CORPORATE REPUTATION AND FINANCIAL PERFORMANCE: PERSPECTIVES OF SOUTH AFRICAN COMPANY EXECUTIVES

BHEKIZULU M. MPOFU
Student Number: 15043739
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Promoter
PROFESSOR RS RENSBURG

Co-promoter
DR. E DE BEER

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DECLARATION

I, Bhekizulu Mallon Mpofu, declare that the thesis which I hereby submit for the degree of Doctor of Philosophy at the University of Pretoria is my own unaided work and has not previously been submitted by me for a degree at this or any other tertiary institution.

Signature……………………………………………

Date……………………………………………………

ABSTRACT

The concept of corporate reputation has received considerable attention in the last few decades from both researchers and company executives alike, amid indications that having a good corporate reputation ultimately improves financial performance in companies. It is now widely acknowledged that companies that are viewed as reputable tend to gain more trust from their stakeholders, become more competitive and sustainable and are able to improve financial performance. However, despite this apparent recognition, corporate reputation remains largely ignored by executives and is often not regarded as highly as the other assets of a company. It also does not feature prominently in financial accounting. The heightened research interest in corporate reputation over the past few decades has coincided with an increase in cases of corporate misconduct and disasters globally, the consequences of which have included the serious loss of company reputations. This, in turn, has affected the financial performance and sustainability of these companies. The field of corporate reputation is still evolving and the exact nature of its association with financial performance is being investigated in various disciplines (Fombrun, 2012; Chun, 2005). There is also mounting evidence suggesting that it has become an important intangible factor for companies.

This study addresses three separate but related core research objectives. Firstly, it seeks to determine, using South African data, whether or not a company's reputation and its financial performance influence each other. Secondly, it explores the perspectives of South African company executives of corporate reputation in order to understand how they regard the concept in relation to financial performance. This should provide some insights into why corporate reputation remains largely overlooked as a resource that can be harnessed to improve financial performance. Thirdly, the study develops a strategic framework to guide researchers and executives in the management of corporate reputation.

Adopting a mixed-method approach in the collection and analysis of data, this research was approached in three phases. The first phase focused on determining

whether or not corporate reputation and financial performance influence each other. This was done through a regression analysis of archival data that included reputation rankings of South African companies, as well as, certain financial performance metrics. The purpose of this analysis was to test the strength of the relationship in either direction between corporate reputation and financial performance. The second phase of the research consisted of a structured survey on how South African company executives view corporate reputation and its relationship to financial performance. This was followed by the third phase, which included interviews with South African company executives to further explore their perspectives on the topic.

In the first instance, the results revealed a generally weak-to-moderate negative association between corporate reputation and financial performance in either direction of the relationship. This indicated the existence of a relationship between the two variables, even though this was not very strong. Significantly, this finding confirms that the two variables influence each other but also suggests that the influence is not as strong as was expected in the study.

In the second instance, with regard to the opinions that South African company executives have of corporate reputation and financial performance, a key finding was that the executives generally recognised corporate reputation as an important factor in the competitiveness and financial performance of their companies. Likewise, financial performance was also recognised and confirmed as a key driver of corporate reputation. However, despite this recognition, the results showed clearly that most executives grappled in practice with the management of corporate reputation in their companies. This suggests that a gap exists between how the executives view corporate reputation and their knowledge to manage it in practice. Some of the executives who participated in the one-on-one interviews attributed this gap to the lack of a proper grasp of the concept itself, including how to measure and put a financial value on it. What is interesting is that, despite years of research on the topic, there are indications that executives still feel that they do not know how to manage this phenomenon.

In the third instance, the strategic framework for managing corporate reputation and understanding how it relates to financial performance, as proposed in this study, is an attempt to address this gap. It is a pragmatic lens through which executives and researchers can manage corporate reputation effectively in ways that improve financial performance. A key implication of this study is that management executives can, in fact, improve the financial performance of their companies by focusing on enhancing their corporate reputations, and improving financial performance to build stronger reputations.

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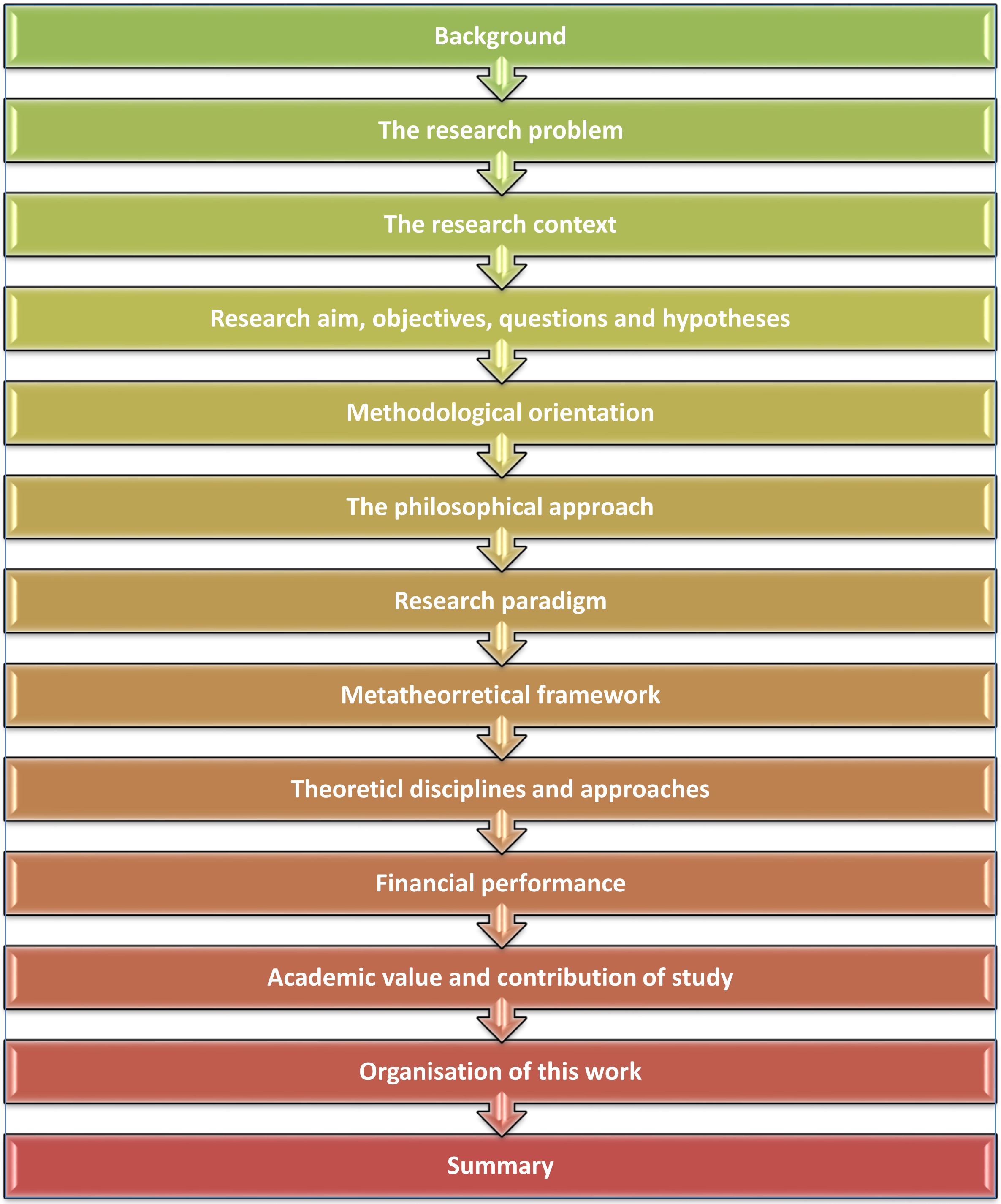
CHAPTER ONE: INTRODUCTION



1.1 BACKGROUND

The last few decades have seen an increase in the number of studies on the concept of corporate reputation and various aspects related to it (Fombrun, 2012). In particular, scholars have been interested in corporate reputation as a valuable resource and some have especially explored its association with financial performance in companies (Roberts & Dowling, 2002; Eberl & Schwaiger, 2005). It is now argued that when properly managed, corporate reputation can have tangible and intangible benefits for companies. These include higher acquisition and retention rates of customers; related increases in sales and the selling prices of products and services; lower costs of capital; goodwill as a barrier against rivals and crises; and lowered operational expenses (Aula & Mantere, 2008; Fombrun, 2005; Roberts & Dowling, 2002; Kotha, Rajgopal & Rindova, 2001; Michalisin, Kline & Smith, 2000; Podolny, 1993; Shapiro, 1983). Altogether these benefits are thought to ultimately translate to better competitive advantages and improved financial performance for companies.

The growing interest in corporate reputation comes at a time when intangible assets are increasingly being seen as key factors behind sustainable businesses and sources of competitive advantage (Iwu-Eguonwu, 2010). Intangible assets are described in various accounting literature as referring to a company's long-term resources that have no physical existence, which include among others reputation, brand and intellectual property (such as know-how and knowledge) (Lev, 2001). They are said to derive their value from legal or intellectual rights, and from the value they add to the other assets. These assets are now more important than they were considered to be in the 1960s, 1970s, or 1980s. Even though they have always played a particular role, the systematic manner in which they are currently handled is seen as being an important factor for competitiveness and to improve financial performance (Ballow, Burgman & Molnar, 2004; Doyle, 2000; Wiig, 1997).

The role and importance of corporate reputation usually become apparent in times of corporate crises and when instances of unethical corporate conduct are exposed – when reputation is generally a major casualty. The closer attention paid to corporate reputation has coincided with an increasing number of cases of corporate wrong-doing and business disasters - particularly from the start of the 21st Century - which have simultaneously tarnished corporate reputations and adversely affected the financial health of companies (Doorley & Garcia, 2010). The list of companies across the world that have suffered reputational damage in recent times – either through scandal, product and service failures, natural disasters, fraud and sheer greed, as well as, poor governance, among other factors – is long and spans various sectors, industries and geographies. Some of the more prominent of these examples in recent times include, among others: the dramatic fall of former US energy giant Enron in 2002; BP Oil's spill on the Gulf Sea in 2011; the fall of the Lehman Brothers Bank in 2008; the demise of WorldCom in 2001; Volkswagen's carbon emissions scandal in 2015; global banking group Barclays Bank plc's Libor rigging scandal in 2012, and the near demise in 2014 of South Africa's African Bank due to reckless lending practices. While serving to highlight the importance of corporate reputation, the continued occurrence of reputation-damaging events also suggests that the proper and effective management of reputation has become an essential consideration for companies.

Louison and Rayner (2009) note that as a result of the reputational damages suffered by companies and the effects on their various stakeholders, there has been an emergence of much tougher corporate governance and regulatory compliance demands, more powers to the regulators, rising expectations of stakeholders as well as the increasing influence of pressure groups. The developments took place in a bid to curb business conduct that may damage corporate reputations and cause harm to the businesses and stakeholders involved. These factors, therefore, have played a major part in the subject of corporate reputation coming under the spotlight and attracting extensive research.

However, notwithstanding the potential benefits of a good corporate reputation, questions remain about the concept and some of its related constructs (Gotsi & Wilson, 2001). These questions include, for example, exactly how a company realises the benefits of its reputation financially and otherwise (Eberl & Schweiger, 2005) and, in some cases, it includes the direction of the corporate reputation-financial performance relationship (Roberts & Dowling, 2002). Some of these questions are yet to be answered in a convincing manner. In spite of the suggestions that corporate reputation may be a key driver of a company's success, reputation, like most other intangible assets, remains largely ignored in corporate boardrooms and neglected in traditional accounting statements (Jackson, 2004). For example, Ballow, Burgman and Molmar (2004:26) note that company executives find managing intangible assets confounding, largely because accounting systems are not able to track nor analyse them. The further note that:

> "Without numbers, executives tend to overlook their importance and skew their decisions in favour of tangibles; without a detailed analysis of their specific characteristics, executives are prone to treat them as if they behaved just like tangibles."

Despite the acknowledgement of the importance of intangible assets in a company's business and financial performance, companies continue to focus more on tangible or physical assets (such as, buildings, equipment and land) and current assets (such as stock, inventory and cash). Management executives are increasingly under pressure to demonstrate on a regular basis that they are improving financial performance and subsequently growing value for their stakeholders. According to Bick (2006), in trying to meet short-term targets, more emphasis has been put on the organisation's tangible assets at the expense of intangible assets – much to the detriment of value to stakeholders in the long-term.

The underlying assumptions on the positive effects of corporate reputation thus provide a sound basis to investigate the association between a company's reputation and its financial performance. Many of the claims about the benefits that companies derive from their reputation have been criticised as being circumstantial; or the bases of corporate reputation measures used are flawed or the conceptualisations are not clear (Chun, 2005). Kim and Yang (2015) maintain that relating corporate reputation to a company's financial performance requires a more scientific explanation as opposed to intuition and common sense.

This Chapter outlines the rationale for this research, which focuses on examining the concept of corporate reputation within the South African context. The purpose of this study is three-fold: firstly, it is to examine whether or not the concepts of corporate reputation and financial performance influence each other in South African companies; secondly, to assess the observations and views of South African company executives regarding corporate reputation and financial performance; and thirdly, it is to develop a framework for understanding the interrelationship between corporate reputation and financial performance in companies. In the first instance, the study seeks to determine the association between corporate reputation and financial performance in South African companies. In this regard, the study departs from the point of view that is gaining currency that a "good" or "positive" corporate reputation is an intangible asset that can assist companies to be more competitive and improve financial performance (De Marcellis-Warrin & Teoderesco, 2012; Tischer & Hildebrandt, 2011; Aula & Mantere, 2008; Fombrun & Van Riel, 2004; Rindova & Fombrun, 1999; Fombrun, 1996, 2005; Hall, 1993, and Barney, 1991). In the second instance, the study seeks to understand the prevailing perceptions and attitudes among South African company executives towards the role and importance of corporate reputation. How reputation and its management are regarded within companies depend, to a greater degree, on how it is perceived by executives. Lastly, the ultimate purpose of this research is to develop a framework for understanding corporate reputation and its interrelationship with financial performance. The framework will propose some of the key reputational elements that company executives should focus on in order to achieve sustained competitive advantage and improve financial performance. In this regard, this research should assist executives at South African companies to focus on leveraging reputational "assets" for strategic and competitive advantage and to ultimately improve financial performance.

1.2 THE RESEARCH PROBLEM

In spite of the increasing acknowledgement of its value as an asset to companies, corporate reputation remains largely ignored by senior management of companies and is not even considered in financial statements (Jackson, 2004). Notwithstanding the large amount of research that has been conducted in the field of corporate reputation, the concept and how companies derive benefits from it is still not quite clearly understood by both researchers and executives (Chun, 2005). For example, the few studies that have been conducted have not been able to establish conclusively causality between the two concepts (Tischer & Hildebrandt, 2011). A major dilemma facing scholars and executives alike is how to quantify, place a value on, build, maintain and protect reputational assets in ways that boost financial performance and provide other benefits to the company and its stakeholders. This then presents a challenge for companies, which find it difficult to focus on or leverage corporate reputation as a resource to enhance and sustain financial value and performance in the long run.

Therefore, the main purpose of this research is to establish whether or not corporate reputation and financial performance in companies in South Africa influence each other. Tischer and Hildebrandt (2011) have pointed out that none of the several studies linking corporate reputation to financial performance were able to prove conclusively that corporate reputation influence financial performance. This was because the analyses could not prove the claimed effects, or the direction of causality could not be determined definitively. Given that scholarship in the area of corporate reputation is still emerging, albeit, rapidly, the exact nature of the relationship of the concept to financial performance, in particular, remains relatively less understood (Chun, 2005). This is more so in the South African context, where hardly any such research in this regard has been done. A determination on this phenomenon should further provide concrete evidence and reason for companies on whether or not they should invest in their reputations and focus on its management. Financial performance here refers to the measure of how well a company uses its resources from its core business to generate income. The term is also used as a general indicator of a company’s overall financial wellbeing over a given period. The financial health of a company matters to its range of stakeholders, including investors, employees, customers and authorities, among others.

The importance of the relationship between a company’s reputation and financial performance also has to be understood in the context of highly competitive environments in which companies find themselves. As a result, management executives are now more under pressure to demonstrate on a regular basis that they are improving performance and growing value for shareholders. However, in trying to achieve this, executives have focused more on the organisation’s tangible assets at the expense of intangible assets, much to the detriment of value to stakeholders in the long-term (Bick, 2006). Corporate reputation is seen as one such intangible asset at their disposal to improve financial performance. Despite the apparent acknowledgment of corporate reputation as an important factor in business sustainability and financial performance, the incidents of reputation-damaging events globally have not stopped. It is partly for this reason that this study also seeks to assess the perspectives of South African company executives on corporate reputation and financial performance. This should give some useful insights into why it remains largely ignored in the boardrooms, despite it now being acknowledged as a crucial factor in the success of companies. As mentioned earlier, the perceptions and attitudes of executives in this matter are important because of the key and strategic role that they play in the allocation of resources in companies.

The aim of this study was to determine whether or not corporate reputation and financial performance influence each other, as well as, to assess the perceptions of South African company executives regarding corporate reputation and financial performance. Given that scholarly research in the field of corporate reputation is still developing, albeit at a rapid rate, the exact nature of the relationship of reputation to financial performance remains relatively misunderstood (Fombrun, 2012; Chun, 2005). This is more so in the South African context, where little if any, such research in this regard has been done. The empirical studies that have been undertaken elsewhere in the analysis of the relationship have produced varying and sometimes differing findings and conclusions (Gatzert, 2015). The research problem in this study, therefore, particularly focuses on establishing whether corporate reputation influences financial performance in companies in South Africa, and vice-versa.

Furthermore, in spite of the increasing acknowledgement by scholars and management executives of its value as an important factor in the competitive advantage and financial performance in companies, corporate reputation remains largely neglected in the boardrooms and overlooked in conventional analyses of financial statements (Jackson, 2004). This is partly borne by the fact that despite the increasing awareness of the reputational penalties that companies and executives stand to pay for corporate wrongdoing or unethical conduct, the occurrence of corporate reputation-damaging events has not stopped nor declined. This could partly be explained by the observation in the literature that corporate reputation is a concept that company executives appear to be grappling with and one that they still need to clearly comprehend. The challenge for companies is how to leverage reputational equity to enhance and sustain financial performance. In particular, part of the dilemma for management executives is how to value, quantify, build, maintain and protect reputational assets in ways that boost financial benefits to the company (Jackson, 2004). The importance with which reputation is treated in companies depends, to a greater extent, on the perceptions and attitudes that company managers have towards it. Hence, one of the objectives that this study seeks to address is to assess the observations and views of South African company executives towards reputation and financial performance of companies.

1.3 THE RESEARCH CONTEXT

The research interest and attention paid to the field of corporate reputation has grown considerably in the last couple of decades. In the following two sections a brief theoretical and contextual background to this study is provided, setting the scene to better understand the research objectives and questions presented in the later sections. Here, an attempt is made to explain why the management of corporate reputation has become not only relevant but also more important for researchers and company executives now than ever before. The first section briefly examines the global context and some of the theoretical bases of the research, while the second section focuses on the local South African context in which this research is located.

1.3.1 The global context of the research

The last couple of decades have seen a steady growth in evidence-based research which suggests that the value of a business is no longer found in the tangible as well as financial assets on the balance sheet, but in its nonphysical or intangible assets (Jackson, 2004; *The Economist*, 1999). It is generally agreed that a company's nonphysical assets are the key factors behind sustainable financial performance, mainly because it is not easy for rivals to copy or neutralise them. Lev (2001) suggests that intangible resources are considered as more important today than in the 1960s, 1970s, 1980s or 1990s. Although these assets have always had a particular role, the systematic way in which they are treated today is viewed as being a crucial factor for competitiveness (Wiig, 1997). Ballow, Burgman and Molnar (2004), for example, have demonstrated that in 1980, traditional assets made up 80% of market value for the S&P 500 companies. They note that by 2002, however, this figure had fallen to about 25%, implying that about 75% of the value of the companies is now to be found largely in their intangibles, such as brands (Doyle, 2000). As a result, as Nakamura (2008) notes, many companies are now investing considerable amounts of capital in their intangible assets. According to Barney (1991), this paradigmatic shift from thinking of physical assets and to considering intangibles, signifies one of the salient changes in the management research field in the last few decades. This shift, Nakamura (2008) further notes, highlights the necessity and importance of assessing the contribution of intangible assets to a company's overall well-being.

One such intangible asset that a company has at its disposal in order to be more competitive and deliver positive financial performance is its reputation, which has also turned out to be among the most talked-about factors (Abimbola & Vallaster, 2007; Caruana, 1997; Hunt & Morgan, 1995) and is viewed as probably the most valuable (Boot, Greenbaum & Thakor, 1993; Hall, 1992). Broadly, corporate reputation develops over a period of time and constitutes the value and trust that a company's range of stakeholders have for it (Fombrun, 2012; De Marcellis-Warrin & Teoderesco, 2012). For other authors, reputation is an important precondition as well as a means of establishing a solid commercial basis from which the success of the company eventually derives (Fombrun, 2012; Van Riel, 1995:297-298). To achieve this commercial basis, the company has to achieve the cooperation of and favourable perceptions and attitudes from a range of stakeholders (Fombrun & Van Riel, 2004). A company's reputation can make an important contribution in this regard, and it is for this reason that it is viewed as a basis for competitive advantage and an intangible asset (Podnar, 2015).

