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Building corporate reputation: A director's perspective

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Abstract

Corporate reputation has evolved into a strategic and intangible corporate asset and accordingly directors, as custodians of corporate reputation, are tasked with building and managing corporate reputation as a source of competitive advantage. The purpose of this research is to ascertain the extent of the operationalisation of corporate reputation and the perspectives of directors as to the manner in which they perceive, value, build and manage corporate reputation.

A critical review of the corporate reputation literature evidenced much ambiguity as to the definition of corporate reputation, whilst the value and competitive advantage of corporate reputation, has been empirically established. The literature within this realm fails to adequately address the operalisation of this construct and accordingly, this study attempts to address the apparent void in the academic literature by offering empirical evidence as to the manner in which directors build and manage a company's reputation by proposing a framework to guide directors in their endeavours.

In order to gauge director's perspectives, 12 semi-structured, in-depth interviews were conducted with the directors of a multi-national company based in South Africa. The company operates in a highly regulated and competitive industry and the research findings demonstrate that corporate reputation is indeed acknowledged as a key, intangible asset.

Whilst the directors did not possess clear insight into building and managing corporate reputation, several key themes emerged and the findings are consolidated into a proposed framework and a portfolio of the dimensions of corporate reputation are established. This study lays the foundation for further studies within the realm of operationalising corporate reputation, particularly as a source of competitive advantage.

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Keywords

- Corporate reputation
- Directors
- Competitive advantage
- Intangible asset

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Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

_____

Chantel Amanda Reddiar

_____

Date

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Chapter 1:
Introduction to the research problem

1.1 Introduction

- **The value of corporate reputation**

Corporate reputation has evolved, with the passage of time, to become an increasingly highly valued, intangible asset that is difficult to imitate and accordingly may provide a sustainable competitive advantage. Corporate reputation has further evolved into a market mechanism that constrains the actions of corporates and ensures socially acceptable outcomes (O'Callaghan, 2007). In an ever increasingly globalised world, fraught with corporate malfeasance, corporate reputation has been elevated to the domain of the board room as a strategic imperative.

Pruzan (2001, p.50) notes that, "protecting and improving corporate reputation is perceived as a necessary condition for maintaining the corporate's license to operate in society, for maintaining harmonious relationships with its many stakeholders and perhaps most significantly from the perspective, for competitive economic performance." It is increasingly evident that not only is there a social imperative to build corporate reputation but also a firmly demonstrated economic imperative.

Corporates though are at risk within the realm of such reputational landscape and such risk is well enunciated by Mahon (2002) as corporate reputations are only built steadily over time, it cannot be bought and it cannot be traded. Corporate reputations are earned over time and in a world of fast traded commodities and instant consumer and corporate gratification, the in-congruency presented by the

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time and nurturing, that reputation building demands, resulted in corporate reputation hanging precariously in the balance. Until recently that is!

- **Corporate reputation in current times**

Corporate reputations across the world have, in the main, been dealt a blow in the recent global economic turmoil which began with the onset of firms in the United States of America ("USA") being allowed to take risky bets, whilst reaping the risk premiums if such bets paid off, and socialising the loss for society, if such risks did not pay off (Morris, 2008). Whilst society has had to bear the brunt of many corporate failures in the past, the recent magnitude and frequency of corporate failures, hubris and governance infringements, resulted in the lowest recorded levels of trust in corporate USA, in early 2009, as corporate malfeasance and misdeeds were surfaced (Edelman Report, 2009). It became alarmingly evident that the reputation of corporates globally had been significantly impaired.

The erosion of corporate trust may be flitting though, as it is perplexing to note, given the magnitude of the corporate failures reported globally, that in no less than a mere 12 months, the trust placed in business to do the right thing, is evidently on the rise again (optimists are still above the confidence measure) as depicted in Figure 1.1. This regained confidence is largely as a result of the purposeful rebuilding of corporate reputations which brings to the fore notions of corporate honesty and transparency (Edelman Report, 2010).

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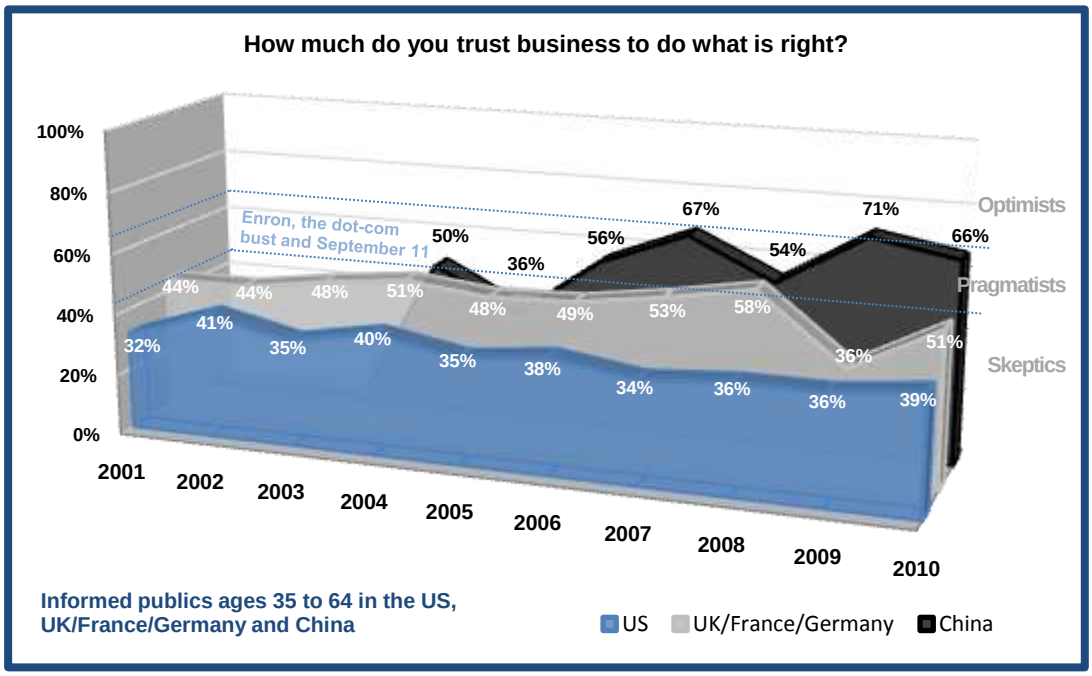
Figure 1.1: Edelman Trust Barometer - trust in business over the decade, 2001-2010



Source: Edelman Trust Barometer, Executive Summary (2010, p. 8)

Bonini, Court and Marchi (2009) state that: "the breadth and depth of today's reputational challenge is a consequence of not just the speed, severity and unexpectedness of recent economic events but also of the underlying shifts in the reputation environment that have been under way for some time now". In this regard, the new forms of social media and greater access and ease of electronic communications transmit corporate conduct onto a world-wide stage and exposes the vulnerability of the careless corporate should it not take heed of building and managing its corporate reputation.

It is apparent though that the underlying shifts referenced above are now proving to be a catalyst for change and it is therefore crucial to understand the dimensions and building blocks of corporate reputation. If any doubt persists, as to the reason for corporate reputations being so critically important, as stated at the outset of

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this research, the findings of O'Callaghan (2007, p.99) led the author to surmise that, "an impending global show-down between advocates and activists will be fought out on the terrain of corporate reputation."

- **Corporate response to reputation**

Corporates seemingly consider reputational risk as a significant risk to the business. The Aon Global Risk study (2007) concluded that damage to reputation was the number one risk facing corporates across 31 different countries. By the year 2009, reputational risk was still acknowledged by respondents as a critical global risk, retaining its rankings amidst the top 10 risks, however reputational risk had declined by five places in the rankings as indicated in Figure 1.2 below (Aon, 2009). The decline of corporate reputational risk in the global rankings may be explained by contextualising the economic environment in 2009, as one in which corporate concerns mainly revolved around firm survival with the sudden emergence of a global financial meltdown.

Figure 1.2: Top 10 global risks: Aon Global Risk Management Survey (2009)

Ranking	Risk description	Change in ranking vs 2007
1	Economic slowdown	+7
2	Regulatory/legislative changes	+4
3	Business interruption	-1
4	Increasing competition	New entry
5	Commodity price risk	New entry
6	Damage to reputation	-5
7	Cash flow/liquidity risk	New entry
8	Distribution or supply chain failure	-4
9	Third party liability	-6
10	Failure to attract or retain top talent	-3

Source: Aon Global Risk Management Survey (2009, p.9)

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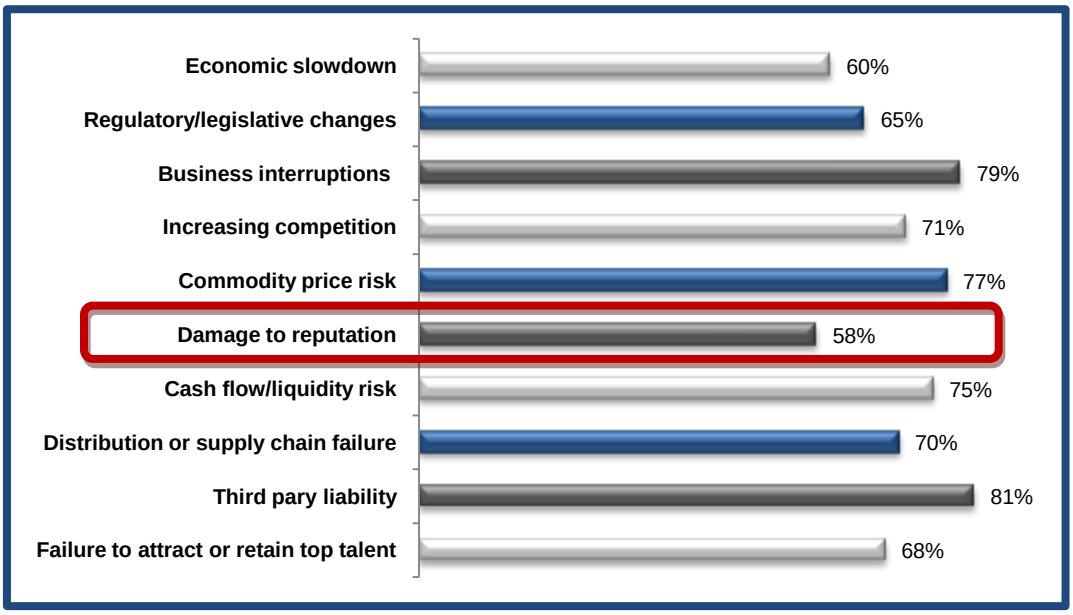
Even though the global rankings of risk evidence reputational risk as a significant factor, a further material concern emanates from the findings pertaining to the readiness of such corporates to deal with reputational risk. A mere 58% of the senior executives surveyed indicated that their firms are in a state of readiness to deal with any potential damage to reputation, as indicated in Figure 1.3 below. As is evident from Figure 1.3, reputational risk was the least planned for risk, indicating that perhaps whilst senior executives had an appreciation for the severity of reputational risk, they were not well equipped or adequately versed to deal with reputational risk and consequently with corporate reputation.

Figure 1.3: Readiness to deal with global risks: Aon Global Risk Management Survey (2009)



Source: Aon Global Risk Management Survey (2009, p. 10)

Framed against the backdrop of the current global economic turmoil, that has permeated most facets of the corporate arena, there is little comfort in the finding of Jones, Jones and Little (2000) that corporates with good reputations will receive the benefit of doubt from its stakeholders following a disruptive event, as

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many firms have already succumbed to the woes of the financial crisis, with no firm seemingly too big to fail. Multi-national conglomerates could not be saved from demise by their prior well established reputations. This is juxtaposed with the findings of Firestein (2006) who advocates that a corporate's reputation remains the strongest determinant of a firm's sustainability.

This then begs the question, is a firm's sustainability linked to its corporate reputation? An analysis of the high profile reputational cases, as summarised in Figure 1.4 below, evidence that a myriad of responses may suffice in leading a firm through a reputational crisis to continued prosperity.

Figure 1.4: Reputational risk rankings and responses

Case	*Reputation* Ranking 2006*	*Business risk*	*Directly affected stakeholder relation(s)*	*Main risk response*
Johnson & Johnson	13	Product safety	Customers; government	Product recall; sincere demonstrations of concern
Nike Inc.	25	Outsourcing risk	Activist groups	Emphasis on separation between corporate brand and product brand; socially responsible initiatives
Sony Corp.	8	Production oversight	Customers; business partners; government	Product recall; adhesion to PC manufacturers' replacement programs; CEO's public apology
Mattel Inc.	Not surveyed	Outsourcing risk	Customers; government	Product recall; adoption of more rigorous outsourcing standards
BP plc	52	Environmental/ health & safety	Activist groups; local communities; employees; government	Re-branding; environmentally-friendly business initiatives; replacement of head of US operations
Martha Stewart Living Omnimedia Inc.	52 (2005)	Strategic risk	Shareholders; customers	Development of theme-based contents to reduce dependence on funder

Source: Conference Board Report (2007, p.44)

This is somewhat in contrast to the findings of Firestein (2006) and explanations must be sought in order to substantiate why most of the firms listed in Figure 1.4

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are still operating and indeed continue to prosper today. Reuber and Fisher (2009) found that many organisations have survived through startling revelations of misdoings, without damage to their reputations, and indeed notwithstanding verified revelations of misdoings coupled with vocal stakeholder criticism, these firms continue to prosper.

A paradox is revealed, relating to the value and consequences of building and managing a reputation, if there is evidence to support a view that firms can continue to prosper financially, irrespective of any wrong doings. Some corporates survive significant reputational infringements without diminishing the firm's sustainability. Some companies do not lose their licence to operate as indicated by Pruzan (2001) above notwithstanding reputational infringements as demonstrated by the findings of Bansal and Clelland (2004) in describing the minimal and short-lived reactions of the stock market to excessive carbon emissions; or the findings of Davidson and Worrell (1988; 1994) that companies have continued operations in the face of illegal acts such as bribery and price-fixing; or of continued operations irrespective of being found to be embellishing on bench-marking tests; using illegal immigrants; and deceptive marketing practices (Markoff, 2002). The tarnished reputations of these firms did not seem to impede business as usual, or did it?

Dowling, a well respected author and avid proponent of corporate reputation, when commenting on the increasing share price of an asbestos company shortly after a profusion of claims from asbestos victims, proclaimed that, "the omission of the traditional effects of corporate reputation is the classical paradox in the

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world of corporate reputation in that a company does not always need to be liked, in order to be successful" (2005, p. 47).

Perhaps, as alluded to by O'Callaghan (2007), as corporate reputation is an intangible company asset, it is difficult to quantify the loss associated with a reputational infringement and accordingly the severity of the loss on the bottom line of a company's profit does not carry the impact it should. As a counterfactual is not available, one can only surmise that the company's fortunes would have been greater but for the reputational transgressions.

- **Custodians of corporate reputation**

It has been acknowledged that responsibility for the reputation of a company sits in the upper echelons of the company and The Economist Intelligence Unit (2005) found that 84% of its respondents cited that the responsibility for reputational risk vests primarily with the chief executive officer. No less than 42% of its respondents indicated that the next tier of responsibility vests with the board of directors and stated that the focus of the executive team may be significantly altered as the realisation dawns that corporate reputation may be leveraged as a source of competitive advantage.

However, the executives surveyed indicated that not many executives had yet taken formal responsibility for building and managing a corporate reputational strategy. In addition senior executives lamented that they did not have spare time to put this into practice whilst dealing with the normal course of business (Economist Intelligence Unit, 2005).

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By contrast, in South Africa, the King III report (IOD, 2009) has specifically mandated the directors of a company to take formal responsibility for corporate reputation at board level. Accordingly, this research will target the perspectives of executive directors regarding the manner in which they perceive, build and manage corporate reputation.

1.2 Research Objectives

The purpose of this research is to explore the perspectives of executives directors as it relates to an understanding of corporate reputation; the dimensions of corporate reputation; the value attributed to corporate reputation; establishing their responsibilities as custodians of corporate reputation; and the manner in which they believe they should build and manage corporate reputation.

The researcher will meet these objectives by conducting a critical review of the corporate reputation literature, followed by empirical research to compare the findings, as presented in the academic literature, with the perspectives of executive directors.

The research objectives, provided validity in the study has been achieved, will result in a contribution to a vital and burgeoning area of academia whilst simultaneously contributing as a practical guide to assist executive directors navigate their responsibilities for building and managing corporate reputation.

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1.3 Research motivation - business

The necessity for this research, poignantly in current turbulent times, can be attributed in the main, to the advent of the King III Report (IOD, 2009) which for the first time in corporate South Africa, has introduced the concept of corporate reputation, as perceived by stakeholders, as a board agenda item. Whilst the King III Report (IOD, 2009) is not legislation, it is a binding code for all public companies listed on the Johannesburg Stock Exchange and indeed is intended to apply to all corporate entities in South Africa. So whilst not statutory in nature, the King III Report (IOD, 2009) obliges public companies to apply or explain its adherence to the principles. It is submitted, that as the appointed custodians of corporate reputation, directors of publicly listed companies will be hard pressed to provide an explanation for not embracing the concept of corporate reputation.

In order to consider corporate reputation as mandated by the King III Report (IOD, 2009), directors must fully comprehend the dimensions of corporate reputation and the benefits that can be attributed to this construct in order to comply with the spirit and not merely the letter of the King III Report. Kana (2009, p. 1) enunciates the spirit upon which the King III Report is based in that, “a code of principles can only ever be as good as one’s ability to put it into practice.”

This study sets out to explore the corporate reputation literature and directors’ perspective of putting such notions into practice. Accordingly, it is crucial that the perspectives of directors, as custodians of corporate reputation, are voiced and

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captured, in an effort to contribute to a critically important aspect of corporate existence in current times.

In addition, the literature review will demonstrate that the recommendations for the purposeful construction of corporate reputation have not been sufficiently explored and accordingly, this research is meant to facilitate an understanding of formulating a reputational strategy for the building and management of corporate reputation, for the benefit of executive directors.

1.4 Research motivation - academia

Researchers have in the main agreed that corporate reputation when optimally leveraged is a source of competitive advantage (Barney, 1991; Dierickx & Cook, 1989; Hall, 1992; Roberts & Dowling, 2002; Fombrun, 1996). Notwithstanding the same, Ang and Wight (2009) note however that there has been little research in the corporate reputational landscape that has addressed the manner in which directors build corporate reputation for competitive advantage.

It is evident that firms wish to build good corporate reputations in order to leverage the advantages that this brings over less reputable competitors. This is supported by the contention, that as corporate reputation is both intangible and ambiguous in nature the firm is at an advantage, as competitors can seldom imitate this type of advantage (Ang & Wight, 2009).

The research problem, under study, is well articulated further by Firestein (2006) whom concludes that while companies state that they aim for best practices, there

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is no clarity provided in the literature, as to a corporate's actions in developing a supportive culture for achieving a desired reputation and the manner in which firms must create the relevant structures for the implementation of corporate reputation and its management.

The building of corporate reputation is an imperative for more than just building a competitive advantage, as it may also be a vital asset for a corporate's sustainability. In this regard, Darman (2003) cautions that against the backdrop of recent corporate scandals and business failures, companies cannot afford to let its reputation be tarnished and that the vulnerability of a firm's corporate reputation stems from the lack of adequate insight; lack of transparency; and quite simply put, irresponsible business conduct. Accordingly, there are serious consequences for companies that do not manage its reputation, the most severe potentially leading to the actual demise of the firm.

It is evident that, notwithstanding the proliferation of literature in the corporate reputation arena, studies as recent as that of Kim, Bach and Clelland (2007) note that despite the established advantages of corporate reputation, there has been little research investigating the nature of the reputational building activities that would be effective in accumulating reputation.

Mahon and Wartick (2003) conclude in their study that the field of corporate reputation remains a vital research field and such contention is further supported by Walker (2010) and his recent callings for the need to build further on the theory of corporate reputation.

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At its simplest form, Gotsi (2005) notes that there is still no generally accepted definition of corporate reputation and accordingly, valid contributions to the field of corporate reputation are sorely required. The researcher will attempt to address this by crystallising a practical definition of corporate reputation through empirical research and comparing this to the myriad of theoretical definitions that exist within the literature.

O'Callaghan (2007) reports that that there are no formulas or calculations that can lead managers to develop a good reputation for companies within the current literature as this has been inadequately addressed by the academic literature, which unsuccessfully attempts to address this lack of clarity with a one size fits all approach to corporate reputation.

The academic rationale for this study in the South African context can further be enunciated by the call of Kriek, Beatty and Nkomo (2009) for the development of literature in management theory that is relevant to the context of South Africa and Africa in general.

1.5 In summary

The literature review will demonstrate that the building and management of corporate reputation is an imperative for corporates more so in current times, due to phenomena such as globalisation and social media; for purposes of building sustainable competitive advantage; and for maintaining a social license to operate in a global world. It will further be established that the custodians of this intangible

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asset are the board of directors and accordingly each director of the company in turn.

This research is directed to address the purposeful building and management of corporate reputation in the best interests of all stakeholders. Alsop (2004, p.45) reports his observations that, "managers were hungry to know more about the subject. They didn't understand how to define reputation, how to measure it or more importantly, how to manage it." This research attempts to placate and satisfy the hunger of executive management, by investigating the foundations of corporate reputation, with those charged as custodians of the concept.

In an age of turbulence, hyper-competition and survival, there is immense value to be leveraged off a firm's corporate reputation. It is little wonder then that managers are hungry to learn about corporate reputation. This knowledge will unfold throughout this study, as corporate reputation is explored and tested empirically.

In order to begin though, clarity is required as to the meaning of corporate reputation and accordingly, this sets the stage for the commencement of the literature review, which begins by introducing the concept of corporate reputation as defined by various well respected authors in the field, and proceeds to address the research objectives as set out above.

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Chapter 2:
Literature review

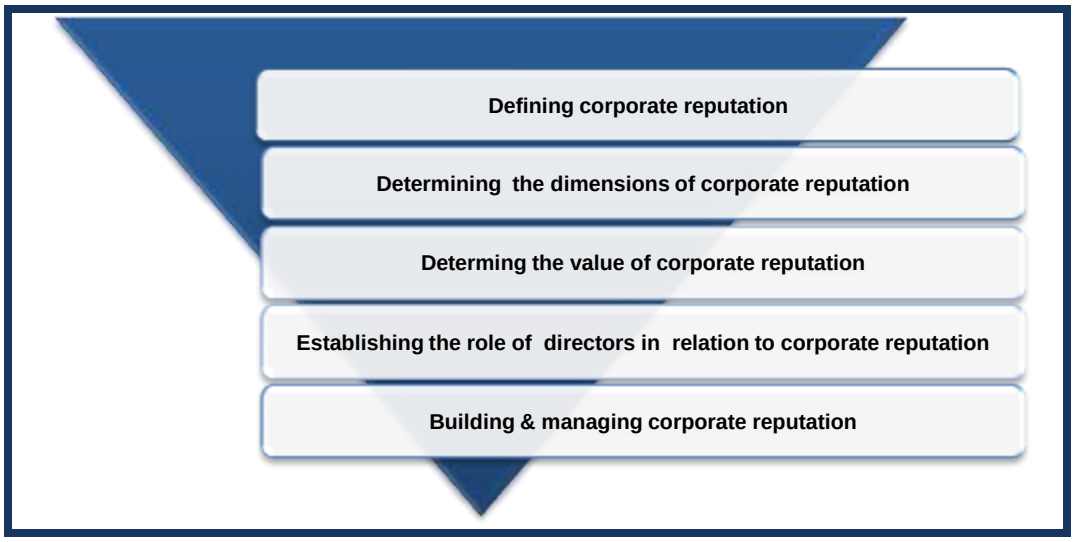
2.1 Introduction

The literature review contained within the ambit of this Chapter 2 will follow the diagrammatical representation set out in Figure 2.1 below. It commences with addressing the fundamental issue of seeking an appropriate definition of corporate reputation.

The literature is then critically reviewed to establish the dimensions of corporate reputation; the value attached to corporate reputation; the role of executive directors ("directors") pertaining to corporate reputation; and the manner in which the literature guides directors to build and manage corporate reputation.

As depicted in Figure 2.1, the literature review commences with a broad focus by beginning with a review of definitions and is subsequently channelled to address the specific manner in which directors build and manage corporate reputation.

Figure 2.1: The literature review framework



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The areas of uncertainly within this domain were articulated in the recent work of Walker (2010) wherein a systematic review of the corporate reputation literature review was conducted and which demonstrated that three fundamental problems persisted in the literature. These related to the requirement for a comprehensive and accepted definition; the difficulty in actually operationalising the construct and the further need for developing the theory base (Walker, 2010). The call has been sounded for basic clarification, after decades of research within this field.

2.2 Defining corporate reputation

A detailed review of the literature surfaced a myriad of definitions of corporate reputation. The numerous definitions have proved problematic in advancing the field of corporate reputation. Fombrun and van Riel (1997, p.5) aptly stated that, "Although corporate reputations are seldom ubiquitous, they remain relatively understudied. In part, it is surely because reputations are seldom noticed until they are threatened. In part, however it is also a problem of definition."

The problem of definition permeated through various ancillary studies in the corporate reputation domain. It is evidenced by more recent calls for one single voice and a single vision in defining corporate reputation as a construct (Barnett, Boyle & Gardberg, 2000); to rectify the deficiencies in the definitions of corporate reputation (Wartick, 2002); and to obtain clarity with regards to the construct in order to build on existing theory (Mahon, 2002). The call for an acceptable definition was summarised by Lewellyn (2002) who stated that even

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though the field of corporate reputation had rapidly developed, much remained to be done to focus the proliferation of theory in the area of corporate reputation.

As a result of the lack of a dedicated focus and the proliferation of definitions, Barnett, Jermier and Lafferty (2006) took up the call for clarity and reviewed the relevant corporate reputation literature. The authors perused no less than 49 of the more acceptable definitions of corporate reputation, in order to answer the fundamental question that remained unsettled in the academic literature namely, what is corporate reputation?

An adaptation of their results is presented in Appendix 1 to this research. The researcher detailed in Appendix 1, the various definitions and their commonalities. Three clusters of corporate reputation became evident notwithstanding the myriad of definitions (Barnett *et al*., 2006). The three clusters focused the diaspora of definitions, as it related to corporate reputation, into an asset cluster; assessment cluster and awareness cluster, as depicted in Figure 2.2 below.

Based on the work of Barnett *et al*., (2006) the various clusters were presented as building blocks to determining an appropriate definition, as in essence, the cluster adopted determined the reader's definition of corporate reputation. An asset cluster originated from the resource based view of the firm and sought to define corporate reputation by attributing an economic value to the same. The school of the assessment cluster considered corporate reputation from a judgement point of view. The awareness cluster predominately considered the concept from a collective and multi-stakeholder perception point of view. These clusters are represented diagrammatically in Figure 2.2 below, as adapted by the researcher.

