific segments within or across countries. Finally, by disaggregating the construct, a corporate reputation can be developed for the broad ecology that surrounds a company based on an aggregation across relevant stakeholder segments in an industry, a country, or across countries. In this way, we can arrive at a holistic view of the global attractiveness of a firm to all of its constituencies.

A holistic definition of corporate reputation as “attractiveness” is also consistent with the idea that reputation involves a generalized emotional response that stakeholders have to a company’s name—its perceived favorability, quality, value, excellence, eminence, distinction, merit, or worth. King and Whetten (2008) described reputation similarly as “a perception that organizations are positively distinctive within their peer group.” The measure has both positive and negative components, and can be distinguished clearly from other related constructs.

Clearly there are overlaps between our constructs of “reputation,” “identity,” “image,” “status,” “legitimacy,” and “celebrity” as many commentators have documented (e.g. Dutton & Dukerich, 1991; Rindova et al., 2006). If identity consists of the features of companies that are distinctive, central, and enduring (Albert & Whetten, 1997), then companies with strong identities are more likely to gain attention and appreciation. If “image” consists of the impression that companies make on external constituents (Bromley, 1993), then companies with a favorable image are more likely to be appreciated and well-regarded. Chapter 9 in this Handbook by David Whetten, Peter Foreman, and Alison Mackey addresses one possible way to interpret the complex relationship between identity, image, and reputation.

By contrast, if we view “status” as the relative ranking of a company in a hierarchy, then a company with a high status is more likely to engender respect, develop trust, and become attractive to observers—and so to build reputation. Companies that win repeated contests and consequently appear on multiple “best of” lists build status relative to rivals (Rao, 1994). At the same time, a company that has a strong and favorable reputation is more likely to earn status over time (Abrahamson & Fombrun, 1994).
Chapter 8 in this *Handbook*, by David Barron and Meredith Rolfe, speaks further to the interdependence of the two constructs “status” and “reputation.”

A similar relationship binds the concept of reputation to the constructs of “legitimacy” and “celebrity.” Rindova et al. (2006) suggest that “legitimacy” focuses on the degree to which a firm’s products, practices, and structures are consistent with societal expectations. King and Whetten (2008) argue that both legitimacy and reputation arise from common social comparison processes. If stakeholders use institutionalized standards to assess and compare organizations (Rindova & Fombrun, 1999), then legitimacy may develop from comparisons between organizations that engender appreciation—that is, admiration, trust, and respect—of one company over another, and so build reputation. David Whetten, Peter Foreman, and Alison Mackey (Chapter 9, this volume) speak further to the intertwined processes that link legitimacy and reputation.

Finally, reputation is also tied to the concept of “celebrity.” Celebrity results from (1) the amount of public attention a company receives and (2) the positive emotional responses it generates (Rindova et al., 2006; Pfarrer et al., 2010). If corporate reputation is defined, as I have proposed here, in terms of the emotional assessments that stakeholders make about companies, then “celebrity” provides us with an equivalent and more encompassing construct than marketing literature’s concept of “brand equity.” As Keller (1998: 50) acknowledges: “Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favorable, and unique brand associations in memory.” Aaker (1991) operationalized a measure of brand equity in similar ways to the celebrity construct as a product of “familiarity” and “favorability;” “Celebrity” is therefore a higher-order interpretation of the concept of “corporate brand equity”—it describes the asset created from the combined visibility and favor in which a stakeholder community or macro-culture regards an organization (Pfarrer et al., 2010).

Other chapters in this *Handbook* examine at greater length the etymology of these related constructs. To make sense of reputation research going forward, it will be important for scholars and practitioners to converge on a shared understanding and definition of these constructs and their ties to the simplified reputation construct I have proposed in this chapter and elsewhere (Ponzi, Fombrun, & Gardberg, 2011). Naomi Gardberg and Grahame Dowling (Chapter 3, this volume) further elaborate on questions of measurement and their institutionalization in the form of reputation ratings and rankings that are consistent with this definition.