Others argue that the importance attached to corporate reputation lies in its considerable ability to protect a company's competitive position (Jones, Jones & Little, 2000; Diericks & Cool, 1989), especially shielding the company in difficult times of crises (Dhir & Vinen, 2005). For example, when highly regarded and leading companies, such as sports brand manufacturer Nike and technology company Apple faced significant pressure from some stakeholders regarding unethical labour practices at some of their factories in China, these companies did not seem to suffer any considerable tangible or intangible losses. On the other hand, consequences for other companies, such as former US banking giant Lehman Brothers and former leading UK public relations company Bell Pottinger, were catastrophic once they were exposed for unethical conduct. The differences in how these companies were affected by their different crises can be attributed, to a large degree, to the overall esteem in which their stakeholders held these companies prior to their crises. Furthermore, as will be demonstrated in later chapters, some scholars, especially those interested in reputation from the socio-cognitive perspective, attribute these differences to the companies' cognitive capabilities and responsiveness to threats in their external environments (Bundy, Shropshire & Buchholtz, 2013; Waldron, Navis & Fisher, 2013; Joshi & McKendall, 2018).

Furthermore, corporate reputations are also said to be worth many billions of dollars in many large global corporations (Jackson, 2004). Companies today are operating in highly competitive markets in which attracting talent, financial, and other resources, is a constant challenge (Peteraf, 1993; Barney, 1991; Penrose, 1959). In this regard, a company's reputation is viewed as being among the essential factors that can help companies address these challenges.

Based on existing literature, this research, therefore, assumes that a strong and consistent association between corporate reputation and a company's financial value and its performance must exist. Thus, a good or positive corporate reputation should improve a company's financial performance and create value for its stakeholders (Knight & Pretty, 2001). The rationale here is that a high profile and reputable corporate name is likely to result in, among others, enhanced value drivers; more sales, customer loyalty and sustained market share, which in turn will translate into improved cash flow performance and will enhance a company's competitive position compared to its rivals. Ultimately, this should translate into value for the company and its stakeholders (Knight & Pretty, 2001). In addition, it should protect the company from suffering heavy losses when crises happen.

The definitional and conceptual issues of corporate reputation are dealt with in detail in discussions in the literature review sections. However, reputation is broadly understood in this study in terms of Fombrun's (1990:72) definition, which sees it as a "perceptual representation of a company's past actions (historical) and future prospects that describe the company's overall appeal to all its key constituents when compared to its rivals". This encapsulates the different multidisciplinary approaches to the concept and is in line with the general agreement among scholars that it can be explained in terms of its historical and perceptual nature, that is, as consisting of the evaluations that various stakeholders have of an entity (Inglis, Morley & Sammut, 2006). Some of the scholars who have recently studied corporate reputation from the emerging socio-cognitive perspective have also tended to focus on corporate reputation as the judgments that a company's various stakeholders make of it (Joshi & McKendall, 2018; Waldron *et. al.*; Bundy *et. al.*, 2013; Mishina, Block & Mannor, 2012). The antecedents, consequences, as well as, some of corporate reputation's related constructs and with which it is often confused or conflated (for example, image, identity and legitimacy) are discussed in greater detail in the next chapter.

The increase in research into corporate reputation has coincided with a rise in business scandals and disasters worldwide, especially from the beginning of the 21st century, which have demonstrated the importance of building, maintaining and defending reputation in order to enhance and preserve enterprise value and ensure business sustainability. The spectacular fall of Enron in 2002, and more recently the global financial crisis, for example, led to a rise in the focus of corporate governance in order to ensure that businesses do not behave in ways that could harm corporate reputations. The cumulative effect of the scandals has been to erode the trust that various constituencies have in the business sector and the subsequent destruction of value in many enterprises. In turn, multiple stakeholders in these businesses have also been adversely affected as a result. These corporate scandals have spread across geographies and beyond the business sector to other sectors of society, including not-for-profit organisations, governments, sports, universities and even religious institutions, among others (Jackson, 2004).

The business disasters, especially the 2007 crisis in the financial markets due to unethical banking practices in the US that subsequently led to the global economic meltdown, as well as, corporate corruption and fraud scandals have heightened the demands for tougher regulation, credibility, more governance and greater accountability (Doorley & Garcia, 2010). This points to a vastly changed and changing landscape in which companies have to operate and is the reason why doing business today is now seen as being more about economics, law *and* reputation. As Jackson (2004:2) puts it, being successful and sustainable in business, therefore, requires finding the correct balance among the dimensions of "commerce, compliance and credibility". More importantly, the increase in corporate scandals raises the question about why these reputation-damaging events have not stopped despite the seeming acknowledgment and growing recognition of the importance of corporate reputation.

Van Melle Kamp and Bidolli (2010:1) sum up the changed environment in which businesses around the world have to operate as follows:

> "Demands on businesses around the world have intensified and traumatic events — such as financial crises, poorly managed environmental and safety disasters, and product recalls — have battered the reputations of some of the world's top brands. Widespread take-up of the Internet and social media, combined with increasingly vociferous stakeholders, has made organisations everywhere vulnerable to attack from the media, an outraged public, customers, politicians and regulators."

The scope and extent of the body of research that is emerging, therefore, suggests that scholars and practitioners are now, more than ever before, viewing corporate reputation as a different, significant and essential intangible resource for companies seeking competitive advantages. Research into corporate reputation is considered practically and theoretically important because it has become an indispensable value driver in companies. Though both a good reputation and financial performance may influence each other in the long term, a company with a good corporate reputation will presumably experience better financial performance. Therefore, when a company devotes time, effort and other resources into building and protecting its reputation, the rewards should be greater – culminating in employee, customer and investor confidence, which in turn means higher sales and profits. There is an increasing realisation among many companies around the world that "return on investment" and "reputation on investment" are "ROIs" worth equal consideration. Reputation, therefore, has clearly become an intangible asset that is now every bit as valuable as tangible assets, such as property and equipment.

It follows then that companies whose balance sheets suggest seemingly secure assets will likely collapse if they do not have sufficient reputational "capital" or "equity", which is the quantifiable measure of a company's reputational worth in some context – a community or marketplace. A good case in point is Enron, which was the seventh-largest US company before its demise in 2001. Recent history is replete with many other examples such as Enron, whose collapse not only caused huge financial losses to investors and suffering to other stakeholders but more significantly, a stunning loss of reputation in the business sector as a whole (Jackson, 2004). Employees, consumers, investors, communities and other stakeholders all suffer when businesses collapse. Another more recent example of how a crisis can severely damage corporate reputation, causing simultaneously a spectacular financial loss is the case of Canadian technological company Research in Motion (RIM). At the start of 2011, it was Canada's fifth-most admired company (*Canadian Business,* 2012). However, a loss of trust in RIM following a disastrous product launch and an incident where millions of its Blackberry phone users were unable to access its service, saw RIM's shares dramatically tumble 75% between March and December 2011 (*Canadian Business,* 2012). The demise of leading companies (such as Bell Pottinger, former US tech giant Worldcom and former leading global auditing firm Arthur Andersen) are just a few in a long line of other companies that also illustrate this point. Despite the reputational penalties companies stand to suffer because of corporate misconduct, instances of corporate reputation-damaging events have not abated.

In South Africa, the case of the near demise of African Bank Limited (Abil) in 2014 provides a relevant and fresh example of the phenomenon of how the loss of credibility in a company can negatively affect financial performance and hurt all its other stakeholders in the process. *Business Times* newspaper reported that the fall of this once mighty unsecured lender underscores the most dramatic destruction in shareholder value in recent years, with more than R31-billion being wiped out between 2010 and August 2014 (*Business Times*, 10 August 2014). This was preceded by reputational issues that were highlighted in the consistently negative media reportage amid allegations of poor governance and reckless lending practices at the bank. The failure of African Bank subsequently led to ratings agency Moody's downgrading all South African banks, which the agency said at the time pointed to a serious trust deficit in the compliance culture of the country's banking system (*Business Times*, 2014). Other examples of companies in South Africa that suffered damage to their reputations include: Ford SA, which had to recall nearly 200 000 Kuga models in 2017 after several reports of its utility cars bursting into flames; as well as international auditing firm KPMG, state-owned power utility Eskom, and US management consulting company McKinsey, that were embroiled in the widespread allegations of corruption in what came to be known as the "state capture" scandal.

In all these instances, corporate reputations were badly tarnished with dire consequences for the companies and their stakeholders. These examples imply and underscore the idea that investing in intangible assets such as business plans, intellectual property as well as corporate reputation, among others, can have measurable results for a company. What the recent corporate catastrophes seem to confirm is the proposition that corporate reputation has become an essential, if not one of *the* defining issues of business today, which calls for company executives to pay more attention to it as much as they do other assets. They also highlight the relevance of research in the field of corporate reputation. Jackson (2004:2) captures the importance of corporate reputation as follows:

> "Companies and other organisations should develop sufficient reputational capital that helps them build relationships and grow their organisations in the same way people develop social capital to help them build relationships and their careers. A good reputation has both tangible and intangible benefits, and when properly leveraged it has the potential to unlock an organisation's bottom line."

Therefore, increasing a company's supply of reputational equity can be leveraged for strategic and competitive advantage as well as for long-term financial performance. Given this seemingly close interrelationship between crises, companies' reputations and financial performance, it follow that a company with a positive reputation will likely benefit from better financial performance, but will also likely survive when faced with a crisis. Such companies attract better quality employees; are able to pay less for supplies; gain essentially free media coverage that is in most cases worth more than advertising; and attract higher investor and customer confidence, which in turn translates to higher sales and profits (Jackson, 2004). Thus, companies that proactively and consistently build and protect sound reputations often realise a considerable return on investment. They are less likely to surprise stakeholders negatively or disappoint them.

1.3.2 The South African context

In South Africa, where this research was conducted, the importance of corporate reputation can no longer be gainsaid. Although various studies focusing on corporate reputation and financial performance have been done elsewhere (for example, Inglis, Morley & Sammut, 2006; Rose & Thomsen, 2004; Roberts & Dowling, 2002), no similar research has been conducted in South Africa. Corporate reputation has also become an important consideration for South African companies as they continue to operate in increasingly difficult, globalised and highly competitive environments. Given the growing stature of South African companies since the end of apartheid in 1994 and the country's position as a leading economy in Africa, it has become imperative that companies continue to demonstrate their ability to be sustainable and competitive. Integrity in business and having a good corporate reputation have become fundamental if South African companies are to be competitive, attract more investors, customers, employees and other important stakeholders, and remain sustainable in the long-term.

Just like in other parts of the world, reputational risk has become an important consideration among most South African companies. A number of factors have combined to put reputation at the centre of how companies in South Africa conduct their business. Van Melle Kamp and Bidoli (2010) identify the global economic downturn, as well as the heightened attention and tougher calls for sustainability from a broad range of constituents, as being among factors that have amplified the need for company executives to be concerned about reputation and to manage it actively. The business sector in the post-apartheid era has had its own share of corporate scandals, which in several cases have resulted in the negative perceptions and the consequent destruction of enterprise value and a detrimental impact on stakeholders. The reports of the King Commission on Corporate Governance, for instance, broadly addresses ethical issues that relate to corporate reputations, (Institute of Directors SA, 2010). In addition, a raft of legislation in recent years, including the Companies Act (2008) and certain industry-specific codes of conduct emanating from the King Commission have been designed to ensure appropriate ethical behaviour by companies and to avoid some of the business scandals that have damaged the reputation of the overall corporate sector. In addition, the fact that a number of leading South African companies and other organisations have begun to invest considerable amounts of effort, time and other resources in enhancing, protecting and managing their reputations, suggests that corporate reputation has indeed become an important consideration in their competitiveness as well as their financial performance.

The tightening regulatory climate of business is intended to place the onus on companies to act in the interests of their various stakeholders, including investors, communities, employees, customers and suppliers, as well as to conduct themselves in ethical ways – thereby lessening the risk to business reputation and in turn to the national economy. It is also indicative of the need for companies to conduct their businesses in ways that take into account reputation. With South Africa being one of Africa's leading economies, corporate reputation should be seen as a strategic and competitive factor that influences business and economic success. It is important for company executives to grasp the reality that commercial success, trust and respect for the company, depend on good corporate governance practices and sound reputation as much as they do on operational performance.

Van Melle Kamp and Bidoli (2010) note that companies are progressively seeing damage to their reputations as a serious risk and that company directors have become more conscious of what their responsibilities are in this regard. They further note that protecting and enhancing corporate reputation has become a critical governance issue for boards of companies. These trends appear to be in line with some of the global developments on this topic, as illustrated by the findings of Ettenson and Knowles (2008).

Reputation has undoubtedly moved up the agenda of companies in recent years largely because of closer attention and stricter demands for sustainability from various constituencies. Van Melle Kamp and Bidolli (2010) note that it has become top of mind for executives and is an issue that has been elevated to being part of the core business strategy and asset that companies need to protect with vigour. They highlight the increased investment in the management of reputation and heightened role of reputation stewards.

> "Companies are increasingly viewing loss of reputation as a serious threat, allocating additional resources to reputation management and hiring more professional advice and expertise. The influence of corporate affairs departments is on the rise, particularly in regulated industries and among employers that oversee large-scale community projects," (Van Melle Kamp & Bidoli, 2010:4).

The authors note that the growing awareness among South African companies of the importance of reputation is a recent phenomenon, which they link to the scrutiny being given to the overall management of risk. This awareness comes partly in the wake of the recent global financial meltdown, which has contributed significantly to amplifying the need for companies around the world to focus more attention on their reputations. A frequent cause of damage to reputation since the global economic downturn in 2008, for instance, has been the issue of compensation of executives, especially when it is not justified or consistent with performance (Van Melle Kamp & Bidolli, 2010). The issue of executive remuneration continues to elicit negative comments from stakeholders who emphasise why it is important to link pay and performance. For instance, a chairperson of one company was quoted as stating that:

> "I am comfortable with people earning millions but it must have a close correlation with the performance of the company over the long term, not just last quarter's numbers. As companies, we have to be crystal clear about the rationale for executive compensation and always be able to justify it" (Van Melle Kamp & Bidolli, 2010:5).

There is an increasing need for South African companies that can compete effectively, not only in the domestic market but internationally as well. Corporate reputation can play a major part in attracting the favourable attention of key constituents, including employees, customers, investors and communities in which companies operate. Being sustainably competitive partly requires investors to lay down their capital as long as shareholder returns are attractive. As Knight and Pretty (2001) point out, the pursuit of shareholder value represents the long-term and comprehensive approach to attracting capital for future value creation. This can be achieved in part if leadership of companies can grasp the importance of proactively building enough reputational capital for their companies to navigate the dynamic environments in which they must compete. Therefore, the need for South African company executives to focus significant attention on their companies' reputations as they compete in these multi-stakeholder and multinational business environments has become essential.

However, despite the seeming growing realisation and awareness at South African companies of reputation as an important success factor, there has been an increase in the number of companies that have been accused of unethical conduct – with dire reputational and financial consequences to themselves and their stakeholders. In some instances, these claims of misconduct have had negative effects on the entire industries in which the errant companies operate. For example, the demise of African Bank led to the international ratings agencies downgrading all the South African banks because of weaker regulatory compliance measures. Similarly, the claims of unethical conduct that auditing firm KPMG faced in 2017 following its suspect auditing practices brought the whole auditing industry under scrutiny and many questions were raised about the way they do business. The same can also be said about the management consulting industry, which was brought under the spotlight following allegations of impropriety being levelled against US companies McKinsey in 2017 and Bain Consulting in 2018.

1.4 RESEARCH AIM

The aim of this research is to analyse whether corporate reputation and financial performance influence each other, and to explore how South African company executives regard the two concepts and their association. The research objectives, hypotheses and questions are discussed and illustrated in Table 1 in the following section.

1.5 RESEARCH OBJECTIVES

This research seeks to address the following five different but interrelated objectives:

Research objective 1: To determine whether corporate reputation and financial performance influence each other in South African companies.

Research objective 2: To determine whether or not a *good (or bad) corporate reputation* had impacted companies in a *positive (or negative) way* over the past 10 years.

Research objective 3: To explore whether the industries in which companies operate and whether or not they are listed on the JSE have a bearing on how the company executive regard corporate reputation.

Research objective 4: To explore how South African company executives view the concept of corporate reputation and its assumed role in a company's financial performance.

Research objective 5: To propose a strategic framework for better understanding and managing corporate reputation in order to improve financial performance.

1.5.1 Research Objective 1: Working Hypotheses 1 and 2

Based on the literature reviewed, this research hypothesises that there is an association between the reputations of companies and how they perform financially. Some of the current literature also suggests that the influence of this relationship flows in both directions (Rose & Thomsen, 2004). This suggests that reputation affects performance, and likewise, performance also drives reputation. In other words, corporate reputation influences financial performance and, in turn, financial performance contributes to corporate reputation. In this regard, the relationships that were tested in Phase 1 (regression analysis of archival data) of the research are as follows:

Working hypothesis 1: A higher (or lower) corporate reputation results in a higher (or lower) financial performance

Working hypothesis 2: A higher (or lower) financial performance results in a higher (or lower) corporate reputation

15.2 Research Objective 2: Working Hypotheses 3 and 4

In order to analyse if it is possible to predict a positive answer (good reputation results in better financial performance) or a negative answer (bad reputation equals poor financial performance) respectively as dependent variables based on a set of the variables identified that could potentially be drivers of a) a positive or b) a negative answer, binary logistic regression as a method was investigated. When companies acknowledge corporate reputation as a critical success factor; measure it more frequently; and invest considerably in it; the higher the likelihood should be that they should have a good reputation and in turn should experience better financial performance as a result. The converse should also holds true. In this regard, the relationships that were tested are as follows:

Working hypothesis 3: There is a relationship between Item 26 and Items 4, 11, 12, 22 and 31 of the measuring instrument

Working hypothesis 4: There is a relationship between Item 27 and Items 6, 7, 11, 22, 24, 29, 30 and 32 of the measuring instrument

1.5.3 Research Objective 3: Working Hypotheses 5 and 6

This research hypothesises that the industries in which companies operate and whether they are listed on the JSE or not have a bearing on how the company executives regard corporate reputation. As such, research objective 2 will align with working hypotheses 3 and 4 described below, which will be tested through a quantitative survey in Phase of the research. This will be done in order to determine whether an association exists between executives' views on corporate reputation and a) the industries in which companies belong, and b) whether a company is listed on the JSE or not.

In other words, the analysis will seek to determine if there is any association between:

a) Question 1: the industries that the respondents' companies belong to and the way the respondents answered Items 4, 5, 6, 9, 11, 12, 22, 24, 30 and 31 of the measuring instrument.

b) Question 2: whether or not the respondents' companies are publicly listed on the JSE and the way they answered Items 4, 5, 6, 9, 11, 12, 22, 24, 30 and 31 of the measuring instrument.

The questions constituting the variables, respectively, deal with the importance of corporate reputation as a critical success factor; causal link between corporate reputation and financial performance; risk to reputational damage; direction of influence between corporate reputation and financial performance; reputation as a quantifiable asset; frequency of its measurement; how much companies invest in corporate reputation; contribution of corporate reputation to financial performance;

whether companies should proactively build corporate reputation, and whether corporate reputation is something South African companies take seriously.

In this regard, the hypotheses tested in Phase 2 (analysis of quantitative survey data) of the research are:

> *Working hypothesis 5:* There is an association between Item 1 and Items 4, 5, 6, 9, 11, 12, 22, 24, 30 and 31 of the measuring instrument.
>
> *Working hypothesis 6:* There is an association between Item 2 and Items 4, 5, 6, 9, 11, 12, 22, 24, 30 and 31 of the measuring instrument.

1.5.4 Research Objective 4: Research Questions

The primary and secondary research questions that were explored in the second phase (quantitative survey) and third phase (qualitative interviews) of the research are:

> *Primary research question 1:* Do management executives in South African companies view corporate reputation as an important factor that contributes to financial performance?
>
> *Primary research question 2:* Do South African company executives think corporate reputation has an influence on financial performance in companies?
>
> *Primary research question 3:* Do management executives consider financial performance to be an important driver of corporate reputation?
>
> *Secondary research question 3a:* Do management executives consider reputation to be an asset that can be leveraged to drive performance?
>
> *Secondary research question 3b:* Do their companies invest in their corporate reputations?

Secondary research question 3c: How have their companies been affected by bad reputation in recent times?

Secondary research question 3d: What do management executives consider to be the role of corporate reputation in the success of business?

These research questions are critical in assessing and understanding the perceptions and attitudes of executive managers towards corporate reputation in particular and other intangible assets in general. This gives an indication of whether or not reputation is viewed as an important success factor and source of competitive advantages by South African companies. Even though previous surveys have shown a heightened level of awareness of the importance of corporate reputation and the penalties companies stand to pay in the event of wrong-doing, this study should provide further insights and explanations into why instances of reputation-damaging events still persist.

1.5.5 Research Objective 5: Developing a strategic framework

The primary research question that will be explored in addressing this reseach objective is:

Primary research question 4: What are the key elements and drivers that companies should focus on to build reputation and achieve sustained competitive advantage and improve financial performance?

Table 1 below illustrates the objectives of this study, as well as the key questions it seeks to address. As shown, there is an alignment between the study's objectives and the corresponding hypotheses and questions.