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Figure 2.2: Clusters of definitions

Adapted from the work of Barnett *et al*., (2006)

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Based on the analysis of the definitions as set out in Appendix 1 and depicted in Figure 2.2 above, Barnett *et al*., (2006, p. 34) proposed the following definition of corporate reputation, an "Observer's collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time."

In critiquing the definition offered by Barnett *et al*., (2006), the researcher noted that the proposed definition was deficient by not accommodating the following relevant aspects as set out in literature:

- the inclusion of an assessment over not only the company's past actions but also of its future prospects (Walker, 2010);
- the ability to satisfy the interests of various stakeholders (Gabbioneta, Ravasi & Mazzola, 2007);
- a multiplicity of evaluations that may be issue specific (Fombrun & Pan, 2006);
- based on the stakeholders actual knowledge of the firm in its organisational field (Petkova, Rindova & Gupta, 2008);
- including key characteristics of the firm (Carter, 2006);
- the result of the net sum of the perceptions and assessments of the firm (Wiedmann & Buxel, 2005); and
- the respect for the company that arises from each of these factors (Wiedmann & Buxel, 2005).

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Accordingly, the researcher consolidated key elements of the various definitions, as enunciated in the literature, to formulate a definition that attempted to voice the critical aspects of corporate reputation as described in the literature.

Based on the critical review, this research utilised a definition of corporate reputation that described the construct as:

> the sum of the perceptions of a corporate's past actions; current performance; and future prospects that results from the corporate's ability to deliver valued outcomes to multiple stakeholders and gauges a corporate's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (Fombrun & Rindova, 1996; Wiedmann & Buxel, 2005; Walker, 2010).

This definition encompassed the integral aspects of the multidimensional construct of corporate reputation.

It is in construing to seek a definition of corporate reputation, for what it actually is, that it is important to acknowledge, what corporate reputation is not. For it is in this realm that much uncertainty and ambiguity had arisen amongst academic writers.

Accordingly, the researcher undertook a high-level review of the academic literature that addressed the confusion between the concepts of corporate reputation, corporate image and corporate identity, as set out in the paragraph below.

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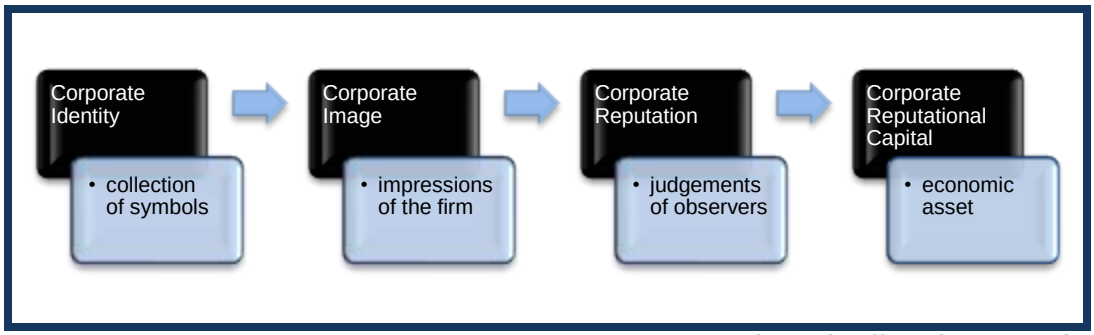
- **Defining what corporate reputation is not: corporate image and corporate identity explored**

Barnett *et al*., (2006) found in their analysis of the various definitions of corporate reputation that much of the terminology in the reputation arena, merged with and was utilised interchangeably, with the concepts of corporate identity; corporate image; corporate reputation; and corporate reputational capital as presented in Figure 2.3 below.

Figure 2.3: Disaggregating corporate identity, image, reputation and reputational capital



Source: Barnett, Jermier and Lafferty (2006, p. 33)

Barnett *et al*., (2006) drew a clear distinction between the four concepts. Accordingly, the researcher undertook a summary review of the corporate image and corporate identity literature to find support for the distinction of terms. The distinction can be represented graphically by adapting the diagrammatic representation as set out in Figure 2.3 above, by the adapted representation as set out in Figure 2.4 below.

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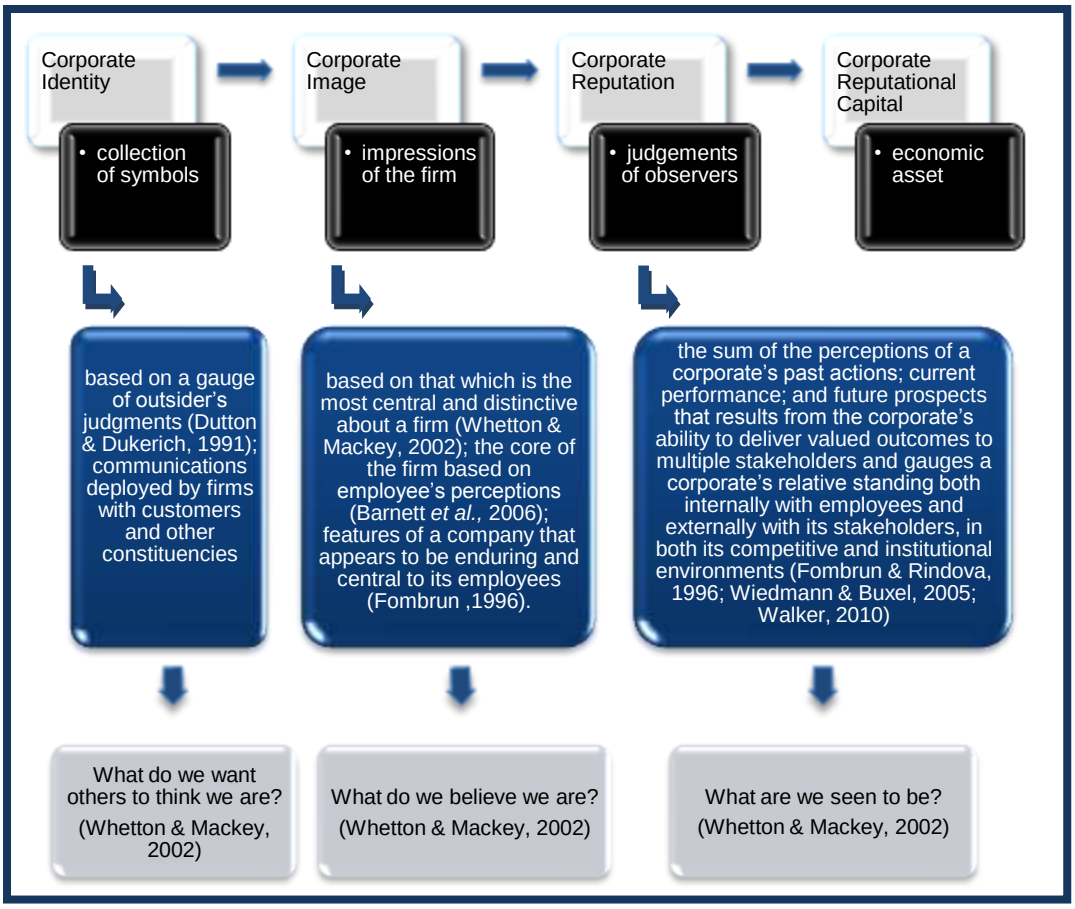
Figure 2.4: Distinctions of related terms



Adaptation of Barnett *et al.*, (2006)

Simply put, one can distinguish between the concepts of corporate identity and corporate image by asking Whetten and Mackey's (2002) distinguishing questions:

- corporate identity = what/who do we want others to think we are?
- corporate image = what/who do we believe we are?
- corporate reputation = what are we seen to be?

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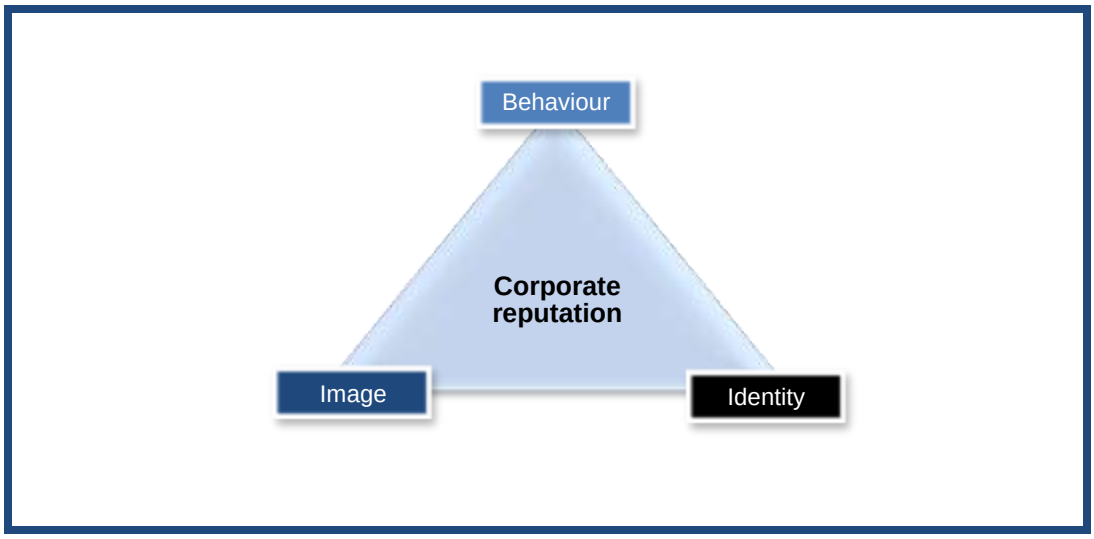
In support of the aforesaid distinctions, O'Callaghan (2007) represented the distinction and state of play between corporate image, corporate identity and corporate reputation as depicted in Figure 2.5 below. The reputation pyramid proposed by O'Callaghan (2007) recognised the interplay between the three components and surmised that a company's reputation is dependent on its behaviour, its identity and the image it portrays. These components then culminated into the overall reputation of the company.

Figure 2.5: The Corporate Reputation Pyramid



Source: O'Callaghan (2007, p.106)

If indeed, corporate reputation is the sum total of a corporate's image, identity and behaviour, it is conceivable that these aspects may merge in the mind of the stakeholder, leading to confusion and perhaps loose interplay between the terminology, but what of the interplay in literature? Walker (2010) in his review of the literature pertaining to identity, image and reputation found that organisational identity referred to the views of internal stakeholders alone; organisational image

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referred to the views of external stakeholders alone; and that corporate reputation referred to the aggregate of both internal and external stakeholders.

It is submitted that the understanding of the distinction of the various terminology is an imperative, in order to build on the theory and advance the concept of corporate reputation. Accordingly, the researcher having evidenced the academic support for maintaining the concepts as distinct concepts has provided validation for viewing corporate reputation as "what we are seen to be" (Whetten & Mackey, 2002). This demonstrated academic support for the definition proposed by the researcher as set out above.

- **In summary**

The researcher having reviewed the literature developed a definition of corporate reputation by defining what the term encompassed and those elements that are distinct. The review of the literature and a consolidation of the findings in this regard had evidenced that corporate reputation can be defined as, the sum of the perceptions of a corporate's past actions; current performance; and future prospects that results from the corporate's ability to deliver valued outcomes to multiple stakeholders and gauges a corporate's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (adapted from Fombrun & Rindova, 1996; Wiedmann & Buxel, 2005; Walker, 2010) and which translates simply into what the company is seen to be (Whetten & Mackey, 2002).

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Having critically reviewed the literature and having arrived at the proposed definition, enabled progress into the next stage of the literature review, which dealt with the dimensions of corporate reputation.

2.3 Determining the dimensions of corporate reputation

The preceding paragraphs have addressed the definition of corporate reputation, which in turn provided the foundation that permited exploring the dimensions of corporate reputation. This section of the literature review set out to crystallise the dimensions of corporate reputation, on the basis that once the dimensions of corporate reputation are established with a degree of certainty, directors will have a proper understanding of the dimensions on which to focus their efforts in building and managing corporate reputation.

A review of the academic literature evidenced varied recipes, that purported to comprise the dimensions of corporate reputation, and the theoretical understanding was clustered once again around broad dimensions. The literature acknowledged that identifying and leveraging the dimensions of corporate reputation could be of invaluable importance to companies (Gabbioneta *et al*., 2007).

Walker (2010) surmised in his analysis of the various dimensions of corporate reputation, as described within the corporate reputation literature, that reputation comprised of different dimensions and that these dimensions were issue specific for each stakeholder and/or company. This supported O'Callaghan's (2007) contention that a one size fits all approach to corporate reputation was not adequate.

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In order to derive a cluster of dimensions relevant to building and managing corporate reputation, the corporate reputation literature was scoured extensively in an attempt to establish the more commonly referenced and accepted dimensions of corporate reputation. A chronological review and critique of the academic literature that identified the dimensions, as developed over time, is set out below.

According to Fombrun and van Reil (2004), a list of the dimensions of corporate reputation were said to include:

• financial performance	• competitive performance
• quality and innovativeness of its products	• engagement in socially responsible practices
• quality of a firm's leadership	• workplace

Fombrun and van Riel's (2004) list of dimensions, were broad and could cover all aspects of a company's business. Corporate reputation then would seem merely incidental to everyday business operations. This in turn would query the legitimacy of the competitive advantage claim associated with corporate reputation (Barney, 1991) if all companies considered these dimensions to be the sole drivers of corporate reputation.

Leadership and corporate behaviour were referenced most frequently in the literature and accordingly, Mercer (2004) conclusively stated that the most significant dimension of corporate reputation was largely that of the company's

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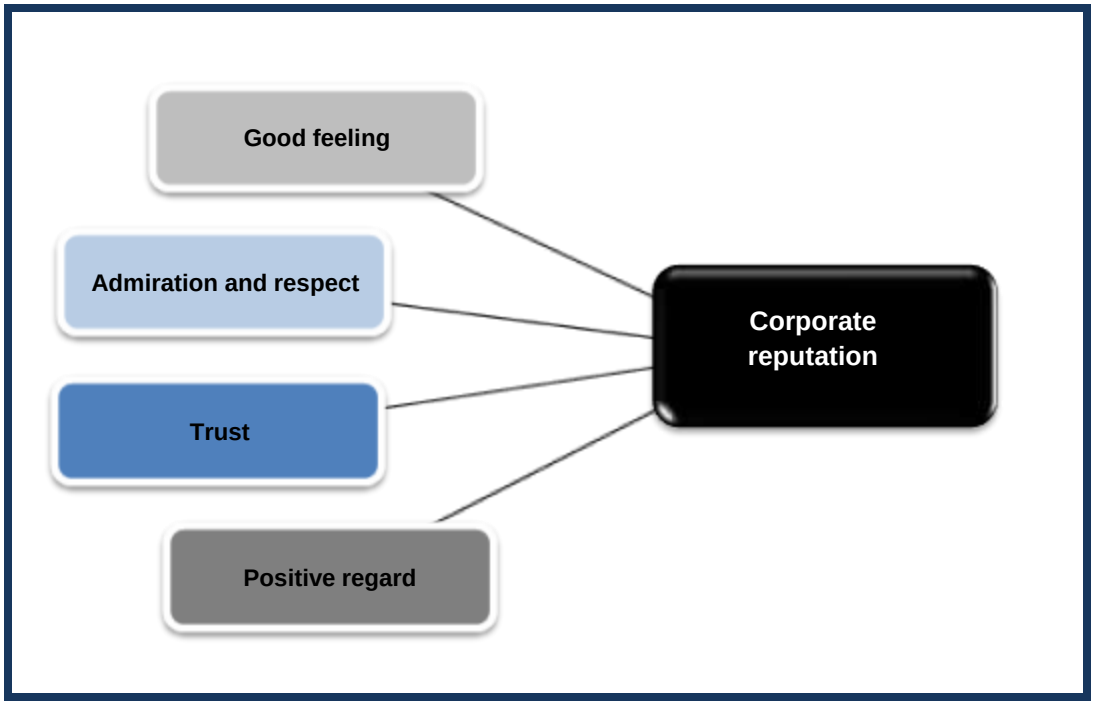
top leadership. This must be juxtaposed with the findings of Gardberg and Fombrun (2006) that the main dimension of corporate reputation was found in a company's corporate citizenship, first and foremost. The intention of this research though was to establish the dimensions and accordingly a future study may prove valuable in establishing the relative weightings of the various dimensions of corporate reputation.

Slight ambiguity was apparent in the literature in distinguishing between the dimensions and consequences of corporate reputation. Fombrun and Pan (2006), noted some of the consequences of corporate reputation, as depicted in Figure 2.6 below, which could be confused as specific dimensions of corporate reputation.

Figure 2.6: Consequences of corporate reputation



Source: Fombrun and Pan (2006, p.166)

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Fombrun and Pan's (2006) assessment of the consequences of corporate reputation indicated that the dimensions achieved emotionally based results. If one delved deeper into the components depicted in Figure 2.6 above, the disparities that existed between the different reputations of firms seemed legitimate. Not all firms can create the same perceptions in the mind of stakeholders on aspects such as: admiration and respect; trust; positive regard and good feelings. This also, in part, provided an explanation to the concern noted earlier in this study by Dowling (2006) that some firms were easily forgiven for corporate transgressions and continued to prosper irrespective of flouting corporate reputation.

Similarities between the different lists of corporate reputation dimensions became evident although not necessarily on first blush. By way of example, Carter (2006) provided the following dimensions of corporate reputation that emanated from her study:

• quality of management (which can be construed as the common appearing leadership driver);	• community and environmental responsibility (focus on environmental concerns);
• products and services (common to most lists);	• innovation (separated as a dimension on its own); and
• financial soundness.	

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Whilst environmental responsibility appeared for the first time, it could certainly be construed as a by-product of previously listed dimensions such as socially responsible practices and corporate citizenship (Fombrun & van Riel, 2004). Innovativeness by contrast was only recently mentioned as a separate dimension in terms of existing literature. More recently, Fombrun (2007) revised his previous findings and announced that corporate reputation consisted of the following drivers:

•	overall reputation	•	workplace
•	citizenship	•	performance
•	leadership	•	innovation
•	governance	•	products

The list compiled by Fombrun (2007), was similar to that of earlier lists, (Fombrun & van Riel, 2004), however it should be noted that governance entered the list as a key dimension in formulating the corporate reputation of a firm. Little other change is recorded and one could argue that overall reputation is the product of the list and not one of the dimensions as recorded by Fombrun (2007).

The aforementioned dimensions of corporate reputation were supplemented by the research of Gabbioneta *et al*., (2007, p. 116) and the findings of their study which found that corporate reputation was influenced by a company's emotional appeal namely: trust; likability; admiration; and respect and stated that there were namely four dimensions of corporate reputation which comprised of:

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•	financial performance	•	vision and leadership
•	financial disclosure	•	corporate governance

Vision made an appreance for the first time as a dimension of corporate reputation. It may have been as a result of the expanding theory on leadership studies, wherein it became more commonly asserted that vision accompanies good leadership. Financial disclosure also made a first time appearance and the transparent disclosure of financial information was indicated as a significant dimension (Gabbioneta *et al*., 2007). This list alone though was not considered exhaustive as whilst some dimensions of corporate reputation overlapped, different stakeholder groups weight dimensions differently and different dimensions of corporate reputation were relevant to the different stakeholders (Gabbioneta *et al*., 2007).

The findings of Petkova *et al*., (2008) supplemented the portfolio of the dimensions of corporate reputation by the inclusion of the following dimensions:

•	symbolic activities	•	investments in social capital
•	investments in human capital	•	investments in product development
•	relationships with customers	•	product quality

In their findings, symbolic activities on the part of the company were shown to have a profound effect on building the corporate reputation of the company and

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the authors demonstrated that companies could actively build their reputations simply by being cognisant of their symbolic activities (Petkova *et al*., 2008).

In addition, Kim *et al*., (2007) in their studies surmised that the dimensions of corporate reputation consisted of:

• impression management	• environmental performance
• profitability	

based on their studies of symbolic and behavioural management of corporate reputation. Again it was noteworthy to have considered that similar to the findings of Petkova *et al*., (2008), a company had significant control over its corporate reputation simply by being cognisant of their actions and the management of their actions.

The list of corporate reputational dimensions was supplemented through such studies, although complicated with more recent studies which indicated, that the dimensions of corporate reputation were aggregate perceptions that were issue specific; stakeholder specific; and varied over time (Walker, 2010).

- **In summary**

The portfolio of dimensions that constitute corporate reputation, as reflected in the academic literature, are depicted in Figure 2.7 below.

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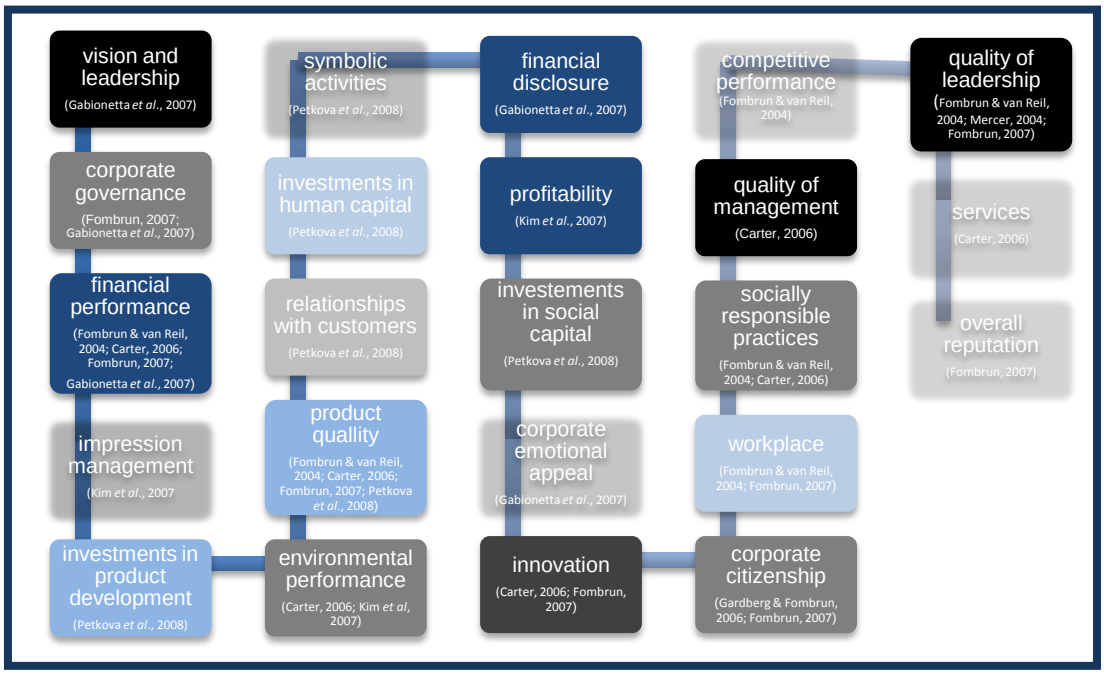
Figure 2.7: Consolidation of corporate reputation dimensions



The dimensions that constitute the portfolio of corporate reputation were varied and addressed the fundamental components of a company conducting its business in any jurisdiction. The dimensions each contributed to the overall reputation of the company and each dimension was significant in terms of the literature.

Having established the dimensions of corporate reputation, it became evident that there were a myriad of dimensions on which a company must focus should it wish to build and manage its corporate reputation. The next section of the literature review addressed the value that can be attributed to managing these dimensions to build corporate reputation as supported by the academic literature.

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2.4 Determining the value of corporate reputation

"Reputation is arguably the single most valued organisational asset," Gibson, Gonzales and Castanon (2006, p.15). Firms that value its reputation keep building its reputation in recognition of this valued asset.

Fang (2005) postulated that reputation enabled a company to earn economic rents, which in turn incentivised the firms to reinvest in its reputation. The benefits of a good corporate reputation are accordingly of great value to a corporate in addition to providing the firm with a licence with which to operate (Pruzan, 2001).

In addition, Firestein (2006) asserted that a firm's reputation remained the strongest signal to the market regarding the firm's sustainability. With the attention of the market being focused on sustainable business practices any potential determinant of sustainability, as suggested by Firestein (2006), must be protected and enhanced. This would also have provided additional benefits to the venturing corporate that elected to enter new markets as the corporate was able to leverage off its existing reputation (Gabionetta *et al.*, 2007).

Hall (1993) identified reputation as people dependant and his early findings indicated that reputation triumphed as the firm's key intangible resource and accordingly it was vital for firms to develop an understanding on the manner in which this resource was accumulated. Ang & Wight (2009) noted in support that as this intangible resource was unobservable and therefore difficult to imitate and quantify, the accumulation of a corporate reputation led to key value for the company in the form of a sustainable competitive advantage over less reputable peers.

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Galliard and Louisot (2006) confirmed in their findings that even though corporate reputation was an intangible asset and did not have an accounting value assigned to it; corporate reputation remained one of the company's most valuable assets. The authors recommended that the value of corporate reputation be determined by taking the market value of the firm, less other assessable intangible items which would have then revealed an approximate value of corporate reputation.

In support of their findings, Galliard and Louisot (2006) noted that a company that built a sound corporate reputation was able to: build stakeholder trust and confidence; maintain a social licence to operate; attract investments; boost both customer and its supplier loyalty; reduce regulatory intervention; create barriers to entry; facilitate premium pricing; recruit and retain the best employees; and harness a store of reputational capital that protects against future crisis. One can hardly dispute the advantages are worth pursuing for any corporate entity that seeks an advantage which is difficult to replicate and is associated with such benefits.

The Deming Wheel (Galliard & Louisot, 2006) replicated in Figure 2.8 below illustrated the value of reputational capital. The authors asserted that corporate reputation prevented roll backs or damage to the value of the company, thereby protecting the company against future events and ensured that the company was able to have exploited the benefits of corporate reputation.