**WHERE DO CORPORATE REPUTATIONS COME FROM?**

Corporate reputations emanate from ontologically prior stakeholder experiences, attitudes, and perceptions of a company. They develop as individual perceptions aggregate into more or less shared understandings with collective properties. A corporate
reputation is therefore a feature or property that resides in, and is attached to, an organization. This view is consistent with a concept of the organization as a social actor with a social and legal status whose identity is reflected in the contracts entered into by the organization, and whose reputation emerges from stakeholders' experiences, attitudes, and perceptions of the organization (Scott, 2003; Whetten & Mackey, 2002). Corporate reputations are therefore organizational characteristics that have independent ontological status, which stakeholders may or may not share, and that can be experienced, assessed, valued, and influenced.

Research suggests that corporate reputations develop from three principal sources: The personal experiences that stakeholders have with an organization, the corporate initiatives and communications that managers make to strategically influence stakeholder perceptions, and the specialized coverage the organization receives from influential intermediaries such as analysts, journalists, and other central gatekeepers linked through social networks. Media coverage influences the information held and interpretations made by stakeholders about the validity and merits of the firm's initiatives and communications. They either validate or invalidate the personal experiences of stakeholders and their interpretations of what firms communicate about themselves.

These three principal factors affect corporate reputations through the experiences that stakeholders have of the company's products and services, and the firm itself. Positive experiences generate stakeholder satisfaction, identification with the firm, and engagement, all of which contribute to generating favorable impressions of the firm and making it more attractive—they build reputation.

The marketing literature tells us that the key driver of customer satisfaction itself consists of the personal experiences individuals have with the company and its products (Keller, 1998). Insofar as a company's products become "personalized" to customers, they also identify more strongly with the company. So long as the experience is favorable (the products and the company deliver what they promise), customers are more likely to be satisfied, engaged, and committed, and see the company as more attractive for their own narrow purposes. Extended to the full stakeholder set, those experiences create for customers, employees, and investors more or less favorable perceptions of the company and its products as delivering "value" and "quality," and enable stakeholders to identify more with the company and its products.

Ultimately, a richer understanding of corporate reputations comes from recognizing that their collective properties emerge from a process of social construction. As Hatch (2005) argued in the context of organizational identity, these processes are located in the distributed awareness and collective consciousness of an organization's stakeholders. Just as Czarniawska (1997) proposed for organizational identities, so too can we view reputations as narratives constructed much like novels, with multiple plotlines, characters, and authors who draw on institutionalized discourses to provide the contexts within which meanings are made, and invoke questions about the power and politics through which reputation claims are articulated, negotiated, and substantiated.
A large marketing literature stresses the importance of customer satisfaction as a driver of customer loyalty. Customer loyalty is itself a key factor in creating favorable outcomes for companies, particularly through its effects on building brand equity, employee productivity, revenue growth, and business profitability. The strong link between customer satisfaction and loyalty has been observed in a variety of settings in both offline and online environments. Debate has centered largely on establishing the relative strength of the effect and on explaining how other important factors, such as perceived product quality, brand image, and corporate reputation, influence the relationship between customer satisfaction and loyalty. Implications of that relationship for market segmentation and corporate profitability have also been studied in varying degrees (Keller, 1998). The benefit of having satisfied customers derives from the ability to induce supportive behaviors from customers, employees, and investors that, in turn, have a positive effect on the bottom line.