Table 1: General aim, research objectives, hypotheses and questions

General aim				
The aim of this research is to analyse whether the concepts of corporate reputation and financial performance influence each other in companies, and to explore how South African company executives regard this relationship.				
Research objectives				
Objective 1	**Objective 2**	**Objective 3**	**Objective 4**	**Objective 5**
To determine whether corporate reputation and financial performance influence each other in South African companies.	To determine whether or not a *good (or bad) corporate reputation* had impacted companies in a *positive (or negative) way* over the past 10 years.	To explore whether the industries in which companies operate and whether or not they are listed on the JSE has a bearing on how the company executive regard corporate reputation	To explore how South African company executives view the concept of corporate reputation and its assumed role in a company's financial performance.	To propose a framework for better understanding and managing corporate reputation in order to improve financial performance.
Working hypotheses and research questions				
Working hypothesis 1: A higher (or lower) corporate reputation results in a higher (or lower) financial performance *Working hypothesis 2:* A higher (or lower) financial performance results in a	*Working hypothesis 3*: There is a relationship between Item 26 and Items 4, 11, 12, 22 and Q31 of the measuring instrument *Working hypothesis 4*: There is a relationship	*Working hypothesis 5:* There is an association between Item 1 and Items 4, 5, 6, 9, 11, 12, 22, 24, 30 and 31 of the measuring instrument *Working hypothesis 6:* There is an association between Item 2 and Items 4, 5, 6, 9, 11, 12, 22, 24, 30 and 31 of the	*Primary research question 1:* Do management executives in South African companies view corporate reputation as an important factor that contributes to financial performance?	*Primary research question 4:* What are the key reputational elements and drivers that companies should focus on to achieve sustained competitive

higher (or lower) corporate reputation	between Item 27 and Items 6, 7, 11, 22, 24, 29, 30 and 32 of the measuring instrument	measuring instrument	Primary research question 2: *Do South African company executives think corporate reputation has an influence on financial performance in companies?* *Primary research question 3:* Do management executives consider financial performance to be an important driver of corporate reputation? *Secondary research question 3a:* Do management executives consider reputation to be an asset that can be leveraged to drive performance? *Secondary research question 3b:* Do their companies invest in their corporate reputations? *Secondary research question 3c:* How have their companies been affected by good or bad	advantage and improve financial performance?

			reputation in recent times? *Secondary research question 3d:* What do management executives consider to be the role of corporate reputation in the success of business?	

1.6 METHODOLOGICAL ORIENTATION AND RESEARCH DESIGN

This research was approached in the following three phases:

- *Phase 1:* This phase focused on determining whether corporate reputation and financial performance influence each other. A regression analysis was used to compare reputation rankings and financial performance metrics of South African companies.

- *Phase 2:* In this phase, a quantitative survey was conducted to assess the perceptions of South African company executives about corporate reputation and financial performance.

- *Phase 3:* The third phase relied on qualitative data collected through semi-structured interviews to assess how South African company executives view and behave towards corporate reputation in relationship to financial performance.

As such, this study adopted a mixed-method research approach in the collection and analysis of data. This approach combines aspects of both quantitative and qualitative methods. It was opted for mainly because it enabled the researcher to address fairly adequately the research objectives and questions. Using both methods was useful as they complemented each other (Leedy & Ormrod, 2014:269) in the process of exploring and understanding various aspects of the problem under investigation. Given that mixed-method research enables focus on a unique phenomenon, the quantitative research approach was used in the first and second phases of the study, while the qualitative research approach was used in the third phase of the study. The latter phase was introduced to clarify some of the findings from phases 1 and 2.

1.6.1 Phase 1: Regression analysis of secondary archival data

This phase adopted a quantitative, empirical-based approach to explore the association between the variables, namely reputation and financial performance in South African companies. Broadly, the focus of quantitative research is on the collection and analysis of evidence in statistical form. This method of inquiry draws on positivist ontologies and epistemologies, which are discussed in detail in later sections of this chapter, as is the rationale for this research inquiry strategy.

In terms of the research design for this phase, two sets of secondary data (or historical statistical data) were collected and analysed using tools that allow for objective conclusions to be drawn. The aim of this empirical part of the study was to establish if a directional relationship exists between reputation and financial performance. The first data set was the Reputation Institute RepTrak Pulse's annual "Most Reputable Companies" rankings (for the years 2011-2016). This index has been tracking the reputations of a number of South African companies since 2008. RepTrak Pulse is a reputation study conducted in South Africa by the Reputation Institute's local affiliate, Reputation House, whereby the reputations of some of the biggest and most visible companies in South Africa are measured via a survey among a representative sample of the public in South Africa. RepTrak tracks perceptions about companies' ability to deliver in the following seven key areas: performance, leadership, innovation, products, governance, workplace and citizenship. From this, companies are then scored and ranked in an ascending reputational scale in which No. 1 represents the most reputable company.

The second data set consisted of three financial measures, namely ROE (return on equity), ROIC (return on invested capital) and ROA (return on assets), collected from existing and publicly available data sources. These were chosen because they are commonly used and readily available financial metrics. For both the data sets, the study considered evidence from a period of five years. The corporate reputation rankings data were plotted against the three above-mentioned financial measures (ROE, ROIC and ROA) to test the nature of the relationships between the variables using the linear regression analysis. In this regard, the study parallels some of the methodological approaches that have been used in recent studies to examine the directional relationship between a company's reputation and its financial performance. These include research studies done by Roberts and Dowling (2002), who studied US companies; their research was later adapted by Rose and Thomsen (2004) who used Danish evidence; and Inglis, Morley and Sammut (2006), who used Australian data. In all these studies, publicly available image ratings data and financial metrics of leading companies in their respective markets were combined to examine the link.

1.6.2 Phase 2: Quantitative survey (Primary data)

In the second phase, a structured survey questionnaire was administered to 300 respondents as part of the research objective to asses the views of South African company executives towards corporate reputation and financial performance. These respondents included company chairpersons and executive managers, heads of corporate affairs departments or any other relevant reputation stewards at the South African companies sampled for the study. The survey provided part of the primary evidence used in the research, and was analysed using various methods consistent with the quantitative research methodology. This provided useful insights into some of the research objectives and questions being addressed, especially with regard to South African management executives' views on corporate reputation.

1.6.3 Phase 3: Qualitative interviews (Primary data)

As a follow-up to the quantitative approach, semi-structured interviews were conducted with senior managers at one specific company identified as a field study for the research. The company chosen was a leading South Africa-based financial services group, hereinafter referred to as "The Bank".

The objective of the third phase was to explore management executives' observations and views of corporate reputation in relation to financial performance in a qualitative manner, building on the quantitative survey that was conducted. The intention was to gain further explanatory insights on the research problem, which the e-mailed survey alone could not provide. One of the advantages of such a field study is that the researcher gains a deeper understanding into the research subjects due to the proximity to them and hence the research tends to be extensive and accurate. The Bank was chosen as a field study because of its accessibility to the researcher of managers at the company, and because it is one of the leading companies in South Africa as well as the rest of the African continent. The field study approach was used, since the results from the interviews could explain some of the issues pertaining to the research problem. The research would have liked to conduct the interviews at more than field site, but was limited by the amount of resources and time available.

In the sections below, several issues guiding the methodology of the study are discussed. The sections consider the philosophical, paradigmatic as well as the meta-theoretical perspectives in which this study's research design is foregrounded. Sefotho (2015) views philosophy as an umbrella concept under which metatheory and paradigm are incorporated, and argues that it is something that proves evasive for some researchers.

1.7 THE PHILOSOPHICAL APPROACH

Saunders, Lewis and Thornhill (2012) maintain that in business-oriented research, it is important to define clearly the thesis' research philosophy, which they also define as an all-encompassing term with regard to the development of knowledge as well as the nature of that knowledge. The philosophy that underpins a research strategy, design and methods, is viewed as a critical step in planning a research project (Wilson and McCormack, 2006). Below, the researcher briefly discusses the ontological, epistemological, axiological and methodological assumptions that constitute the philosophical perspective taken in this research.

1.7.1 The ontological view

Ontology relates to the nature of reality and the assumptions that researchers have about that reality (Saunders *et. al.*, 2012). This then brings up the question about the researchers' assumptions about how the world works and his or her commitment to particular views. Researchers tend to support the following two perspectives of ontology, which define human assumptions: objectivism and subjectivism.

According to Crotty (1998), objectivism represents the point of view that things, like social entities, exist as a meaningful reality outside of social actors, and has to do with their existence. In other words, objectivism holds that the world is full of facts, that each thing is itself: a cup is a cup, a stone is a stone. This is regardless of what we think about them or each person's experience with them. On the other hand, subjectivism maintains that social phenomena are produced through the views as well as resultant actions of affected social actors (Saunders *et. al.*, 2012). It holds that our existence does not have any identity until we perceive it. In other words, objectivism exists external to the interests humans have in the entities, while subjectivism states that social phenomena are a result of the perceptions and resultant actions of people (Saunders *et. al.*, 2012:131).

This study straddles both the philosophical dimensions of objectivism and subjectivism. The first part of the research (Phase 1 and Phase 2) leans more towards the objectivist position in its view of a company's reputation as a factor or variable; something that a company "has". In other words, it is something that can be influenced or altered so as to result in the kind of outcome that company executives want. This part of the study is based on the premise that, despite the continual production and reproduction of a company's reputation, this phenomenon can be isolated, understood and tweaked in ways that influence financial performance and benefit all the company's constituents in the long run.

The second part of the study (Phase 3) assumes the position of subjectivism, which allows for a degree of subjectivity regarding the interpretation of the research questions of the study. To this extent, some scholars such as Baldwin *et. al.* (2004: 26) argue that "reality and meaning are always personal and channelled through the society that contains them". This aspect of the study falls under the subjectivist ontology in that all interactions that lead to perceptions of corporate reputation, as well as the factors and dimensions that constitute it are the result of constant "making of meaning" between various stakeholders – with some stakeholders projecting meaning and others making sense of it (Baldwin *et. al.*, 2004: 28).

1.7.2 The epistemological position

Epistemology constitutes what is acceptable or valid knowledge in a research field (Saunders *et. al.*, 2012). Several scholars, such as Baldwin *et. al.* (2004:23), Wood (2004:56) and Anderson (1996:49), define it as the study of knowledge, which they explain as "what is known, how it is known, and who the knower is". According to Anderson (1996:49), a researcher's responses to these questions puts him or her on a "continuum that ranges from there being a single unchanging truth, to a single truth with multiple interpretations, to multiple truths with multiple interpretations, and finally to multiple truths that can only be partially interpreted." The two extremes within the continuum thus represent the two subsets of epistemology: positivism and interpretivism. The position a researcher assumes can determine what they consider to constitute acceptable knowledge (Saunders *et. al.*, 2007:102).

If a study reflects the philosophy of positivism, it generally adopts the philosophical position of the natural scientist, which prefers collecting data about an observable reality and searching for irregularities and causal relationships in the data to create law-like generalisations like those produced by scientists (Gill & Johnson, 2010). On the other hand, the interpretivist philosophy holds that rich insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations. Interpretivism advocates that it is necessary for a researcher to understand differences between humans in our role as social actors (Saunders *et. al.*, 2012: 137). Thus, the difference between conducting research among people rather than objects is emphasised. Researchers should be aware that people interpret things differently and are influenced by the meaning they attach to their social actions, and that interpreting actions of others alters the way meaning is attached to actions (Saunders *et. al.*, 2012: 137).

The epistemological perspective assumed in this research underpins certain assumptions about the research phenomenon. The first part of the research (Phase 1 and Phase 2) (of which a key objective was to determine the existence of an association between different variables – a company's reputation and its financial performance) was, therefore, positioned towards the positivist end of the epistemological spectrum, which adopts the philosophical stance of a natural scientist (Saunders *et. al.*, 2012). This part of the study was concerned with gathering data about a reality that can be observed and looked out for consistencies and causal relationships in the data with the aim of creating generalisations (Gill & Johnson, 2010). Against this background, data on the perceptions and attitudes of management executives are collected through a survey questionnaire and collated in a statistical format. In this way, the evidence gathered is not open to bias, and is therefore considered to be objective.

In the second part of the study (Phase 3), the research philosophy was nearer to that of the interpretivist position, in that it was more concerned with entering the world of its subjects (that is, the company executives) and understanding their world from their point of view. Some scholars argue that an interpretivist perspective is highly appropriate in the case of business and management research, especially in such fields as organisational behaviour, marketing, and corporate reputation (Saunders *et. al.*, 2012: 137). This, they argue, is because business situations are not only complex, but are also unique. The second part of this research can also be considered as phenomenological in that it tries to understand how executives make sense of the world around them (Saunders *et. al.*, 2012). In this study, it refers to how the executives make sense of corporate reputation and its assumed role in their businesses.

1.8 RESEARCH PARADIGM

In this study, paradigms constitute another level of the philosophical framework. Kuhn (1962) describes a research paradigm as "the set of common beliefs and agreements shared between scientists about how problems should be understood and addressed". Chun (2005) explains that the word "paradigm" is commonly referred to in much of the literature to describe the various approaches to a specific area of research. Thus, paradigms are ways of exploring social phenomena, from which particular understandings of these phenomena can be achieved and explanations made (Saunders *et. al.*, 2012). For Baldwin *et. al.* (2004:25), they are a way of grouping theories together, and they are more specific as a paradigm can be applied to a particular research field. Each paradigm, however, can have several theories and grand theories (Steenkamp, 2015). The paradigms that outline the theoretical perspectives adopted in this study's research context are discussed below.

This study follows the mixed-method approach in the collection and analysis of data, which is typically a combination of quantitative and qualitative approaches. As such, the research was conducted within two paradigms that correspond with these approaches, namely the positivist and interpretive paradigms respectively. The quantitative part of this research falls within the positivist philosophical tradition, the epistemological perspective that emphasises an observable reality. Under positivism, social phenomena are studied using research designs similar to those used by natural scientists (Saunders *et. al.*, 2012). This entails the collection of data about a reality that is observable and looks for irregularities and causal associations in data to create law-like generalisations (Gill & Johnson, 2010). Positivist ontology is based on the assumption that because reality has "immutable natural laws and mechanisms", it is possible for a researcher to acquire knowledge of this reality by observing the phenomena (Guba, 1990:19). The quantitative part of the research applies this logic in determining whether the variable of corporate reputation and financial performance in South African companies influence each other. From this ontological perspective, the need for objective enquiry is highlighted (Matveev, 2002). Saunders *et. al.* (2012) note that in order to generate a research strategy for the collection of data, a number of hypotheses may be developed from existing theory. The authors further note that these hypotheses "will be tested and confirmed, in whole or part, or refuted, leading to the further development of theory which may be tested by further research" (Saunders *et. al.*, 2012:134). In this regard, a major objective of this study is to test existing hypotheses and assumptions about the relationship between corporate reputation and financial performance in companies.

The second part of the research, which seeks to assess the observations and views of South African company executives of corporate reputation and its relationship to financial performance, is located within the interpretive paradigm. This paradigm refers to the epistemological position of interpretivism, which is the way in which humans attempt to make sense of the world around them (Saunders *et. al.*, 2012). The concern of researchers working in this paradigm is to comprehend the fundamental meanings attached to organisational life. People interpret things around them in the way they understand them. This part of the research is interested in understanding, in a qualitative manner, how South African company executives interpret the concepts of corporate reputation and financial performance. From an ontological perspective, this part assumes the position of subjectivism, which allows for a degree of subjectivity regarding the interpretation of the research data of the study. To this extent, some scholars such as Baldwin *et. al.* (2004: 26) argue that "reality and meaning are always personal and channelled through the society that contains them". This aspect of the study falls under the subjectivist ontology in that all interactions that lead to perceptions of corporate reputation, as well as the factors and dimensions that constitute it, are the result of the constant "making of meaning" between various stakeholders – with some stakeholders projecting meaning and others making sense of it (Baldwin *et. al.*, 2004: 28).

The purpose of interpretative research is to understand people's experiences. From a methodological perspective, the research takes place in a natural setting where the participants make their living. The purpose of the study expresses the assumptions of the interpretivist researcher in attempting to understand human experiences. According to Kawulich (2012), assumptions about the multiplicity of realities also inform the research process. For instance, the research questions may not be established before the study begins but rather may evolve as the study progresses (Mertens, 2009). The research questions are generally open-ended, descriptive and non-directional (Creswell, 2003). A typical model includes a "grand tour" question followed by a small number of sub-questions (Spradley, 1979). The grand tour question is a statement of the problem that is examined in the study in its broadest form, posed as a general issue, so as not to limit the inquiry (Creswell, 2003). The sub-questions are used as guides for the methodology and methods used to enable the researcher to answer the broad-based grand tour question.

The researcher gathers most of the data. In recognition of the assumption about the subjective nature of this kind of research, the researcher will need to describe themselves, their values, ideological biases, relationship to the participants and closeness to the research topic. Access and entry to the study site are important and sensitive issues that need to be addressed (Kawulich, 2011). The researcher will also have to establish trust, rapport and authentic communication patterns with the participants so that they can capture the subtle nuances of meaning from their voices (Denzin & Lincoln, 1998). Ethics is an important issue that the researcher addresses throughout the study whenever it arises. Common designs include ethnography, phenomenology, biography, case study and grounded theory (Creswell, 2003). Data gathering techniques are selected, depending on the choice of design, the nature of the respondents and the research problem. They include interviews, observations, visual aids, personal and official documents, photographs, drawings, informal conversations, and artefacts (Kawulich, 2012). Table 2 below illustrates the differences between these various terms.

Table 2: Paradigm, theoretical perspective, methodology and method

Paradigm	**Ontology** *What is reality?*	**Epistemology** *How can I know reality?*	**Theoretical perspective** *Which approach you use to know something?*	**Methodology** *How do you go about finding out?*	**Method** *What techniques do use to find out?*
Positivism	There is a single reality or truth (more realist)	Reality can be measured, hence the focus on reliable and valid tools to obtain that	Positivism Post-positivism	Experimental research Survey research	Usually quantitative, could include: sampling, measurement and scaling, statistical analysis, questionnaire, focus group, interview Highly structured
Interpretive	Socially constructed, subjective, may change, multiple	Subjective meanings and social phenomena Focus on the details of the situation, a reality behind these details, subjective meanings, motivating actions	Phenomenology Symbolic interactionism	Explanatory research Face-to-face interviews	Small samples, in-depth investigations, qualitative

In a similar vein, Pickard (2007: xv-xvii) suggests the "research hierarchy" below:

- Paradigm (positivist, interpretivist)
- Methodology (qualitative or quantitative)
- Method (case study, survey, Delphi study, etc.)
- Technique (experiment, questionnaire, interview etc.)
- Instrument (pencil and paper, human, etc.).

1.9 METATHEORETICAL FRAMEWORK

The metatheoretical framework in this research consists of several components, ranging from the abstract (metatheoretical assumptions) to the definite (constructs and concepts of this study) (see Table 3 below for an overview of the framework). Metatheory is an overarching concept that involves the development or generation of knowledge and the nature of that knowledge (Saunders, Lewis & Thornhill, 2012).

In the Greek language, "*meta*" means "over" (Babbie & Mouton, 2001:20), so metatheory literally refers to "the theory of theory" (Baldwin *et. al.*, 2004:23). In other words, a metatheory is a theory whose subject matter is some theory.

All fields of research share some metatheory, regardless of whether this is explicit or correct. According to Baldwin *et. al.* (2004:23), every researcher has their own metatheoretical assumptions underpinning their research, even though many do not openly recognise them. These assumptions make up the most abstract part of the conceptual framework. As such, they govern and limit our understanding of theory and research (Steenkamp, 2015). The assumptions inevitably shape how a researcher understands their research questions, the methods they use and how findings are interpreted (Crotty, 1998).

Table 3: Meta-theoretical and conceptual framework

Meta Theory	**Resource-based view of a firm**		
Disciplines	Communication Management	Financial Management	Business Management
Theoretical approaches	Signalling theory Impression management theory Agenda-setting theory Communication theory Socio-cognitive theory	Resource-based view of a firm	Institutional theory Stakeholder theory
Concepts and constructs	**Corporate reputation**: identity, image, legitimacy, status, celebrity, tangible and intangible assets. **Financial performance**: return on equity, return on invested capital, return on assets.		

Sefotho (2015) breaks down metatheory into two main components: theoretical framework and conceptual framework. This study adopts, more or less, this hierarchical approach. The following few sections will discuss very briefly some aspects of both of these two components as they relate to this study, with a detailed discussion on these provided in Chapter Two.

1.10 THEORETICAL DISCIPLINES AND APPROACHES

The field of corporate reputation has become diverse, including many interdisciplinary theoretical perspectives (Barnett & Pollock, 2012). Carroll (2013) has traced the genesis of corporate reputation as a concept and concludes that the surge in the scholarly attention paid to it can be mostly attributed to the disciplines of business management. It is for this reason that most of the literature on corporate reputation is found within various disciplines of business management (Carroll, 2013; Barnett & Pollock, 2012). Scholars from various backgrounds have been interested in the topic of corporate reputation since the 1950s (Berens & Van Riel, 2004). However, it was from the 1980s that research on the topic started gaining momentum in the field of economics (Weigelt & Camerer, 1988; Milgrom & Roberts, 1982) and later in the field of strategy in the 1990s (Fombrun, 1996; Fombrun & Shanley, 1990). From then on, much research has been conducted on the concept, consistently attracting interest of scholars in the fields of communication, marketing, organisational theory as well as strategy (Carroll, 2013; Van Riel & Fombrun, 1997). A number of academic disciplines that have engaged with the concept of corporate reputation can now be identified, some from which this study draws insights, including economics, strategy, organisational behaviour, marketing, communication, sociology, as well as psychology (Fombrun, 2012).