Reputational capital was found to be a significant value-add of building and maintaining a good corporate reputation with immense benefits to assist a

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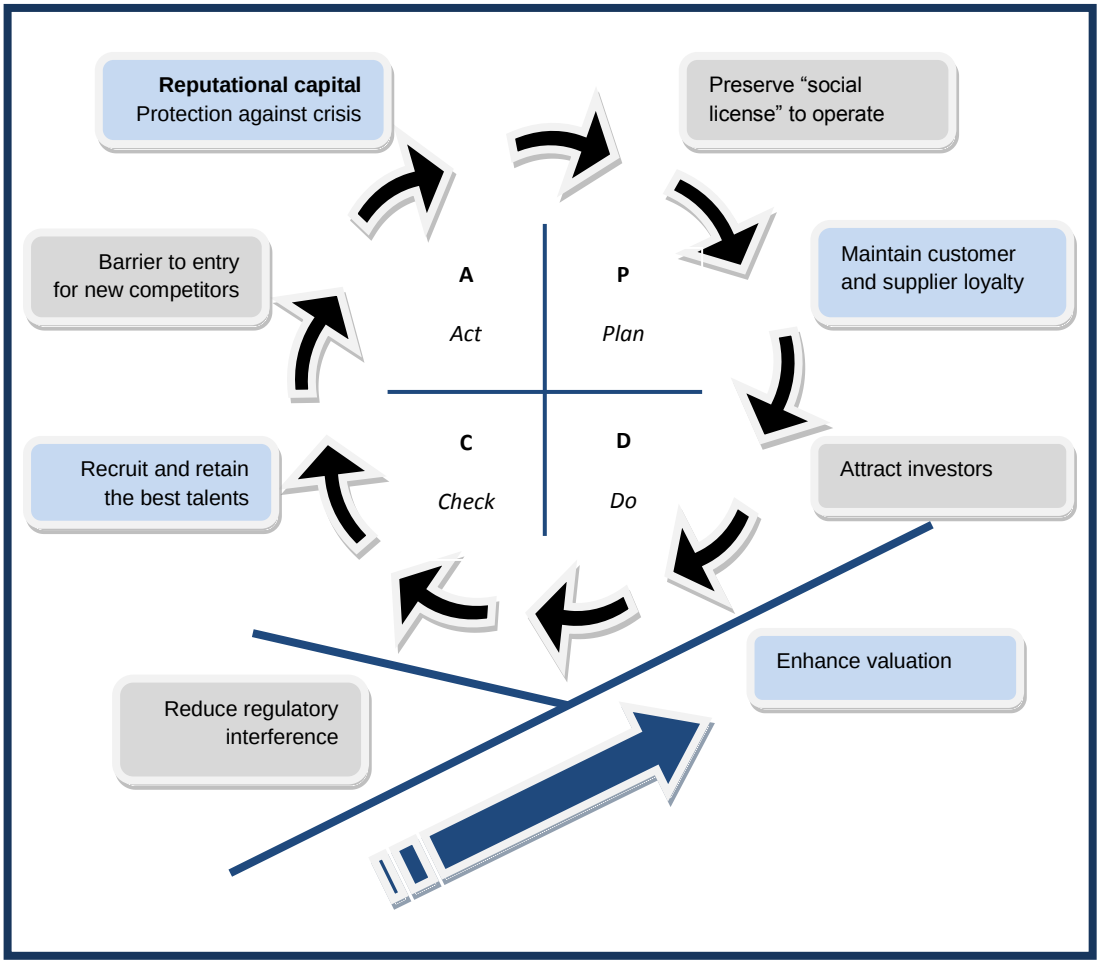
company should it encounter reputational risk (Galliard & Louisot, 2006; Fombrun & van Riel, 2004).

Figure 2.8: Deming Wheel of reputational capital



Source: Galliard and Louisot (2006, p.443)

Fombrun and van Riel (2004, p. 32) defined reputational capital as, "an organisation's stock of perceptual and social assets - the quality of the relationship it has established with stakeholders and the regard in which the company and brand is held". A loss of reputational capital was detrimental to

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stakeholder relationships and impacted on the firm's long term vision and the firm's creation of shareholder wealth (Fombrun & van Riel, 2004).

A loss of reputational capital could further have had a negative impact on, "firm revenues, market share, brand recognition, ability to recruit and retain talent, supply arrangements, reputation rankings, and other enterprise valuables, or any combination of the aforementioned." (The Conference Board, 2007). The impact was far reaching and could impact years worth of investment into brand building and talent retention.

In order to grasp a clear meaning of reputational capital, Coombs (2007) made use of metaphors,that depicted reputational capital as similar to that of a bank savings account where there are constant deposits and withdrawals of capital, which adds to or depletes the balance in the account. Coombs (2007) then described the advantages of a company that had good reputational capital prior to a damaging event (a company's pre-crisis reputation) and demonstrated that such company would have had a better post-crisis reputation, than its less reputable peers, as it had more reputational capital to buffer the resultant damage. Not only would such a firm suffer less than its peers, it would also rebound faster than its competitors, due to this buffer stock of good reputational capital (Coombs, 2007).

It is important to note though, that firms would not have an endless stockpile of reputational capital and in this regard, Galliard and Louisot (2006) confirmed that whilst a good corporate reputation provided resilience to otherwise damaging events, repeated misconducts would lead to a company's demise and often if the

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misconduct was serious and pervasive throughout the industry, it would further have led to the demise of an entire industry. It was acknowledged earlier in this research that this was not always the scenario as documented and firms did not always suffer such dire consequences as a result of reputational infringements (Jones, Jones & Little, 2000; Bansal & Clelland, 2004; Reuber & Fisher, 2009).

Coombs (2007) was a proponent of situational crisis communication theory which was meant to be deployed when a crisis developed into a reputational threat and whilst the focus of this research is to build reputation in the normal course of business, any reputational management strategy, should include a strategy for dealing with crisis management.

In addition to the value attributed to corporate reputation as evidenced above, McGregor, Slovic, Dreman and Berry (2000) found that an affective analysis of corporate reputation had the consequence of information being discounted when it should otherwise be included in adjudicating the investment of capital into a company. This was further supported in a study by Gabbioneta *et al*., (2007) and their findings that a corporate's reputation assisted a company in obtaining buy-in from analysts for its corporate strategies and facilitated the company's garnering of financial resources.

Wiedmann and Buxel (2005, p. 147) summed up this principle by attributing the presence of a good corporate reputation as the main contributor to creating a "reservoir of good will", which can only be developed if there is active reputation management, which assisted in negating reputational threats.

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Reputational threats were defined by O'Callaghan (2007, p.109) as, "a range of threats that have that have the potential to undermine a corporation's ability to function as a commercial enterprise and impair its standing in the community". The ability to minimise reputational threats further provided support for the need to build and manage a corporate reputation if for no other reason than the company's continued ability to function as a commercial enterprise.

Gabbioneta *et al*., (2007, p.116) considered the importance of a good reputation and the value of the same to the firm and reported that, "a good reputation in financial markets helps attract capital and generate a price premium for the company's shares, through a reduction of the perceived risk associated with the company and the ability to face market volatility better than companies with a poor reputation and as a consequence, well-regarded companies can earn abnormal returns in comparison to poorly perceived companies." The authors surmised that a company that identified and leveraged the various dimensions of corporate reputation were able to lower its costs of capital and in some instances to outperform its peers based simply on its good reputation.

The literature review advocated that the development of a sound corporate reputational strategy provided the firm with a distinct competitive advantage and Helm (2007) noted that in the financial markets there were three accepted streams in maximising reputation namely: the link with financial performance and the ratings of the firms in capital markets; the role of reputation in individual investment decision making; and the attitudes and behaviours of customers in the market. Helm (2007, p. 32) stated that reputation has a considerable effect on "affective loyalty, and that reputation might partly compensate for an investors

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own experiences with a firm reflected in his/her degree of satisfaction, so that short term deviations in share price or dividends paid do not lead to immediate downturn of the emotional predisposition of an investor towards his/her firm." Once again and specifically in volatile markets, the buffer provided by a sound corporate reputation enabled the firm to continue operations with a long term focus compared to the pressures of otherwise short term investor demands.

- **In summary**

The academic literature builds a clear case for the inherent value in building and managing corporate reputation and the clear substantiation found in the literature should suffice for advocating the need for corporates to build and manage corporate reputation.

As canvassed above, the advantages are numerous and reputational threats are minimised. A sound corporate reputation may not be able to be quantified but the value attributed to its possession, particularly as a competitive advantage, is well expounded.

The question then arises as to whom is responsible for building and managing corporate reputation?

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2.5 The role of directors in building and managing corporate reputation

Dowling (2006) argued that corporate reputation management was primarily, first and foremost, the responsibility of the board of directors and directors that did not deal with reputation management placed their companies at risk and continued to do so until such time as this corporate asset was elevated to board level. Dowling (2006), in support of his argument, found that the concept of corporate reputation would seldom appear on board papers as an agenda item. In South Africa, as discussed earlier, corporate reputation is now a board agenda item (IoD, 2009).

South African boards are unitary in structure similar to that of board structures in the United Kingdom and accordingly are comprised of executive and non-executive directors. Roberts, McNulty and Stiles (2005) found that trust levels between executive and non-executive directors were crucial to ensure a well functioning board and that non-executives who are removed from the day to day operations of the business must be informed of the risks posed to the company by executive directors. It has already been established in Chapter 1, that reputational risks ranked amongst the top 10 risks globally (AON, 2009) and accordingly should form part of the risks reported on by executive directors, as they posed a substantial risk to the company.

The board of directors are tasked with accountability to shareholders for all aspects of the business (Roberts *et al*., 2005). In addition boards were ultimately responsible for corporate performance under conditions of increased shareholder

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activism and media scrutiny (Kiel, Nicholson & Barclay, 2005). If, as advocated by O'Callaghan (2007), activists and advocates were to fight the activism debate on the terrain of corporate reputation, board accountability for corporate reputation, irrespective of jurisdiction, would be inevitable.

Board effectiveness was found to be dependent upon a composition of factors which included the director's experience, the skills they possessed and the judgments exercised by each executive and non-executive director, which combined to determine the effectiveness of the board (Roberts *et al*., 2005). Individual directors should be able to voice their concerns and ask the difficult questions that must be asked for the benefit of the company (Zandstra, 2002).

It is submitted that whilst every member of the company was responsible for maintaining the company's reputation, it was the ultimate duty of the board of directors together with the chief executive officer of the company, to develop and build corporate reputation. This was supported by Wiedmann and Buxel (2005) and the authors' findings, as set out in Figure 2.9 below, indicated that three quarters of their surveyed sample, stated that the achievement of the company's reputational objectives was the direct responsibility of the company's executive board and management, which supported the calls of academics such as Davies, Chun and da Silva (2002) and Fombrun (1996), in that corporate reputation must fall within the domain of boards of directors.

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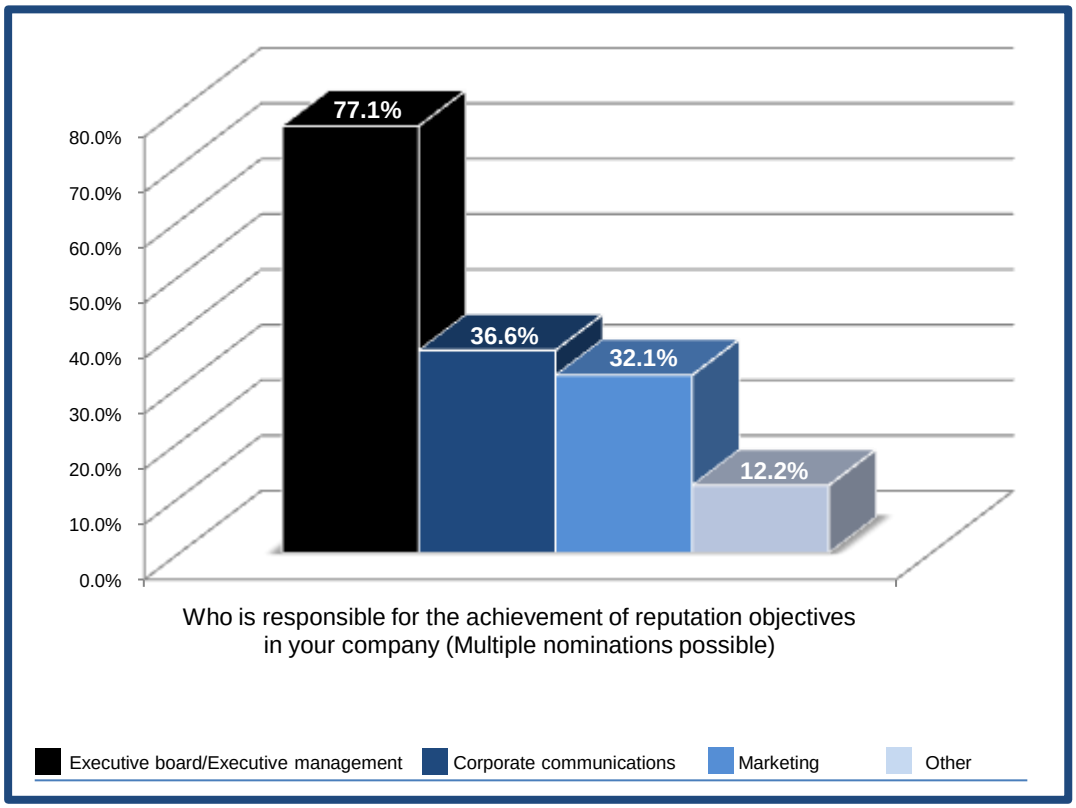
Figure 2.9: Executive responsibilities for corporate reputation



Source: Wiedmann and Buxel (2005)

Jagt (2005) noted that reputation management posed one of the major balancing acts in an executive's leadership role as directors were required to perpetually balance the interests of multiple stakeholders at the same time. Interestingly, Jagt (2005) went no further than posing the statement and did not explore the requisite balancing act required of executive leaders in dealing with such complicated constructs. Accordingly, whilst the role of directors and importance of corporate reputation were noted, directors were not provided with guidance in fulfilling their duties.

- **In summary**

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The complexity involved in directors evaluating risks posed to the business, which traditionally included, operational risks; capital risks; financial risks; social risks and intangible risks, had been exacerbated with the number of corporate failures in recent times having increased exponentially (Dowling, 2006). Directors also now had to deal with reputational risks (AON, 2009; Wiedmann & Buxel, 2005; Davies *et al.*, 2001; Fombrun, 1996).

Directors have been charged with the duty of custodianship over a company's reputation, arguably though without much direction, as to the manner in which this role should be fulfilled. Accordingly, a further analysis of the literature was required, which pertained to the manner in which directors built and managed corporate reputation, for the benefit of the company.

2.6 Building and managing corporate reputation

"Building and maintaining a reputation, takes careful thought, meticulous planning and constant work over years. And it can be lost overnight." (Larkin, 2003).

No doubt then, the loss of a corporate reputation raised significant executive concern and accordingly, Hall (1993) recommended that management should constantly manage and take heed of corporate reputation. This is not an occasional review of reputational risks facing the company but rather a constant monitoring of the surrounding environment.

O'Callaghan (2007) surmised that two factors had changed the game rules pertaining to the management of corporate reputation, and these dealt with the diverse jurisdictions that companies now operated in due to the phenomena of

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globalisation, as well as the fact that reputations were now viewed as valuable assets that could form the basis of competition. O'Callaghan (2007) further postulated that in such an age, reputations were simply lost or gained in accordance with the acts of a company.

If one then considered the acts of the company, Fang (2005, p. 2730) postulated that provided, "the present value of future income exceeds the short term profit" of actions to the contrary then firms would continue to build and manage their reputations. In the event that reputations were not taken seriously by the market or there were no consequences, the short term profit would outweigh the investment of reputation building. This could only prove to have been a gamble with the company's key valuable asset on the table.

O'Callaghan (2007) noted that reputation had become an asset of immense value and accordingly it required protection and so, not only did corporate reputation need to be built and managed, but there was also an element of the protection of reputation. As alluded to above one of the biggest challenges posed to corporate reputation was that most directors and senior management did not know how to define, measure, or manage corporate reputation (Alsop, 2004). If one cannot define, or measure, or manage an integral asset of the company, there is much cause for concern.

Winn, MacDonald and Zietsma (2008, p. 37) defined competitive reputation management as, "activities undertaken by a single firm to enhance its own reputation and competitive position *vis-a´-vis* other members of the industry." This reinforced the contention that a firm ignored the building and management of

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corporate reputation at its own peril, however it also introduced the relative nature of corporate reputation and accordingly an industry analysis would be necessary to start conceptualising the firm's required activities in this regard.

Fombrun and van Riel (2004) advocated for the active management of corporate reputations in order to derive maxim competitive advantage and to ensure that maximum value was created for the company. This was echoed in the recent findings of Puncheva-Michelotti and Michelotti (2010, p. 249-250), which demonstrated that in order to leverage of the substantial benefits that are a consequence of a good corporate reputation, companies must build corporate reputations, "in ways that contribute to their ability to attract customers, employees, investors and the support of local communities."

Corporate reputation must be built and managed proactively and the findings of Mackenzie (2007) indicated that companies have realised that non-compliance with socially responsible standards, were a risk to its reputation with all of its significant stakeholders. Mackenzie (2007, p. 935) listed recent examples of serious corporate infringements that included, "perceptions of the software companies complicity with human rights abuses in China; breaches of ethical expectations about sourcing in supply chains with labour problems; failures by oil companies to take due care to safeguard health and safety in refineries; exploitative marketing of financial services products; not to mention the dishonest and fraudulent practices associated with the wave of scandals following Enron", and noted that precious reputational assets were destroyed as a result. Stakeholder relationships were found to be hard to repair in the face of such flagrant reputational instances of breach.

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Wiedmann (2002) stated that integrative and long term concepts should be put into place within the framework of an integrative and purposeful reputation management plan and that the management of corporate reputation spanned across all areas of the business including finance; people; resourcing; distribution; and production.

Wiedemann (2002) sounded a call that, "There is as yet no substantial insight into the question of how companies implement the demands for the creation of integrated reputation management and which objectives and approaches are focused on in this context in corporate practice". A review of the literature evidenced that the passing of time had not provided much further guidance in this regard.

Such findings were supported by more recent studies such as Gabbionetta *et al*., (2007) and the authors stated that practical research dealing with the manner in which corporate reputations were built were still in an infancy stage. It is alarming to note that whilst the value of corporate reputations and the dire consequences were empirically evidenced in the literature, research on the management of the construct remained in infancy stage.

Not all was lost and Firestein (2006, p. 25) proffered some advice in that, "a company's approach must include structured engagement with investors, regulators, activist organisations, communities and the media." As most company information was collected by stakeholders via the media, it was acknowledged that management of the media was an important aspect of reputation management (Carroll, 2004).

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Coombs (2007) incorporated new forms of media, together with the traditional communication channels and included the internet, weblogs and blogs, as an additional important source of reputational management. By contrast Kim *et al*., (2007) found that a positive reputation in the media did not necessarily translate into corporate profitability. It no doubt influenced overall reputation and must accordingly form part of a reputation management plan.

It has been acknowledged that a company has a myriad of stakeholders to consider though Gabbioneta *et al.,* (2007) noted that different groups of stakeholders focussed on different dimensions of reputation and it was accordingly apparent that the components of corporate reputation was stakeholder specific. This did not make it any easier for the director attempting to build corporate reputation but did provide the realisation that identification of stakeholders may be an important first step in this building process based on the work of Gabbioneta *et al.,* (2007).

Stakeholders were comprised of any group of people that can affect or in turn be affected by the actions of an organisation (Bryson, 2004). Coombs (2007) noted that reputations were integrally comprised of the stakeholder's evaluation of the manner in which the organisation met stakeholder's expectations. In turn, Reichart (2003) introduced the concept of the stakeholder expectation gap, which was, he argued, the source of problems for most organisations. No matter the investment in corporate reputation, the strategy would fall short, if stakeholder's expectations of the firm fell short of the corporate reputation that the firm wanted to project.

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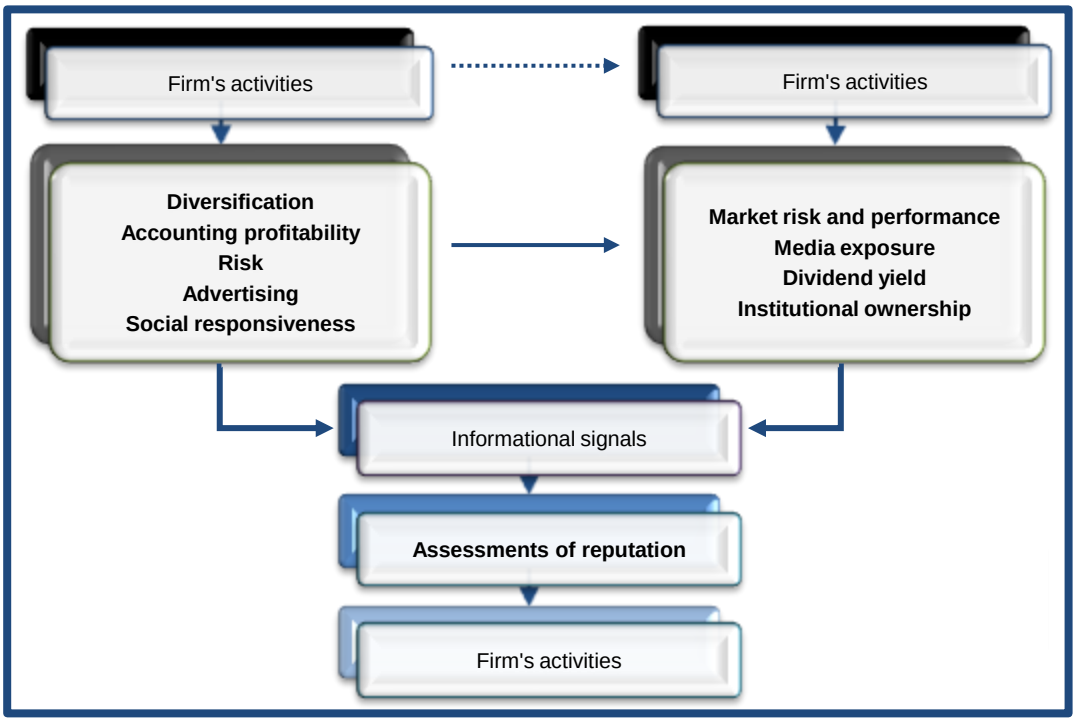
An early model of reputation building proposed by Fombrun and Shanley (1990), as depicted in Figure 2.10, indicated that the managers of firms could significantly have influenced the reputation of their firms by using market signalling mechanisms, specifically in the domains of marketing and accounting, institutional context; and firm strategy.

Figure 2.10: An early model of corporate reputation building



Source: Fombrun and Shanley (1990, p.236)

Whilst the signalling by firms was still relevant in current times, the firm was contextualised within a market with varied stakeholders whose perceptions formed the barometer of corporate reputation. Accordingly, the model in Figure 2.10, was no longer relevant taking into account the definition of corporate

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reputation used in this study and the multi-stakeholder environment in which the firms of today operated within.

When engaging with varied stakeholders, Pirson and Malhotra (2008) stated that the management of trust was essential, however due to its multi-dimensional nature and as there were many stakeholder groups; organisations had failed at the task. This supported the contention that building trust with a myriad of stakeholders in order to build corporate reputation was a vital role for directors that actively pursued the building of the company's reputation.

Pollock and Rindova (2003) submitted that the true nature of a firm was identified through various stakeholders receiving information from intermediaries that permitted the stakeholder to perform an assessment and arrive at a judgment regarding continued engagement with such firm. This was further supported by Gabbioneta *et al*., (2007) as they noted further that the nature of the company's relationships with its stakeholders, as well as the quality of the company's disclosure of pertinent information, contributed to the building and perception of the company's reputation. Directors therefore were required to review the company's communication assessments and disclosure levels to ensure that stakeholders were receiving factual, transparent and accurate information that informed such perceptions.

Pursey, van Riel and van den Bosch (2006) suggested that, the following elements of corporate reputation, which emerged from their study, was to be utilised by managers and top executives for the purposes of building and managing corporate reputation:

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- engaging in co-operative dialogue with relevant stakeholders
- presenting the organisational point of view favourably
- not avoiding organisational ownership of critical reputation threats
- communicating meaningfully with affected parties.

The findings of Petkova *et al*., (2008) demonstrated, that in the case of newly founded firms, the accumulation of reputation occurred by using symbolic activities; investing in both human and social capital; ensuring quality products and building close relationships with customers, as depicted in Figure 2.11 below.

Petkova *et al.*, (2008) stated that the findings would be similar for existing businesses launching new products or business divisions and that whilst the categories of reputation building are broad; these were critical steps for any business, which warranted future research. It is noted that the authors' study drew a distinction between building a localised reputation and a generalised reputation, based on the group of stakeholders that were engaged. Corporates, it was suggested, could have implemented a reputation implementation plan, by electing to focus first on its localised reputation.

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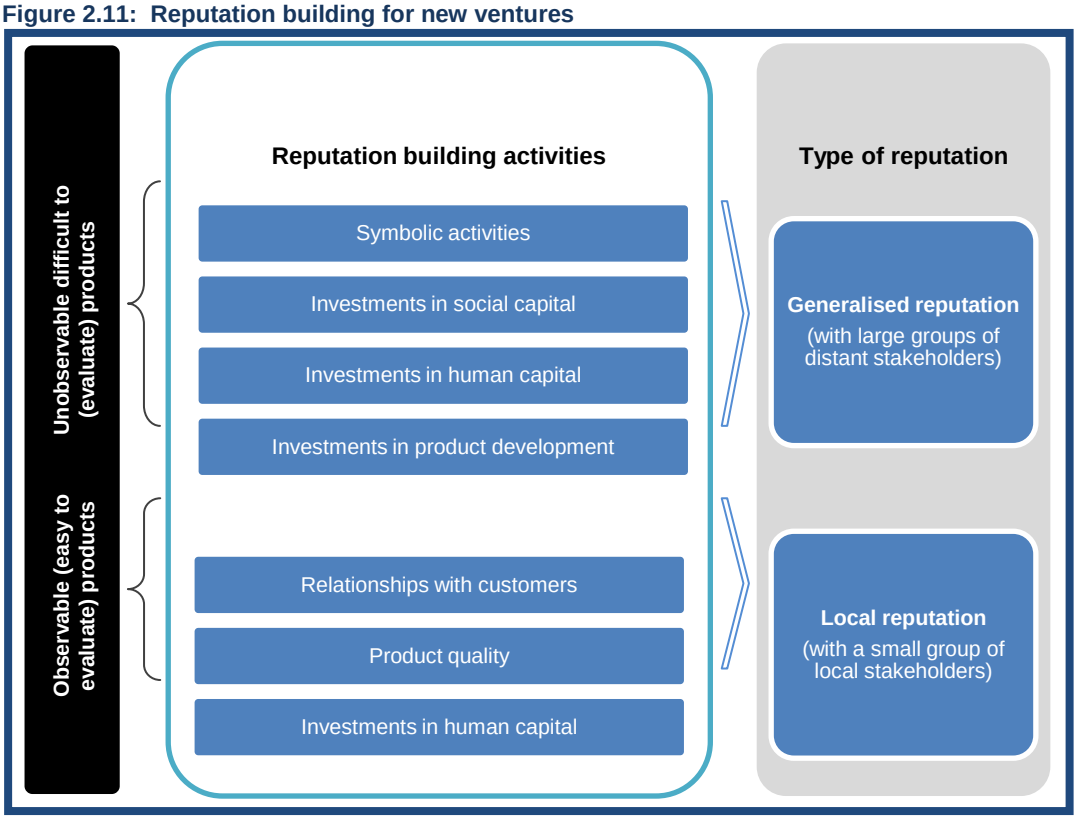
Figure 2.11: Reputation building for new ventures



Source: Petkova *et al*. (2008, p.322)

The building of corporate reputation was often attempted to be demonstrated by the movements in reputation rankings. Fombrun (2007, p. 146) noted that a proliferation of reputation rankings existed, as depicted via published ranking scales, and advised companies to conduct the following steps in tracking their firm's reputation:

- Step 1: identify the reputation landscape
- Step 2: assess changes in the company's ratings and rankings over time
- Step 3: compare against industry competitors
- Step 4: ascertain publication reach and readership
- Step 5: review and contrast ranking methodologies.