The link between satisfaction, loyalty, and performance has been extended in varying degrees to other stakeholder groups, including investors and employees. In her study of German investors, Helm (2007) found that satisfied investors were more likely to remain loyal to the company—to hold, invest, and reinvest in the company’s shares, as well as to speak more favorably of the company to others. As she reports, this occurred when investors had more favorable regard for the company. Similarly, like investors and customers, satisfied employees, because they find the company attractive, are also more likely to stay with the company, have lower absenteeism, greater productivity and longevity, and therefore contribute to enhancing bottom-line results (Heskett et al., 1997; Reicheld, 1996). Pratt (2000) studied the process through which consumer giant Amway produces identification and engagement in its independent distributor network through both sense-making and sense-breaking initiatives. Research confirms that stakeholder identification has positive benefits: People prefer to buy products from high reputation companies, job-seekers prefer to work for them, and long-term investors favor them as investment vehicles.

Ultimately, stakeholder support makes available a bounty of resources to companies. By appealing to customers, companies grow their top line; by attracting more and better employees, they improve their efficiency and productivity; by drawing support from bankers, they develop lower-cost access to credit; and by attracting investors, they improve the market for their shares. Support therefore translates into better operating results, and has a positive impact on the bottom line (Fombrun & van Riel, 2004).

The long-term effect of having an improved bottom line is growth in the company’s pool of intangible assets—the intellectual, organizational, and reputational capital the company gains from having supportive stakeholders (Dowling & Roberts, 2002). Profitable companies generally reinvest at least part of their profits in the development
of proprietary products and tools, they reinvest in their people, and they reinvest in their organizational systems—all of which increases their competitive strengths in the marketplace. These reinvestments are intangible assets that create a competitive advantage for companies by erecting mobility barriers that rivals then have difficulty overcoming (Rindova & Fombrun, 1999). In turn, mobility barriers institutionalize reputation, prestige, and celebrity for incumbent firms which reinforces their standing in the industry’s pecking order or ranking system (Rao, 1994; Fombrun, 1996), making them appear more legitimate and securing for them a license to operate (Deephouse & Carter, 2005).

Violina Rindova and Luis Martins (Chapter 2, this volume) describe four dimensions of reputation that contribute to their value as intangible assets: specificity, accumulation, breadth of appeal, and codification. These dimensions are directly applicable to our definition of reputation: As a collective assessment of a company’s attractiveness to its stakeholders, a reputation can be more or less specific, visible, appealing, and codified. Aggregation across stakeholders takes place through a process of social construction: Stakeholder-specific reputations become generalized halos with greater or lesser appeal through a process of reciprocal influence that involves signal-producing firms, powerful intermediaries that reflect and refract those signals to others, and social networks and media that interpret those signals and adopt more or less shared understandings of the reputational ordering of firms in a macro-cultural field.

**Putting it all Together:**

**An Integrative Framework for Corporate Reputation Research**

Several advanced texts on corporate communication describe the interrelationships between brand, identity, image, reputation, and performance (van Riel & Fombrun, 2007; Dowling, 1994). Unfortunately, none have provided us with an integrative framework explaining how these constructs are related. In this section I propose a simple framework for examining corporate reputations, their antecedents, and consequences.

For ease of exposition, the systemic framework described in Figure 5.2 is rooted in causal thinking and suggests that research should flesh out the institutional or contextual factors that induce the development of more or less favorable stakeholder perceptions about a company. In turn, perceptions create corporate reputations, and stimulate stakeholder loyalty and support, from which companies then earn economic, social, and organizational rents. The causal sequencing is not intended to preclude a more complex and systemic grasp of the social construction process through which stakeholders enact their individual understandings of companies and construct interpretations that, in turn, crystallize as collective properties such as “reputations” and rankings. Rather, it calls attention to the aggregate patterning of organizational features that will then be amenable to empirical testing through positivist research designs.
FIGURE 5.2 A framework for corporate reputation research.
Institutional theory calls attention to the context from which reputations develop. The environment consists of stakeholders and role-playing intermediaries linked through networks of influence, whose goal-oriented actions are contextualized by the macro-cultural content they produce and within which firms operate (Abrahamson & Fombrun, 1994). The environment presents firms with strategic issues they must address; it also creates opportunities for diversification and differentiation that firms can elect to pursue in order to create profits (Prahalad & Bettis, 1986; Porter, 1985). The strategic choices companies make are rooted in the unique histories and ideologies that have produced each company's dynamic trajectory through time and space (Dierickx & Cool, 1989).