1.11 CORPORATE REPUTATION

Recent studies have looked at reputation from a socio-cognitive perspective (Mariconda, 2014), providing a new lens through which to understand reputation. As will be demonstrated in greater detail in Chapter Two, research on corporate reputation conducted within this perspective enables us to gain a deeper understanding of how reputations are created from the processes through which key stakeholders assess companies. From this perspective they make sense of the cues and signals that come either directly from companies themselves or indirectly from institutional intermediaries, such as the media and financial analysts.

Communication and stakeholder theories have also provided a lens for considering the field of corporate reputation (see Table 4 below by Fombrun & Van Riel, 1997). Some of the academic disciplines that have engaged with the concept of reputation are briefly discussed below, with an extensive discussion of the theoretical and conceptual framework of this study presented in Chapter Two. The various ways that the different disciplines have perceived reputation are presented briefly in Table 4 below and explained in much greater detail in the next chapter.

As a result of the multidisciplinary interest in corporate reputation, the topic has been researched using multiple "theoretical lenses" (Carroll, 2013; Fombrun, 1997), which has highlighted the complexity of the phenomenon. This has also led to confusion, especially at the conceptual level (Chun, 2005). For example, even though academic research and attention paid to the concept has grown considerably in the last couple of decades, an exact and commonly agreed upon definition is yet to be found (Barnett, Jermier & Lafferty, 2006).

Fombrun and Van Riel (1997) have gone further than most and defined the concept from the point of view of six clearly different but complementary academic disciplines, from which this study also borrows, to explain the concept of corporate reputation. These disciplines are: strategy, economics, organisational behaviour, marketing, accounting and sociology, each with its own traditions of defining corporate reputation and conducting research on the topic. The six distinct theories in the literature – namely, signalling theory, impression management theory, institutional theory, agenda-setting theory, the resource-based theory and socio-cognitive theory – have become dominant in the way studies on corporate reputation are framed (Mariconda, 2014; Fombrun, 2012; Rindova & Martins, 2012; Walker, 2010). While the former five have been recognised by scholars as being amongst the most important (Fombrun, 2012; Rindova & Martins, 2012; Walker, 2010), the socio-cognitive approach to reputation is a stream that has until recently been less acknowledged. Approaches to reputation in this perspective rely on the literature in the field of social psychology, especially in discussing how stakeholder evaluations of companies are formed and changed (Joshi & McKendall, 2018; Waldron, Navis & Fisher, 2013; Bundy, Shropshire & Buchholtz, 2013. A detailed discussion of each of these theoretical streams is provided in the following chapter.

1.12 FINANCIAL PERFORMANCE MANAGEMENT

This section considers the concept of financial performance in companies and provides a brief review of some of the literature on its relationship to corporate reputation. It builds on the notion that serving all its key stakeholders (including customers, employees, investors, suppliers, communities) well, will also serve a company well. Value for a company cannot be created in the long-term without creating value for a company’s shareholders, investors and customers - in strong partnership with employees and suppliers. The concept of financial performance is discussed within the broader framework of corporate performance management.

Measuring any business’ performance is ultimately a measure of the business’ success. Financial performance is one such key measure, which is used to assess a company’s overall financial health over a given period. It can also be used to compare rival companies operating across the same industry (Verma, 2017). The main purpose of for-profit organisations is to maximise profit margins given that profit is an important factor in stimulating activity, as well as creating a stable position and ensuring business sustainability (Verma, 2017; Zueva, 2016). In this regard, a business’ financial performance takes on an important role, reflecting the efficiency of the company, which is the result of a skilful and successful business (Zueva, 2016). Financial performance is an important concept, mainly because a company, as well as its range of stakeholders (including executives, employees, investors, creditors and tax authorities), are interested in the company’s financial position at a given time and its performance over a given period. Higgins (2011) points out that a fundamental fact about business is that the operating performance of a company determines its financial structure. It is also true that the financial position of the company can shape its operating performance.

A key theme in contemporary thinking is that corporate reputations create economic benefits for companies (Aula & Mantere, 2008). That is why events that damage the reputation of a company, can have a significant negative financial impact. One of the fundamental goals of companies is to improve financial performance and the worth of their business, while at the same time remaining sustainable. Successful companies, ones that have superior overall performance, enjoy higher overall productivity and competitiveness and are able to attract better employees, more customers, and investors, thereby enhancing their sustainability. Fombrun (1997), among others, notes that scholars agree generally on the notion that corporate reputation is a multidimensional concept projecting the combined views of a company's stakeholders on both the financial and nonfinancial aspects. Rindova and Fombrun (1999) identify investors or shareholders as an example of a key constituent group, whose attractive perceptions and support are crucial for companies to secure if they are to build and sustain competitive advantage in the marketplace. Shareholders must be persuaded to invest (Fombrun, 2005), and for this to happen companies must demonstrate on a regular basis that they are creating value for investors.

1.12.1 Corporate performance management

Performance is a concept that is taken into consideration daily not just by the executive management but by all the employees of a company. Companies that wish to remain sustainable in competitive environments must do all they can to achieve performance. It is the most widely used dependent variable in any area of management (Zueva, 2016). Ling and Huang (2012) have defined organisational performance as the sum of accomplishments attained by businesses or departments involved in an organisation goal. In other words, performance refers to both financial and nonfinancial aspects of a company's accomplishments. Venkatraman and Ramanujam (1986), amongst other management theorists, observe that there is no agreement on performance measures as scholars operationalise the concept depending on their discipline of study. Their view supports that of Fire and William (2003), who argue that lack of agreement on definition arises because the concept is related to a variety of the company's overall well-being ranging from financial profitability, output levels to market levels.

In spite of the differences in conceptualisation, literature converges on three common measurement approaches, namely: objective and subjective, quantitative and qualitative and financial and non-financial. Quantitative measures are objective, whilst qualitative measures are subjective and are based on perceptions often measured using Likert-type scales. Financial performance highlights a company's profitability (return on assets), solvency, liquidity, productivity (turnover over total assets) or market strength (market to book value ratio of net assets). Roos and Roos (1997) and Bontis (2001) contend that financial indicators are not adequate for decision-making. In order to mitigate against the shortcomings, Kaplan and Norton (1992; 1996) furthermore proposed a balanced approach incorporating financial and non-financial indicators.

Hubbard (2009) cites the Balanced Scorecard (BSC) proposed by Kaplan and Norton (1992, 1996) as the most dominant performance measurement model, based on stakeholder theory propositions that a company has multiple responsibilities to a wider set of groups other than the shareholders. The BSC complements information provided by financial measures with three additional measures: customer view, internal business process as well as organisational learning and growth.

For the purposes of this study, financial performance – measured by *return on invested capital* (ROIC), *return on assets* (ROA) and *return on equity* (ROE) – was preferred. These financial measures were easily available and are quantitative in nature, thus consistent with the aspects of the philosophical approach of the methodology used in this study. Traditionally, financial performance refers to the results obtained from the main commercial activities of a commercial entity. ROE is a measure of the earnings that are generated by the equity of shareholders in a period, usually a year. According to Higgins (2011), ROE is considered the most popular measure of financial performance for many stakeholders. It measures the accounting earnings for a period per value of shareholders’ equity invested and is expressed as:

ROE = Net Income/Shareholder Equity

It offers an “accounting” measure of the “returns” to shareholders’ investments.

Higgins (2011) states that ROA is a measure of the amount of profit a company can make using one unit of assets, and it does not make the distinction between shareholders’ capital and that raised from creditors (whereas ROE considers only equity capital). As such, ROA measures the “return” on the amount of money invested in assets and is expressed as follows:

ROA = Net Income/Assets

This measure is important when it comes to the evaluation of the results of management decisions or the use of a company’s assets.

ROIC assesses how efficient a company is at allocating its capital to profitable investments and gives an indication of how well a company is employing its capital or money to generate profits. Also known as “return on capital”, it essentially shows how good a company is at converting capital into profits. It is expressed as follows:

ROIC = Net Income / Debt + Equity

Subjective or non-financial measures of performance seek respondents’ opinions about organisational performance: customer perspective measures how well the business is satisfying the needs of the customer; internal business process measures how efficiently and effectively an organisation is meeting its goals and objectives, and measures the innovation and development of business; learning and growth of the company measures the innovation and development of the business in a competitive environment (Kaplan & Norton, 1996).

According to Kaplan and Norton (1992), the choice of both nonfinancial, as well as financial measures, is based on the context of the study. Listed companies are judged by multiple constituencies such as shareholders, investors and the general public. The different interests of the various stakeholders require that performance should be assessed in several areas simultaneously.

The measurement of economic and financial performance is an area that has started to receive even greater importance than before (Kaplan & Norton, 1992). Executives who are interested in the efficiency of their companies and that apply objectives-based management have to continuously measure performance in order to pick up problems, solve them and grow revenues.

These days, companies do not use only economic and financial indicators to measure a company's performance, but they also use nonfinancial indicators. Some scholars argue that executives should produce strategies that combine the economic and financial indicators with the nonfinancial indicators. Companies are not the same, so each manager must take into account the activity of their company when choosing the indicators that should have the greatest importance.

1.12.2 Relationship between reputation and performance

In order to better understand corporate reputation as a fundamental resource at the disposal of a company, it is important to discuss one of the main theoretical assumptions inherent to the study, which is that of corporate reputation as an important driver of a company's performance. Although it is widely acknowledged that reputation forms an important part of a company's intangible resources, evidence to support its relationship to a company's performance remains largely tenuous. The literature review of this study includes research that has addressed this relationship, and considers some of the limitations identified by different researchers.

Corporate reputation is viewed as a multidimensional concept, with differing meanings in various disciplines and perspectives. For researchers in the discipline of strategy, it can be viewed as a resource that generates competitive advantage. For accounting scholars, it is an intangible asset, whose value fluctuates in the market (Wiedmann & Buxel, 2005). Given that there are financial benefits for building and maintaining a good corporate reputation, it becomes an important consideration for the company, investors as well as other stakeholders. However, some researchers, such as Dowling (2006), have examined the relationship between reputation and performance in the opposite direction, and concluded that the soundness of a company's financial position can contribute to the building of a good reputation.

Some research studies have also proved the existence of an association between reputation and performance (Brown & Perry, 1994). For example, in their examination of measures of performance, that is, growth, profitability, financial soundness, market share and future sales' estimates, Carmeli and Tishler (2005) found that reputation affects a company's performance.

Even if several studies have found a positive and direct relationship between corporate reputation and performance, thereby justifying the investment strategies in this intangible resource, Gök and Özkaya (2011) reached different results. In investigating a sample of reputable companies (most admired) in an emerging market (Turkey), they concluded that investing in corporate image and reputation did not necessarily assure a good performance in the capital market - that is, it did not result in share valuation.

Therefore, even though some researchers argue that a good corporate reputation can lead to superior performance (Brown & Perry, 1994; Carmeli & Tishler, 2005), others have come up with findings that have pointed out that the relationship is reversed (Dowling, 2006). Other findings also showed the presence of weak or non-existent relationships between these variables (Gök & Özkaya, 2011). The lack of convergence about the relationship between corporate reputation and performance shows the need for further studies in this research area, specifically in different contexts.

1.13 ACADEMIC VALUE AND CONTRIBUTION OF THIS RESEARCH

The significance and contribution of this study is discussed at length in Chapter Seven, but the main points are presented here briefly. In addition to the provision of some directions for future research, the study makes three major contributions to the field of corporate reputation and its relationship to financial performance, especially given that research in this area is relatively new.

Firstly, the study makes a research contribution in that the empirical data, both primary and secondary, are unique because the companies considered and the executives surveyed and interviewed are based in South Africa. As a result, the study adds a uniquely South African perspective to the growing body of academic knowledge in the field of corporate reputation, particularly with regard to a number of theoretical assumptions about these two variables.

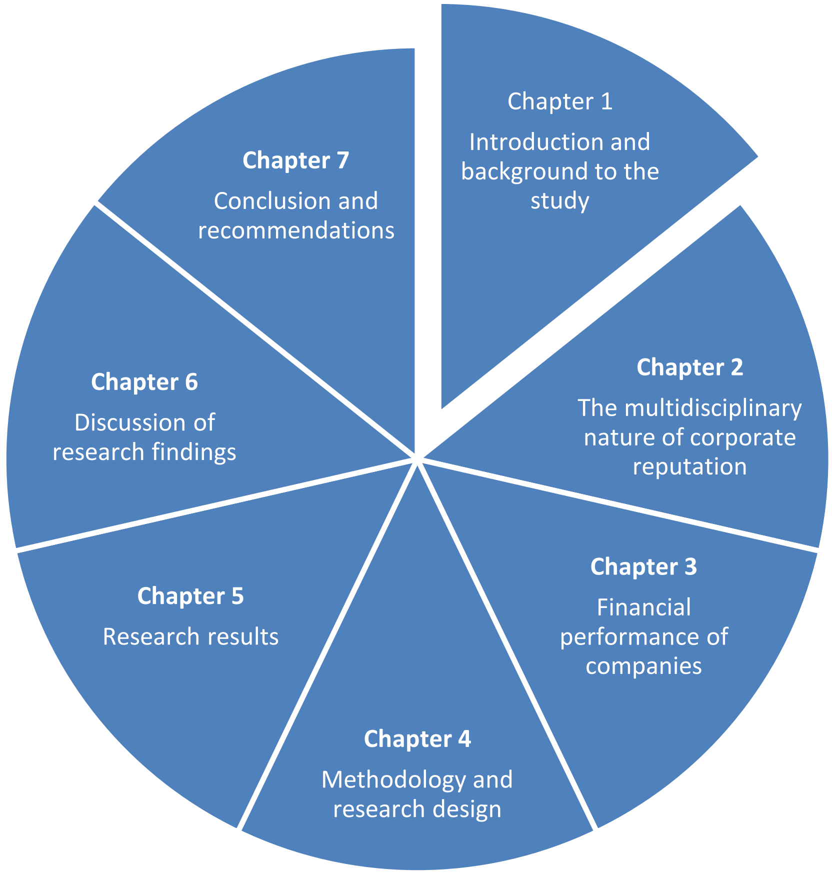
Bloomberg and Volpe (2012:19) contend that methodological significance comes from "engaging research methodology in novel, creative, or insightful ways" as well as that "a research project that incorporates methodologically significant approaches may not only lead to theoretical insights and practical usefulness but also contribute to future researchers' practice". While most studies on corporate reputation and financial performance tend to follow singular research methodologies, that is, either qualitative or quantitative, this study adopted a mixed-method research approach – which combines both methods. Corporate reputation is quite a complex phenomenon, which requires it to be studied from different dimensions and perspectives. In turn, this means that, any research on it will be far enriched by the use of more than one methodological approach. In addressing the different objectives, this study was able to apply some of the research methods in a manner that has rarely been done in other studies.

Thirdly, and perhaps most importantly, the main contribution that this research makes is the development of the practical framework for managing corporate reputation in relation to financial performance in companies. A major challenge for executives and some researchers identified in most current literature as far as corporate reputation management is concerned, relates to their lack of understanding and managing the concept. The framework proposed addresses that challenge, and it should go a long way in guiding company executives and researchers alike in understanding and proactively managing their reputations in ways that improve financial performance.

1.14 ORGANISATION OF THIS WORK

The way this work is organised is consistent with Mitroff, Betz, Pondy and Segasti's (1974) problem-solving model, which also provides a means of separating the various chapters other than offering an understanding of the activities of the research. Chapters One, Two and Three offer a contextual, theoretical and conceptual understanding of the research problem. Chapter Four describes in detail the research methodology and design on the basis of which Chapters Five and Six provide an empirical understanding of the problem against the theoretical understanding. Finally, Chapter Seven presents the final conclusions and recommendations of this research. The demarcation of the chapters is illustrated in Figure 1 and explained in detail below.

Figure 1: Organisation of this work



Chapter Two forms the first part of the literature review of this study and further develops the theoretical and conceptual bases for the research. This chapter explores the various theoretical approaches through which corporate reputation has been researched and understood, and considers some of the similarities and differences among these approaches, as well as their limitations and main contributions to our understanding of the concept. It also discusses some of the challenges arising from the multidisciplinary nature of studies on reputation. The chapter also provides a conceptual understanding of the construct of reputation and the key terms that have come to be associated and sometimes conflated with it, that is, image, identity, status, celebrity and legitimacy. Furthermore, the chapter explores the processes of how reputations are formed and how they create economic value for companies.

Chapter Three provides a comprehensive review of the literature on the concept of financial performance, as well as, some of its related constructs. Among others, the Chapter addresses the topic of corporate financial performance, defines the relevance of intangible assets, discusses profitability and elements of financial performance (including the profit zone and causal factors) and reviews various measures of financial performance. The Chapter ends with a discussion on the interrelationship between corporate reputation and financial performance.

Chapter Four discusses the philosophical issues of the research, its methodology, design, reliability and validity as well as methods of analysis. A detailed description of the enquiry strategy and research design are presented in this Chapter. Furthermore, the Chapter provides a discussion on sampling methods, data collection, data analysis and the assessment of quality, reliability and accuracy of the research design, and ethical issues.

Chapter Five presents the results from the analysis of various data considered in this research. The Chapter starts by presenting results from the regression analysis of secondary data collected, followed by the results collected through the quantitative survey and lastly results from the qualitative interviews.

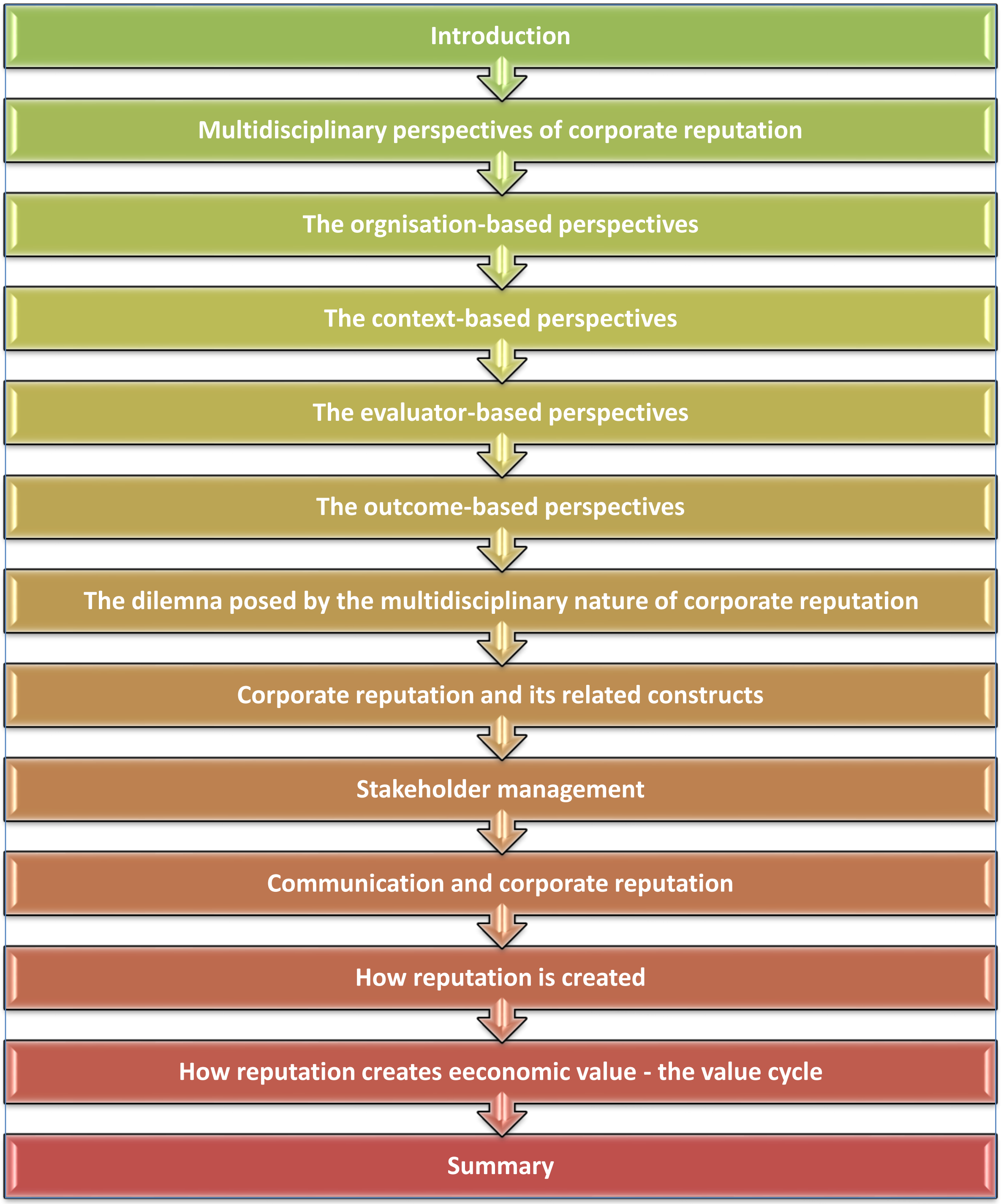
Chapter Six presents and discusses at length the findings from all the results. The Chapter also provides a discussion on the proposed framework for understanding and managing corporate reputation. They findings are presented in accordance with each of the research objectives discussed earlier.