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Whilst the aforementioned steps provided some assistance to a company in determining its perceived reputation in the market place, it did not assist a company with accumulating reputation in order to move up the rankings. Further it proved to be a useful tool in gauging the publicly perceived growth of the corporate reputation but it did not assist on its own in building a corporate reputation.

Wiedmann and Buxel (2005), as depicted in Figure 2.12, advocated that reputation management was not a separate management category but formed part of corporate management and that, "with regard to the creation, consolidation and long-term securing of a sustainable corporate reputation, however the planning, implementation and control of an integral corporate image mix (corporate behaviour, communications and design) both internally as well as externally ultimately constitutes the centre of operative reputation management."

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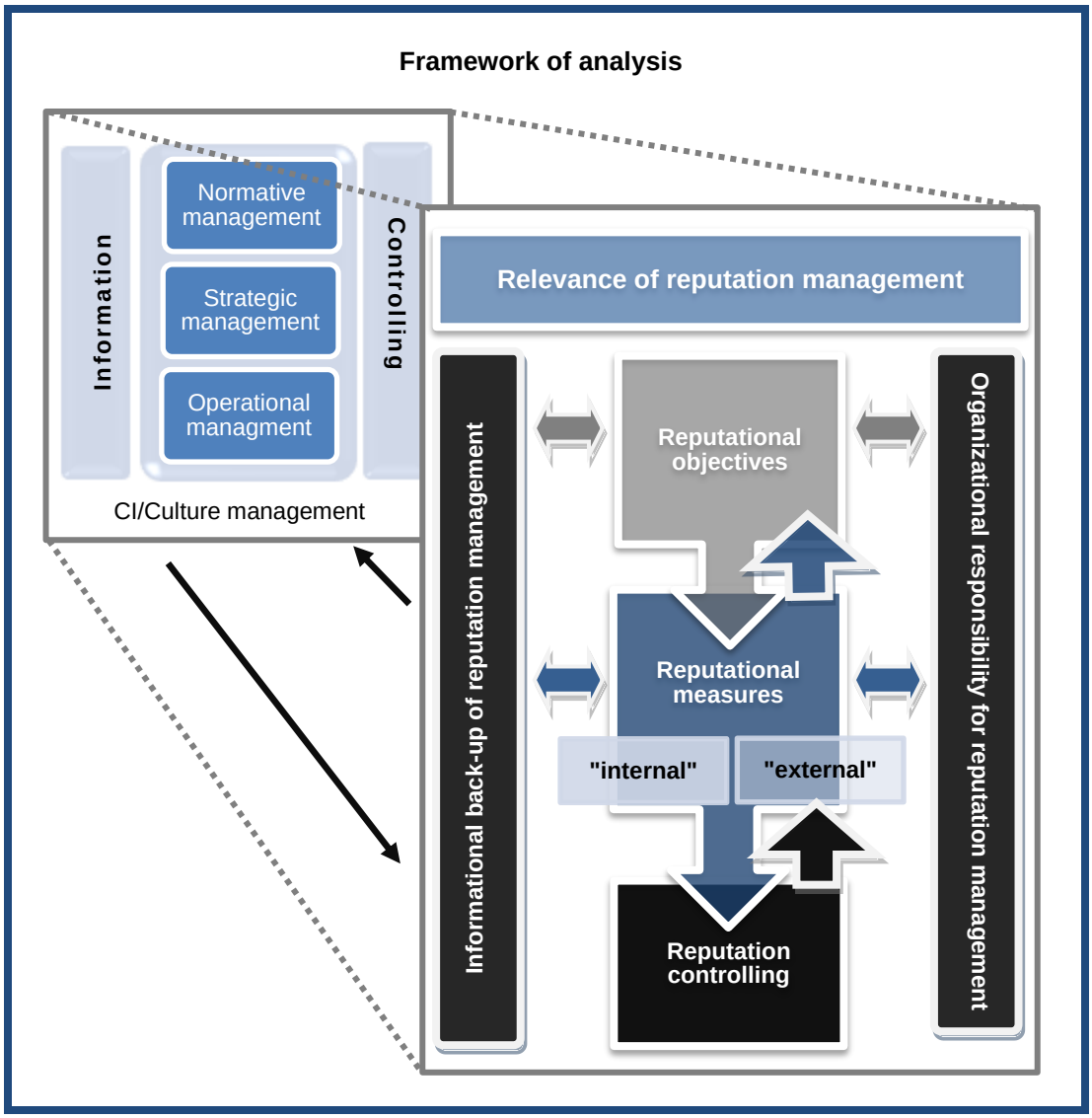
Figure 2.12: Framework for building corporate reputation



Source: Wiedmann and Buxel (2005)

Wiedmann and Buxel (2005) sounded the call for a more comprehensive analysis and investigation into the development and formalising of corporate reputation management in both the theoretical and practical domains. Puncheva-Machelotti and Machelotti (2010) further advocated that the management of corporate reputation included the establishment of suitable reputation measures although

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the authors noted that reputational measures had been the subject of much criticism as such measures had historically measured the perceptions of stakeholders rather the construct of corporate reputation itself. As a consequence much subjectivity prevailed and did not add clarity to the aims of distilling management requirements.

Mackanzie (2007) noted that boards needed to address two incentive problems in order to align manager's interests with the standards set by the board namely: incentives that arose from market failure and incentives that arose from the company's own policies and/or performance management systems. In relation to market failures, Mackanzie (2007) suggested that companies became involved in public policy issues and lobbied regulation and ensured that the internal incentives aligned the companies incentives with the company's policy on responsible behaviour which may mean short term trade-offs between profit and long term sustainability. Whilst foregoing immediate profits for long term maximisation of value drivers such as reputation may have displeased shareholders at implementations stage, it remained an imperative of the board and the company would deliver better performance in the long term (Mackanzie, 2007).

Courtright and Smudde (2009) argued that the role of writing conventions and communication genres had traditionally been ignored in the corporate reputation management strategy and proposed the model set out in Figure 2.13, based on genre theory, as a model to build favourable stakeholder perceptions of the corporate's reputation.

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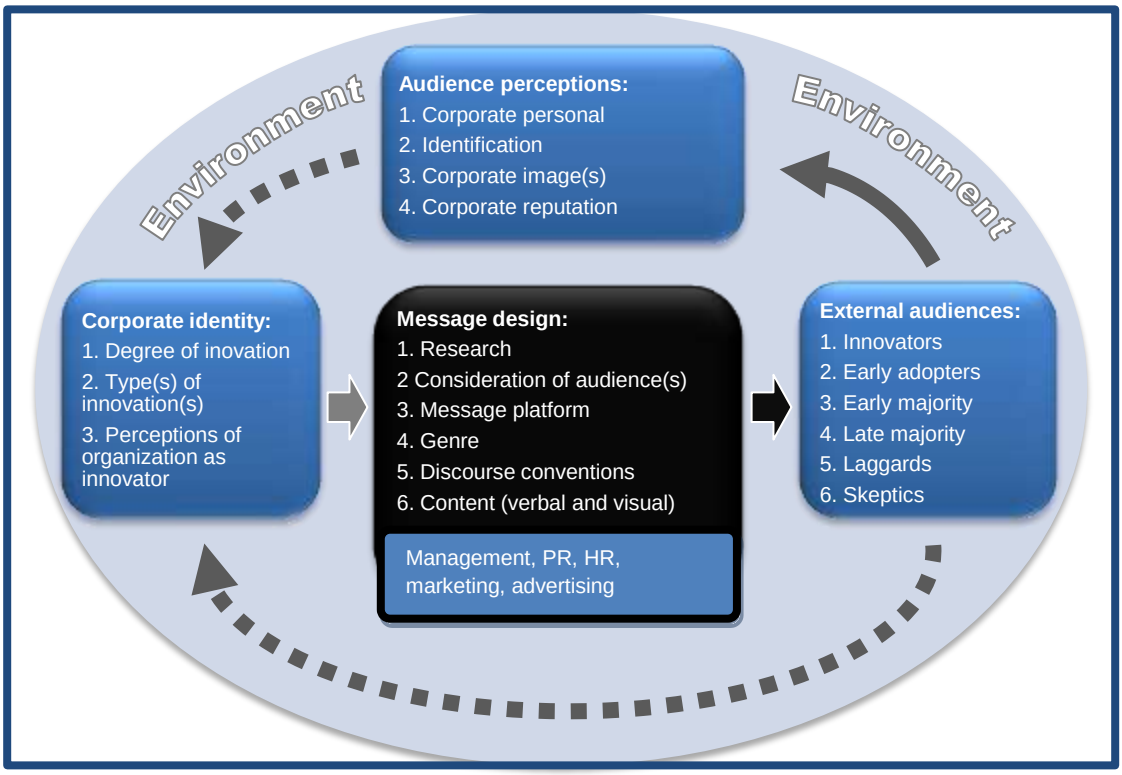
Figure 2.13: Model for corporate reputation building



Source: Courtwright and Smudde, (2009, p. 251)

Message design though was but one component and could be assimilated into a greater reputational building model. Further this model was contrasted with the findings of Kim *et al*., (2007) in that behavioural management was much more effective for reputation building than those of symbolic actions such as corporate communications that were intended to build an image of corporate action.

Kim *et al*., (2007) called for a better understanding of ways in which corporate reputation was built, particularly in light of its ability to impart competitive advantage and advocated two important approaches to reputation building namely: symbolic management and behavioural management based on the work of Grunig (2006) and Grunig and Grunig (1998). Kim *et al*., (2007) described the

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two approaches as characterised by symbolic management with an emphasis towards creating favour with the media and creating visibility with the media together with the behavioural management approach. In essence Kim *et al*., (2007, p.78), stated that "the best way to build good reputation is to manage a company's problematic actions rather than focusing on image moulding rhetoric". By contrast, the authors further noted the existence of previous studies that suggested that profitability was the main influence on reputation as opposed to reputation as the influence on performance (Kim *et al*., 2007).

Kim *et al*., (2007, p. 95) found that companies:

> *should direct their capabilities to building a behavioural management approach that emphasises strategic choices and proactive implementation of performance improvement. In other words by emphasising operational processes, innovative capabilities, and proactive strategies, a corporation directly and indirectly enhances the performance reputation and financial outcomes.*

Symbolic management is not completely disregarded but rather it serves as a complementary function and should be merged with behavioural management.

Kim *et al*., (2007) suggested that a comprehensive model of reputation-building as built incorporating exogenous variables that ensured a complete model of corporate reputation building.

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- **In summary**

If corporate reputations were not effectively built and managed, a loss of reputation and trust could lead to stricter scrutiny from regulatory authorities and society; reduced customers and investors and low employee morale (Dowling, 2006). Dowling (2006) made recommendations that boards better managed corporate reputation by:

- being well briefed about the creation of corporate reputations
- working together with the chief executive officer to develop a reputation enhancing strategy
- by placing corporate reputation on the board agenda
- consistently monitor the dimensions of corporate reputation by measuring the expectations and performance evaluation by stakeholders.

Dowling (2006) further found that three common themes emerged in the reputation building and management literature namely:

- good reputations were actually built from within the firm
- the relationship between the company and its stakeholder decided the reputation of the company and accordingly a company may have many reputations
- corporate behaviour spoke louder than corporate words even if this was only established in the long term. This particular finding was supported by the work of Kim *et al.*, (2007).

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The literature is not as prolific in describing the manner in which companies build and/or manage their corporate reputation, however there were sufficient studies to formulate a reputational building and management strategy that will be tested in the independent research, and set out in subsequent chapters.

2.7 Conclusion: The academic case for this study

As canvassed in the literature review above, various components of corporate reputation had been researched at varying depths and intensities. A profusion of literature existed in several areas and clear gaps were present in others, most notably in synthesising the literature to guide directors as to the manner in which they build and manage corporate reputation.

Accordingly, opportunities existed for the researcher to test those areas addressed by the literature and to supplement those areas of the literature that were inadequate in addressing a pivotal aspect of corporate reputation. Ultimately the researcher sought to supplement the literature by exploring the:

- the definition of corporate reputation to arrive at an academically supported and practically implementable definition of corporate reputation;
- dimensions that comprised corporate reputation
- value derived from building a sound corporate reputation;
- the role of directors in so far as it pertained to corporate reputation;
- manner in which directors build and leverage corporate reputation.

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Chapter 3:
Research questions

The research objectives set out in Chapter 1 centred on analysing the perceptions of executive directors as it relates to corporate reputation. Accordingly, the following research questions are posed:

3.1 In order to understand corporate reputation, an acceptable definition is required:

How do you define corporate reputation?

3.2 In order to eventually build and manage corporate reputation, clarity must be provided as to the dimensions of corporate reputation, which are the building blocks of corporate reputation:

What are the dimensions of corporate reputation required to build and manage corporate reputation?

3.3 In order to substantiate the need to build corporate reputation, its value to the firm must be explored and evidenced:

What is the value attributed to a good corporate reputation?

3.4 In order to build corporate reputation, there must be custodians of corporate reputation in the company:

What is your role, as director, in building and managing corporate reputation?

3.5 This research culminated with the research question:

How do you, as a director build and manage corporate reputation?

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Chapter 4:
Research methodology

4.1 Introduction

This chapter was premised on the basis of ascertaining the most suitable form of research methodology to be adopted for purposes of accomplishing the stated research objectives. The research objectives, as enunciated in Chapter 1 above, were to determine the manner in which directors perceive, build and thereby manage corporate reputation.

Chun (2005) commented that a proliferation of definitions, of the corporate reputation construct, had led to uncertainty in the selection of methodology best suited for the purposes of investigating the multi-dimensional nature of corporate reputation. This became evident upon a review of the corporate reputation literature with previous studies advocating qualitative paradigms (Petkova *et al.*, 2008); quantitative paradigms (Gabbioneta *et al.*, 2007) and mixed methods of research (Fombrun & Pan, 2006).

In addition there were many studies that replicated the rating scales that have been devised over the years, such as scales that rated companies as good or bad (Goldberg & Hartwick, 1990); ranking measures such as, America's Most Admired Companies survey conducted by Fortune Magazine (Fombrun & Shanley, 1990); the World's Most Respected Companies (Financial Times, 2000); the RepTrack™ Pulse (Fombrun & Pan, 2006); the corporate reputation scale devised by Davies *et al.*, (2001), based on the work of Aaker's (1997) brand personality scales; and the extensively used Reputation Quotient (Fombrun *et al.*, 2000).

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Fombrun (2007) noted in his attempt to review the most frequently utilised corporate reputation surveys the use of no less than 183 differing corporate reputation surveys that were currently in use globally.

4.2 The selection of a research methodology

Dennis and Garfield (2003, p. 297) pronounce that, "quantitative research is theory in search of data while qualitative research is data in search of theory."

As the research objectives were meant to determine the most suitable methodology of the study at hand (Du Plooy, 2001), a qualitative paradigm was deemed the most appropriate research methodology for purposes of delving into and accomplishing the stated research objectives. This rationale was further supported, in the main, from the observation that quantitative measures cannot be used to explain why one firm's reputation is stronger than another firm (Chun, 2005). Accordingly, a qualitative methodology was utilised for the purposes of this study.

Similar to the metaphors described by Kvale (1999, p. 3-4) the researcher set about this study as a miner who "digs nuggets of data or meanings out of a subject's experience" or a traveller that, "wanders through the landscape and enters into conversations with the people encountered."

Quantitative research which is meant to determine the quantity and extent of the outcomes in numbers (Zikmund, 2003) could not possibly have delivered the golden nuggets of data that would have facilitated the accomplishment of the objectives of this research. This was mainly attributed to the opinion that

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quantitative studies cannot accommodate for the exploration of individual interpretations (Du Plooy, 2001; Angelopulo & Barker, 2006).

Accordingly, as the research objectives set out in Chapter 1, are of an interpretative nature and based on the nature of this study, a qualitative enquiry must be adopted opposed to a quantitative enquiry (Puth & Steyn, 2000; Leedy & Ormord, 2001). As the researcher aimed to build on the literature by contributing to a greater understanding of corporate reputation, further support was garnered by the findings that the emphasis of qualitative research is on description, understanding and discovery.

4.3 Research design

As the nature of this research was to interpret phenomena, necessitating a partly exploratory, partly descriptive study in order to gain the deep insights sought, semi structured, in-depth interviews were conducted. Zikmund (2003, p. 130) described an in-depth interview as, “a relatively unstructured, extensive interview used in the primary stages of the research process”.

Face to face interviews were conducted with the target population of executive directors in order to ascertain their perceptions and experiences in relation to their own understanding of the construct of corporate reputation; the dimensions and value of corporate reputation; and the management of such dimensions in order to build corporate reputation. Prompting questions, as further detailed in paragraph 4.9 below, were used and were meant to address the major purpose of descriptive research which is to answer the, “who, what, when, where and how

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questions" (Zikmund, 2003, p. 55). These general questions were similar to the approaches adopted by early researchers in the field of corporate reputation (Fombrun, 1996) and more recent researchers who were still attempting to ascertain the answers to these fundamental questions within the field of corporate reputation (Hillenbrand & Money, 2007).

Hillenbrand and Money (2007) in their study, adopted a research methodology following the recommendations of stakeholder theorists and social psychologists, by selecting a target firm in particular, as the authors pronounced that they were able to gather richer data, when the sample is questioned on a target business as opposed to general firms. This provided the researcher with substantiation for the selection of a target firm for the purposes of this research.

Gabbioneta *et al.*, (2007) advocated further in support of utilising a target firm, as the basis for corporate reputation studies, as stipulated by earlier research (van Riel & Fombrun, 2002). Accordingly, a target firm was selected for the purposes of exploring director's perspectives of building and managing corporate reputation. The target firm selected was a multi-national company that is listed on the Johannesburg Stock Exchange. It operates in a highly competitive and specialised industry which is highly regulated.

The research was accordingly based on information compiled from semi-structured in-depth interviews with the target population of the target firm, based on a qualitative methodology which permitted the information to be analysed in order to "describe, decode and translate phenomena" (Kriek *et al*., 2009).

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4.4 Target Population

Zikmund (2003) described a target population as a selection of the general population based on a group with common characteristics. The target population selected was that of executive directors of a publicly listed company in South Africa. The target population had the following characteristics in common:

- Executive directors
- Listed companies

In addition, as a target firm had been selected, the target population was narrowed down further as the executive directors had to be on the board of the selected target firm.

4.5 Unit of Analysis

The unit of analysis for the purposes of this research study was an executive director of a target firm listed company on the Johannesburg stock exchange.

4.6 Sampling Technique

A purposive sampling was utilised, as this is often best suited, to the nature of qualitative research (Du Plooy, 2001). Zikmund (2003) defined purposive sampling as the researcher's selection of a common characteristic amongst the sample.

Chaim (2008) speaks of patterns of participation when engaging with respondents that are exposed to in-depth interviewing, as the pattern of willingness to be

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interviewed, to participate and speak openly. It is anticipated that this may assist in eradicating any sensitivities that the respondents may have had if approached without any prior dealings.

4.7 Sample Size

Leedy and Ormord (2001) state that an appropriate sample size for a qualitative study, of the nature proposed would range between five and 20 interviewees, or executive directors in the case of this study. As the sample size, in a qualitative study, is by necessity restricted, in order to obtain the depth of information required (Du Plooy, 2001), the researcher elected to interview only the directors of the target firm.

The target firm employs 14 executive directors. The researcher set about to interview all 14 directors however two of the directors were travelling out of the country at the time that the interviews were conducted. Accordingly the sample size in this study was 12 out of the 14 directors of the target firm, or 86% of the target company's executive directors.

4.8 Data Collection

Information was collected by means of face to face interviews with each respondent, in the privacy of a board room situated at the target firm and without any potential for distraction. Zikmund (2003) stated that the personal interview process has many advantages, such as the ability to clarify meaning, allow for feedback and two way communications. In addition non-verbal observations can

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be recorded by the interviewer throughout the interview adding an additional layer of detail to the data accumulated.

The interviews ranged between 40 minutes to 90 minutes. Interviewees were visibly more restrained in their engagement with the researcher at the start of the interview however the free word association technique utilised by the researcher, quickly made interviewees more at ease as they began to rattle off responses and become more comfortable.

The researcher compiled hand-written notes during each of the interviews (attached as Appendix 2) but noted only high level responses to each research question so as not to appear disengaged with the interview.

It was imperative through that all of the information be captured accurately and accordingly all of the interviews, except for one, were recorded by use of a dictaphone after receiving the consent of each interviewee. The interview transcripts are attached in Appendix 2. The one director did not seem completely at ease with the suggestion of recording the interview and accordingly the researcher suggested that the hand written notes would suffice and accordingly it was agreed not to record the interview.

4.9 Interview Guide

Henderson (2007) recommended that the qualitative researcher prepare a list of probing questions so as to ensure clarity and understanding of the information gleaned during the interview. Accordingly a list of prompting questions was prepared in the form of an interview guide and is attached as Appendix 3.

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Questions were generally open ended and posed for the purposes of the interviewees own discovery, so that the researcher had minimal input into the discussion. The onus rested on the researcher though to ensure the research questions posed in Chapter 3 were addressed and accordingly, the researcher made consistent use of the interview guide in all of the interviews.

As the facilitation of the interview is expedited by means of the interview guide (Zikmund, 2003), the researcher also included five questions that typically required a yes or no answer, followed by a request by the researcher that the interviewee expand on his answers. This was meant to ensure that the focus of the interview was maintained and that the data obtained was relevant to the study thereby ensuring the validity of the study.

As an additional precaution an interview matrix was designed, which matrix ensured that the probing questions listed on the interview guide, were linked to each of the research questions stated in Chapter 3 and accordingly facilitated the required data gathering. The interview matrix is attached as Appendix 4.

Zikmund (2003) advised the pre-testing of the interview guide and the researcher accordingly tested the questions contained within the ambit of the interview guide with a practitioner in the field of corporate reputation. The election to pre-test the interview guide, stemmed from the concern of the researcher, that the interview guide may have restricted the range and depth of the respondent's discussion and that rich data may have been lost, or in the alternative, the interview questions may have skewed the data provided and as a consequence, the findings of the results. The researcher was cognisant that open ended questions

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facilitated responses that questionnaires and limiting questions, cannot hope to capture (Du Plooy, 2001).

4.10 Data Analysis

The data compiled from the interviews were analysed in accordance with the inductive process and systematic stages outlined by Miles and Huberman (1994), as further expanded by Hillenbrand and Money (2007, p. 286), which comprise mainly of the, "preparation of written up field notes; qualitative clustering to identify trends in the data and the further analysis to identify high level themes and links between clusters." Hillenbrand and Money (2007) stated that the ability to cluster the data enhanced the understanding of the data, by grouping the data in terms of its similarity or evident patterns that may emerge, which in turn leads to the identification of the high level themes.

The relevance of the findings is dependent on the proper analysis of the data once gathered (Du Plooy, 2001). In order to conduct a thorough analysis the researcher commenced with grouping the high level themes recorded in the hand written interview notes. This entailed colour coding by way of highlighters and pens, the relevant responses into similar themes.

These results formed the skeleton of the researchers findings and detailed analysis of the transcribed interviews followed. The interviews were reviewed individually and then compared collectively in order to determine the salient themes.

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The researcher undertook several re-iterations of the process described above in order to ensure that the essence of the data had been captured and a reliable analysis was being undertaken.

4.11 Reliability of the research design

Yin (1994) stated that the reliability of the research design pertained to the ability to repeat the study and achieve the same results. The reliability of a research design can further be described by relating reliability to the ability to replicate the study in question (Du Plooy, 2001; Golafshani, 2003).

Babbie and Baxter (2004) acknowledged that a repeated study in a qualitative research design may very well be interpreted differently by a different qualitative researcher and accordingly the researcher must ensure that the observations and data, that are made the subject of the research, are reliable. In addition, Stiles (1993) stated that the evaluation of the trustworthiness of the observations and data are an imperative in order to determine the reliability of the research design.

Whilst this may be a significant cause of concern for the novice qualitative researcher, both Babbie and Baxter (2004) and Stiles (1993) propose techniques by which the qualitative researcher can enhance the reliability of the research design, which included the accurate description of the data collection and the resulting data analysis, both of which are to be rigorously conducted. Golafshani (2003) advised the detailed descriptions of the sample criteria, which facilitates the replication of the study by further qualitative researchers.

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4.12 Validity of the research design

Stiles (1993) described the validity of a research design with reference to the trustworthiness of the findings of the study and which entailed the re-iterative process of evaluating the conclusions that the researcher draws upon each subsequent reflection of the data. Golafshani (2003) related the validity of the research design to the accuracy of the findings and accordingly the researcher must mitigate against the possibility that the study does not set out to measure its stated objectives.

Accordingly, the researcher went through several reiterative cycles with the data collected to validate the conclusions drawn from each of the interviews. In addition, each of the interviews transcripts were further coded in terms of the research questions posed in order to ensure that the relevant information was drawn into the relevant themes.

4.13 Limitations of the research design

The researcher was cognisant of the following research limitations that pertained to the research methodology detailed above:

- As anonymity cannot be guaranteed in the interview process, the respondent may not be completely candid in answering sensitive questions as his/her identity is known to the researcher (Zikmund, 2003).
- The reliability and validity of the findings of the study may be called into question unless the researcher attempts to mitigate the risks as outlined above (Golafshani, 2003; Stiles, 1993).

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- The researcher's techniques may lead to interviewer bias, when elements such as tone of voice, engagement and in the event of rephrasing of questions, are interpreted by the respondent (Zikmund, 2003).
- The results of a qualitative study are judgmental and subject to interpreter bias (Zikmund, 2003).
- The results are suggestive rather than being definitive (Du Plooy, 2001).
- The limitation of the sample size precludes the generalisation of the findings to any other population (Zikmund, 2003).
- The results of in-depth interviews are difficult to interpret (Greenbaum, 1998).
- Fombrun (1996) recognises a methodological limitation in any instance that a single constituency is requested to rate the concept of corporate reputation. The target population would classify as a single constituency, as they were all directors of a company. Fombrun's assertions were supported by the recent findings of Puncheva-Michelotti and Michelotti (2010) who surmised that a study of a corporate reputation would be deficient if it only considered the views of one constituency as opposed to researching a cross sectional group of the company's stakeholders.
- The researcher is not formally trained to conduct research (Leedy & Ormond, 2001).

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4.14 In summary

The research objectives were supported by the choice of research methodology and the qualitative paradigm assisted in building on the richness of the current literature pertaining to corporate reputation. As stated by Mintzberg, (1979) the use of quantitative data may help us determine the various types of relationships, however it is only through the use of qualitative data, that the explanation of such relationships are determined.

As the researcher sought to explain relationships, the qualitative methodology was indeed the most suited to the task at hand and all interviews provided rich insights into the construct of corporate reputation, which are presented in the following Chapter 5.

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Chapter 5:
Results

5.1 Introduction

This chapter details the results obtained from the 12 semi-structured, in-depth interviews. The results are presented in relation to the general findings that emanated from the interviews and are presented under the general headings of the research questions posed in Chapter 3. A discussion of the results as compared to the findings within the literature will be presented in Chapter 6.