As a result of the institutional, symbolic, and strategic context within which firms operate, specific companies adopt strategic postures: They elect to inhabit price-value niches that require varying levels of quality and innovation; they also adopt symbolic structures, house styles, brand strategies, and communication practices. As a result of their strategic postures, they prove more or less interesting to media intermediaries and influence journalists' choices of which companies to cover, what level and kind of attention to provide them with, and how they are portrayed (Carroll, 2010).

Identity Theory tells us that, over time, companies develop features that are central, enduring, and distinctive (Albert & Whetten, 1985), and that are contextualized in a system of beliefs, values, and underlying assumptions. Identity expresses cultural understandings at the same time as it mirrors images that outsiders may have of the organization (Hatch & Schultz, 1997: 357). Reputations build as managers convey and communicate their culture-specific, identity-consistent features to stakeholders. They acquire legitimacy by adopting prevailing practices and thereby conforming to established norms, rules, or codes (Suchman, 1995; Scott, 1983).

From Stakeholder Theory, Signaling/Impression Theory, and Agenda-Setting Theory, we understand that the combined influence of strategic positioning, identity development, strategic signaling, and media coverage disseminates portrayals of companies that shape stakeholder perceptions of the relative strengths and weaknesses of these companies. The net effect of these stakeholder perceptions is to make companies more or less appealing to consumers, partners, investors, creditors, and employees. Aggregated across relevant stakeholders, these perceptions crystallize as corporate reputations and provide firms with more or less status, legitimacy, visibility, celebrity, and reputation (Fombrun, 1996).

Resource-Based Theory tells us that corporate reputations generate economic value by creating stakeholder support, loyalty, and advocacy: Potential employees are more attracted to working for better regarded companies, consumers are more likely to purchase their products, bankers are more likely to give them credit at lower cost, and investors are more likely to purchase their shares. From enjoying stronger stakeholder support, reputed companies attract more and better resources, operate more efficiently, have higher productivity, and can price their offerings at a premium—all of which convert to more attractive bottom lines. Past investments in generating goodwill from social initiatives also cushion firms from resource depletion by creating a "reservoir of
goodwill"—being perceived as socially responsible, those firms are less likely to face boycotts and lawsuits, and so have lower cost structures and faster recovery times when faced with crisis events (Fombrun et al., 2000; Porter & Kramer, 2006; Jones et al., 2000).

The net effect of the context–strategy–identity–reputation–support–performance causal sequence is to erect mobility barriers—barriers too difficult for rivals to imitate or overcome—that generate superior sustainable results for better regarded companies. They manifest themselves in the form of intangible assets whose value is crystallized in the excess market capitalizations that publically traded companies enjoy, and which secure for them a continuing license to operate (Deephouse & Carter, 2005; Porter & Kramer, 2006).

**Conclusion: Enhancing Theory-Building about Corporate Reputations**

A "reputation" is only one of the many components of the complex cognitive, social, institutional, and ecological systems in which organizations are embedded. Reputations are therefore co-determined by many other constructs with established interpretive structures and linguistic traditions. In our efforts to develop a theory of corporate reputations, a variety of rich conceptual frameworks have been applied to the field by well-intentioned scholars with different disciplinary roots.

Despite these creative contributions, scholars and practitioners remain plagued with self-doubt and insecurity about the field. If corporate reputations are to make a genuine, value-added contribution to the growing body of work on strategic positioning and value-creation, scholars and practitioners will have to agree on how to address a variety of issues that have plagued research in this area. This chapter sought to illuminate some of those issues, with particular emphasis on core questions about (1) how to define and frame corporate reputation and (2) how to address questions about research and analysis.