Chapter Seven constitutes the final chapter of this thesis, and makes conclusions based on the findings and proposes recommendations for further research.

1.15 SUMMARY

This Chapter outlined the rationale for this study by providing a brief theoretical and contextual background to the research problem. Several other issues pertaining to the study were also outlined, including the research problem itself, research objectives and research questions of the study, research enquiry strategy and some of the attendant philosophical issues, as well as, the meta-theoretical framework underpinning the study. Given the nature of the study, a mixed-method research approach was deemed appropriate in addressing the research objectives, questions and the proposed hypotheses. The following chapter discusses at length one of the concepts that this study is preoccupied with, that is, corporate reputation, as well as, some of the key constructs that are associated with it. The focus is largely on, among others: the multidisciplinary and theoretical lenses through which the concept has come to be understood and some of the benefits and challenges this has posed for both researchers and practitioners in the field of corporate reputation; how reputations are formed and why they matter; as well as how they are said to create value for companies.

CHAPTER TWO: THE MULTIDISCIPLINARY NATURE OF CORPORATE REPUTATION



2.1 INTRODUCTION

This Chapter explores the various theoretical approaches through which corporate reputation has been researched and understood, and considers some of the similarities and differences among these approaches, as well as their limitations and main contributions to our understanding of the concept. In particular, the Chapter reviews six distinct theories in the literature – namely, signalling theory, impression management theory, institutional theory, agenda-setting theory, socio-cognitive theory, and resource-based theory – that are dominant in the way studies on corporate reputation are framed. Attention is paid to reviewing the recent studies that have attempted to look at reputation from a socio-cognitive perspective (Mariconda, 2014), which is beginning to provide a new lens through which to better understand reputation. As will be demonstrated in the Chapter, research on corporate reputation conducted within this perspective enables a deeper understanding of how reputations are created from the processes through which the key stakeholders assess companies by making sense of the cues and signals that come either directly from companies themselves or indirectly from institutional intermediaries, such as media and financial analysts. Studies in the socio-cognitive perspective are becoming useful not only in explaining how reputations are created, but also why some companies have favourable reputations while others have unfavourable reputations. As a result, the socio-cognitive perspective is relied upon in the further development of a corporate reputation management framework discussed in Chapter Seven.

As this review will indicate, several scholars have identified the following four distinct subject areas of interest under which studies on corporate reputation can be grouped, depending on their perspective: organisation-based perspectives, context-based perspectives, evaluator-based perspectives, and outcome-based perspectives (Mariconda, 2014). These theoretical perspectives, in different ways, address the central themes of the scholarly literature since its inception. Three of the main themes that run through the literature relate to: how reputations are defined; how they are created or where they come from, and the influence they have on individuals, companies and industries (Fombrun, 2012).

While the multidisciplinary nature of studies on corporate reputation is a source of insight in itself (Chun, 2005), it has, however, created some problems for researchers in the field – especially when it comes to defining the reputation concept. Reputation has been used by different scholars to mean different things, depending on their disciplinary perspective. The terms "image", "identity", "status", "celebrity", and "legitimacy", are the common constructs in the literature that are regularly used to mean the same as, or as key components of, reputation. As the Chapter will show, these constructs may be closely related and often interact with one another, but they are also separate and distinct from each other. A clear disaggregation and understanding of these terms are important in explaining what constitutes corporate reputation, how it is created and its effects on financial performance in companies. The Chapter explores how the constructs have been understood, as well as, how they differ and overlap with reputation.

Furthermore, the mechanisms through which corporate reputation is created and is said to create financial value are also explored in this Chapter, with a particular focus on some of the models that attempt to explain this phenomenon. Fombrun's (2005) "value cycle" model in particular, which illustrates that a company's financial value derives partly from the perceptions that its stakeholders have about its future prospects, is quite instructive in this regard. As mentioned earlier, the socio-cognitive perspective has also become crucial in understanding the processes by which reputations are formed, and can be managed and destroyed. The chapter thus provides a theoretical and conceptual context in which the phenomenon of corporate reputation can better be understood.

2.2 THE MULTIDISCIPLINARY PERSPECTIVES

The field of corporate reputation has become diverse, consisting of many interdisciplinary theoretical perspectives, (Barnett & Pollock, 2012). Scholars from various disciplines have been interested in the field from as early as the 1950s (Berens & Van Riel, 2004). However, it is only in the 1980s that research on the topic started to gain impetus in the field of economics (Weigelt & Camerer, 1988; Milgrom

& Roberts, 1982), and later in the 1990s in the field of strategy (Fombrun, 1996; Fombrun & Shanley, 1990). Barnett, Jermier and Lafferty (2006) draw attention to the rapid growth in research articles published in academic journals between 1984 and 2003.

The paper by Fombrun and Shanley (1990) in particular has been widely considered as the catalyst that sparked the greater interest in corporate reputation research (Carroll, 2013). From then on, numerous research studies have been conducted on the concept, drawing the interest of researchers in the disciplines of marketing, communication, organisation theory, as well as, strategy (Mariconda, 2014). Each discipline has its own traditions of defining corporate reputation, as well as conducting research. As a result of the multidisciplinary nature of the research interest in corporate reputation (Carroll, 2013; Van Riel & Fombrun, 1997), the study of the concept has been conducted using several different theoretical approaches or lenses (Rindova & Martins, 2012; Fombrun, 2012; Walker, 2010). This has laid bare the complex nature of the phenomenon that innately appears to be otherwise simple (Mariconda, 2014; Lange, Lee & Day, 2011). These disciplines, that have been dominant in the studies on corporate reputation for a long time, as well as how they view corporate reputation are explored in some detail in the sections that follow. How these disciplines categorise corporate reputation is summarised in Table 4 below.

Table 4: Classification of corporate reputation literature

Discipline	Categorisation of reputation
Accountancy	Reputation seen as an intangible asset and one that can or should be given financial worth.
Economics	Reputation viewed as traits or signals. Perception held of the organisation by its external stakeholders.
Marketing	Viewed from the customer or end-user's perspective and concentrating on the manner in which reputations are formed.

Organisational behaviour	Viewed as the sense-making experiences of employees; or the perception of the organisation held by an organisation's internal stakeholders.
Sociology	Viewed as an aggregate assessment of a company's performance relative to expectation and norms in an institutional context.
Strategy	Reputations viewed as assets and mobility barriers. Since reputations are based on perception, they are difficult to manage.
Communication and stakeholder management	Communication seen as being a foundation and mechanism through which corporate reputation is build.

Source: Fombrun and Van Riel (1997)

Fombrun (2012) identifies three key themes of published literature over the years, which relate to: what corporate reputations are; where they come from; as well as, their effects. A number of researchers, especially in the fields of marketing, organisation science, sociology and economics have addressed these themes in different ways (Fombrun, 2001; Fombrun & van Riel, 1997). Lately, other scholars have explored the socio-cognitive processes through which a company's various stakeholders are said to determine its reputation (Mishina et al., 2012) or through which companies use their organisational cognitive structures to manage stakeholder concerns, thereby effectively shaping how stakeholders perceive the companies (Bundy, Shropshire & Buchholtz, 2013). Through a review of literature and studies on corporate reputation, four distinct main subject areas of research interest can now be identified as follows (Mariconda, 2014):

i. The actions companies undertake and what they say to influence reputation (Elsbach, 2006; Clarke & Montgomery, 1998; Fombrun & Shanley, 1990);
ii. how actors and factors in the environment in which a company operates are linked to the way reputation is formed and modified (Love & Kraatz, 2009; Meijer & Kleinnijenhuis, 2006; Carroll & McCombs, 2003; Straw & Epstein, 2003);
iii. the way in which the particular cognitive and perceptual characteristics of observers of a company, or the process by which these observers make their

assessments, are related to reputation (Bundy *et. al.*, 2013; Mishina *et. al.*, 2012; Brooks *et. al.*, 2003); as well as,

iv. the impact on companies of having a more or less positive reputation (Roberts & Dowling, 2002; Deephouse, 2000).

Other scholars refer to these clusters, respectively, as organisation-based perspectives; context-based perspectives; evaluator-based perspectives; and outcome-based perspectives (Mariconda, 2014). This study has identified and reviews six main theoretical strands current in the literature on corporate reputation and assigns them to the four main subject areas discussed above. These theoretical approaches are: resource-based theory; signalling theory; impression management theory; institutional theory; mass media theory, and socio-cognitive theory. Table 5 below gives brief details of each of the six theoretical streams, focusing on their origins, how they define corporate reputation and the aspects they focus on, while Table 6 illustrates the four clusters and the corresponding theoretical approaches. The theoretical approaches have been identified based on previous literature reviews on corporate reputation (Mariconda, 2014; Fombrun, 2012; Rindova & Martins, 2011; Lange, Lee & Day, 2011; Walker, 2010), and taking into account several scholarly articles published from particular theoretical perspectives. Much of the extant literature reviews on corporate reputation are based on articles published in leading management journals, which, as Mariconda (2014:11) notes, incorporates the obvious bias that this implies. This study recognises, as others such as Walker (2010) and Mariconda (2014) have done before, the fact that several other theoretical approaches have been used to study corporate reputation; however, these have been used less often in the study of the concept. Among these approaches would be organisational learning (Rhee, 2009); behavioural theory of a company (Rhee & Kim, 2012); stakeholder theory (Fombrun, Gardberg & Barnett, 2000); upper echelon theory (Carter, 2006), and branding (Schultz, Hatch & Adams, 2012).

Table 5: Multi-theoretical review of literature on corporate reputation

	Signalling theory	Impression management theory	New institutionalism	Agenda-setting theory	Socio-cognitive	Resource-based view
Theoretical origins	- Signalling theory - Game theory	- Impression management theories	- Social constructivism New institutionalism	- Agenda-setting and agenda-building theories	- Attitude theories - Social judgment and impression formation theories - Bias and heuristics literature	- Resource-based view of the firm
Definition(s)	"a set of attributes ascribed to a firm, inferred from the firm's past actions" (Weigelt & Camerer, 1988:443) "the beliefs that other players hold about his [a person, a corporation] unknown characteristics and on the basis of which they predict his behaviour" (Milgrom & Roberts, 1982:283).	"a global (i.e., general), temporally stable, evaluative judgment about a firm that is shared by multiple constituencies" (Highhouse *et. al.*., 2009:1482) "enduring status categorizations of the quality of an organisation as perceived by external audiences and stakeholders" (Elsbach, 2006: 17)	- "a global impression, which represents how a collective—a stakeholder group or multiple stakeholder groups—perceive a firm" (Rindova *et. al.*., 2005: 1033) - "the relative position of a firm in explicit rankings created by powerful intermediaries in institutional fields" (Rindova & Martins, 2012: 22) - How a company's conformance to a variety of standards influences reputation	- "the overall evaluation (usually in terms of good or bad) of a company" (Meijer and Kleinnijenhuis, 2006:547) - "corporate reputation has multiple dimensions: *public prominence, public esteem,* and a *series of attributes* or qualities tied to the firm" (Carroll, 2011:201).	- "the beliefs and evaluations held by external audience members" (Fischer & Reuber, 2007:55) - "The way key external stakeholder groups or other interested parties actually conceptualize that organisation" (Bromley, 2000:241)	- "an intangible resource that is derived from combinations of internal investments and external appraisals" (Boyd et al., 2010:5) - "the evaluation of a company by its stakeholders in terms of their affect, esteem, and knowledge" (Deephouse, 2000:1093)
Focus	How firms' actions reveal information about their underlying characteristics, thereby allowing for predictability about future behaviours	How firms adopt a series of behaviours and communications to consciously manage their reputation	- How a company's conformance to a variety of standards influences reputation	- How the amount and tenor of media coverage influence receivers' perceptions about a company	- How people's attitudes, interpretative processes, and schemas influence reputation formation, change, and stability	- How reputation influences outcomes such as sustainable competitive advantage

Adapted from Mariconda (2014)

Table 6: Disciplinary perspectives and theoretical approaches

Outcome-based perspectives	Organisation-based perspectives	Context-based perspectives	Evaluator-based perspectives
Resource-based view of a company	Signalling management approach	Agenda-setting or mass media approach	Social-cognition approach
	Impression management approach	**New institutionalism approach**	

A number of scholars – such as Mariconda (2014), Fombrun (2012), Rindova and Martins (2012) and Walker (2010) – have already identified all six theoretical perspectives as being the most important ones. However, it is also important to note that the socio-cognitive approach to corporate reputation was, until a few years ago, not acknowledged in any literature (Mariconda, 2014). Indeed, the corporate reputation management framework proposed and discussed later in this study draws on this particular theoretical stream for some of its insights. The studies within the socio-cognitive domain draw from the literature in social psychology to explain the processes fundamental to the creation and modification of reputational assessments that different stakeholders make of a company (Van Riel & Fombrun, 2007; Fombrun & Van Riel, 1997). Fombrun and Van Riel (1997) have particularly gained their insights from psychology literature. However, in their multidisciplinary review of literature on corporate reputation, they did not consider literature that has explicitly built on psychology theories. Rather, the authors reviewed selected models in psychology, such as Petty and Cacioppo's (1986) elaboration of the likelihood model.

In the following few sections, the four main disciplinary perspectives are presented in detail, starting with the organisation-based perspectives – which focus on how a company's communication and the actions taken by management influence its reputation (that is, signalling and impression management approaches). Then the outcome-based perspectives are addressed, that is, the theoretical approaches that have attempted to examine the impact on a company of having a positive or negative reputation (namely, the resource-based view). This is followed by a discussion of context-based perspectives, which largely focus on the way in which contextual forces, such as information intermediaries (that is, analysts and the media) or social expectations that are part of a company's environment, influence the way the company is assessed (namely, mass media and the new institutionalism approach). Lastly, the evaluator-based perspectives are considered, which encompass studies that have mostly drawn insights from literature in psychology to explain the particular ways in which cognitive and affective mechanisms influence the way in which reputation develops and changes (namely, socio-cognitive approach). This is followed by a brief discussion on how the multidisciplinary and multi-theoretical nature of corporate reputation presents a number of challenges for researchers but at the same time can help us better understand the concept.

2.3 THE ORGANISATION-BASED PERSPECTIVES

The organisation-based perspective focuses on the efforts that companies make to influence their stakeholders and to ensure support for their preferred initiatives and interest. Two theoretical approaches that fall within this category are: signalling and impression management theories. Both these theories focus on how companies manage their actions and communication to create certain signals or impressions about themselves among their stakeholder audiences. The importance of the organisation-based perspective is that it demonstrates that reputation is something that companies can actively build and manage. In other words, the suggestion is that companies have at their disposal mechanisms and means to shape the ways in which they are perceived by their stakeholders on different occasions.

2.3.1 Signalling approach to reputation

Much of the earlier research on corporate reputation in the fields of economics and strategy has drawn insights from signalling theory (Fombrun & Shanley, 1990; Weigelt & Camerer, 1988; Milgrom & Roberts, 1982). When signalling theory first emerged, it was essentially concerned with reducing information asymmetry in the market — that is, the fact that not all actors in a given market have perfect information about all other actors (as assumed in standard neo-classical economics) and how this influences market interactions (Spence, 2002). At the core of signalling theory is the notion that the problem of information asymmetry can be, at least, partially overcome by having one actor in the market reveal or signal information to another interested party in order to facilitate the other party's decision-making (Mariconda, 2014). It is useful for explaining behaviour when two parties, either individuals or organisations, have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal. For instance, in his seminal research on labour markets, Spence (1974) showed how a job applicant might engage in behaviours to reduce information asymmetry that hampers the selection ability of prospective employers. Spence (1973) illustrated how high-quality prospective employees distinguished themselves from low-quality prospects via the costly signal of rigorous higher education.

Accordingly, signalling theory holds a prominent position in a variety of management literature, including strategic management, entrepreneurship, and human resource management (Connelly, Certo, Ireland & Reutzel, 2011). Signals, therefore, are defined as traits or attributes that can be observed and can be altered by the actors sending them (Spence, 1974). Scholars examining reputation from the signalling perspective have also adopted this definition (Fombrun & Shanley, 1990). In this perspective, corporate reputation is viewed as either a trait or signal which a company gives out to create favourable perceptions about itself amongst a range of its stakeholders or observers. Reputation is defined as the observers' beliefs about the underlying characteristics of a given actor, based on observations of the actor's past actions (Mariconda, 2014). Weigelt and Camerer (1998:443) state that the "reputation of a player is the perception others have of the player's values…which determine his or her choice of strategies". They define reputation as "a set of attributes ascribed to a firm, inferred from the firm's past actions" (1988:443). Similarly, Milgrom and Roberts (1982: 283) defined a player's reputation as "the beliefs that other players hold about his [a person, a corporation] unknown characteristics and on the basis of which they predict his behaviour". As a result, external stakeholders of a company must rely on intermediaries, such as the media, to explain what rivals prefer, as well as, what possible courses of action they are likely to take (Fombrun, 2005).

Thus, reputation signals the company's commitment to deliver desirable product or service features, such as quality, or reliability, to consumers; and the executives' commitment to act in reputational-consistent ways towards investors (Fombrun & Van Riel, 1997:6). In a context in which observers do not have sufficient information to closely assess the behaviour of a company, reputation becomes a cognitive shorthand or "heuristic" to make inferences about the soundness of the bases of company success (Li Destri, 2014). A company's reputation, therefore, allows observers to deduce "what the company is; what it does; what it stands for" (Li Destri, 2014). According to Fombrun and Van Riel (1997:6), these perceptions "stabilise interactions between a company and its publics … reputations are information signals that increase observers' confidence in the firm's products and services". As far as the signalling theoretical perspective is concerned, reputation is largely based only on the observations of a company's past actions. Such actions accumulate over time, contributing to making the reputation stable and inert and thus fundamentally difficult to change.

For instance, customers would depend on a company's reputation as they would not have more information than the executives would with regard to the company's pledge to ensuring certain product or service features desired by customers, such as reliability and quality (Stiglitz, 1980; Grossman & Stiglitz, 1980). Likewise, given that external investors in a company's shares would not be as informed as executives with regard to a company's strategies or future actions, corporate reputation would then have the role to raise the confidence of investors that executives will take actions that are in line with reputation (Fombrun, 2005).

> "Since many features of a company and its products are hidden from view, companies build reputation to signal the company's hidden quality and increase an observer's confidence in the company's products and services" (Fombrun, 2005:290).

Therefore, reputation leverages a company's past experience to signal its likely future behaviours, including reliability of its products and services, its vigour in competitive response and soundness of the bases underlying its market and financial performance. Bitektine (2011:163) argues that in essence, it answers questions like "how will the company perform or behave in the future relative to other companies in the same industry?"

In this view, then, corporate communication activities as well as other activities, such as marketing and advertising campaigns, donations and other charitable contributions, conference calls with analysts, sponsorships, and career expos at universities all constitute "strategic projections" (Rindova & Fombrun, 1999) used by a company to indicate to potential investors, customers, and employees its attractive attributes through which it builds reputation. For example, scholars from the marketing discipline view reputation as the result of a company's attempts to encourage customer sales and develop customer loyalty (Aaker, 1988; Keller, 1999). This means that a company's reputation is valuable to the extent that it influences customers to make repeat purchases, thereby stabilising the company's sources of revenue (Fombrun, 2005). To this end, corporate communication is an important component of the marketing mix. Thus, communication constitutes the "strategic informational signals" intended to raise awareness and support amongst stakeholders for a company's products and services, its activities and future prospects (Fombrun, 2005: 56). In this regard, companies often make use of public relations and advertising campaigns to reinforce customer identification.

Four different but interrelated strands within the broad communication discipline, which contribute in different ways to the creation and maintenance of a company's reputation, have been identified, namely: marketing, organisational communication, public relations and corporate communication (Mazzei, 2013). In this regard, the prevailing purpose of communication in companies, according to marketing, is to build loyal relationships with all stakeholders (Kitchen & Schultz, 2003). For organisational communication, it is the social creation of the process of organising (Ashcraft, Kuhn & Cooren, 2009). For public relations, it is the managing of relationships to position the organisation's reputation (Cropp & Pincus, 2001). And for corporate communication it is the management of corporate reputation.

In this regard, reputation then is by definition a form of intangible capital (Aula & Mantere, 2008), and Weigelt and Camerer (1998) argue that it is perhaps the single most important driver in a company's financial success. As Aula and Mantere (2008) maintain, the view of reputation as capital recognises a variety of financial activities related to reputation. Reputation can be invested in and strategic efforts can be made to benefit a company through the added economic value provided by these efforts. In other words, the reputation that a company builds for itself causes sustainable profits. Signalling theorists similarly argue that reputations are built from previous allocations of resources made by executives in support of actions that are more likely to ensure perceptions of predictability and dependability among the company's external stakeholders (Myers & Majluf, 1984; Ross, 1977; Stigler, 1962). For this reason, Aula and Mantere (2008) maintain that for good companies, reputation is capital that should be invested in. They argue that companies should actively manage and control their reputations, noting that the "loss of reputational capital can have serious economic effects" (Aula & Mantere, 2008:49).