5.2 Responses

The target firm, that is the subject of this study, has a total of 14 directors on its board of directors. A total of 12 directors were interviewed. Two directors were travelling at the time that the interviews were conducted and therefore were unavailable to be interviewed.

5.3 Basic Demographics

All 12 interviewees are executive directors and are responsible for the executive management functions of a publicly listed company in South Africa. Their basic demographics are set out in Table 5.1 below.

Table 5.1: Interviewee demographics

Item	Category	Number	Percentage
Age	40-49	7	58%
	50-59	5	42%
Gender	Female	1	8%
	Male	11	92%

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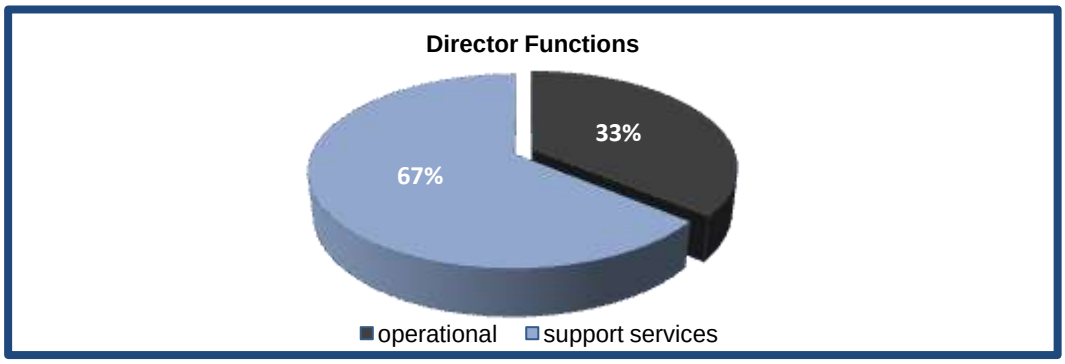
Whilst the underrepresentation of the female gender is noted, the researcher has not found any previous studies in the field of corporate reputation that purport any gender bias regarding the manner in which corporate reputation is built and/or managed.

The nature of the director's functional role in the organisation is also of relevance and of the 12 directors interviewed, four of the directors are considered as "operational" directors, meaning that they are directly in control of operations and revenue generating business functions. The remaining eight directors are considered to be in support services which operate predominately as cost centres and which are required to support the operational functions of the business. The split of operational and support services' are indicated in Figure 5.1 below.

Figure 5.1: Director functions



Support services at a directorate level include the directors of: legal services; compliance; corporate finance; new business development; human resources; internal audit; product development; and the chief financial officer. The distinction is made, as those directors that were involved in the actual operations of the business had somewhat divergent views from those directors that were involved

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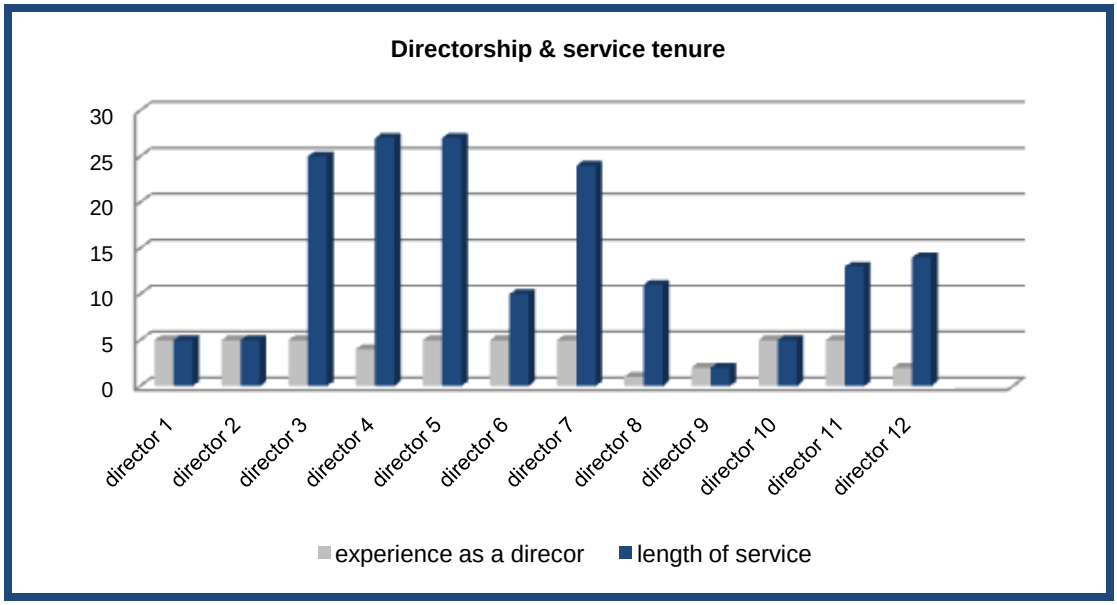
solely in the support functions of the business. These distinctions are referred to under the analysis of the results.

The directors had on average four years of directorate experience at the target company with individual lengths of tenure as indicated in Figure 5.2 below. Figure 5.2 further indicates the length of service in the company, as some directors have been employed in other categories before a directorship appointment. The distinction is made as even though the study is on directors it is interesting to note that the directors may have as a factor of their roles in the organisation, contrasting views and taking into consideration their total length of service have seen the company grow through many reputational phases, some good and some that could have resulted in a reputational crisis. In essence the interviewees have had sufficient tenure in the company to have a holistic view on the manner in which the reputation of the company had influenced the company over the years.

Figure 5.2: Length of directorship experience and service in the company



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5.4 Free Word Association

Each interview began with a free word association interview. This technique was used to prompt the director's thinking in terms of the meaning of corporate reputation, as an instinctive reaction.

Themes were evidently apparent, even through this simple exercise and the words that were described together with their frequency are listed in Table 5.2 below:

Table 5.2: Free word association on corporate reputation

Word Association	Frequency	Word Association	Frequency
Brand	3	**Integrity**	1
Company conduct	5	**Internal stakeholders**	2
Company persona	1	**Investors**	2
Confidence	1	**Memory**	1
Corporate citizen	2	**Over time**	3
Corporate culture	1	**Perceptions**	4
Direct & Indirect interactions	3	**Previous experience**	2
Ethics	1	**Reality**	2
Expectations	2	**Society**	1
External stakeholders	4	**Standing of the company**	2
Eyes of the public	1	**Trust**	1
Fibre or the spirit of the company	1	**Upstanding**	1
Intangible	2	**Promises**	3
Governance	1	**Behaviour**	6

Key
Corporate conduct | Ethics | Stakeholder expectations

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The results as set out in Table 5.2 are indicative of the responses to the first question of the interview. As the interviews progressed, many of the terms were refined and/or clarified, however it is meaningful to indicate the instinctive responses of the interviewees. The responses have been clustered into groups of similar terms to add value to its presentation.

5.5 A director's definition of corporate reputation

It can be seen as evidenced above, that corporate reputation means different things to the different interviewees. In order to clarify a precise understanding of the terms, the interviewees were then requested to compose their own definition of corporate reputation. The majority of the interviewees voiced their apprehension of attempting to define a term, which in their minds was quite broad, however several others were quite confident in defining what they believed corporate reputation to be. The definitions have been combined and clustered, as listed below, in Figure 5.3 for ease of reference.

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Figure 5.3: Definitions of corporate reputation

1	**Ethics and conduct** Corporate reputation is the ethics you live by, the brand you create for yourself, how you operate, treat your stakeholders, how you conduct yourself and and how you conduct business.
1	Its all about your behaviour, the perceptions that form from your behaviour, how you conduct yourself, you knwo the moral fibre, your code, your ethics.
2	**Stakeholder perceptions** The perceptions that stakeholders have of the company and how it performs its business and the type of business it operates in.
2	The stakeholders view of the company.
2	The standing of the company in the eyes of the public or society and the ambit of stakeholders, where the company mostly conducts its business.
2	A combination of factors which entails the brand, established through the media and through people's perceptions together with pre-existing reputation and experience as a customer together with the level of integrity, honesty and empathy displayed in our manner of engagement.
2	to be judged by our shareholders an peers, based on decisions made which affect business outcomes
2	it is the way that market treats and sees the company, whether its a reputable company and a company they want to deal with
1 & 2	The morale fibre of the company as perceived by collective stakeholders: how do you do things; how do you want to do things; what are your values; do you live up to your value.

Key:
1 Corporate conduct **2** Shareholder view **1 & 2:** Corporate conduct and shareholder view

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It is evident that there are themes which can be distilled from the free word association as well as the definitions provided in the interviews and this will be discussed in Chapter 6.

5.6 Ambiguity between reputation; brand; image and identity

A strong link to reputation was made via the brand connotation and many of the interviewees expressed the sentiment that brand and reputation were inextricably intertwined. Mention was not made of the corporate brand except in one of the interviews, whilst the majority of the interviews expressed the view that the brand in terms of its logo and marketing, were merged with the company's reputation.

Accordingly many interviewees stated that by driving the brand of the company, the company was driving its corporate reputation extensively. Whilst many of the directors, when asked whether the company image and/or identity equated to the company's reputation, were able to distinguish a difference there was confusion expressed and evident relating to the manner in which brand and reputation differed.

The ambiguity within the realms of distinguishing corporate identity; corporate image and corporate reputation was expressed by two of the interviewees as follows:

"We talk loose and fast, about protection of the company's image. What is protection of image other than reputation? It is no different. The image is out there, it is all about brand and I think we need to find the tentacles that suck it all together"

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"Reputation, identity and image of the company, I think it's so interchangeable, they are just so directly linked. I don't know how one would say the identity is different from the image of the company; it's different to the reputation - for me they are just so intertwined."

It is apparent that whilst the concept of brand can be clearly distinguished from corporate reputation, much ambiguity remains between the concepts of identity and image when related to reputation. This may prove to be an academic distinction in the minds of directors, as the findings demonstrate that reputation is the overall arching concept under which identity and image reside.

5.7 Dimensions of corporate reputation

Rich data was gathered in arriving at the basket of dimensions of corporate reputation and the interviewees were enthused to provide the dimensions that they believed were to be the focus of any corporate reputation management strategy. As stated by one of the respondents'':

So maybe as part of a board you say we've now got to look at reputation, you will look at the building blocks of what makes a good reputation and possibly, in fact I'd submit probably you would without that form or structure, you probably would have missed something.

The dimensions mentioned in the interviews are illustrated in Figure 5.4 below, and have been clustered into themes. The themes that became evident during this section of the directors' interviews pertained to corporate conduct; leadership; customers; financial performance; corporate governance and crisis management.

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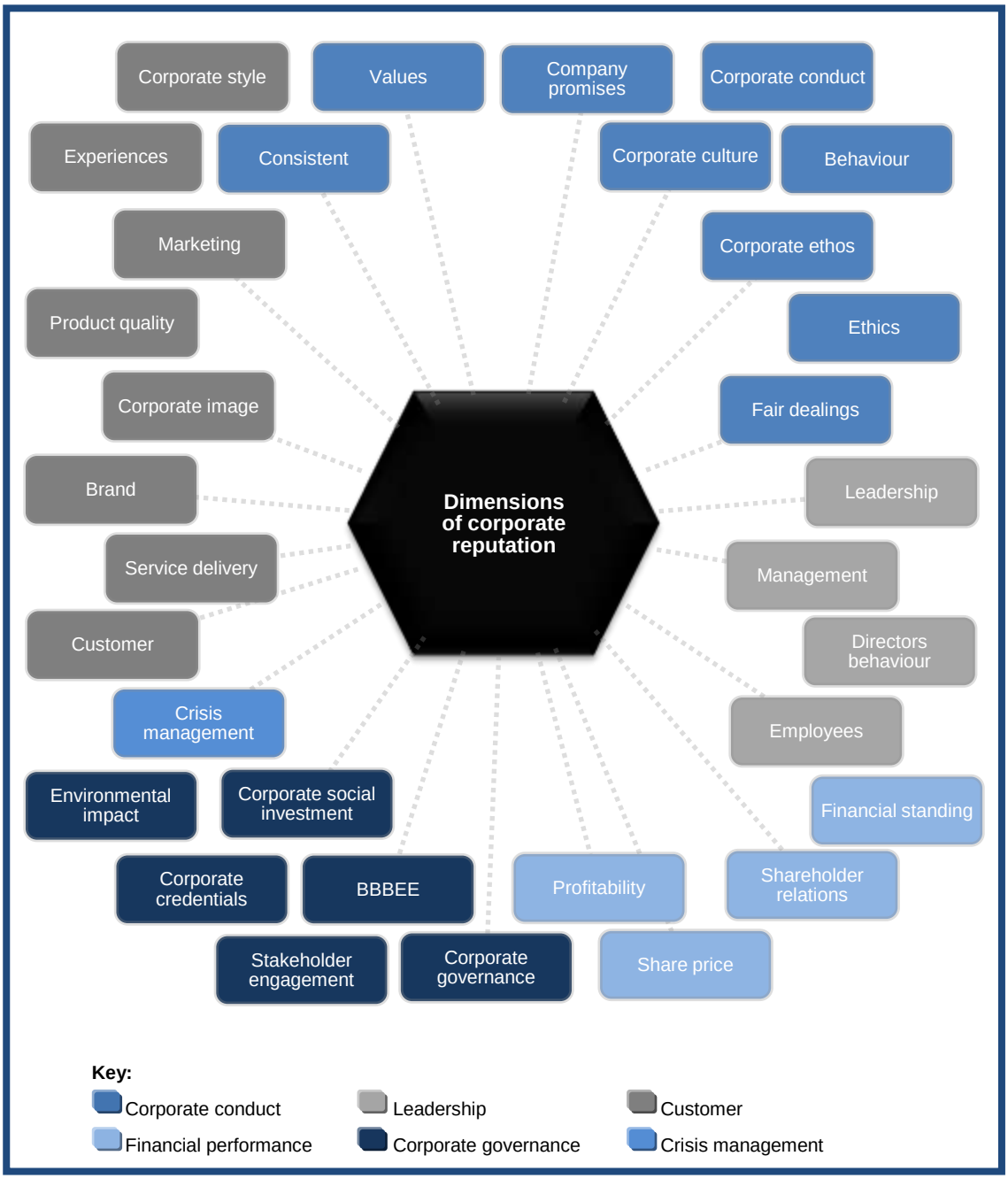
Figure 5.4: Dimensions of corporate reputation



As is evident from Figure 5.4 above, directors have many different perceptions of the dimensions that comprise corporate reputation. In some instances, it is clear that the interviewees were not clear about the distinction between the dimensions

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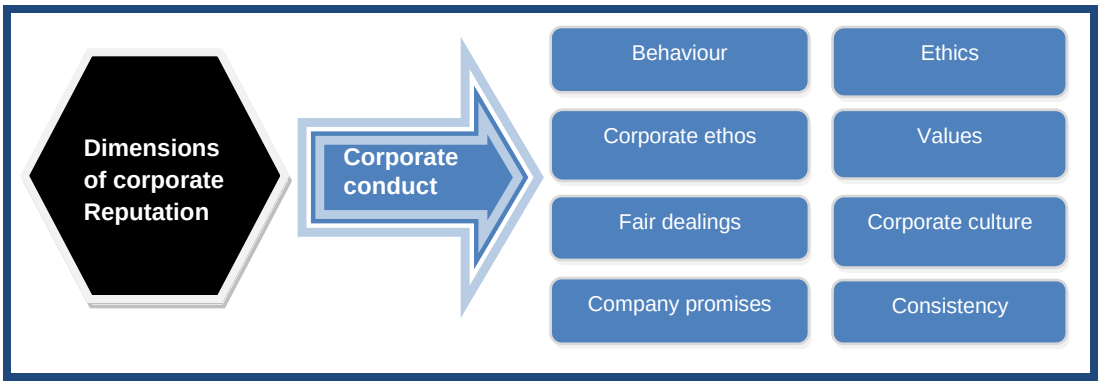
of corporate reputation opposed to the consequences of corporate reputation. By way of example, is a strong performing share price a component of corporate reputation or a consequence of corporate reputation?

In order to analyse the results pertaining to the dimensions of corporate reputation the findings depicted in Figure 5.4 above are dis-aggregated further to categorise the main dimensions.

- **Corporate conduct as a dimension of corporate reputation**

Most of the interviewee's referenced corporate conduct, as based on a set of values; code of conduct; code of ethics or based on the corporate culture as the truest indicator of a corporate's reputation. This was addressed in various forms and if we adapt the findings of Figure 5.4 by selecting those variants of the company's conduct, then Figure 5.5 indicates the various dimensions associated with the company's conduct.

Figure 5.5: Corporate conduct as a dimension of corporate reputation



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As indicated by one director:

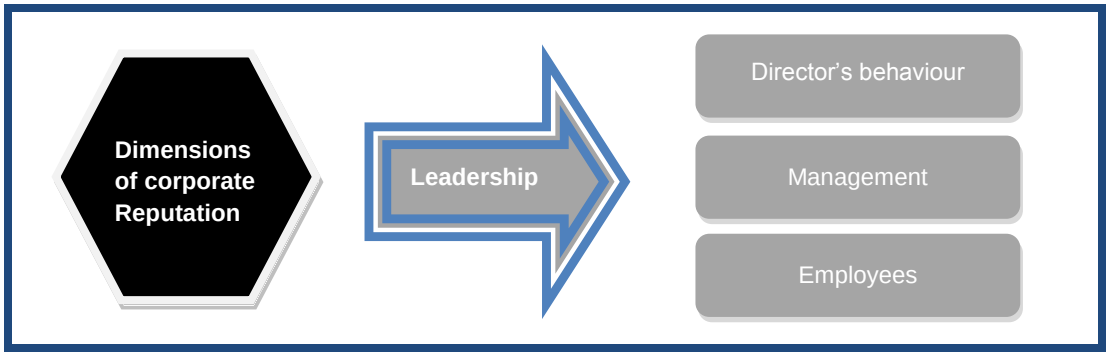
"It all comes down to the moral fibre of the company: how do you do things; how do you want to do things; what are your values; do you live up to your values. Now those types of things you can manage, you have codes; you can have a value set, you can have an expected behavioural set."

Another interviewee simply put that corporate reputation is an output an of an organisation's behaviour, whilst yet another commented that the company conduct is an integral indicator of whether or not the company delivers on its promises.

Consistency and fairness was often cited by interviewees when referencing the type of corporate conduct that is expected to be associated with a good corporate reputation and fundamentally at the heart to this conduct was the values and ethics of the organisation. This could be identified by the corporate culture and the behaviour of the people within the organisation.

- **Leadership as a dimension of corporate reputation**

Figure 5.6: Adapted from the dimensions of corporate reputation



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The most cited dimension of corporate reputation was the company's leadership and its people. This was cited by all interviewees in various categories, be it leadership, management, or employees of the company. The directors of the company unequivocally in all instances stated that the main determinant of the corporate reputation rested on the foundation of the company's leadership and its people.

Some interviewee's opinions indicated that this was the reason for making corporate reputation as perplexing as it seemed, as the company's reputation could be marred by the act of a single individual. Many of the interviewees' referred to the recent reputational crisis faced by Beyond Petroleum ("BP") and voiced their opinion that the fundamental nature of the company had not changed even though the chief executive had not managed the situation appropriately. It is of concern to the interviewees that a hard built reputation can be tarnished if not destroyed over one particular incident. As stated by one of the directors:

"Reputation needs to be earned, can't be bought, can be destroyed quite quickly and if there are problems it needs to be managed effectively."

Another director commented as follows:

"Each action of an individual that carries the power to make decisions that affect a corporation must bear in mind the reputation that is going to follow."

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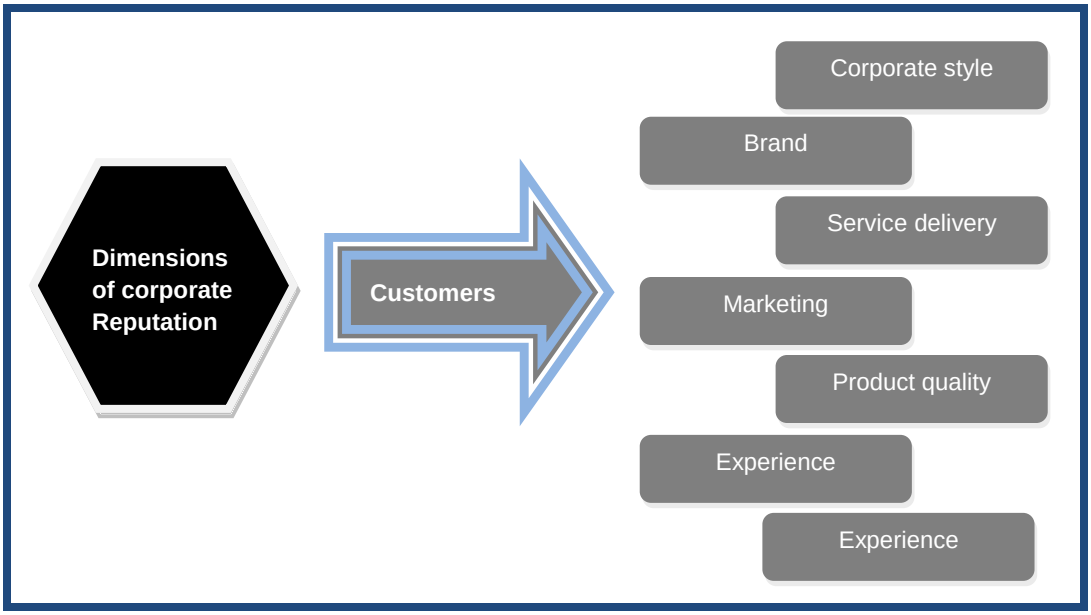
Directors were cognisant that the people referred, as an important dimension of corporate reputation, included their own conduct and as remarked on by one of the directors:

"The caretakers of that (corporate) reputation are the executive directors and executive management because they are the ones actually engaging the stakeholders. So the board needs to manage how they conduct business, live up to the values of the business."

Interestingly only one of the interviewees categorised service providers of the company to sit within this realm, as in the age of outsourced services, especially, the interviewee noted, in the services industry, your service providers were often the front of the company that many customers were facing.

- **Customer engagement as a dimension of corporate reputation**

Figure 5.7: Customers as a dimension of corporate reputation



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Interviewee's discussions clearly indicated that without adequate customer engagement there would not be a business and accordingly your corporate reputation would be of little help, if the focus and drive on product and service delivery together with the brand promise was unfulfilled.

One of the interviewees stated that value for money irrespective of quality and service delivery may outshine reputation as a precursor for deciding whether the customer will elect to do business with a company with a less reputable corporate. He cited Tiger Brands as an example, where irrespective of the company's recently tainted reputation as a result of price fixing, customers still engaged with the business and still bought their products over competitors as the products were perceived as better value for money. This perhaps could be explained by a fellow interviewee's comments that:

"If you've got a good long term reputation you can get away with mistakes and people accept it's not in your nature. But whereas if you continue doing them and not acknowledging them you damage your reputation in the long term."

This view was supported by many of the interviewees, and expressed such as the comment that follows:

"I have no doubt, that if I had a previous good experience with company x and on a given occasion there is bad service delivery, I would take the time to find out why. There would be more compassion, whereas with a new entrant, I would just not bother to go back."

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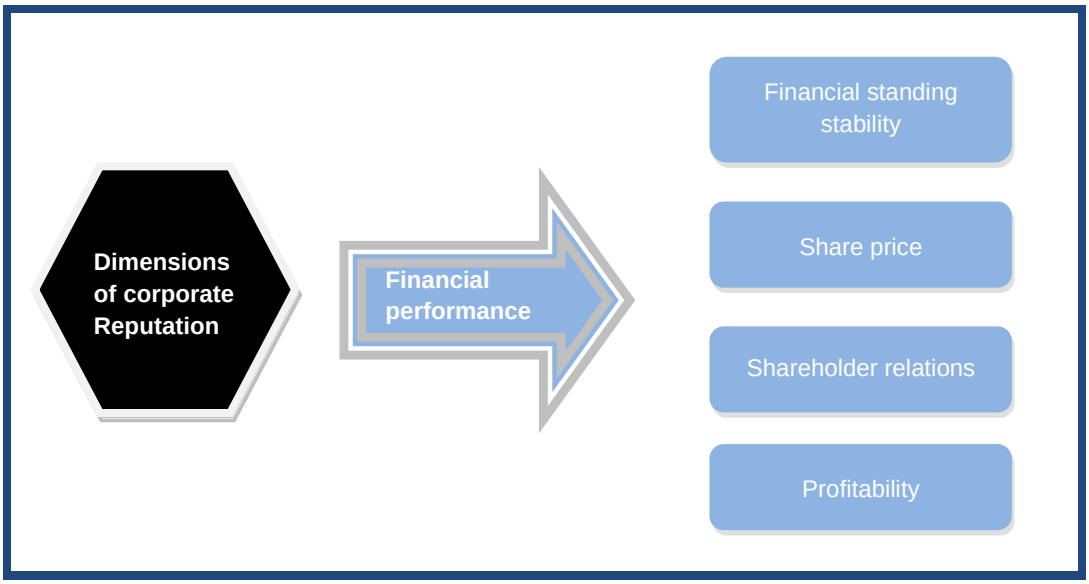
- **Financial performance as a dimension of corporate reputation**

Figure 5.8: Financial performance as a dimension of corporate reputation



Whilst financial performance of the company, was cited by many of the interviewees, it was noted cited by all. Those that did cite financial performance as a dimension were significantly vocal that financial performance significantly determined the company's reputation and were largely in the support services category of directors. The interviewee's stated that investors were the most active of all the company's stakeholders in the South African context and accordingly, the financial performance of the company was a key element.

Most directors emphasised though that long term financial performance was the measure in question and it no longer sufficed to deliver on short term financial goals to win the confidence of investors. Some of the interviewee's responded that by enhancing the share price of the company, one influenced the reputation of the company. Others volunteered that the share price was an indicator of the

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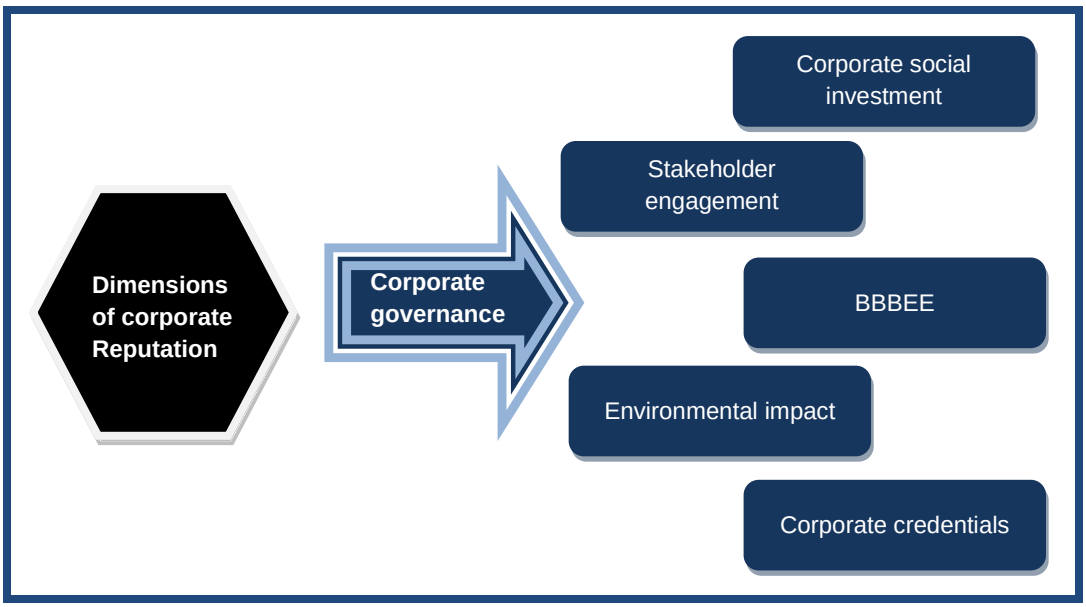
market's signal on the reputation of the company. By contrast one of the interviewee's expressed his view that:

"The blip in the share price is not a measure of the wide spread perception of your reputation, it's driven by speculators."