Little advance can be made without agreement about the basic definitions of corporate reputation and related constructs. Despite efforts to do so, there remains a degree of plasticity about the definitions in use today—and that's a significant weakness researchers must address. Other chapters in this *Handbook* examine the complementary constructs of image, identity, celebrity, status, and legitimacy—and their ties to the reputation construct. In this chapter, I have focused on the reputation construct itself, and suggested a revised definition that removes from the construct all mention of its antecedents and consequences. More specifically, I proposed that a corporate reputation can be construed simply as a collective assessment of the attractiveness of a firm to a specific stakeholder group relative to a reference group of peers. The definition has both scholarly and empirical roots that can facilitate developing both a research thread and a
measurement program, and thereby enable the accumulation of findings in this area. If
the definition finds adherents, it will facilitate ongoing conversations and reduce the
proliferation of arguments that are, at base, epistemological in nature and, at worst, are
distractions for the core tasks at hand.

Based on this definition, I suggest that core questions of reputation research will
involve (1) understanding the antecedents of the collective assessments that stakehold-
ers make of a firm's attractiveness, as well as (2) understanding their consequences inter-
nally and externally for firms, individuals, industries, and societies. There are countless
antecedents that we have yet to examine closely. Many theoretical frames can be applied
to develop specific hypotheses linking causal drivers to reputational outcomes. Likely as
not, these hypotheses will draw on institutional and strategic theories to explain the
organizational behaviors that ultimately shape stakeholder perceptions of firms. A rich
field of inquiry—and recommendations for practice—can develop from this line of
work.

But as practitioners are wont to remind us, reputations are not an end in themselves.
To be relevant to practice, scholars must help practitioners understand and dissect the
contributions that reputations make to short-term performance outcomes and to long-
term value-creation for all stakeholders and societies. Robust theories grounded in an
understanding of processes of resource acquisition and strategic advantage-building are
likely to remain among the most helpful in shedding light on how intangible assets and
economic value are created from reputation-building initiatives. Various chapters in
this Handbook can help further crystallize the ways through which reputations contrib-
ute to driving resource flows, whether in the capital markets or labor markets, or in
attracting favor from analysts, regulators, publics, and other important stakeholder
groups.

Since practitioners are also active contributors to analysis and writing about corpo-
rate reputations, practitioners themselves can help eliminate confusion and improve
theory development if: (1) they resist the temptation to misappropriate terminology
from different disciplines; (2) they collaborate with researchers whose access to rele-
vant data for hypothesis testing is limited; and (3) they encourage documentation of
reputation dynamics by exploring, explaining, and revealing the roles that senior
executives play in the selection and management of corporate symbols and the crea-
tion of perceptions and meanings in the macro-cultures in which firms are
embedded.