A major contribution of the signalling perspective on the study of corporate reputation is that it helps researchers explain how reputations can assist stakeholders to make inferences about companies' underlying characteristics and thus facilitate market exchanges, creating value in the process. By observing a company's market actions (Clark & Montgomery, 1998; Weigelt & Camerer, 1988) and market signals (Fombrun

& Shanley, 1990), observers can draw conclusions about the company's ability to deliver quality products or services (Rindova *et. al*., 2005; Shapiro, 1983). In this way they will be willing to pay more for a product or service about which they can infer otherwise unknown features. At the same time, the signalling perspective assumes that companies have great control over their reputations as they can decide how to behave and which signals to send or not (Mariconda, 2014). For instance, if a company aggressively defends its competitive position through actions such as price cuts and investments in capacity, this will lead observers to conclude that such a company is a tough competitor (Basdeo *et. al*., 2006; Weigelt & Camerer, 1988).

One of the main limitations of such an approach to reputation is that it assumes, to a certain extent, that a perfect match exists between a company's actions and the way in which these will be interpreted by observers in the market — in other words, companies are practically given complete control over their reputation, meaning that a company's actions and behaviours are perfect signals of its true character (Noe, 2012). However, the literature shows us that the actions of companies might be ceremonial and send a signal separate from the company's internal reality (Meyer & Rowan, 1977). Furthermore, the signals of companies are likely to be interpreted in biased and self-serving ways (Rindova & Fombrun, 1999), through the eyes of a variety of intermediaries (Carroll & McCombs, 2003; Deephouse, 2000), or in light of the actions of rivals (Basdeo *et. al*., 2006), as well as through a whole series of socially constructed and often taken-for-granted rules (DiMaggio & Powell, 1983). Similarly, as pointed out by Rindova and Martins (2012), such a perspective does not take into account the spill-over effects of reputational judgments from one stakeholder group to another or the consequences that might arise for a company having more than one reputation. These aspects will emerge as the other approaches to studying corporate reputation are also reviewed. Future studies adopting a signaling approach to reputation could develop more complete understandings of reputation by modeling more types of signals (Noe, 2012), sent from both the focal company and other actors present in the company's environment.

Beyond economists, other scholars from different academic traditions have also been interested in understanding how companies try to manage the way in which stakeholders perceive them. In particular, the next approach to be considered, the impression management approach, focuses on understanding the various ways in which companies manage their legitimacy and reputation by using a variety of actions and communication in relation to specific events that challenge the ways in which they are perceived.

2.3.2 Impression management approach to reputation

With its origins in the fields of sociology and psychology, impression management theory has been one of the main approaches underpinning research concerned with understanding how companies deliberately manage the way in which their internal and external stakeholders perceive them (Elsbach, 2006; Ginzel, Krammer & Sutton, 1993). At the core of these approaches is the assumption that an organisation has a strong interest in having its "definition of reality accepted", as this ensures the flow of resources (Pfeffer, 1981:26). When it was initially developed, impression management scholars focused at the individual level of analysis as a way of understanding how individuals present themselves to others and the manner in which they try to positively impress others (Tedeschi, 1981; Schlenker, 1980; Goffman, 1959). Impression management tries to establish a positive impression that becomes reality to those with whom an individual interacts. It also includes striving to persuade others of one's definition of the situation and the issues at hand (DeePak, 2014).

Impression management has developed from this foundation to focus at the level of the organisation, with researchers paying attention to the ways in which organisations manage their identities (Dutton & Dukerich, 1991), legitimacy (Elsbach, 1994; Elsbach & Sutton, 1992), and reputation (Highhouse, Brooks, & Gregarus, 2009; Carter, 2006; Carter & Deephouse, 1998; Bromely, 1993). Scholars, such as Bromley (1993), have indicated that impression management at the organisational level, can be viewed as the main task of public relations. In this regard, much of the public relations literature, such as that focusing on crisis management, for example, can indeed be viewed as being based on the same ideas of impression management – even though they may not be explicitly building on it (Mariconda, 2014). Furthermore, organisational scholars within the impression management tradition have used communication and undertaken certain actions in order to influence stakeholder perceptions before, during and after positive or negative events (Elsbach, 2006; 2012). Likewise, public relations scholars have produced frameworks and approaches that companies can use when faced with crises (Coombs, 2010; Benoit, 1995).

Like signalling theory, impression management theory focuses on the efforts that companies make to influence their stakeholders and to ensure support for their preferred initiatives and interest. Both theories focus on how companies manage their actions and communication to create certain signals or impressions among their stakeholder audiences. These signals or impressions can be considered as marketing messages aimed at targeted audiences to convey a desirable or desired image of the company (Basdeo *et. al*., 2006; Fombrun & Shanley, 1990; Turban & Greening, 1997). Companies also target certain important intermediaries, such as journalists and investment analysts, in constructing their reputations and seeking to shape the impressions about themselves that these intermediaries project to their respective audiences (Fombrun, 2012; Elsbach, 1994). Through communication, companies often assist journalists to create a "dramatised reality" that is meant to engage audiences emotionally (Bryant *et. al*., 2002).

However, despite these similarities for which some scholars, such as Fombrun (2012), have grouped these approaches together, the two theoretical approaches have a number of differences. As Mariconda (2014: 15) points out, the two have fundamentally different theoretical origins as well as epistemological assumptions, with signalling theory having its roots in the field of economics and impression management theory in sociology and psychology. As a result, they also have different methodological approaches, that is, formal modelling for signalling research as opposed to a variety of methods in the case of research in impression management. In addition, while the signalling view has historically focused on a company's competitive actions in influencing reputation, such as investment decisions, price reductions, and competitive steps, impression management scholars have paid more attention to the symbolic actions and communication of a company, such as media releases, adverts and making contributions to charity (Carter & Dukerich, 1998) prior to or in the aftermath of events that might be a threat to a company's reputation.

A number of scholars have conducted research on corporate reputation using the lens of impression management, with varied findings. Carter and Deephouse (1999) developed a case study that examined the ways in which US retail giant Wal-Mart used a series of impression management techniques to manage its reputation with its different stakeholders. In order to remain attractive to its customers and maintaining its reputation as a low-price chain, the retailer put a squeeze on its suppliers as a way of minimising costs. In so doing, Wal-Mart developed at least two different reputations: one for being tough with its suppliers and another for being good to its investors and customers. Carter (2006) and Carter and Dukerich (1998) relied on archival data as well as regression analysis to examine ways in which companies used impression management techniques, such as press releases and advertising, after upswings or downturns in reputational rankings in order to increase visibility. Highhouse, Brooks, and Gregarus (2009) came up with a theoretical model on how corporate reputation is formed, based on the assumption that companies are social actors concerned with managing their impressiveness and respectability. Furthermore, Coombs (2010) has used experiments to detail ways of what companies should do when faced with reputation-threatening events.

The field of impression management is yet to adopt a specific definition of corporate reputation, with scholars defining the concept in various ways. For example, Highhouse, Brooks, and Gregarus (2009: 1482) define it as "a global (that is, general), temporally stable, evaluative judgment about a firm that is shared by multiple constituencies". Elsbach (2006: 17) defines reputations as "enduring status categorisations of the quality of an organisation as perceived by external audiences and stakeholders".

The main contribution of studies in the impression management perspective is to demonstrate that reputation is something that companies can build and manage. In other words, companies have at their disposal mechanisms and means to shape the ways in which their stakeholders perceive them on different occasions. Mariconda (2014) maintains that studies in this area also have a relatively strong normative element as findings can be used as guides by companies to manage their reputations (Coombs, 2010).

However, a major limitation of impression management approaches is that they tend to assume a direct association between a company's perception management efforts and the reactions of its stakeholders, in part overlooking the fact that stakeholders' perceptions are often separated from how the company acts and what it communicates and are also influenced by the interpretations of events by third parties, such as the media and analysts. In response to this criticism, some scholars have advocated for more attention to be paid to the role of stakeholders and their interpretations. This suggests that impression management is a two-way or mutual process of sense-making and influence (Ginzel *et. al*., 1993). Similarly, in the area of crisis communication, Coombs (2010) propose a theory in which he argues that the starting point in deciding how organisations should respond to crises should be how such crises are perceived by stakeholders. As Mariconda (2014) suggests, impression management studies on corporate reputation could, in this regard, develop more sophisticated, empirically grounded typologies of pre-emptive reputation management actions, also in the aftermath of positive events (Elsbach, 2012), while taking more contextual and cognitive factors into consideration. This could potentially influence the effectiveness of the impression management effort. The following two theoretical perspectives illustrate the ways in which factors within the environments play a key role in influencing corporate reputation.

2.4 CONTEXT-BASED PERSPECTIVES

The main focus of the context-based perspectives is on the environments in which companies operate and the influence these have on companies. The two prominent theories under this approach are new institutionalism and agenda-setting theories. The main focus of the new institutionalism theory is to understand how the actions undertaken by companies are driven by social pressures to conform to existing norms and regulations; and are inspired by the need to be viewed as legitimate, thus getting a continuing license to operate (Oliver, 1997; DiMaggio & Powell, 1996). Corporate reputation, therefore, is a social construct created from a company's interaction with an institutional field (Fombrun, 2005). For companies to attract favourable perceptions from their stakeholders, they have to conform to various social expectations (Staw & Epstein, 2000) and perform positively on standards defined by third parties, such as ranking organisations (Rindova & Martins, 2012). From this perspective, it can be understood that a company's external environment has a powerful impact on its fate and the way stakeholders judge it.

In the agenda-setting perspective, the media are seen as key to the process through which corporate reputations are created due to their control of the technology and other mechanisms by which information about companies is packaged and distributed to wider audiences, as well as the content of the information that gets disseminated (Rindova *et. al.*, 2006). This then suggests that companies should strive to be present in the media early in their activities as this will be an important step towards building a positive reputation (Rindova, Petkova & Kotha, 2007). This illustrates the powerful role that the media have in influencing both what stakeholders think about companies as well as the way they think about them. Studies on corporate reputation conducted within the agenda-setting perspective suggest that companies can and should work through the media to build and manage their reputations.

2.4.1 New Institutionalism approach to corporate reputation

New or neo-institutionalism approach focuses on the context within which corporate reputation develops. The neo-institutionalism arguments are often relied upon to explain how companies gain legitimacy and social support by developing privileged positions in the social order (Fombrun, 2012; Suchman, 1995). The theory has its roots in the late 1970s and early 1980s and emerged as a response to the otherwise overly rational approaches to organising that had been dominant until then. Early proponents of this orientation, such as Meyer and Rowan (1977), Zucker (1977) and Scott (1983), proposed that organisational structure reflected not only technical demand and resources dependences, but was also influenced by institutional forces, including rational myths, knowledge legitimated through the education system and by professions, public opinion and the law.

The key focus of the theory is to understand how companies construct, through interaction, the environment in which they operate (Berger & Luckmann, 1966). In other words, the actions undertaken by companies are driven in part by social pressures to conform to existing norms as well as regulations, and are inspired by the need to be viewed as legitimate, thus getting a continuing licence to operate (Oliver, 1997; DiMaggio & Powell, 1996). The essential notion that companies are deeply entrenched in their environments suggest that organisational practices and structures are often either reflections of or responses to rules, beliefs, and conventions built into the wider environment (Powell, 2007).

The need by companies to be seen as legitimate within their environments (Suchman, 1995) is one of new institutionalism's key focal points, and refers to how companies have come to be seen as appropriate and desirable by conforming to and complying with social expectations and the consequences that this can result in. Institutional theory pays attention to the importance of what Abrahamson and Fombrun (1994) refer to as "micro-culture" of an industry to which a company belongs, as well as the transactional network from which it derives its existence. A micro-culture develops from interactions between companies and their stakeholders, mediated by institutional intermediaries, like the media and different other specialist organisations (Fombrun, 2012; Fombrun, 1996; Hill & Jones, 1992). As a result of conformity, the companies' actions come to look more similar over time (DiMaggio & Powell, 1983). For instance, the surge in corporate social responsibility reporting or integrated reporting in the past two decades is an indicator of institutionalisation and an acknowledgment by companies that maintaining favourable relationships with stakeholders has strategic value (Fombrun, 2012).

Although institutionalism scholars have focused largely on legitimacy as a social approval asset (Mariconda, 2014), corporate reputation has also received considerable attention from this theoretical orientation (Deephouse & Suchman, 2008). Studies on corporate reputation using the institutional perspective are multifaceted with regard to what they pay attention to, even though they almost always depend on similar methodological techniques (that is, archival data and regression analysis) (Mariconda, 2014). Some scholars have identified at least three related sub-streams within research on corporate reputation from an institutional perspective, which can be re-conducted to the original incarnations of the theory (Mariconda, 2014; Scott, 2001). Each of the sub-streams or pillars offer a different rationale for legitimacy, either by virtue of being legally sanctioned, morally authorised or culturally supported (Powell, 2007). These streams, as briefly explained below, also take slightly different definitions of corporate reputation.

In the first stream, researchers examine the ways in which companies build favourable reputations through the display of appropriate symbolism of conformity to social expectations (Love & Kraatz, 2009). In this regard, it involves shared conceptions and frames through which meaning is understood (Powell, 2007). In terms of this approach, reputation is seen as an overall favourable assessment of a company gained by being seen as a culturally fit organisation (Love & Kraatz, 2009). Studies under this stream have found that companies that embrace popular management techniques are judged in a more positive light by their stakeholders, even if these methods do not impact on the profitability of the companies (Staw & Epstein, 2000). In their study, Phillipe and Durand (2011) also found that a company's reputation can benefit in various ways by conforming, to different extents, to corporate environmental disclosure standards.

Reputation research under the second stream has examined the relationships between corporate reputation and legitimacy to comprehend the ways in which the two constructs impact on one another and also to separate the different antecedents and consequences of these social approval assets (Bitektine, 2011; Deephouse & Suchman, 2008). Researchers in this field highlight the difference between reputation and legitimacy by arguing that reputation puts emphasis on differentiation from a company's rivals, whereas legitimacy focuses on similarity to competitors as well as compliance with social norms and standards. Therefore, a company creates a positive reputation for itself by differentiating specific dimensions among its competitors. In this regard, Deephouse and Carter (2005), found that financial performance impacted a company's reputation in a positive way, but not its legitimacy. On the other hand, conformity has a positive impact on legitimacy, but a positive effect only for companies with lower reputations. Other researchers in this stream (Foreman *et. al*., 2012; King & Whetten, 2008), have claimed that a company's social identity is the construct based on which stakeholders assess companies in terms of legitimacy and reputation. In this perspective, a company obtains legitimacy when it has achieved the minimum requirements of a given social identity. On the other hand, a positive reputation is created when the company is viewed positively in relation to the ideal standards of a certain social identity.

The third pillar within the institutional perspective has focused on the role of reputational rankings in institutionalising corporate reputation (Rindova & Martins, 2012). Here, corporate reputation can be defined as the relative standing of a company compared to others in rankings generated by institutional intermediaries, such as the Reputation Institution's Most Reputable Companies and *Fortune*'s Most Admired Companies. This pillar is underpinned by the notion that the institutions that come up with the rankings are powerful intermediaries that have the ability to determine the criteria on which companies should be assessed while also determining how companies perform along these criteria (Mariconda, 2014). Once the reputation that a company gains from such rankings becomes institutionalised, it acquires the quality of what Rao (1994) refers to as a social fact; a socially constructed property that comes to be seen as an objective fact. According to Rindova *et. al.*. (2005), companies that receive endorsements from such intermediaries gain prominence in the minds of the stakeholders, from which they are likely to derive a range of benefits. Some studies in this stream have found that reputational rankings have a significant impact on the fate of companies (Rao, 1994), as well as, the actions that companies take (Martins, 2005; Elsbach & Kramer, 1996).

The key contribution of studies within the new institutionalism perspective has been to demonstrate how companies are part of socially constructed environments which they have at times constructed themselves and that have major influences on them. While institutionalism may have succeeded in becoming the dominant theory used by studies on macro-organisational phenomena, there is a risk that the theory has been stretched far beyond its core purpose — to understand how organisational structures and processes acquire meaning and continuity beyond their technical goals (Mariconda, 2014; Suddaby, 2010). Some scholars have criticised studies from an institutional perspective for concentrating on conformity and the adaptation to standards of conformity (Oliver, 1991). They argue that companies should not be seen as prisoners of their institutional environments, but instead researchers should focus on the agentic and often creative ways in which companies inculcate and reflect their institutional environments. Much of the early research in this perspective treated institutions as constraints on the behaviour of companies. The predominant view was that institutional effects influenced companies to conform to the social expectations of the environments of which they are a part. However, the view of institutions as sticky (Clemens & Cook, 1999), as well as the idea that homogenising pressures exerted similar influences throughout a company's environment have been questioned.

To some extent, such criticisms also apply to studies on corporate reputation from the institutional perspective. Even though it may be true that companies have to conform to socially desirable standards, equally, it is also true that they have margins for resistance and that there are a lot of standards and logics that apply differently to different types of companies (Mariconda, 2014). In some cases, companies may acquire the status of celebrities by not conforming to these standards (Rindova *et. al*., 2006). Institutional scholars on reputation could perhaps start to look at how different institutional logics (Thornton & Ocasio, 1999; Friedland & Alford, 1991), and thus institutional complexity, influence the criteria that audiences apply to assess companies, as well as the diversity of their reputational evaluations. In the following section, one of the actors in the institutional field that has assumed much of the power in defining the criteria and ways in which companies are evaluated, that is, the media, is discussed.

2.4.2 Agenda-setting approach to reputation

Agenda setting theory, also known as the agenda setting function of the mass media, was first proposed by McCombs and Shaw (1972). The central proposition of the theory is that the prominence of elements in the news has an influence on the prominence of those elements in the minds of the public (Carroll & McCombs, 2003). According to the early proponents of this theory, the media sets the public agenda, in the sense that they may not necessarily tell us what to think, but they may tell us what to think about. In essence, the theory suggests that the mass media play a powerful role in setting the agenda for public discourse and directing the public's attention towards particular actors and issues (Carroll & McCombs, 2003; Wartwick, 2002). In the abstract of their first article on the issue, McCombs and Shaw (1972:176) wrote that:

> "In choosing and displaying news, editors, newsroom staff, and broadcasters play an important part in shaping political reality. Readers learn not only about a given issue, but also how much importance to attach to that issue from the amount of information in a news story and its position. In reflecting what candidates are saying during a campaign, the mass media may well determine the important issues — that is, the media may set the 'agenda' of the campaign."

Agenda setting theory has served as the context within which much of the research on media effects on corporate reputation has been conducted (Carroll, 2011a; Carroll & McCombs, 2003). In this stream of research, the focus has largely been on testing the original effects found by agenda-setting theorists in the context of corporate reputation. Early studies on corporate reputation had been able to establish that the media could have a powerful impact on how observers evaluate a company (Wartwick, 1992; Fombrun & Shanley, 1990), as well as that how the media present a company is likely to have a strong impact on the company's performance

(Deephouse, 2000). The media are, therefore, key to the process through which corporate reputations are created because they control the technology and other mechanisms by which information about companies is packaged and distributed to wider audiences. They also control the content of the information that gets disseminated (Rindova *et. al.*, 2006).

According to Rindova (2012), the media tend to give prominence to those companies that undertake bold or unusual actions and display unique identities. Thus, the more visible a company is in the media, the more likely that its stakeholders will remember that company. The more favourable its coverage, the more positively its stakeholders will judge it. Moreover, the more salient the particular features of the company that the media highlight, the more likely that its stakeholders will associate them with that company (Carroll & McCombs, 2003). In this regard, proponents of the agenda theory, such as Carroll (2011b) and Ragas (2013), suggest that three dimensions constitute corporate reputation: organisational prominence or the degree to which stakeholders think about a company; organisational public esteem or the degree to which stakeholders assess a company positively; and organisational attributes or associations or the degree to which stakeholders associate a company with its attributes.

The media do more than just present news about a company –they also describe certain features of that company. Some attributes of a company will be given prominence while others will be mentioned less frequently (Carroll & McCombs, 2003). To this extent, systematic research has been conducted in an attempt to test agenda-setting theory within the context of corporate reputation (Carroll, 2011a; Meijer & Kleinnihenhuis, 2006; Carroll, 2004). Based on archival data and regression analysis, the findings from this kind of research have confirmed both first-level and second-level agenda-setting effects (Mariconda, 2014). First-level agenda setting is concerned with the salience of a company in the media and shows that the more a company is present in the media, the more such as company is going to be prominent in the minds of its stakeholders. On the other hand, second-level agenda setting is concerned with the salience of the characteristics of a company (for example, quality of management, financial strength, products and services, overall corporate appeal and social responsibility), and tells us that the more media associate a company with a given characteristic, the more stakeholders will likely to associate the accompany with such an attribute as well. Furthermore, the tone (that is, tonality) in which the company is covered in the media will influence the positivity with which stakeholders think about that company. These effects have been found to hold true and have been tested globally (Carroll, 2011a).

Studies on the impact of the mass media have also focused on the ways companies drive the media agenda (Ragas, 2013). In their research, Rindova *et. al*. (2007) found that companies that are more active in the marketplace are more likely to be covered by the media. Other scholars, such as Kiousis *et. al.* (2007) also found that the number of news releases that a company issues to the media or the number of engagements a company has with the media influences the quantity of news coverage on such a company (Carroll, 2010).

An important contribution from research in this theoretical stream is to illustrate the powerful role that the media have in influencing both what stakeholders think about companies as well as the way they think about them. Generally, many stakeholders do not have direct interactions with a company and much of what they know about it is through the media. The media is still a dominant channel through which stakeholders' perceptions of reality are created. For these reasons, studies on corporate reputation conducted within the agenda-setting perspective suggest that companies can and should work through the media to build and manage their reputations.