Profitability for other interviewees was key and again the point was made in the interviews that a strong reputation will not salvage a company that has not turned a profit for some time.

- **Corporate governance as a dimension of corporate reputation**

Figure 5.9: Corporate governance as a dimension of corporate reputation



Many of the interviewees acknowledged that good corporate governance was a pivotal dimension of corporate reputation. The far reaching emphasis of governance was indicated by the many detailed comments regarding stakeholder

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engagement; transactions that could potentially give rise to environmental concerns and in general the company's corporate social investment programs. It was opinioned that the company could significantly enhance its reputation, particularly with those stakeholders that it did not interact with directly, by investing in local communities and supporting programs such as enterprise development.

As the company had recently done work in the field of stakeholder engagement, the interviewee's were vocal in terms of the influence of stakeholders on its business and not only in regards to the company's reputation.

One of the interviewee's also included broad based black empowerment as a dimension of the company's reputation. He submitted that in the context of the South African environment, the uniqueness of black empowerment obligations on corporate South Africa were instrumental in shaping the perception of the company' reputation.

Another interviewee alluded to the necessity of possessing the right corporate credentials in South Africa, in order to ensure a level playing field and in this regard, referenced the ability to participate in government tenders or even at a basic level to meet the legislative requirements relating to qualifying for such tenders. This was again a reference to ensuring that the company's black empowerment rating is in order.

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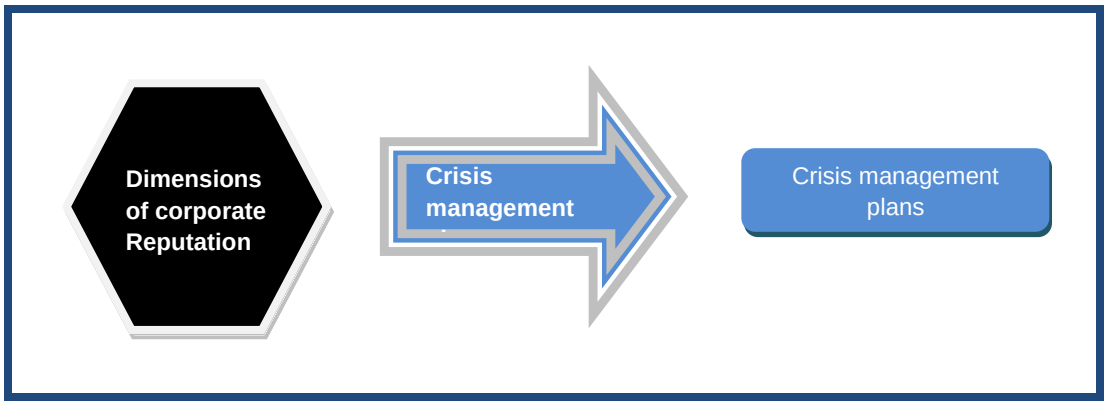
- **Crisis management plan as a dimension of corporate reputation**

Figure 5.10: Crisis management plan as a dimension of corporate reputation



One of the interviewee's was particularly vocal that a crisis management plan had to form a dimension of corporate reputation. Whilst crisis management was referenced by a few other interviewees' it was not specifically included as a dimension to corporate reputation. The said interviewee expressed the view that whilst most companies inadvertently address each of the possible corporate reputation dimensions whether they are actively doing so or allowing it to passively occur, this particular dimension of reputation is the often missed building block of corporate reputation. If you do not have a plan to save your reputation, should a mishap face the company, all efforts on the other dimensions become irrelevant.

- **In summary**

The dimensions of corporate reputation as perceived by the interviewees have been consolidated and reported on above. There is certainly a broad understanding of the dimensions of corporate reputation however it is noted that

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there may be the opportunity to clarify between the antecedents and precedents and to compile a list of the dimensions that have universal acceptance.

5.8 The value of corporate reputation as a competitive advantage

All directors interviewed believed that corporate reputation was of value to any company, although it was interesting to note that whilst the value was acknowledged, directors had different views on whether corporate reputation offered a competitive advantage. As enunciated by one of the directors:

"our customers go to where the value is, they don't think, okay I am going to go to X company because their reputation is better, Is an excellent reputation better than a good reputation, what's the differentiation? "

This is supported by the view of a further director who stated that:

"Competitive advantage is a bit of a tricky subject. It can give you probably a greater disadvantage, if you have a negative."

In contrast, the majority of the interviews saw a competitive advantage that included elements such as return business; increased investor confidence; loyalty of customers and employees; staff retention; new business; ability to attract new employees and the ability to weather reputational infringements better, when one has built a good reputation.

One of the respondents' relayed an incident where the target company moved a substantial part of its supply chain to a new company, when the executive director changed companies, due to the reputation of the person they were dealing with.

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They trusted in the reputation of this person and accordingly the company, to such an extent, that the business was moved and this in the mind of the respondent was a tangible value that the company benefited from as demonstrated from the comment below:

If I have a look at the big ... companies we purchase from. One of them we purchase from due to the character that runs it, not the product. Because we have absolute and total trust in the character because if it goes wrong, the trust is so ultimate that we know he will fix it, even if it means his job. That says that in one way it (corporate reputation) *has got value, it brings returns.*

5.9 Building and managing corporate reputation

Interviewees were asked some basic yes/no questions under this research area and the results are reported below. The respondents clearly believed that corporate reputation should be specifically managed in order to derive the perceived advantages.

The respondents were not so clear that corporate reputation could be managed and as there was no qualitative measurement in the minds of directors, there was no need to attempt to measure reputation.

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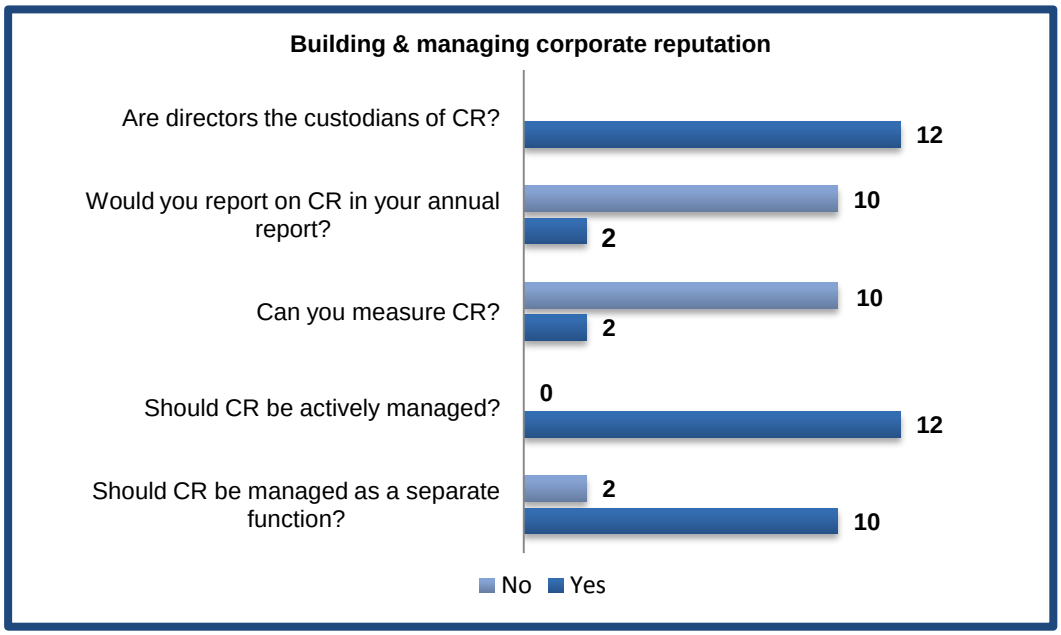
Figure 5.11: Building & managing corporate reputation



The information supplied from the interviewees was varied with regards to the manner in which directors build and manage reputation. Whilst respondents unequivocally acknowledged that directors were the custodians of corporate reputation, the majority of respondents drew a distinction between their roles as custodians and the responsibility of all employees to maintain and protect the reputation of the company. As stated by one respondent:

I think its a message that's got to permeate through the organisation and each individual has got to do their bit to making sure that they add up to the reputation of the company. I don't think it can be placed with one person.

In addition, each of the respondents had differing submissions as to the manner in which corporate reputation could be built. The material submissions that were expressed by the respondents are represented in Figure 5.12 below. The responses have been themed dependant on their commonalities.

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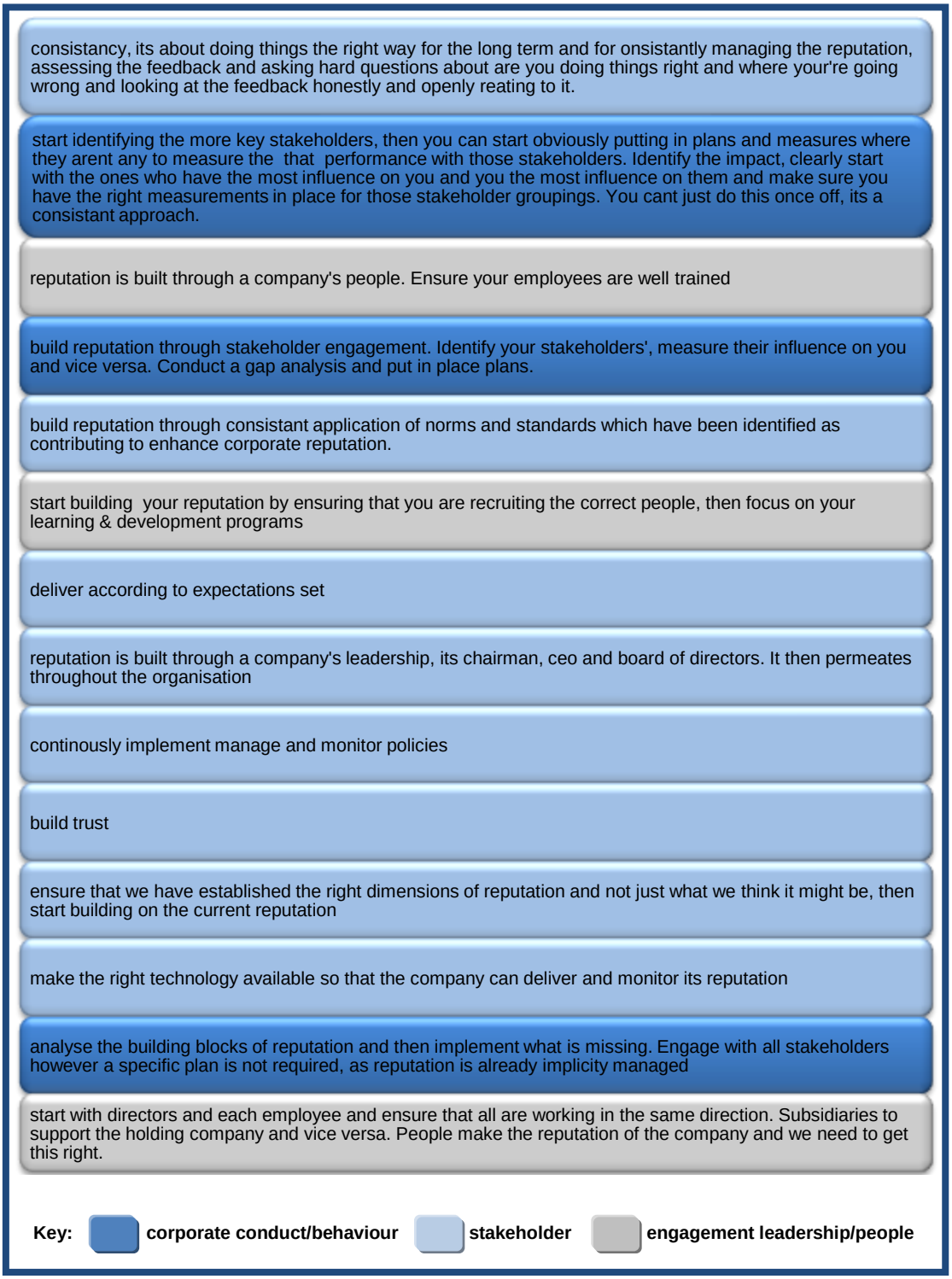
Figure 5.12: Recipe to build and manage corporate reputation



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Corporate conduct is the overwhelming theme proposed by directors for the building and management of corporate reputation. This is followed by an equal number of responses that can be categorised into stakeholder engagement and the leadership and people element. It is evident that the conduct of the company must be supportive of reputation building and consistency of its actions must be maintained.

Flowing from the dimensions highlighted previously by the respondents', the culture of the organisation and the importance of its people were highlighted by the following comment made by an interviewee:

If that message does not permeate throughout the company you can have people at the bottom really sabotaging your reputation, irrespective of what the board says. Its like a culture, its something you have got to instil, that you have got to make sure it exists, that you've got to be punitive and decisive when its transgressed.

5.10 Conclusion of results

It is interesting to note that the majority of directors indicate that whilst the King III Report (IOD, 2009) has introduced corporate reputation as a formal agenda item for the first time, it is certainly not a new concept in the mind of directors. Many believe that corporate reputation is an implicit connotation to the way in which business is run and some are of the view that corporate reputation should remain as such. The rationale for this view is that by making this an explicit

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management function, it might actually become a compliance exercise rather than a substantive one.

In support of this view, many of the interviewee's believed that by demarcating reputation as a separate management item, other management may feel that responsibility for this critical asset has been abdicated to a particular office and therefore it will no longer permeate throughout the organisation. By contrast some of the directors voiced their opinions that by not managing corporate reputation as a specific management function, it remains fragmented throughout the business without being leveraged for the advantages that it may bring, if there is specific focus placed on the management of corporate reputation.

The majority of interviewees believed that if a home for corporate reputation had to be found, it was most likely to reside with the chief executive officer. All of the interviewees were quite vocal about the fact that Public Relations or Marketing, could be facilitators of corporate reputation but could not be charged with custodianship. All of the interviewees likewise expressed an opinion that they were comfortable with being charged as the custodians of corporate reputation but were divergent in their views of what this specifically entailed. Some were comfortable that this was indirectly taken care of by the very nature of business operations whilst some expressed the view that this custodianship had to be elevated into a more formalised strategy.

A discussion of the findings of the researcher that emanated from the interviews as compared to the findings presented in the critical review of the literature contained in Chapter 2, follow in Chapter 6.

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Chapter 6:
Discussion

6.1 Introduction

This chapter sets out the discussion pertaining to each of the research questions posed in Chapter 3, by comparing and contrasting the findings that emanated from the critical review of the academic literature, as set out in Chapter 2, with the empirical findings that emanated from the interviews with executive directors as addressed in Chapter 5.

The structure of this Chapter 6 follows the sequence of the research questions as set out in Chapter 3, which for ease of reference, are cited below:

Research question 1:

How do you define corporate reputation?

Research question 2:

What are the dimensions of corporate reputation required to build and manage corporate reputation?

Research question 3:

What is the value attributed to a good corporate reputation?

Research question 4:

What is your role, as director, in building and managing corporate reputation?

Research question 5:

How do you, as a director build and manage corporate reputation?

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6.2 Addressing research question number 1:

How do you define corporate reputation?

In terms of the literature review presented in Chapter 2, the researcher had synthesised the various definitions of corporate reputation as proffered by academia to arrive at the following definition of corporate reputation:

> the sum of the perceptions of a corporate's past actions; current performance; and future prospects that results from the corporate's ability to deliver valued outcomes to multiple stakeholders and gauges a corporate's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (adapted from Fombrun & Rindova, 1996; Wiedmann & Buxel, 2005; Walker, 2010) which translates simply into what the company is seen to be (Whetton & Mackay, 2002).

This definition was subsequently tested in terms of the qualitative data gathered from the interview sessions with directors. The qualitative data provided insight into the directors' understanding of corporate reputation which distinctly focused on comprising elements of ethics, corporate conduct and stakeholder perceptions. There was a clearly demonstrable appreciation by all interviewees that corporate reputation was influenced by past corporate conduct and current performance of the company as adjudicated by internal and external stakeholders of the company. The empirical data gathered provided support for the synthesised definition sourced from the literature review except in one instance, as addressed below.

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The glaring omission from the information gathered from the interviews pertained to the exclusion of the future prospects of the company as an instrumental component in shaping the company's corporate reputation (Walker, 2010). A plausible explanation could be that the elements of the future prospects of the business was tacitly implied by the definitions gathered from the interviews, as the long term prospects of the company were briefly mentioned by a minority of the interviewees. This may also be implied by the respondents' mention of the company's necessary financial disclosures together with the governance requirements for sustainable business practices in building corporate reputation. However none of the directors interviewed specifically mentioned the future prospects of the company when contemplating the meaning of corporate reputation. It is submitted that the future prospects of the company is an integral element that comprises the definition of corporate reputation, for the reasons further expounded on in Chapter 2 above.

The central findings pertaining to corporate reputation, as referenced in the academic literature review, revolved around the clustering of definitions into three main clusters namely: the asset cluster; the assessment cluster and the awareness cluster (Barnett *et al*., 2006). It became apparent from the interviews that the majority of the respondents defined corporate reputation as straddling between the assessment and awareness clusters. The respondents' views, as expressed, did not negate the asset cluster completely however the perspectives' of the directors were largely skewed towards the assessment cluster which holds that corporate reputation is an evaluation of a company over time as assessed by

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its stakeholders (Larkin, 2003; Llewellyn, 2002; Mahon, 2002; Wartick, 2002; Gotsi & Wilson, 2001; Rindova & Fombrun, 1998; Fombrun & Shanley, 1990).

- **In summary: research question 1**

The perspectives' of directors, as evidenced by the findings of the interviews, supported the proposed definition that was adapted from the literature review, except for a specific reference to the future prospects of the company (Walker, 2010). In addition there was a strong sense from all of the interviewees that morals, ethics and values were strong constituents of the definition of corporate reputation. It may be argued that this is implied in the proposed definition by the inclusion of the term, the "corporate's relative standing", which is broad enough to incorporate the corporate citizenship dimension that has been considered an integral aspect of corporate reputation (Fombrun & Pan, 2006; Fombrun, 2007). It is noted though that the implied meaning may not be sufficient for directors.

The definitions of corporate reputation as sourced from the academic literature and the empirical findings, are demonstrated in Table 6.1 below:

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Table 6.1: Definition of corporate reputation

Definition of corporate reputation	
Academic literature	**Empirical findings**
the sum of the perceptions of a corporate's past actions; current performance; and future prospects that results from the corporate's ability to deliver valued outcomes to multiple stakeholders and gauges a corporate's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (adapted from Fombrun & Rindova, 1996; Wiedmann & Buxel, 2005; Walker, 2010) and which translates simply into what the company is seen to be (Whetten & Mackey, 2002).	the sum of the perceptions of a corporate's past actions and current performance; that results from the corporate's ability to deliver valued outcomes to multiple stakeholders and gauges a corporate's values, moral and ethical standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (adapted from Fombrun & Rindova, 1996; Wiedmann & Buxel, 2005; Walker, 2010).

The researcher is of the view that the assertions of Walker (2010) regarding the future prospects of the company cannot be omitted from the definition of corporate reputation. Indeed, the very essence of the sustainability of the firm, as further alluded to by Firestein (2006) considered that the firm must have prospects for survival in order to have a sound reputation and it is submitted that whilst the interviewees did not use explicit terminology, the data supported the view that the long term sustainability of the business is an imperative and must be taken into consideration.

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Therefore the researcher proposes a combined definition encompassing the findings of both the academic literature and empirical research as follows:

> the sum of the perceptions of a corporate's past actions; current performance; and future prospects that results from the corporate's ability to deliver valued outcomes to multiple stakeholders and gauges a corporate's moral, ethical and financial standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (adapted from Fombrun & Rindova, 1996; Wiedmann & Buxel, 2005; Walker, 2010).

The definition as established above is relevant to both the literature and the perspectives' of directors as expressed during the interview stage. All constituent elements are covered by the proposed definition and adequately provides the foundation for directors to understand the nature of the construct and to commence with building their company's reputation based on a definition that has academic and practical substantiation. Further validation of the proposed definition could form the basis of further studies as set out in Chapter 7.

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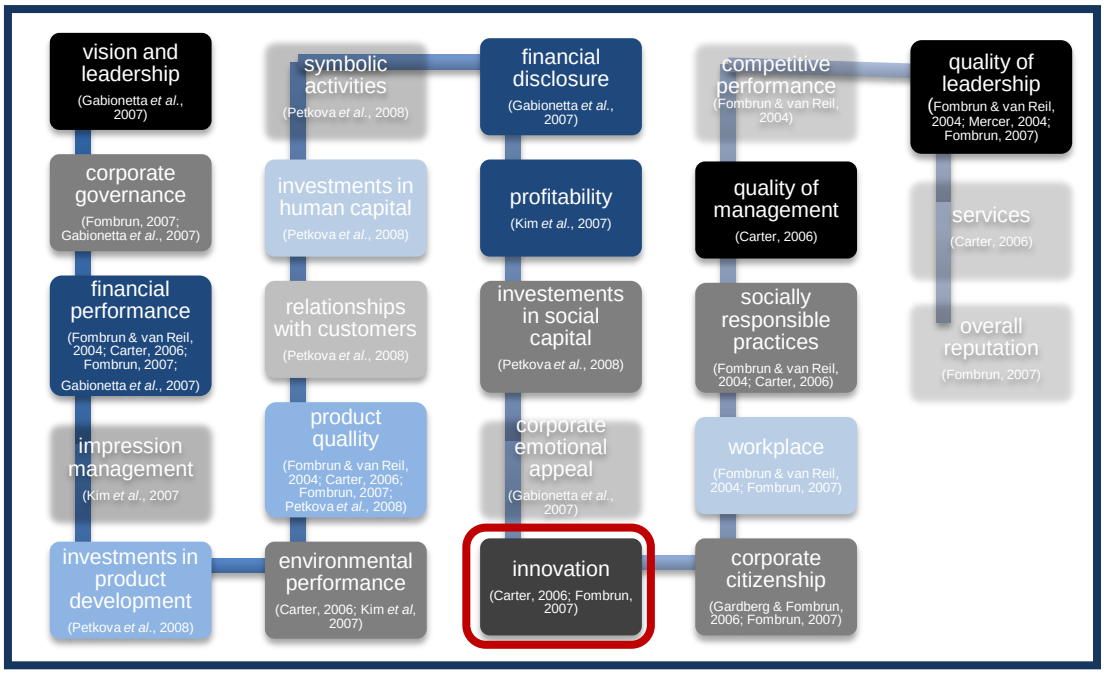
6.3 Addressing research question 2:

What are the dimensions of corporate reputation required to build and manage corporate reputation?

In order to address this research question the literature findings as set out in Chapter 2 are specifically contrasted with the findings of the empirical research as set out in Chapter 5, and the comparison is illustrated graphically below.

The literature review surfaced a number of dimensions that pertained to the construct of corporate reputation as illustrated in Figure 6.1 below. The dimensions were themed under appropriate groupings as evidenced by the colour scheme below.

Figure 6.1: Corporate reputation dimensions – academic literature



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The dimension pertaining to innovation (Carter, 2006; Fombrun, 2007) as circled and indicated below was the only dimension of corporate reputation that was highlighted in the academic literature but not referenced during the interviews conducted with directors. It is noted that even in the academic literature, innovation had only recently surfaced as a stand-alone dimension of corporate reputation (Carter, 2006) and subsequently supported by Fombrun (2007).

Product quality and value offerings were mentioned by respondents and these dimensions may be construed to include innovation. It is submitted though that innovation is an integral building block of corporate reputation (Carter, 2006) that warrants specific inclusion as a dimension, particularly if directors want to proactively build and manage all aspects of corporate reputation.

By contrast the empirical information gathered from the interviews identified a set of corporate reputation dimensions as set out in Figure 6.2 below. Five dimensions, as circled and highlighted below, were referenced in the empirical findings but were not evident as specific dimensions in the academic literature.