Ultimately, positivist research is not the only vehicle through which we can grow
knowledge about corporate reputations. Understanding also develops from contextu-
ralized case studies, thick descriptions, and other forms of knowledge-building. The
field of reputation research is a discipline that demands continuing dialogue between
the worlds of scholarship and practice. Carefully constructed theoretical frame-
works, adherence to endorsed definitions, and empirical measurements are a neces-
sary cornerstone for establishing a base of useable knowledge from which a
continuing dialogue between scholarship and practice about corporate reputations
can bear fruit.
<table>
<thead>
<tr>
<th>Reference</th>
<th>Key Frame/Concepts</th>
<th>Key Predictions &amp; Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barnett et al. (2006)</td>
<td>Defining Reputation</td>
<td>A corporate reputation is a collective judgment about a company based on assessments of its financial, social, and environmental impacts over time.</td>
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<tr>
<td>Walker (2010)</td>
<td></td>
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<tr>
<td>Albert &amp; Whetten (1985)</td>
<td>Identity Theory</td>
<td>Organizational identity describes the features of companies that are central, enduring, and distinctive.</td>
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<tr>
<td>Whetten &amp; Godfrey (1998)</td>
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<tr>
<td>Spence (1974)</td>
<td>Signaling/Impression</td>
<td>Companies signal their features in order to influence the behavior of competitors and stakeholders. Reputations are attributes ascribed to a firm based on its past actions.</td>
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<tr>
<td>Weigelt &amp; Camerer (1988)</td>
<td>Theory</td>
<td></td>
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<td>Schlenker (1980)</td>
<td></td>
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<tr>
<td>Carroll &amp; McCombs (2003)</td>
<td>Agenda-Setting Theory</td>
<td>The media influence the perceptions of companies by affecting their visibility and the salience of features consumers associate with those companies.</td>
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<tr>
<td>Carroll (2010)</td>
<td></td>
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<tr>
<td>Barney (1991)</td>
<td>Resource-Based Theory</td>
<td>The foundation of competitive advantage lies in a company's ability to control unique bundles of material, human, and locational resources.</td>
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<td>Amit &amp; Shoemaker (1993)</td>
<td></td>
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<td>Roberts &amp; Dowling (2002)</td>
<td></td>
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<tr>
<td>DiMaggio &amp; Powell (1985)</td>
<td>Institutional Theory</td>
<td>A firm's sustainable advantage depends on its ability to manage the institutional context of its resource decisions.</td>
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<tr>
<td>Oliver (1997)</td>
<td></td>
<td></td>
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<tr>
<td>Scott (2003)</td>
<td></td>
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<tr>
<td>Freeman (1984)</td>
<td>Stakeholder Theory</td>
<td>Stakeholders are interested parties who stand to lose or gain by the success or failure of a firm</td>
</tr>
<tr>
<td>Rindova, Pollock &amp; Hayward (2006)</td>
<td>Social Construction</td>
<td>Reputations are socially constructed: Stakeholders make sense of strategic signals emanating from companies seeking to influence observers.</td>
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<tr>
<td>Rao (1994)</td>
<td>Theory</td>
<td></td>
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<tr>
<td>Fombrun &amp; Shanley (1990)</td>
<td>Reputation, Performance, and Intangible Assets</td>
<td>Reputation is influenced by advertising, profitability, citizenship, diversification, and is inversely related to financial risk.</td>
</tr>
<tr>
<td>Fombrun (1996)</td>
<td></td>
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<td>Fombrun &amp; van Riel (2004)</td>
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<tr>
<td>Gardberg &amp; Fombrun (2006)</td>
<td></td>
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<tr>
<td>Aaker (1991)</td>
<td>Brand, Identity, and Culture</td>
<td>Companies build distinctive reputations and positions through 'expressiveness'</td>
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<tr>
<td>Keller (1998)</td>
<td></td>
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<td>Hatch, Schultz &amp; Larsen (2000)</td>
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<tr>
<td>Abrahamson &amp; Fombrun (1994)</td>
<td>Macro-Culture &amp;</td>
<td>Companies inhabit socio-cultural environments from which they draw legitimacy and which</td>
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<td></td>
<td>Cognitive Competitive Advantage</td>
<td>they influence to create distinctiveness, attract resources, and build competitive advantage</td>
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<tr>
<td>Rindova &amp; Fombrun (1999)</td>
<td></td>
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<tr>
<td>Suchman (1985)</td>
<td>Legitimacy and Reputation</td>
<td>Legitimacy emphasizes the social acceptance that comes from adhering to social norms and</td>
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<tr>
<td>Deephouse &amp; Carter (2005)</td>
<td></td>
<td>expectations, whereas reputation emphasizes comparisons among organizations</td>
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<tr>
<td>King &amp; Whetten (2008)</td>
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</tbody>
</table>

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reputation and celebrity on earnings surprises and investors’ reactions.” Academy of 
Pratt, M. G. (2000). “The good, the bad, & the ambivalent: Managing identification among 
the survival of organizations in the American automobile industry: 1895–1912.” Strategic 
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