However, despite the above scientific contributions, agenda-setting theory has been criticised for focusing solely on traditional media channels, overlooking the fact that today's media environment has become increasingly fragmented and that the new media, such as social media, now have a bigger role in determining the way in which people access news and other information (Ragas, 2013). In addition, some scholars, such as Ragas (2013), have gone further and suggested other new directions for further research in this area, for example, taking into account the role of stakeholder activism or the ways in which media influence difference constituent groups differently. As the next section will demonstrate, stakeholder attributes and especially their socio-psychological characteristics, play an important role in influencing how companies are assessed and perceived (Mariconda, 2014).

2.5 EVALUATOR-BASED PERSPECTIVES

Under the evaluator–based perspectives, reputation scholars rely on a wide range of research in the field of socio-psychology as the basis for better understanding the phenomenon of corporate reputation. The focus of studies in this approach is on how stakeholders form reputational assessments or evaluations about a company or how such judgments may change in light of new information (Mishina *et. al.,* 2012:459). The main theoretical approach that falls under this perspective is the socio-cognitive theory, which stems largely from the criticism that the dominant approaches to corporate reputation in much of management research are limited and inadequate in explaining the complex nature regarding the reputational link between companies and their stakeholders. Studies on reputation conducted within the socio-cognitive theoretical perspective assist in better understanding the thought processes of those making the assessments about companies, as well as, the cognitive processes by which companies interpret salient stakeholder issues of concern and their responsiveness to these concerns. This is pertinent as people's assessments influence largely how they interact and relate with companies, such as when they purchase products and services, invest their money or apply for employment.

2.5.1 Socio-cognitive approach to reputation

Studies on corporate reputation that have been based on the socio-psychological theories represent a less cohesive body of research compared to others considered and discussed in this Chapter. Such studies span a range of fields, mainly management, marketing and communication (Mariconda, 2014). The field of corporate reputation has benefitted from greater insights that the body of psychology literature has indeed provided (Mishina *et. al.*, 2012; Van Riel & Fombrun, 2007). In addition, the construct of reputation originally emerged from socio-psychological research at the level of the individual (Bromley, 2000; Emler, 1990) before it was adapted to the level of the organisation. As a result, several other scholars engaged in studies on reputation have used the wide range of research in psychology as the basis for better understanding corporate reputation (Mariconda, 2014).

This socio-cognitive perspective stems from the criticism that the dominant approaches to corporate reputation in much of management research are limited and inadequate in explaining the complex nature regarding the reputational link between companies and their stakeholders. Although much of the research around the topic of reputation has significantly expanded our understanding of what constitutes corporate reputation and the range of benefits that may result from having a favourable reputation, relatively little is still known about how stakeholders form reputational assessments about a company or how such judgments may change in light of new information (Mishina *et. al.*, 2012:459). More recently, some scholars, such as Pfarrer, Pollock and Rindova, (2010), have claimed that more effort should be channelled towards understanding the evaluative processes that are peculiar to reputation as a specific form of evaluation. Fombrun (2005) asserts that strategy scholars, as well as economists, disregard the socio-cognitive processes among stakeholders and within companies that are said to produce reputation standings. Some scholars in the fields of economics and strategy now also acknowledge and argue that the viewpoint of reputation as capital fails to account for or capture the essentials of reputation-formation, that is, how reputation is formed, as well as, what the role played by organisational communication is in that process (Aula & Mantere, 2008). Barnett and Pollock (2012: 13) argue that:

> "Part and parcel with defining reputation, more work is needed to understand [...] how reputation is created, the underlying cognitive processes that allow it to create value for firms, and the relative importance of the perceptions, actions, and reports of those who have direct versus indirect experience with the focal firm."

A significant amount of research on reputation relying explicitly on socio-psychological perspectives has already emerged, in spite of the calls for increased studies on the socio-cognitive element of reputation (Eagly & Chaiken, 1993; Fiske & Taylor, 1991). Several scholars have now explored both the positive and negative sides of corporate reputation by examining the manner in which these different types of reputations are built or damaged, and how these processes influence the ability of executives to enhance and protect these reputations. For example, drawing upon theory on social judgments and impression formation from social psychology, some scholars have explored the socio-cognitive processes to explain how reputations are formed and why some companies have favourable reputations and others have unfavourable reputations (Mishina *et. al.*, 2012; Sohn & Lariscy, 2012; Sjovall & Talk, 2004; Brooks *et. al.*., 2003). Others have applied findings from studies on attitude (Fischer & Rauber, 2007; Caruana, 2006), as well as biases and heuristic scholarship (Bundy *et. al.*, 2013; Mishina *et. al.*, 2012; Bitektine, 2011) to the field of reputation.

Specifically, researchers are just starting to assess these socio-cognitive processes — the social judgments through which stakeholders translate information about a company into a particular reputation (Love & Kraatz, 2009). Observers, who usually have limited information regarding a company's strategic actions, do not only try to understand the indicators that companies make public from time to time, but they also depend on those indicators that are relayed via main intermediaries, like analysts, investors, and the media (Abrahamson & Fombrun, 1994; Fombrun & Rindova, 2001). As Fombrun (2005: 56) states, these intermediaries constitute "key nodes in an intercompany network that transmits and refracts information among companies and their stakeholders".

Generally, findings from much of this research have essentially claimed, more or less explicitly, that corporate reputation standing or ranking is a social construct that develops as a result of interaction a company has with its various stakeholders within a common institutional field (Fombrun, 2012; Rao, 1994; Goode, 1978). This suggests that companies and their external stakeholders are intimately involved in a mutual process of social construction (Berger & Luckman, 1966). Therefore, it means a company's reputation does not solely reside within the management of the organisation, but among its stakeholders (Aula & Mantere, 2008:49). In this regard, it is thus dependent on the attitudes of stakeholders towards the company, with attitudes denoting the degree to which an object is evaluated positively or negatively (Mariconda, 2014; Ajzen, 2001). Thus, companies have many stakeholders that evaluate them, with each one of them using their own standards in evaluating companies. The way in which companies are regarded, therefore, is an aggregation of assessments of the estimation of companies in an institutional field. These evaluations explain the satisfaction of the companies' social environments (Shapiro, 1987).

A number of scholars in the socio-cognitive perspective have focused on individual attitudes, which are supported by a range of characteristics that people associate with an object (Ajzen, 2001). Consequently, several researchers have focused more on reputation as a function of constructs, such as perceived attributes (Davies *et. al.*, 2004), impressions (Highhouse *et. al.*., 2009; Sjovall & Talk, 2004), associations (Einwiller *et. al*., 2006; Berens & Van Riel, 2004), or beliefs (Bromley 2000; 1993). Therefore, studies within the socio-cognitive perspective have defined reputation as the "beliefs and evaluations held by external audience members" (Fischer & Rauber, 2007:55). Although, not remarkably different from how other perspectives have defined the concept, studies in the socio-cognitive perspective have, however, placed more emphasis on the evaluative processes of the individual (Mariconda, 2014).

Mishina *et. al.* (2012) make a similar point when explaining why examining the socio-cognitive processes involved in the creation and change of the reputation of a company is important. They give the three following reasons:

- Firstly, in the absence of perfect information about a company's characteristics and planned activities (future behaviour), stakeholders rely on reputation as a proxy in order to make their decisions. Mishina *et. al.* (2012: 460) argue that it is from here that we may start to understand when and how gaps may occur and persist by outlining why stakeholders focus, and place much consideration, on certain signals while ignoring or downplaying others

- Secondly, this approach can provide useful and unique insight into how companies can better build and manage their reputations

- Lastly, exploring these socio-cognitive processes enable researchers to distinguish between the two primary types of reputations that stakeholders use, as well as, analyse the benefits and detriments that each can create in certain situations.

The focus of the research on reputation within the socio-cognitive perspective is also becoming quite diversified (Mariconda, 2014). Some scholars have researched the processes through which corporate reputation is created (Fischer & Rauber, 2007; Sjovall and Talk, 2004) or the way in which different pre-existing levels of familiarity influence reputational assessments (Brooks & Highhouse, 2006; Brooks *et. al.*., 2003; Turban, 2001; Turban & Greening, 1997). Others, such as Mishana *et. al*. (2012), Sohn and Lariscy (2012) and Berens *et. al*. (2017), have focused on how new information influences existing reputations (Mariconda, 2014). For example, Mishina *et. al.* (2012) investigated the various ways in which new information can influence the evaluations about a company's capabilities and character. They unpacked what has been referred to as the favourability or the perceived quality aspect of corporate reputation. They focus particularly on the favourability aspect because much research on corporate reputations has been concerned with the impact of favourability on a company. They furthermore argue that stakeholders make two primary types of reputational assessments when evaluating a target company: what the company *can do* (that is, its abilities and resources) and what the company *would likely* do (that is, its goals and behavioural intentions). These two types of reputational assessments have been consistently shown to be the two fundamental dimensions of social perception and judgment in social psychological research, regardless of whether the target of the evaluation is an individual, a group, or even a nation (Abele & Wojciszke, 2007; Fiske *et. al.*, 2002; Judd *et. al.*, 2005; Wojciszke, 1994). Mishina *et. al.* (2012) refer to these dimensions as organisational "capability" and "character" reputations. In this distinction, capability reputation refers to the collective evaluations about the quality and performance characteristics of a particular company, while character reputation is a collective assessment about a company's incentive structures and behavioural tendencies based on observations of its prior actions.

Reputation evaluations are elaborated on by corporate observers in order to tackle uncertainties they face in deciding if and how to interact with the company. In particular, the uncertainties reputation signals address stem from the impossibility to acquire direct information relative to the quality and reliability of the company or its products and, furthermore to predict the competitive actions or reactions it will adopt in the future (Mishina *et. al.*, 2012: 462). Underlying corporate reputations represent prior investments of resources in first-order operational activities, the development of distinctive and valuable organisational capabilities and the capacity to leverage them in order to position the company coherently with competitive requirements of the industries in which it operates. These aspects, in fact, signal a reliable and predictable image of the company and its bases of behaviour to customers, employees, competitors, investors, the media and the general public.

From the evaluator's perspective, corporate reputation is built mainly based on positive cues. Mishina *et. al.* (2012) argue that individuals build their perception of the capabilities a company possesses, to create value on the basis of the historical accomplishments it has obtained. Once the ability to perform in a certain way has been proved, the resources and capabilities that typically underpin such performance are assumed to be possessed by the company and audiences begin to take such abilities as a given and replicable.

From a dynamic perspective, the modification of observer evaluations follows different logics according to whether the information signals regarding a company are positive or negative and whether the existing reputation is high or low. In general, given an initial reputation evaluation, observers will tend to be more receptive to confirmatory information and will tend to interpret ambiguous or complicated information in a way that does not create cognitive dissonance (Darley & Fazio, 1980). In particular, if a company has a positive reputation, further positive cues tend to be picked up with more rapidity and tend to be granted wider attention. Thus, positive cues feed into upgrades of reputation perceptions, but the entity of these increases tend to be positively correlated to the existing level of company reputation. Pfarrer, Pollock and Rindova's (2010) empirical study showed that positive earnings increases had a larger effect on companies with a high prior reputation than on the companies with a lower initial reputation.

Once the company has built a positive reputation, negative cues have a weaker influence on observer evaluations. Unless negative performance cues are very significant, weaker signals tend not to be interpreted as an indication of organisational capability decline, but rather as alternative explanations that avoid infringing on the basic evaluation of the abilities of the company. Thus, when the company's reputation is positive, negative performance signals tend to be interpreted as a consequence of environmental or external factors that have influenced the outcome of the company's activity temporarily – such as a general "bad economic phase" or temporary input price increases – or they may be attributed internal factors – such as an indication that the company has a weak motivation to invest in the low performing activity.

More recently, other scholars have adopted the socio-cognitive perspective to explain why companies in the same industry respond differently to the various pertinent concerns of their stakeholders, on whose perceptions corporate reputations ultimately depend (Josh & McKendall, 2018: Waldron *et al.*, 2013; Bundy *et. al.*, 2013). Studies in this field pay more attention to the strategic cognitive processes by which companies interpret issues and concerns of stakeholders, than they do the cognitive processes by which stakeholders' perceptions of companies are formed. Focusing on companies typically suggests that interpretations by these companies and their executives of stakeholder issues and concerns explain the differences in how companies in a group respond differently to these issues and concerns, and in turn, how they are perceived by stakeholders on the basis of their reaction. These scholars have introduced a whole new agenda for exploring the responsiveness of companies to their stakeholders, and provide an additional lens to understand the formation and management of corporate reputation.

Bundy *et. al.* (2013) propose a strategic cognition view of "issue salience" as a new perspective of understanding a company's responsiveness to stakeholder concerns. The authors explain issue salience as the extent to which a stakeholder issue resonates with and is prioritised by a company's management. The underlying reason is that the actions of companies in responding to stakeholder issues are not responses to objective characteristics of those demands, but are conditioned by the issue interpretation of the companies' executives. Waldron *et. al.* (2013:398) focused attention on explaining what determines whether and in what manner companies in an industry will give in to pressures from social activists and change whatever practices are being contested. The authors adapt theory on executives' cognitive structures for evaluating and dealing with external pressures to predict the reactions of companies (and others in the same industry) to activist campaigns. Joshi and McKendall (2018:706) also developed a framework of how companies are likely to respond when faced with allegations of wrongdoing or unethical conduct, suggesting that the response choices are based on the degree of reputational risk from stakeholder withdrawal of support and perceived threats to the company's primary or secondary identity.

In presenting their issue salience perspective for examining company responsiveness to stakeholder issues, Bundy *et. al.* (2013:353) position the strategic cognition structures of organisational identity (Albert & Whetten, 1985; Dutton & Dukerich, 1991) and strategic frames (Huff, 1982) as integral and interrelated components of the process of interpreting issues. In this perspective, they argue that companies and executives do not respond to stakeholder and environmental characteristics as such. Instead, they respond to specific issues and concerns advocated by stakeholders — for example, emissions reduction advocated by environmental stakeholders, governance reform advocated by shareholders, and fair labour practices advocated by employees. In this regard, Bundy *et. al.* (2013: 372) developed the mediating role of strategic cognition to issue salience, recognising the importance of organisational identity and strategic frames in understanding how stakeholder issues resonate with organisational decision makers. Company executives and stakeholders need only look inward to examine the company's identity and strategic frame to understand how the company might respond to an issue. With this understanding, executives can examine stakeholder issues for core features related to their cognitive structures and craft appropriate responses. Through their theoretical model, Bundy *et. al*. (2013:356) "enter the black box of managerial decision making" by seeking "to understand how firms act as interpretation systems to receive and process stakeholder issues". Thus, the more positively and effectively a company responds to the salient issues of its stakeholders, the better it will be perceived or regarded by the stakeholders.

Similarly, Waldron *et. al.* (2013:398) place emphasis on the importance of the defining characteristics of companies, which influence how executives interpret activists' pressure on their companies' reputations as threats. Given that reputation deals with the evaluations of a company's distinctiveness by external stakeholders' (Fombrun, 1995; Fombrun & Shanley, 1990), executives of companies targeted by activists use their own impressions of companies' defining attributes as a baseline for assessing their companies' standing among these groups. In this regard, Waldron *et. al.* (2013) suggest further that such targeted companies use cognitive structures — namely, organisational identities, value propositions, and stakeholder cultures — to help executives discern which campaigns constitute problems, what type of threat these efforts represent, and what responses might mitigate such threats. Activists prompt the companies they target to change contested practices by hurting those companies' reputations (Baron & Diermeier, 2007; Frooman, 1999).

However, since reputation consists of stakeholders' external views of targets, activists cannot successfully change targeted companies' practices unless their executives *internally* perceive activists' efforts as threats to such *externally* held views (Daft & Weick, 1984; Jackson & Dutton, 1988). These internal managerial perceptions might depend on the defining organisational attributes executives aim to convey to external stakeholders (Bernstein, 1984; Bromley, 1993), as well as their beliefs about the favourability with which stakeholders view such attributes (Brown, Dacin, Pratt & Whetten, 2006). The authors extend this logic by theorising that the meaningfulness of the practices that are contested fundamentally shapes when executives of the targeted companies will view activists' reputational pressure as a substantial threat to their companies. This construct, which describes managerial attributions of their companies' defining qualities to contested practices, alerts managers about campaigns with the potential to affect external stakeholders' views of essential organisational attributes. This way, managers are able to shape the way in which their companies are perceived externally. It then supports viewpoints which suggest that, to a larger degree, companies have the capability to determine how they are perceived by their stakeholders, based on the way they respond to issues of concern to stakeholders and ones which resonate with certain attributes of the company.

In explaining why some companies choose a particular response over others or what conditions might prompt different responses, Joshi and McKendall (2018) suggest that the interrelationship of two factors — organisational reputation and organisational identity — help shape which response a company will choose when accused of wrongdoing. Like other scholars before them, they also argue that companies are more likely to respond to those negative cues that point to the company's identity (Bundy *et. al.*, 2013; Fombrun & Rindova, 2002; Waldron *et. al.*, 2013). Joshi and McKendall (2018) argue that a company's response to claims of unethical behaviour is part of a strategic self-management process as companies attempt to protect their identities and rebuild their reputations following allegations of wrongdoing. Understanding the role that reputation and identity play in a company's response to accusations of unethical behaviour will add to the examination of two important intersection points in the business–society relationship as it helps us understand how a business attempts to shape societal perceptions during difficult events.

Studies on corporate reputation using the socio-cognitive theoretical lens have mostly relied on experiments, even though archival data and regression analysis have also been applied. A number of scholars have called for more use of experiments as a methodology that is better suited to investigate psychological mechanisms (Mariconda, 2014), and to counter the dominant use of archival data and regression analysis (Barnett & Pollock, 2012; Bitektine, 2011; Pfarrer *et. al.*, 2010; Fischer & Rauber, 2007).

A major contribution of studies conducted within the socio-cognitive theoretical perspectives is that they assist in better understanding the thought processes of those making the assessments about companies, as well as, the cognitive processes by which companies interpret salient stakeholder issues of concern. This is pertinent as people's assessments influence largely how they interact and relate with companies, such as when they purchase products and services, invest their money or apply for employment. As already mentioned earlier, socio-cognitive approaches help us better understand the way in which people use limited information regarding a company to form reputational assessments and how such evaluations are used to make decisions (Mishina *et. al.*, 2012). On the other hand, other scholars (Bundy *et. al.*, 2013; Waldron *et. al.*, 2013) have looked at the level of the organisation to understand how the ways in which companies interact cognitively with their stakeholders influence perceptions about the companies. An understanding of these approaches can assist executives to better manage their companies' reputations. Furthermore, the new wave of thinking, therefore, fills crucial gaps in understanding how companies manage and respond to stakeholder concerns by focusing on the salience of the issue and incorporating strategic cognition as a key mediating mechanism. Thus, the issue salience framework by Bundy *et. al.* (2013) provides a more complete understanding of whom and what companies pay attention (Ocasio, 1997), as well as how they respond given a specific level of attention.

However, a criticism directed at studies in this theoretical stream, especially the earlier works, is the strong emphasis placed on the notion that everything happens inside people's heads, suggesting that the assessments people make of a company take place in a vacuum. However, later works have begun addressing this criticism by focusing on the cognitive processes at both company and stakeholder levels, and understanding sense-making as a mutual process between a company and its stakeholders. Nonetheless, it is suggested that integrating socio-cognitive approaches with other theoretical streams that pay attention to contexts in which reputations are created, such as agenda-setting theory or institutional theory, could be one way of resolving the dilemma of focussing too much on the individual evaluator. Mariconda (2014) suggests that in order to theorise the socio-cognitive effects of having a particular reputation, scholars might also want to consider integrating socio-cognitive approaches with the resource-based view of a company – a theoretical perspective that has classically focussed on understanding the consequences of having a particular reputation.

2.6 OUTCOMES-BASED PERSPECTIVES

Scholars conducting studies under this perspective view corporate reputation as a resource a company has to improve competitiveness and sustainability. It is the amount of capital a company possesses in terms of how positively its stakeholders assess it (Deephouse, 2000) and how prominent the company is (Rindova, Williamson & Petkova, 2010). Reputation is an important factor behind the sustainable financial performance of a company since competitors cannot easily copy or neutralise these assets. Reputation is in itself a source of competitive advantage because it is unique; causally ambiguous to observers; and it cannot be imitated (Roberts & Dowling, 2002; Deephouse, 2000; Rao, 1994). This then generates financial value for the company as a result of it being able to demand higher premium prices for products, for example, or appeal to and attract talented employees (Gatewood, Gowan & Lautenschlager, 1993; Fombrun & Shanley, 1990). The main importance of the resource-based view to studies on corporate reputation is that we now have a better understanding of the many benefits for a company of having a positive reputation. Apart from providing theoretical relevance, this perspective also offers strong justification why companies should be interested in having strong reputations as well as trying to manage them (Deephouse, 2000).

2.6.1 Resource-based view of a firm's approach to reputation

The resource-based view (RBV), for which the main units of analysis are the resources and capabilities of a company, is one approach that is used in business management to understand why some companies perform better than others. It has brought a paradigmatic shift in the field of strategy research (Mariconda, 2014). The focus of *s*trategic management is on the development and execution of the major goals as well as initiatives taken by company executives, based on a consideration of its assets and an assessment of the internal and external environments in which it operates (Nag, Hambrick & Chen 2007*)*. In other words, resource-based theory is concerned with identifying those resources that lead companies to develop sustained competitive advantage within their industries (Barney, 1991). Porter (1985:11), widely credited as being the pioneer of competitive theory, defines sustainable competitive advantage as "the fundamental basis of above-average performance in the long run". He suggests three broad strategies, namely differentiation, focus and cost leadership as bases for competitive advantage.