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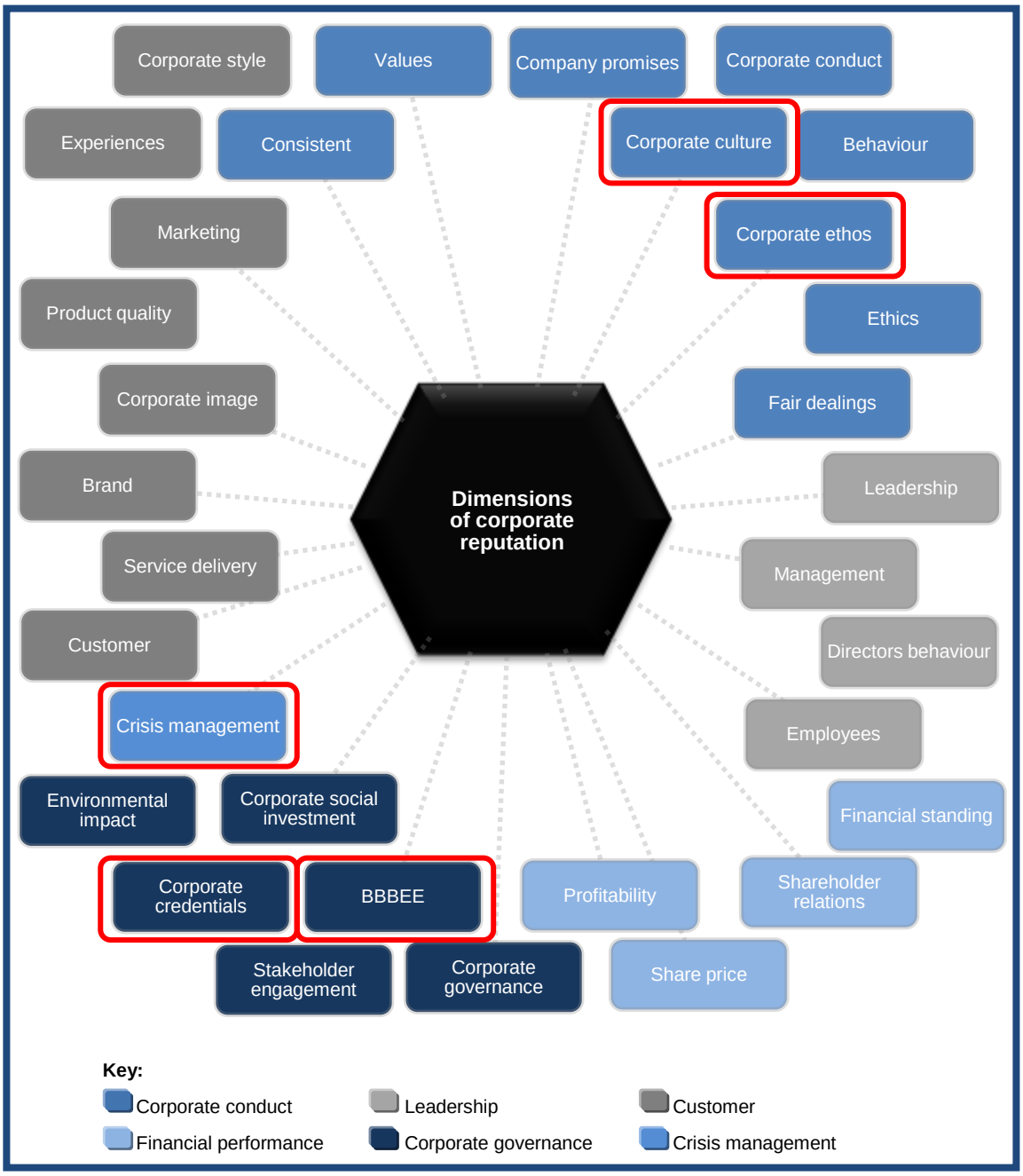
Figure 6.2: Corporate reputation dimensions – empirical findings



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As is evident from a comparison of the literature and empirical findings, the majority of the dimensions listed in the academic literature are supported by the information gathered from the interviews. The use of different terminology does not detract from the substance of the data gathered and accordingly one finds support for the majority of the dimensions cited within the literature as the relevant building blocks of corporate reputation as understood by directors.

By contrast, reviewing those dimensions that were gathered from the interviews and omitted from the literature, the following dimensions are highlighted: BBBEE; corporate credentials; corporate culture; corporate ethos and crisis management.

BBBEE is unique to the South African environment and may possibly be categorised under the corporate citizenship dimension postulated by Gardberg and Fombrun (2006). BBBEE is topical in the South African jurisdiction and, accordingly, may be considered a separate dimension of a corporate's reputation, specifically in South Africa. Corporates in South Africa may be limited by its BBBEE credentials as most companies are required in terms of legislation and black empowerment codes and charters to comply with BBBEE. Accordingly, BBBEE may warrant specific inclusion as a dimension of corporate reputation in the South African context.

Corporate culture and ethos are mainly appropriate to internal stakeholders however it is instrumental to the collective perceptions of stakeholders both internally and externally. The literature attempts to address this although not explicitly with reference to the workplace as a dimension of corporate reputation (Fombrun & van Reil, 2004). The empirical findings were strongly in support of the

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appropriate culture existing within the firm in order for all employees and not just executive management to incur responsibility for the reputation of the company. If the culture or the ethos is flawed any one individual could tarnish the reputation of the company. It is submitted that the dimensions of corporate reputation as set out in the academic literature should be supplemented by these dimensions as evidenced by the empirical data.

Crisis management was also mentioned as a dimension of corporate reputation in the empirical gathering stage. Interestingly, this is dealt with by O'Callaghan (2007) however not as a dimension of corporate reputation but rather as a strategy to ensure that the reputation of the company is protected and managed. Dimensions of corporate reputation may be confused with ancillary elements however it is acknowledged that preparation for crisis management is an integral part of reputation (O'Callaghan, 2007). The formulation and management of a crisis management plan is more suitably addressed as a response in the building and planning stages as opposed to an actual dimension of corporate reputation. As such this result does not warrant inclusion as a distinct dimension of corporate reputation.

- **In summary: research question 2**

The findings of this study as it relates to the dimensions of corporate reputation, as demonstrated by the majority of the respondents, were consistent with the findings evidenced by the literature review. All of the dimensions mentioned in the literature review, with the exception of innovation, were mentioned by the

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respondents. In addition, the dimensions as recorded in the literature review can be supplemented by three additional dimensions that were mentioned by the respondents, namely BBBEE in the South African context; corporate culture and corporate ethos.

Slight ambiguity was evident between the dimensions of corporate reputation and strategies to build and manage reputation, such as a crisis response management plan. The need for the distinction between the actual dimensions of corporate reputation and ancillary elements are critical in order for the building blocks of corporate reputation to be clearly established and subsequently built and managed. It is therefore imperative for directors to clearly understand the actual dimensions that constitute corporate reputation, for then only can these dimensions be managed.

Accordingly, the combined list of the dimensions that constitute corporate reputation, as advocated by the academic literature and demonstrated by the empirical findings, are illustrated in Figure 6.3 below.

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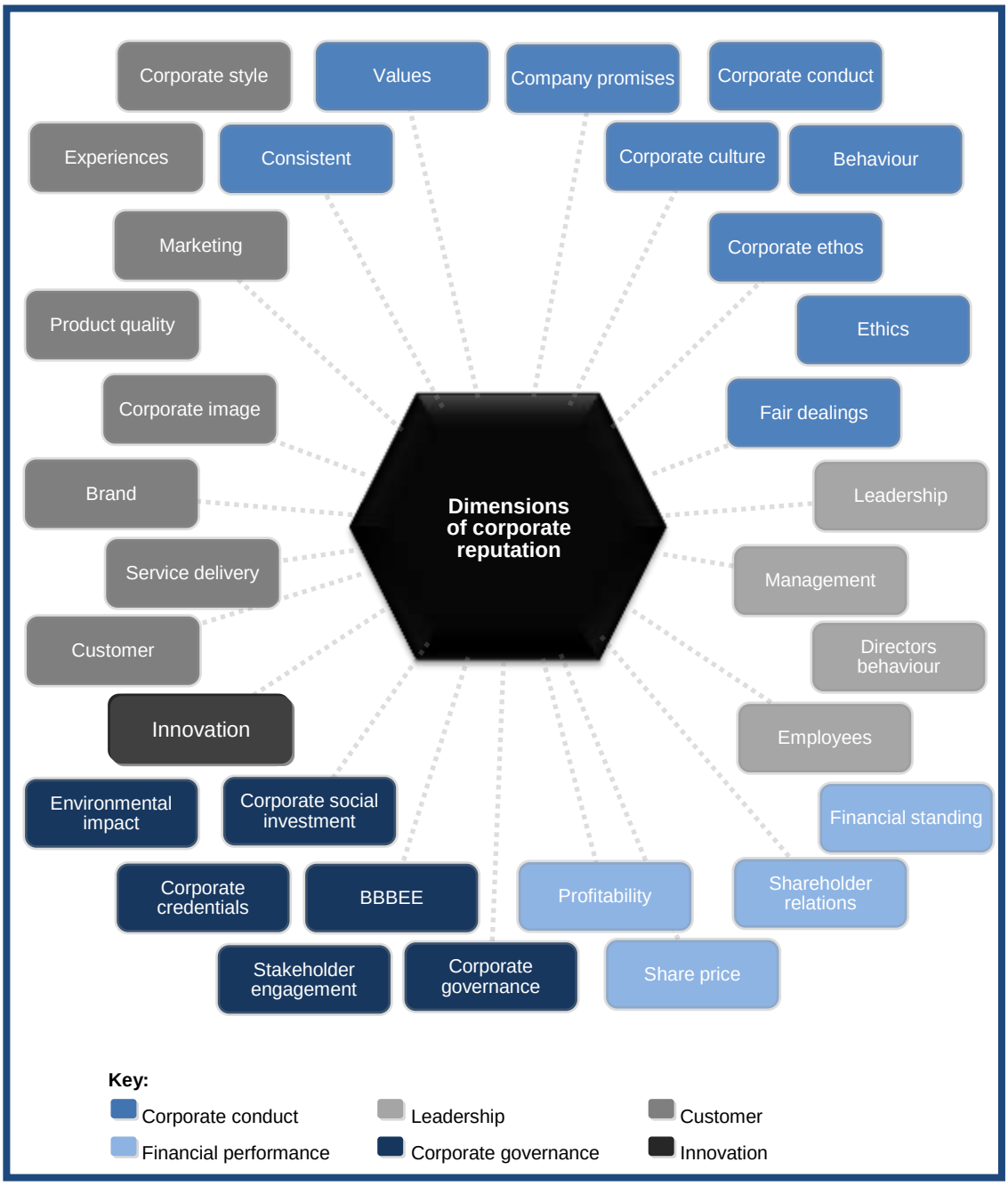
Figure 6.3: Portfolio of corporate reputation dimensions



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It is submitted that Figure 6.3 comprises the portfolio of dimensions that constitute corporate reputation and that are to be managed and built on by directors in order to build corporate reputation.

6.4 Addressing research question 3

What is the value attributed to a good corporate reputation?

The academic literature is succinctly in support of the competitive advantage that accompanies a sound corporate reputation (Barney, 1991; Dierickx & Cook, 1989; Hall, 1992; Roberts & Dowling, 2002; Fombrun, 1996). Whilst the majority of the respondents agreed that a sound corporate reputation was of significant value to the company, the academic claims relating to the value of corporate reputation as a competitive advantage was not clearly evident in the interviews, with some respondents questioning the basis of the competitive advantage, as recorded in Chapter 5.

In particular, as evidenced by the following response:

"Is an excellent reputation better than a good reputation, what's the differentiation?",

it may be suggested that from the perspectives of some of the respondents, there may be a ceiling to the value that corporate reputation may afford a company. In terms of all of the respondents' perspectives, a negative or diminished reputation was perceived by all directors to be unfavourable and it can be surmised that a good reputation is a necessary condition of doing business (Pruzan, 2001) although not fully accepted as a competitive differentiator.

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A further plausible explanation may be that, taking into the account the standing of the target company as a market leader in its industry, the sample that comprised of the directors of such a company, did not have to consider proactively competing on the basis of its reputation for competitive advantage, as it has historically been a market leader both in terms of the market share of the company and its services. Whilst this does not suggest that the company is or should be resting on its laurels, it is apparent from the information gathered that the reputation of the company has always been a condition precedent of doing business and therefore has not necessarily been construed as a source of competitive advantage.

Those respondents that confirmed the presence of a competitive advantage arising from corporate reputation generally viewed the advantage to be in the form of return business (Fombrun & van Riel, 2004; Puncheva-Michelotti & Michelotti, 2010), increased investor performance (Gabionetta *et al*., 2007; Helm, 2007) and the ability to weather reputational misdemeanors (Galliard & Louisot, 2006). In addition the competitive advantage associated with a good corporate reputation included support for the reduction of regulation (Dowling, 2006); customer loyalty and the ability to retain and attract the best employees (Galliard & Louisot, 2006).

An interesting finding pertained to directors' perspectives on the continued prosperity of a firm that had faced major reputational damage as a result of price fixing. This prosperity was attributed to the value of the products offered by the firm, which one of the respondents submitted trumped the tarnished reputation of the firm. As previously addressed in the literature review, a different explanation

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exists. Galliard and Louisot's (2006) contention of reputational capital stock, together with Dowling's (2006) assertions, may prove beneficial for the edification of directors in endeavouring to understand the dynamics of this typical paradox within the corporate reputation realm. If the firm in question has sufficient reputational capital to buffer the reputational infringements, it has a competitive advantage over its less reputable peers (Gabionetta et al., 2007). If director's believe that it is simply the value of the product offerings, this may prove a catalyst for negating the value of corporate reputation and attributing its value to other aspects such as product offerings alone.

The findings that emanated from the interviews evidenced support for the values as set out in the Deming Wheel (Galliard & Louisot, 2006) as illustrated in Figure 6.4 below. The exception, as highlighted in red, pertained to the omission of the value attributed to reputational capital as a barrier to entry for new competitors. The respondents noted the value associated with corporate reputation in all other respects, as indicated in the Deming Wheel of reputational capital, however, it is important for directors to appreciate that an additional advantage of accumulating a strong corporate reputation, is to preclude new industry entrants.

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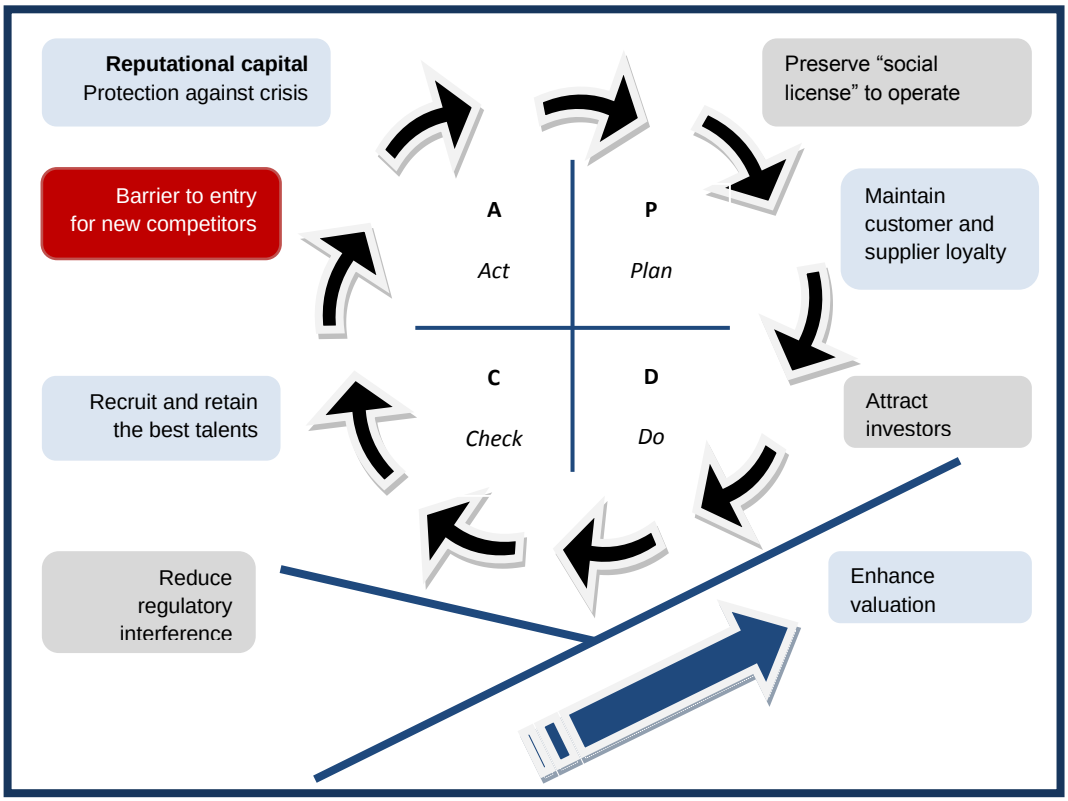
Figure 6.4: Deming Wheel of reputational capital



- **In summary: research question 3**

It is evident in both the academic literature and in the findings of this study that corporate reputation is of immense value to a company and is indeed a key intangible asset. The majority of respondents confirmed the presence of a competitive advantage although not as unequivocally as stated in the academic literature. The intensity of the competitive advantage is not as certain empirically.

All of the respondents agreed that a good reputation is a necessary pre-requisite of maintaining a social licence to conduct business (Pruzan, 2001) however there is empirical evidence that there may be a ceiling to this professed benefit and a concern that the competitive advantage cannot be quantified or translated into a

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measurable outcome. Ang and Wight (2009) noted although that the intangibility of this corporate asset is exactly what comprises its competitive advantage. Galliard and Louisot (2006) attempted to address this very concern, as expressed during the interviews, by providing a formulae with which to quantify the approximate value of corporate reputation. The formulae is quite generalised and will not easily convince skeptics of the notional value of corporate reputation. Notional value has been explored in the academic literature and could be implemented by directors who feel the need to attempt to quantify the construct even in the midst of other significant and empirically demonstrated value.

There was unanimous agreement expressed in the interviews for the support of Wiedmann and Buxel's (2005, p.147), "reservoir of good will" value-add concept that is associated with building a good corporate reputation and accordingly whilst the precise nature of the competitive advantages associated with corporate reputation was not clear in the minds of all the respondents, all of the respondents concurred that corporate reputation was valuable and a key intangible asset of the company.

The literature has evidenced that maximum value can be leveraged from corporate reputation on the basis of it serving as a competitive advantage. There was no precise consensus by the respondents as to the various competitive advantages that could be leveraged from building corporate reputation however this does not detract from the significant value that was attributed to corporate reputation by all of the respondents.

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It is submitted on the basis of the findings described in Chapter 5, that there is yet to be maximum extraction of the value that accompanies the building of a sound corporate reputation with specific reference to utilsing corporate reputation as a basis of competitive advantage.

6.5 Addressing research question number 4:

What is your role, as director, in building and managing corporate reputation?

As evidenced by the review of the academic literature there are clear empirical findings that the executive management and the chief executive officer are responsible for building and managing corporate reputation (Dowling, 2006). This was clearly supported by the empirical information gathered during the interviews as reflected in Chapter 5.

In addition, though the majority of the respondents indicated that they were ultimately accountable for corporate reputation, an effective corporate reputation had to be built and protected by each employee of the organisation. The target company is in the services industry and the majority of its employees deal with customers on a daily basis which no doubt influences the perspectives of the target sample.

The findings also evidenced that directors, as leaders and executive management, within their organisation, are cognisant that their own behaviour and attitudes were instrumental in evidencing to both internal and external

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stakeholders, the essence of the corporate ethos of the organisation. These perspectives are supported by the interview findings referred to in paragraph 6.2 above, in that corporate ethos and organisational culture were specifically included as dimensions of corporate reputation.

Contrary to the results of Wiedmann and Buxel (2005) where some of the respondents in the authors' study indicated that corporate communications and marketing were also responsible for corporate reputation, the respondents voiced their perspectives that these departments were not the appropriate custodians of corporate reputation. All of the respondents indicated that the ultimate responsibility vested with the chief executive officer and the board of directors (Dowling, 2006).

Interestingly, none of the directors considered the custodianship of corporate reputation as a new responsibility in terms of their duties as a director, even though corporate reputation had only been recently introduced as a board agenda item in terms of the King III Report (IOD, 2009). The respondents expressed their views that responsibility for the perceived standing of the company has always been an implied obligation of directors. The King III Report (IOD, 2009) had formalised a concept that had always existed in the minds of the directors and accordingly directors were not alarmed by the inclusion of corporate reputation as a board agenda item.

In support of the authors, Roberts *et* al., (2003) and (Zandstra, 2002) the respondent's expressed their beliefs that without the appropriate knowledge and skills, directors were not equipped to build and manage corporate reputation. One

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of the respondents indicated that the existence of operational silos within a company often stifled the ability of directors to build the company's reputation holistically and it was an imperative for directors to familiarise themselves with all aspects of the business in order to effectively fulfill their functions as the custodians of corporate reputation. It is therefore imperative that directors be schooled in all aspects of the company's business, together with the material risks that the company faces and armed with the appropriate corporate reputational tools to build and manage the reputation of the company.

- **In summary: research question number 4**

Both the academic literature and the research gathered in context of this study demonstrate support for the role of directors as custodians of corporate reputation. The board of directors together with the chief executive officer are accountable to stakeholders for the reputation of the company and particularly so in light of the King III Report (IOD, 2009). The King III Report (IOD, 2009) has simply formalised corporate reputation as directors seem to have always been aware that they are the ultimate custodians of the company's reputation.

This study has confirmed that the role of the director is that of a custodian of corporate reputation. However if directors are not sufficiently equipped with both an intimate knowledge of the business as well as the tools and dimensions of corporate reputation, directors will not be able to fulfil their roles as the custodians of corporate reputation. Inevitability it will be the company that is prejudiced by not

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accumulating adequate reputational stock and the competitive advantages and value offered by a sound corporate reputation.

6.6 Addressing research question number 5:

How do directors build and manage corporate reputation?

As established in Chapter 2, the academic literature does not provide clear direction as to the manner in which directors ought to build and manage corporate reputation (Alsop, 2004; Jagt, 2005; Ang & Wight, 2010). Whilst the literature proffered certain outdated models, as dealt with in Chapter 2, academic criticism was voiced in that a one size fits all approach was proposed without success (O'Callaghan, 2007).

Consensus was voiced that reputations can be lost almost overnight which supported the rationale for corporate reputation being a critical intangible company asset (Larkin, 2003). The researcher's observations of the respondents' physical unease when addressing this research question was an indicator of the uncertainty of directors in this regard, perhaps due to the significance of the task at hand and the lack of clear guidance being made available to directors.

Directors are certain that corporate reputation is valuable and that they have an integral role to fulfil in the management of corporate reputation however they seldom possess a clear knowledge base in order to actively build and manage the company's reputation. This supports the literature findings that directors may not

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understand the manner in which to measure or mange corporate reputation with clear direction (Alsop, 2004).

Within the context of this study, directors upon reflection in the interviews, were able to originate potential management techniques that could be utilised to build and manage corporate reputation effectively. The recommendations, as suggested by common findings from the empirical information and literature review, are summarised in Table 6.2 below, and expanded thereafter.

Table 6.2: Summary of recommendations

• Identify the key dimensions of corporate reputation
• Factoring long term consequences into business decision making
• Engagement with the company's stakeholders
• Communication as a tool of building corporate reputation
• Knowledge of the business
• Corporate conduct
• Measuring and monitoring corporate reputation

- **Identify the key dimensions of corporate reputation**

The significance and findings of the dimensions that constitute corporate reputation have been addressed by research question 2 above. These dimensions are pivotal to building and managing corporate reputation by providing directors with the levers with which to measure, monitor and implement corporate reputation. Without these dimensions, directors may aimlessly try and

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build corporate reputation without much success if they do not understand the constituents of corporate reputation.

Even if directors elected to focus on the dimensions that they believed were important, the literature evidenced that specific dimensions comprise corporate reputation and accordingly in order for a company to build and manage its reputation, it must constantly focus on and manage the relevant dimensions. No doubt there may be unique attributes of an industry or company that may shape or influence the portfolio of dimensions but then in this instance, the company will still certainly have the basic dimensions that must be built and can supplement this basic list with those dimensions that they believe to be relevant to their industry and/or company. Directors must focus on building the specific dimensions of corporate reputation in order to establish a sound corporate reputation and accumulate reputational capital.

- **Factoring long term consequences into business decision making**

In support of the assertions of Fang (2005) all of the directors agreed that the long term benefits of a good corporate reputation outweigh any short term benefits that may be occasioned by unacceptable or questionable corporate behaviour. It is noted though that Fang (2005) went further in his study and postulated that the rationale for corporate reputation taking precedence over questionable corporate conduct will persist only for so long as the present value of projected income outweighs the revenue associated with the less reputable behaviour. This was not directly supported by the empirical findings emanating from the interviews as

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directors vocalised their commitment to factoring in the long term impact of any corporate conduct (Wiedmann, 2002) and the sustainability of business practices as part of the normal course of doing business in current times.

With further consideration, being given to the work of O'Callaghan (2007) which demonstrated that the terrain of corporate reputation may be the ground on which the battles of corporate advocacy and activism are fought, it is clear that the academic literature is supported by the views expressed by directors that each business decision must be adjudicated, at some point, as to its impact on the stakeholders of the company and on its reputation as perceived by such stakeholders.

Accordingly, directors must maintain a long term perspective of the strategic decisions they consider and implement to ensure that the company's reputation will not be jeopardized by pursuing a certain course of action, that may bring benefit in the short term but have negative repercussions in the long term.

- **Engagement with the company's stakeholders**

As early as the definitional stage of this research, the role of stakeholders in formulating the company's reputation had been acknowledged both in the literature (Gabionetta *et al*., 2007) and the empirical findings. It is clear, as demonstrated from the findings of the interviews, that stakeholders must be engaged (Bryson, 2004), particularly with a view as to understanding their legitimate interests, (Coombs, 2007), understanding the legitimate expectation gaps and addressing these concerns where appropriate (Reichart, 2003).

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The academic and empirical finds are consistent in that a company has multiple stakeholders and issues may be stakeholder specific (Walker, 2010). Accordingly, as expressed by the respondents, it is appropriate in attempting to build the company's reputation that stakeholder mapping exercises are undertaken which entails that the company establishes its influence on stakeholders and its stakeholder's influences on the company. This will assist the company in prioritising stakeholder influences and addressing the stakeholder expectations gaps that can be determined by engaging with the relevant stakeholders (Reichart, 2003).

The company can shape stakeholder perceptions of the company as advocated by the King III Report (IOD, 2009) by adopting a stakeholder engagement approach with a view to building and managing its relationship with stakeholders (Firestein, 2006). This invalidates, to some extent, the model proposed by Fombrun and Shanley (1990) which determines market signalling as the core building block of corporate reputation. Whilst these findings do not negate market signalling, in its entirety, as a method in which a company may wish to build reputation, it does provide contrary evidence to the centrality of the proposed model.

- **Communication as a tool of building corporate reputation**

Pollock and Rindova (2003) emphasised the role of intermediaries in communicating information from the company to its stakeholders. The media is one such type of intermediary and indeed one of the most critical intermediaries in

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consideration of building corporate reputation (Caroll, 2004). This finding was supported by the perspectives voiced by the respondents. Accordingly it is proposed that the company engage in a purposeful media strategy, dealing with the identified dimensions of corporate reputation, to ensure that appropriate communications are being published in public forums and is meaningful to stakeholders. The findings of Kim *et al*., (2007), in that a positive reputation in the media did not translate into bottom line profitability, is acknowledged, however the value of intangible assets have always been accepted as being difficult to quantify but this does not detract from the value in most instances (Ang & Wight, 2009). In essence, if the directors are of the opinion that such media communication does build reputational capital then the benefits have been established as described by academia (Galliard & Louisot, 2006).

Gabionetta *et al*., (2007) makes specific reference to the nature of financial disclosures, as a communication tool with the market and as a dimension of corporate reputation. Directors must accordingly address all forms of communication, including the normally staid financial reporting communication, to ensure that stakeholders trust the reporting and disclosures of the company and subsequently builds reputational capital (Galliard & Louisot, 2006).

- **Knowledge of the business**

Directors clearly expressed the need for all members of the board to possess cross discipline knowledge about the business and this is supported in the literature as evidenced by Dowling (2006). In order for directors to build and

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manage corporate reputation, the disabling consequence of operating in silos must be diminished at board level with a clear goal to ensure that directors are familiar with all aspects of the business, as well as the risks posed by virtue of the operating environments.

This knowledge must extend to the company's strategy pertaining to its reputation and the activities being implemented to build and manage the same. If no such strategy exists, directors must question the board on the lack of such a strategy. Directors ought to propose that this board agenda item receive the required focus in order to elevate the standing of the firm and to enable directors to fulfil their role as custodians of corporate reputation.

- **Corporate conduct**

Actions speak louder than words as demonstrated in the case of reputation building (Kim *et al*., 2007) and this was voiced unequivocally by all respondents. Corporate conduct was established empirically, as an important aspect of corporate reputation and surfaced in the literature as a dimension of corporate reputation. This may include investment into corporate social responsibility programs however it is submitted that corporate behaviour runs to the core of the corporate identity and subsequently to corporate reputation.

Corporates must be seen to be living the ethical conduct it professes, the values that it communicates and upholding the promises it has made to both internal and external stakeholders. Most of the directors were steadfast in their views that corporate behaviour is instrumental in shaping the reputation of the company. It is

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submitted that policies and procedures may be of assistance in ensuring appropriate corporate behaviour however the company's management and leadership are instrumental in building and managing corporate reputation through corporate conduct. The leadership of the company must set the tone for the rest of the company and ensure that inappropriate corporate conduct is immediately dealt with and not tolerated within the organisation at any level. Leadership and the quality of management are instrumental in shaping corporate reputation (Mercer, 2004).

The corporate governance practices of the company are equally important in building and managing corporate reputation (Dowling, 2006) and accordingly directors must ensure that its governance practices are in accordance with the best practices. The demise of governance standards such as with Enron, leads to mistrust of firms and diminishes the reputation of a company.

- **Measuring and monitoring corporate reputation**

The literature review addressed the need for measuring and monitoring corporate reputation (Fombrun, 2007; Dowling, 2006). Some of the respondents stated that corporate reputation cannot be measured. It is suggested that the appropriate measures and methodologies for arriving at such measures be canvassed with directors of companies in order to establish knowledge and credibility of the existing and relevant measurements as well as the suitability of deploying any ranking scales. Directors must understand the manner and nature of the

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dimensions being measured in order to ensure that the results are meaningful and to support the use of the measures as a reflection of the company's reputation.

As further demonstrated by the empirical findings, some of the respondents are comfortable with publicly disclosing their reputation scores once ascertained and thereafter communicating with stakeholders on the progress achieved in improving the company's reputation. As discussed above the findings of Gabionetta *et al*., (2007), in terms of the benefits of improved disclosure reporting may well be extrapolated to all areas of reporting and a company may be rewarded in attempting to report transparently on its reputational scores, particularly if efforts are to be focused on increasing the company's reputational scores.

6.7 Conclusion

As demonstrated in both the literature review and the empirical findings of this study, a theoretically established and empirically demonstrated definition of corporate reputation was established. This was in order to lay the foundation of the study, as an appropriate definition would mark the commencement of the journey into the realm of further exploration in order to address the remaining objectives of this study.

Having perused the literature, the researched combined various academic definitions to propose an adapted definition of corporate reputation which was then tested empirically. The empirical findings resulted in further amendment to

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the proposed definition and a theoretically substantiated and practically workable definition was attained.

A key finding of this study was that an appropriate definition of corporate reputation, as evidenced academically and empirically, was ascertained as described below:

> the sum of the perceptions of a corporate's past actions; current performance; and future prospects that results from the corporate's ability to deliver valued outcomes to multiple stakeholders and gauges a corporate's moral, ethical and financial standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (adapted from Fombrun & Rindova, 1996; Wiedmann & Buxel, 2005; Walker, 2010).

The next key finding of this research was to establish the dimensions of corporate reputation both in terms of the literature and as demonstrated empirically. The culmination of addressing this research question was to merge the findings of the literature and empirical findings to establish a relevant portfolio of corporate reputation dimensions, which will be discussed further in the recommendations set out in Chapter 7. It is submitted that the relevant portfolio of corporate reputation dimensions emanating from this research are as illustrated in Figure 6.3.

A subsequent finding of this study was the confirmation that directors perceive corporate reputation as a key strategic, intangible asset with significant value to

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an organisation. Albeit, the competitive advantages professed in the literature was less clear in the empirical findings, it is submitted that directors are to be provided with guidance as to the opportunities to maximise corporate reputation for competitive advantage particularly as indicated by the Deming Wheel (Galliard & Louisot, 2006).

This study further validated that the roles of directors, as it relates to corporate reputation, is as custodians of corporate reputation. In addition directors were comfortable with the responsibility although not necessarily clear as to the precise nature of the responsibility. Many respondents believed that this was an ancillary function of a director's role and that the management of corporate reputation should not be isolated as a specific function but that each employee remained responsible for maintaining the reputation of the company, with directors being charged to build and manage corporate reputation.

The researcher then addressed the manner in which directors build and manage corporate reputation and found that collectively the directors were well placed in the organisation to build and manage corporate reputation and that the dimensions of corporate reputation as building blocks mentioned in the interviews could supplement those offered in the literature.

By combining the various findings of this study, a framework has been compiled to assist directors to build and manage corporate reputation. The framework is proposed as both a map and a compass to guide empirical findings of this research. The proposed framework is set out on page 131.

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It is submitted that by adopting this framework and adapting the content as necessary, directors will be well on their way to building and managing corporate reputation.

The findings of this study confirmed that there was a need for this research as the literature did not adequately address the manner in which directors should build and manage corporate reputation. This was evident in the empirical findings as directors affirmed the importance of corporate reputation and the lack of clear guidance in fulfilling their responsibilities as custodians of corporate reputation.

The recommendations contained within the ambit of Chapter 7 are meant to lay the foundations of such guidance for the benefit of directors and to build on the existing literature base. The framework that will assist directors as custodian of corporate reputation, to fully comprehend all aspects of the term and all that it entails and to proactively address the building of corporate reputation and the ability to leverage maximum value from corporate reputation.

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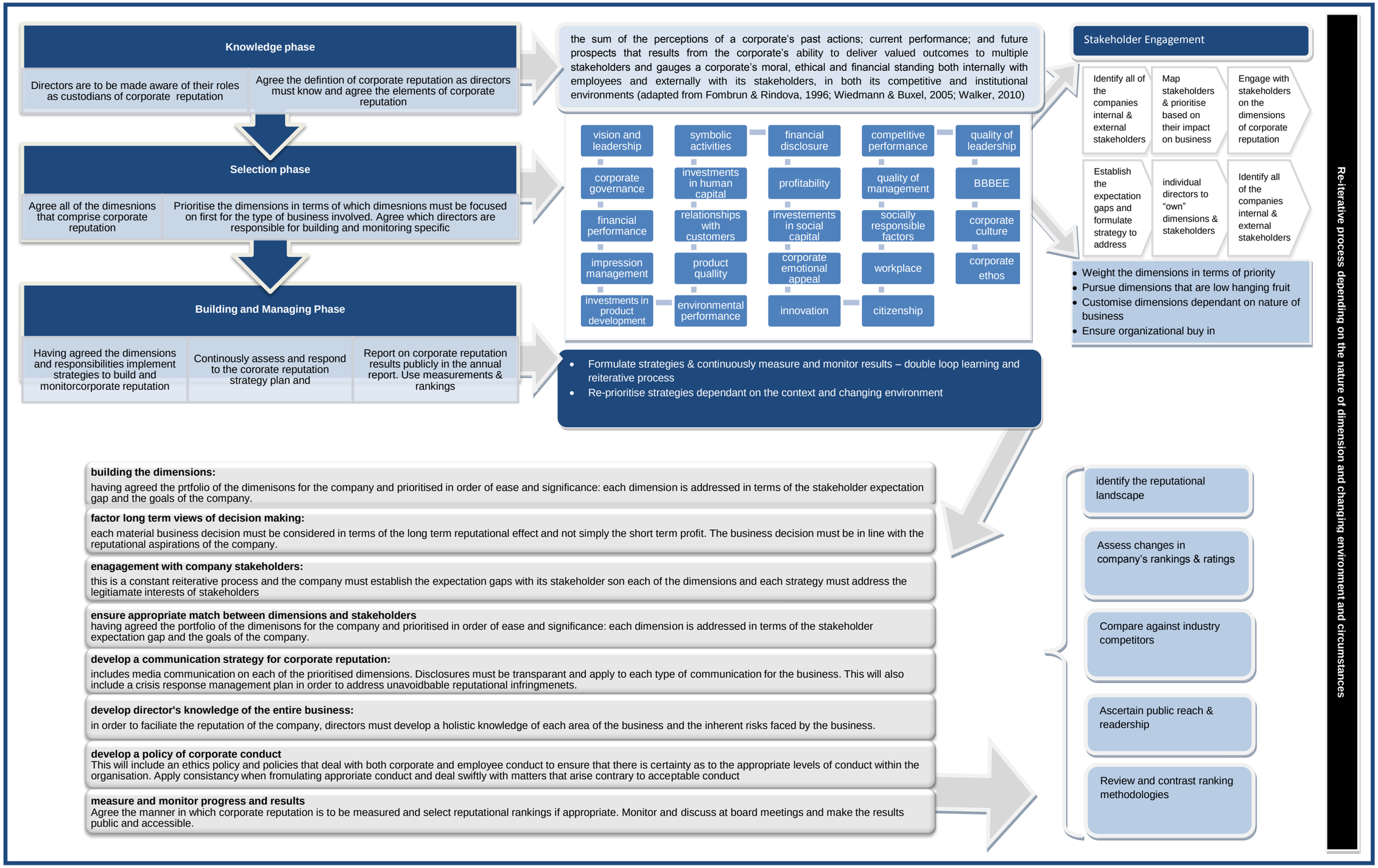
Figure 6.5: Proposed Framework: Directors building and managing corporate reputation



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Chapter 7:
Conclusion and Recommendations

7.1 Introduction

The purpose of this study was to explore the perspectives of directors as it relates to several key constituents of corporate reputation. Corporate reputation was identified as a key intangible asset of the company that could serve as a basis of competitive advantage if successfully built and managed by directors in their roles as the custodians of a company's reputation.

This Chapter 7 sets out the academic and managerial implications of this study, together with its limitations and recommendations for further studies. The proposed framework for building and managing corporate reputation, compiled by consolidating the results that emanated from the academic and empirical findings, is further discussed.

7.2 Academic implications

The profusion of academic literature, within the field of corporate reputation, has led to divergent views that have detracted from certain fundamental and basic concepts of the construct. Numerous calls for direction and a quest for clarity in the academic research had been enunciated (Walker, 2010; O'Callaghan, 2007; Firestein, 2006) without receipt of a sufficiently adequate response.

The researcher attempted to clarify certain aspects of corporate reputation in order to arrive at academic conclusions that may be tested by further academic research. A definition has been proposed by reviewing and consolidating the

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current academic literature and then testing the definition empirically. It is submitted that the proposed definition adds value to the existing academic literature which can then attempt to validate the appropriateness of the definition.

In addition, a portfolio of corporate reputational dimensions have been compiled from the academic literature and supplemented by the empirical findings. This portfolio of dimensions represents the work of various authors and again provides academia with a portfolio that can be tested empirically and which it is hoped will assist in arriving at a conclusive set of dimensions that will progress the field of study.

The third academic implication of this study arose as a result of the finding that the literature was not adept at addressing the manner in which directors, or companies for that manner, should build its corporate reputation (Kim *et al*., 2007; Firestein, 2006; Gotsi, 2005; Alsop, 2004) and the key contribution of this study was to address this gap in the literature by compiling a framework to address this short-coming. The provision of a framework for the building and managing of corporate reputation provides academia with a framework to further research and test and which will contribute to the expansion of the literature and advancing the field of corporate reputation. The proposed framework, which emanated as a result of this study, specifically addresses the void within the literature and supplements the literature in this regard.

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7.3 Managerial implications

This study contributes significantly to advancing the area of corporate reputation within the minds of its target population namely executive directors of publicly listed companies. It has surfaced the dimensions of corporate reputation that provide the levers to build and manage corporate reputation. In addition it has equipped directors with a proposed a framework with which they can attempt to build and manage corporate reputation as a source of competitive advantage.

By demonstrating the value that is associated with corporate reputation and by ascertaining that directors are indeed the appropriate custodians of corporate reputation, there will be better acceptance in introducing and dealing with corporate reputation as a board room agenda item, that is well understood and implemented. It is hoped that armed with the requisite knowledge and the proposed framework, corporate reputations will be significantly elevated and companies significantly rewarded, for its endeavours in ensuring sterling corporate conduct.

Directors searching for a sustainable differentiator will be well placed to adopt the proposed framework, adapt the framework to suit their business context, as necessary and to test the results. This may prove to be a re-iterative process as O'Callahgan (2007) has demonstrated that a one size fits all approach is not feasible for any company. However as there is unlikely to be a significant variation in the portfolio of dimensions that influence corporate reputation, it is submitted that the framework provides a strong foundation on which to build a corporate reputational strategy and to accumulate corporate reputational stock.

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7.4 Proposed Framework

The culmination of this study resulted in the development of a framework with which to assist directors to build and implement corporate reputation. It is proposed that by addressing the elements of the framework directors will be able to implement a strategy that will address the fundamentals of reputation building and which can be elaborated on soon after the various elements of the basic framework have been implemented successfully.

The components of the framework have been canvassed extensively in this study and accordingly will not be repeated in this section suffice to say that the basic foundation of the proposed framework for directors involves:

- enhancing the knowledge of directors in so far as it pertains to corporate reputation and the value that can be attributed to possessing a sound corporate reputation;
- agreeing a definition of corporate reputation so that each director is aware of the meaning of the construct for that company;
- to build a portfolio of corporate reputation dimensions that are relevant to the company, to prioritise the dimensions and to weight each dimension
- to engage with stakeholders to ascertain their views and expectation gaps (if any) as to the current inadequacies of the company's reputation alternatively the relevant dimensions on which the company could enhance its reputation;
- develop a strategy for each dimension and ensure that the net effect on consolidation is an overall improved corporate reputation;

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- allocate corporate reputation dimensions together with the relevant stakeholder groupings and the formulated strategic plan to individual directors;
- monitor the results at a board level and report publicly on the findings and progress; and
- continuously reassess the relevance of the corporate reputation dimensions and strategies as circumstances and the environment change.

It is submitted that management practices will be significantly bolstered by the development of this framework. The framework aims to provide a map and compass for directors who realise the significance of corporate reputation as a key strategic asset and are about to embark on a strategy to improve their company's reputation. Having addressed each of the research questions, and having stated that the purpose of this research was to direct the purposeful building and management of corporate reputation, the proposed framework is submitted as a culmination of the findings presented in response to each research question.

7.5 Limitations of the study and recommendations for future research

Several limitations were acknowledged in this study, with specific reference to the research methodology limitations set out in Chapter 4. As this study was qualitative in nature, the most significant limitation is the inability to generalise the

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findings emanating from this research. As this research addressed a perceived short-coming in the literature, it is suggested that the findings be quantitatively researched in order to be able to extrapolate the findings, as appropriate.

The researcher accordingly proposes the following areas for further study within the field of corporate reputation:

- quantitatively testing the portfolio of corporate reputation dimensions as established within this research;
- weighting the corporate reputation dimensions in terms of its impact and therefore priority to the business;
- as the sample was from one target company, the findings may be tested across a sample of different companies or across an industry;
- as this research was based on ascertaining the views of only the directors (namely, one stakeholder group), a further study could test the views of multiple stakeholders of one company;
- comparing the results obtained from this sample (one type of stakeholder) with a different target population (another stakeholder category); and
- comparing the corporate reputation of companies with an active reputational management strategy to the corporate reputation of companies that do not have an active corporate reputational management strategy.

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7.6 In summary

Chapter 1 described the rationale for exploring the construct of corporate reputation and highlighted the importance of corporate reputation in an era of mistrust and corporate malfeasance. The assertion was made that the reputation of a company is instrumental in many facets including the value that can be leveraged from corporate reputation as a key strategic corporate asset. Having ascertained that the literature did not adequately address the building and management of corporate reputation and the nature of its constituents, the purpose of this research was formulated and addressed, initially by way of an academic literature review.

The academic literature review, as undertaken in Chapter 2, surfaced numerous definitions of corporate reputation without any consensus as to a universally acceptable definition. The literature verified that corporate reputation was a key strategic corporate asset and whilst various dimensions of corporate reputation were identified by various authors, there was no consolidation of the dimensions. The literature demonstrated numerous advantages to building and managing corporate reputation however was flawed in that there was no clear direction provided as to the manner in which directors build corporate reputation to enjoy the professed advantages. The literature review further evidenced that the role of the directors of a company was indeed that of a custodian, charged with building, managing and protecting corporate reputation.

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This led to the postulating of five research questions, as listed in Chapter 3, the purpose of which was to culminate in an attempt to reach definitive responses to the questions posed. This was in order to build and supplement the existing academic literature base.

The researcher elected, based on the nature of the research questions posed, to adopt a qualitative methodology to achieve the objectives of this study and produce golden nuggets of knowledge that might progress the discipline of corporate reputation. The rationale for the methodology deployed is set out in Chapter 4 and the findings of the interviews with directors are detailed in Chapter 5.

The majority of the empirical results collaborated the findings that emanated from the literature review and to some extent contributed new findings, as discussed in Chapter 6, wherein the findings of both the academic literature review and the empirical findings were discussed in detail. An empirically established and academically supported definition of corporate reputation was established, together with a basket of dimensions sourced from both the literature and the empirical findings. The value attributed to corporate reputation was highlighted and the role of directors as custodians was verified against the literature and the empirical findings.

The findings, set out in Chapter 6, provided for the compilation of the proposed framework that guides directors on the manner in which corporate reputation can be built and managed as a key strategic asset for the benefit of the company and its stakeholders. The culmination of this research has been to consolidate the

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findings of each research question into the proposed framework resulting in a practical tool that can be implemented by management and verified by further academic research.

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Appendix 1:
Definitions of corporate reputation

Adapted from Barnett *et al,* (2006)

Cluster	Definition of Corporate Reputation	Authors
Asset	An intangible resource	Goldberg (2005)
	Strategy scholars- A resource for the firm Social scholars – An asset	Mahon (2002)
	A valuable but fragile asset	Miles & Covin (2002)
	Economic asset	Fombrun (2001)
	Intangible asset	Drobis (2000) Miles and Covin (2000)
	Wise use of corporate assets Quality of management Quality of products or services Innovativeness Long term investment value Financial soundness Ability to attract, develop and keep talented people Responsibility to the community and the environment	Fortune AMAC: Fombrun, Gardberg and Server(1999)
	Important asset	Riahi-Belkaoui and Pavlik (1992)
	Outcome of a competitive process	Spence (1974)

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Appendix 1:
Definitions of corporate reputation

Cluster	Definition of Corporate Reputation	Authors
Assessment	A value judgment	Larkin (2003)
	Stakeholder's evaluation of their knowledge of a firm	Lewellyn (2002)
	An estimation of a person or thing	Mahon (2002)
	The aggregation of a single stakeholder's evaluations	Wartick (2002)
	Distribution of opinions	Bennett and Gabriel (2001)
	Subjective, collective assessment Judgment of firms effectiveness Aggregate judgments	Fombrun (2001)
	Gauge of the firm's relative standing	Fombrun and Rindova (2001)
	Overall evaluation of a company over time	Gotsi and Wilson (2001)
	Opinions of an organization developed over time	Bennett and Kottasz (2000)
	Affective evaluation	Cable and Graham (2000)
	Evaluation of a firm	Deephouse (2000)
	Assessments based on perception	Dukerich and Carter (2000)
	General esteem Regard in which the firm is held	Fombrun and Rindova (2000)
	Lasting, cumulative, global assessment	Gioia, Schultz and Corley (2000)

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Appendix 1:
Definitions of corporate reputation

Cluster	Definition of Corporate Reputation	Authors
Assessment (continued)	A shorthand evaluation about the stock of information about that firm	Schweizer and Wijnberg (1999)
	Describes the firms overall attractiveness	Fombrun (1998)
	A value judgment about a company's attributes	Gary and Balmer (1998)
	Aggregate assessment of the constituents of an organization	Rindova and Fombrun (1998)
	Aggregate assessment of a firm's performance Subjective collective assessment Gauge's a firm's relative standing	Fombrun and van Riel (1997)
	Synthesis of the opinions, perceptions and attitudes	Post and Griffin (1997)
	Overall estimation of a firm Compared to some standard	Fombrun (1996)
	An estimation of consistency	Herbig and Milewicz (1995)
	The evaluation of a company	Brown and Perry (1994)
	An evaluation (respect, esteem, estimation)	Dowling (1994)
	Beliefs about what distinguishes a firm	Dutton, Dukerich and Harquail (1994)
	Public's cumulative judgment	Fombrun and Shanley (1990)
	The evaluation of what a company does	Bernstein (1984)

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Appendix 1:
Definitions of corporate reputation

Cluster	Definition of Corporate Reputation	Authors
Awareness	Reflection of a (firm's) name	Larkin (2003)
	Exists in the eye of the beholder Exists in a million different minds	Pharoah (2003)
	Net perception	Einwiller and Will (2002)
	Includes notions of corporate social responsibility	Mahon (2002)
	A perceptual representation of a company's past actions and future prospects Individual perceptions and interpretations	Fombrun (2001)
	A collective representation of a firm's past actions and results	Fombrun and Rindova (2001)
	The corporate image over time	Hanson and Stuart (2001)
	Set of knowledge and emotions	Zyglidopoulos (2001)
	Perceptions of an organization developed over time	Bennett and Kottasz (2000)
	What stakeholders think and feel about a firm	Ferguson, Deephouse and Ferguson (2000)
	Aggregate perceptions	Fombrun and Rindova (2000)
	Set of perceptions	Miles and Covin (2000)
	An ambiguous assemblage of hunches	Mouritsen (2000)
	A set of attributes that observers perceive to characterize a firm	Stuart (2000)

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Appendix 1:
Definitions of corporate reputation

Cluster	Definition of Corporate Reputation	Authors
Awareness (continued)	The perception of a firm	Balmer (1998)
	Collective representation of past actions	Fombrun (1998)
	Collective representations	Fombrun and van riel (1997)
	A collective representation of a firm's past actions and results A synthesis of opinions	Post and Griffin (1997)
	A snapshot reconciling multiple images A perceptual representation of a firm's past actions Net or aggregate perceptions Net affective or emotional reaction	Fombrun (1996)
	Reflects the history of past actions	Yoon, Guffey and Kijewski (1993)
	A shared bundle of attributes	Anderson and Sorensen (1999, 1992)
	A corporation's values	Smythe, Dorward and Reback (1992)
	A set of economic and non economic attributes	Weigelt and Camerer (1988)
	A buyer's perception of how well known, good/bad, reliable, trustworthy, reputable and believable a firm is	Levitt (1965)

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Appendix 2:
Selected interview notes and transcripts

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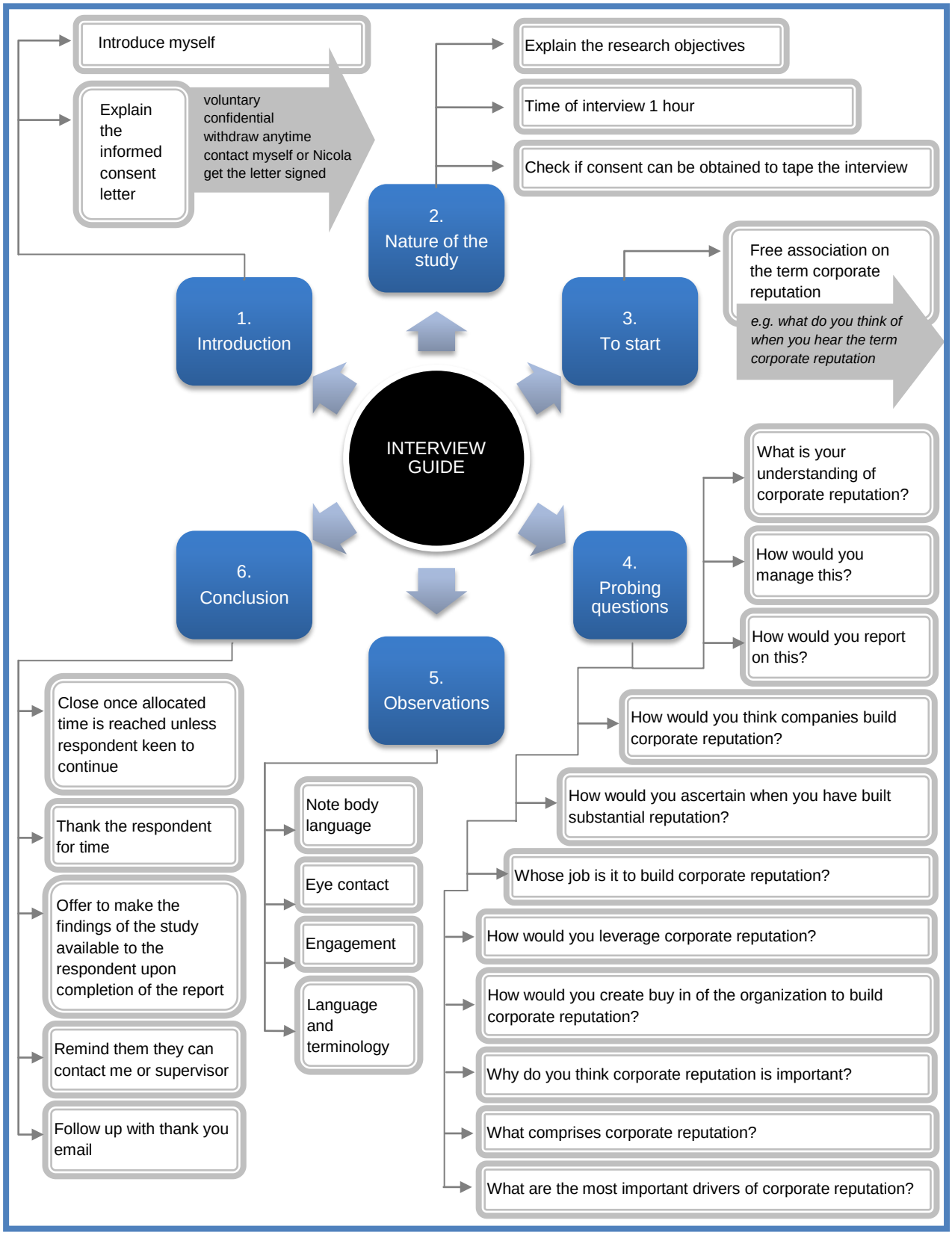
Appendix 3:
Interview guide



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Appendix 4:
Interview matrix

Summary: research question	Interview question	Research objective
1. What are the drivers of corporate reputation?	• Free association of the term corporate reputation; • What is your understanding of corporate reputation? • What comprises corporate reputation? • What are the most important drivers of corporate reputation?	• Establish the drivers of corporate reputation from the perspective of the director
2. How do directors build corporate reputation?	• How do you think companies build corporate reputation? • How would you manage this? • How would you measure this? • How would you report against this • How will you ascertain once you have built this?	• A directors perspective of building corporate reputation
3. Do directors manage corporate reputation	• Who is responsible for building corporate reputation? • How do you get buy in from the organisation?	• Director's responsibility

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