The idea of a company being regarded as a cluster of resources put together in a certain manner to give competitive advantage goes back to the seminal work of Penrose (1959) on the "*Theory of Growth of the Firm*". This was an analysis of the "firm", a term used by economists to refer to the company, based on its ability to develop strategies for itself. In this regard, a company's growth is determined by how it manages its range of internal resources. In this work, the associations between a company's various resources, its capability to use them in an effective way, and the subsequent impact on competitive advantage are underlined (Kor & Mahoney, 2004). It was, however, from the 1980s that the view of internal resources as key drivers of competitive advantage gained momentum (Barney, 1986; Wernerfelt, 1984; Rumelt, 1984). Wernerfelt (1984) applied the concept of resources to deal with key questions in relation to the strategy adopted by diversified companies. This was in response to what the author perceived as a limiting product-market or the perspective of the competitive environment as outlined by scholars such as Porter (2004). Similarly, this view of the company as being able to define its own strategies is counter to assumptions made by neoclassical scholars, who have argued that it only adapted itself to the market (Pirez & Trez, 2018).

In the 1990s, a company's resources came to be widely considered to be sources of competitive advantage to the extent that they are scarce, specialised, appropriable, valuable, rare, and are not easy to imitate or substitute (Amit & Schoemaker, 1993; Barney, 1991). Prahalad and Hamel (1990) also collaborated in the analysis of strategic resources, by introducing the concept of core competences, which are made up of resources that are carefully allocated by management, and have heterogeneous performances (Pirez & Trez, 2018). Other researchers in the field identify distinct crucial sets of similar characteristics, for example Grant (1991) (transparency, durability, replicability and transferability); Collis and Montgomery (1995) (inimitability, durability, appropriability, substitutability and competitive superiority) and Amit and Schoemaker (1993) (scarcity, complementarity, inimitability, low tradability, appropriability, durability, limited substitutability, and coinciding with strategic industry factors).

A company's assets are only as "valuable" as their ability to take advantage of opportunities and neutralise threats; "rare" if the company's rivals can hardly have them, "inimitable" if they cannot be copied and "non-substitutable" if a company cannot replace them with other assets which may be valuable but are not inimitable (Greco, Cricelli & Grimaldi, 2013). Moving from this perspective, many scholars have relied on resource-based theory to study corporate reputation (Boyd, Bergh & Ketchen, 2010; Flanagan & O'Shaughnessy, 2005; Roberts & Dowling, 2002; Rao, 1994; Hall, 1993; Hall, 1992). Barney (1991) suggests that a company's reputation could be one resource that has these features (Grant, 1991; Dierickx & Cool, 1989). In his research, Hall (1992) found that executives ranked reputation as the most important intangible asset in a relatively long list of possible others.

Resource-based scholars view corporate reputation as a resource a company has to improve competitiveness and sustainability. It is the amount of capital a company possesses in terms of how positively its stakeholders assess it (Deephouse, 2000) and how prominent the company is (Rindova, Williamson & Petkova, 2010). However, as Boyd *et. al*. (2010:5) argue, factors determining reputation would be, as far as this perspective is concerned, "complex, oftentimes embedded within the firm, and likely to be associated with the high degree of ambiguity, the combination of which limits replication". In this regard, reputation is an important factor behind sustainable financial performance of a company since competitors cannot easily copy or neutralise these assets.

Reputation is perceived to possess this kind of value within this context of the resource-based view, in that it emanates from the company's capacity to employ its reputation in a manner that mitigates claims made by rivals with regard to particular features of the service or product that they offer (Barney, 1991). Reputation is in itself a source of competitive advantage because it is unique, causally ambiguous to observers, and it cannot be imitated (Roberts & Dowling, 2002; Deephouse, 2000; Rao, 1994). As Fombrun and Shanley (1990) maintain, this generates financial value for the company as a result of it being able to demand higher premium prices for products, for example, or appeal to and attract talented employees (Gatewood, Gowan & Lautenschlager, 1993). In this respect, studies on reputation conducted within the resource-based perspective have paid particular attention to understanding the degree to which favourable perceptions of a company become a source of competitive advantage (Roberts & Dowling, 2002). Findings from these studies, which rely mainly on archival data as well as regression analysis, illustrate that companies derive value from reputation in a number of ways, such as the ability to attract and retain employees (Turban & Greening, 1997; Gatewood, *et. al.,* 1993); a willingness by customers to pay premium prices for a company's products (Boyd *et. al.*, 2010), enhance a company's financial performance (Roberts & Dowling, 2002; Deephouse, 2000), as well as strengthen the prospects of a company's survival (Rao, 1994).

The main contribution of the resource-based view to studies on corporate reputation is that we now have a better understanding of the many benefits for a company of having a positive reputation. Apart from providing theoretical relevance, this perspective also offers strong justification for why companies should be interested in having strong reputations, and why it is important to manage them (Deephouse, 2000). However, some critics would argue that referring to reputation as a resource that a company has, could be somewhat misleading (Mariconda, 2014). Reputation is not owned by companies as such, as it is something that lies outside organisational boundaries, that is, in the stakeholders of a company (Rindova and Fombrun, 1998), and there are obvious limitations in the extent to which it can actually be managed as other, more traditional resources can. Mariconda (2014:28) cautions that although the notion of reputation as a resource is useful and somewhat convenient, researchers should be wary about the specifications that make it different from what the term resource would imply.

A notable limitation that has been pointed out by critics of the resource-based view is that its proponents have limited their focus on the consequences of reputation (Walker, 2010). As much as there is no problem with paying attention to the consequences, more insights might be gained from understanding which antecedents make reputations capable of providing sustainable competitive advantage and which ones do not result in such reputations. Walker (2010) suggests that the ways in which companies create such reputations capable of providing competitive advantage is a relevant avenue for research in this field.

2.7 THE DILEMMA PAUSED BY THE MULTIDISCIPLINARY NATURE OF REPUTATION

This multidisciplinary nature of corporate reputation has also meant a number of problems for researchers. While this has been a source of insight in itself, it has also been a source of problems for researchers, the notable one being terminological. For example, Chun (2005) argues that while the topic of corporate reputation has certainly gained in popularity as far as academic research is concerned, the concept itself is still not clear. She contends that within the emerging perspectives about corporate reputation and its management, there is arguably no one source yet that captures the entirety of the concept. For this reason Fombrun and Van Riel (1995:5) once described the “reputational landscape” at the time as being “chaotic” and "barren".

Scholars have also pointed to the continuing confusion about the concept and its misuse in studies and scholarship (Fombrun, 2012; Walker, 2010; Barnett *et. al*., 2006). As a result of the diversity of disciplines from which research on reputation has emerged, as well as, the theoretical perspectives they use, it has taken a long time for the field to agree on a common definition of the reputation construct. The main points of disagreement continue to involve overlaps and distinctions between reputation, identity, image and brand, and other related constructs, like legitimacy, status, and celebrity (Fombrun, 2012:120). In their analysis of definitions in the literature, Barnett *et. al*. (2006) found that the definitions grouped around three distinct clusters of meaning: reputation as a state of awareness, reputation as an evaluation, and reputation as an asset. The authors suggested disentangling reputation from its related constructs, especially of identity and image to minimise the confusion. Relying largely on impression/signalling theoretical frames, corporate reputation is increasingly seen as the outcome of identity-consistent initiatives and communication (Barnett *et. al.*, 2006; Whetten, 1997) that companies actively aim at their stakeholders. This set of actions is generally referred to as corporate branding and corporate-image building (Hatch & Schultz, 2008; Dowling, 1994). Van Riel and Fombrun (2007:40) point out that "corporate reputation has gained attention largely because it captures the effects that brands and images have on the overall evaluations which stakeholders make of a company".

However, developing consensus on the definition of corporate reputation has remained elusive. Some of the definitions in the literature have many similarities and some of them are at odds with each other, and according to Whetten (1995:30), how reputation is treated varies according to the theoretical view that is applied. This has been demonstrated when discussing the main theoretical perspectives used in studies on corporate reputation. The need for consensus on definition remains, especially given that most of the scholarly papers lack a proper definition (Buchalska, Doczekalska & Chmielewski, 2015). This is made more apparent when looking at Table 8 below and comparing some of the definitions that have emerged with each other. What is clear from this is that when reviewing the various definitions of corporate reputation, it varies with the different stakeholder groups based on their perceptions, history with the company or interaction. So, different scholars put more emphasis on the stakeholders which they consider to be the most important, that is, the individual level, the macro and micro level, or even as a subtopic within another discipline like public relations (Buchalska, Doczekalska & Chmielewski, 2015). Therefore, corporate reputation cannot be treated as a standalone silo but always within the system of different stakeholders and disciplines. However, it cannot be forgotten that corporate reputation starts from the inside out, meaning that the company is the starting point of all good or bad. In other words, how companies are perceived externally begins with what obtains inside them.

Table 7: Definitions of corporate reputation

No	AUTHOR/S; YEAR	DEFINITION
1	Weigelt and Camerer, 1988	A set of attributes ascribed to a company, inferred from the company's past actions.
2	Fombrun and Shanley, 1990	The outcome of a competitive process in which companies signal their key characteristics to constituents to maximise their social status.
3	Fombrun, 1996	A perceptual representation of a company's past actions and future prospects that describe the company's overall appeal to all of its key constituents when compared with other leading rivals.
4	Fombrun and Van Riel, 1997	A corporate reputation is a collective representation of a company's past actions and results that describes the company's ability to deliver valued outcomes to multiple stakeholders. It gauges a company's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environment.
5	Cable and Graham, 2000	A public's affective evaluation of a company's name relative to other firms.
6	Deephouse, 2000	The evaluation of a firm by its stakeholders in terms of their affect, esteem, and knowledge.
7	Bromley, 2001	A distribution of opinions (the overt expressions of a collective image) about a person or other entity, in a stakeholder or interest group.
8	Gotsi and Wilson, 2001	A corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides information about the company's actions and/or a comparison with the actions of other leading rivals

9	Whetten and Mackey, 2002	Organisational reputation is a particular type of feedback, received by an organisation from its stakeholders, concerning the credibility of the organisation's identity claims.
10	Rindova, Williamson, Petkova and Sever, 2005	Stakeholders' perceptions about an organisation's ability to create value relative to competitors.
11	Rhee and Haunschild, 2006	The consumer's subjective evaluation of the perceived quality of the producer.
12	Carter, 2006	A set of key characteristics attributed to a company by various stakeholders.
13	Barnett, Jermier and Lafferty, 2006	Observer's collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporate over time.
14	Abimbola and Kocak, 2007	Reputation refers to value judgments about an organisation's qualities, trustworthiness and reliability built up over time
15	Smaiziene and Jucevicius, 2009	Corporate reputation can be defined as socially transmissible company's (its characteristics, practices, behaviours and results', etc.) evaluation settled over a period of time among stakeholders, that represents expectations for the company's actions, and level of trustworthiness, favourability and acknowledgement comparing to rivals
16	Burke, 2011	A corporate reputation is a function of the perceptions and attitudes toward it held by individual members of a particular stakeholder group
17	Adeosun and Ganiyu, 2013	Corporate reputation is…interpreted as an organisation's ethos, goals and values that create a sense of belonging among company's stakeholders

Source: Buchalska, Doczekalska and Chmielewski (2015)

However, despite the differences over what reputation is, what is now broadly accepted is the view that reputation is a collective term that represents a combined perspective of individual views of a company (Walker, 2010; Barnett, Jermier & Lafferty, 2006; Wartwick, 1992). Rindova *et. al*. (2007; 2005) state that the concept of corporate reputation has been defined as the "collective, stakeholder group-specific assessment regarding an organisation's capability to create value based on its characteristics and qualities". Corporate reputation depends on the judgment regarding capabilities underlying the quality and performance of the company's activities. Bromley (2002a) describes the collective in this instance as "a relatively homogeneous group of people who partially share common interests in a reputational entity". Overall, the literature on reputation suggests the phenomenon has several essential features: it is a perception and evaluation; an aggregation of characteristics; an assessment relative to rivals, either positive or negative, based on past performance and future projections (Walker, 2010).

However, a major criticism of and fundamental weakness found in all of these earlier definitions is that they embed both antecedents as well as consequences of reputation with the reputation construct itself (Fombrun, 2012). This limitation is probably the main reason that has confounded scholarly efforts to define reputation. For this reason, Fombrun (2012) suggests making the construct "corporate reputation" whole again by stripping from its definition all reference to antecedents and consequences. This follows on recommendations of Barnett *et. al*. (2006) to disaggregate constructs, and Walker (2010) to focus on stakeholder perceptions. Fombrun (2012) instead proposes that the construct of corporate reputation should retain the following four components, in which reputations are: i) collective assessments ii) of a company's attractiveness iii) to defined stakeholders iv) relative to a reference group of other companies. Thus, the proposed definition is as follows:

> "A corporate reputation is a collective assessment of a company's attractiveness to a specific stakeholders group relative to a reference group of companies with which the company competes for resources" (Fombrun, 2012: 121).

This definition suggests that corporate reputation should always be defined in terms of specific stakeholder groups and a specific reference group. The main contribution of this definition to the understanding of reputation is that antecedents and consequences are excluded from the construct itself. Fombrun (2012) suggests that the individual factors that influence a collective assessment of a company as more or less attractive and appealing to stakeholders can be examined separately from the reputation construct itself. Doing so will facilitate causal assessment of the factors that generate reputation, as well as consequences reputation may have for companies, individuals and society at large. Lastly, by disaggregating the construct, a corporate reputation can be developed for the broad ecology that surrounds a company based on an aggregation across relevant stakeholder segments in an industry, a country or across countries. In this way, a holistic view of the global attractiveness of a company to all its stakeholders can be arrived at (Fombrun, 2012).

A holistic definition of a company's reputation as "attractiveness" is also consistent with the notion that reputation is a generalised emotional response that stakeholders have to a company's name, that is, its favourability, quality, value, excellence, eminence, distinction, merit or worth (Fombrun, 2012). Reputation was defined similarly by King and Whetten (2008: 192) in their reference to it as "a perception that organisations are distinctive within their peer group". This implies both positive and negative components, and that it can be distinguished clearly from other related constructs.

The management of a company's reputation is viewed by Davies and Miles (1998: 16-27) as being the process of aligning the following three components: "how others (the customers) see ourselves", "who we really are" as well as "what we say we are". Carter and Deephouse (1999) argue that in instances whereby the stakeholders' perceptions of the same company differ, a negative reputation could sully a positive reputation. The "gaps" between the assessments of both external as well as internal stakeholders are seen as very important in the management of reputation. This takes us to the next section below, which provides a detailed discussion on what are considered to be the main variables of corporate reputation – image and identity, as well as, its other related constructs that have emerged in the literature, that is, legitimacy, celebrity and status. These constructs are often conflated or confused with reputation in some of the literature. Because reputation incorporates multiple dimensions and is a reflected evaluation, these other constructs are central antecedents of corporate reputation (Fombrun, 2012). The section considers some of the key differences, as well as, overlaps between the constructs and reputation, and how they sometimes interact with each other.

2.8 CORPORATE REPUTATION AND ITS RELATED CONSTRUCTS

One of the problems that the explosion of multidisciplinary interest in the field of corporate reputation has also caused is that a number of distinct theoretical constructs, notably image, identity, status and legitimacy have either been treated synonymously with reputation or conflated with it (Barnett & Pollock, 2012). These constructs, although related to reputation, are different. Nonetheless, along with reputation, these constructs are all seen as part of a subset of intangible assets identified as “social approval assets” because they derive value from favourable collective perceptions (Pfarrer, Pollock & Rindova, 2010: 1131).

Even though reputation can be conceived of as a separate but distinct construct in its own right, it is worthwhile to briefly discuss its domain delineation as compared to the other constructs that are often perceived to be similar in nature. It is crucial that the main variables used in the research of corporate reputation are clearly defined, and the probable associations between them formally outlined (Whetten, 1997:28). This section starts by addressing the complex relationship between reputation, identity and image, which have probably been discussed in the literature more than celebrity, status and legitimacy (Chun, 2005; Schultz & Werner, 2005). Although image and identity may have dominated discussions on reputation, scholars on the phenomenon have also used the terms status (that is, the relative ranking of a company in a hierarchy), legitimacy (the extent to which a company’s products, practices and structures are consistent with social expectations), and celebrity (which results from the amount of public attention a company receives and the positive emotional responses it generates) in reference to corporate reputation (Rindova *et. al*., 2006; Rao, 1994; Abrahamson & Bromley, 1994).

2.7.1 Reputation, image and identity

Schultz and Werner (2005) suggest that the main components of reputation can be defined by representing it as being made up of image, identity and personality. Image is seen as what stakeholders think of the company; identity being what the company says it is, and personality being what it is all about. Several scholars argue that it is important that these elements are aligned in building, sustaining and protecting a company’s reputation (Chun, 2005; Schultz & Werner, 2005). Image and identity are seen as the most crucial aspects of a company’s reputation and, as such, these need to be connected in a sensible way (Schultz & Werner, 2005). For example, if a drug manufacturer perceives itself as the market leader in developing and supplying drugs used in the treatment of cancer, and the customer sees it as a capable supplier, then an alignment between image and identity exists. In turn, this makes the company's brand stronger. The purpose of managing a company's reputation, that is, to nurture this relationship of harmony between image and identity, is thus met.

Walker (2010) summarised the differences between the three terms in a systematic review of corporate reputation literature using multiple management disciplines (see Table 9 below). The Table illustrates that because the reputation of a company is developed from the assessments of both the internal and external stakeholders, it follows that the reputation can be either negative or positive. Feldman, Bahamonde and Belido (2014) argue, therefore, that it is possible to differentiate reputation from image and identity, which are thought of from single-stakeholder perspectives, that is, image for external stakeholders and identity for internal ones. In other words, a company's reputation can be viewed as consisting of both identity and image, according to Tkalac and Vercic (2007).

Table 8: Distinctions between image, identity and reputation

	Organisational Identity	**Organisational Image**	**Corporate Reputation**
Stakeholders: Internal or external	Internal	External	Internal and external
Perceptions: Actual or desired	Actual	Desired	Actual
Emanating from inside or outside the company	Inside	Inside	Inside and outside
Positive or negative perception of the company possible	Positive or negative	Positive	Positive or negative
Relevant question	"Who / what do we believe we are?	"What / who do we want others to think we are?"	"What are we seen to be?"

Source: Walker (2010)

Identity is said to develop from inside the company based on its organisational culture, and according to Melewar, Karaosmanoglu and Paterson (2005) it is made up of "current practices, history, values and behaviour". Image, on the other hand, develops in the minds of the outside stakeholders of the company and comprises the assessments they have of the company as a result of indirect or direct interaction. In other words, image refers to the way external stakeholders view the company's identity at a particular time (Melewar, Karaosmanoglu & Paterson, 2005; Balmer & Greyser, 2002; Hatch & Schultz, 1997). A company's reputation has a historical element to it in that it develops over time, which gives it fairly steadier as well as longer lasting attributes than image. However, the two concepts are somehow interconnected in that reputation is viewed as the aggregation of images over time (Gotsi & Wilson, 2001; Mahon, 2002). Below, image and identity and their relationship to corporate reputation are discussed further in more detail.

2.8.2 Image: 'How others see us'

Image is about the impressions that external observers have of a company or as some scholars say, it consists of the impressions that a company makes on its external stakeholders (Fombrun, 2012). Some scholars point out that there are three different ways in which image has been framed and understood in the literature (Foreman, Whetten & Mackey, 2012; Price, Gioia & Corley, 2008; Cornelissen, Haslam & Balmer, 2007; Brown *et. al*., 2006; Whetten & Mackey (2002). In the first instance, it is about what employees believe outsiders think about their company, also referred to as *projected image*; secondly, what outsider observers think about the company – refracted or perceived image; and thirdly, the signals that employees project to external stakeholders influencing how they think about the organisation – construed or reflected image.

Scholars that have conceptualised image as *projection* focus on the signals companies send out regarding how they want to be viewed by outside stakeholders. This is different from reputation, which is more about how external stakeholders evaluate companies (Bromley, 2000). Scholars interested in image as a perception focus on the impressions that external stakeholders have of a company. In this regard, image then represents the externally perceived self-view, or the other view (Foreman, Whetten & Mackey, 2012). Lastly, scholars that have framed image as a *reflection* focus mainly on the external observers' mirrored perceptions of the company – that is, how internal stakeholders interpret those external evaluations (Hatch & Schultz, 2002; Scott & Lane, 2000; Dutton, Dukerich & Harquail, 1994).

Bromley's (1993), as well as, Davies and Miles' (1998: 16-27) definition of image as a "summary of the impressions or perceptions held by external stakeholders" is a definition that is also used by other scholars. Dutton and Dukerich (1991: 543) similarly understand image as how internal stakeholders of a company think others perceive the company. Hatch and Schultz (2000) furthermore note that in this definition, "a self is considered from the position of the other". Chun (2005) explains that the main concern among a company's stakeholders is with the customers. Consequently, image is then viewed as what customers believe or feel about the company based on direct and indirect interactions with it as opposed to what the company believes (Bernstein, 1984). This understanding of image is almost consistent with marketing researchers' definitions of "corporate image", like Pharoah's (1982:243), which views image as "attitudes and feelings consumers have about the nature and underlying reality of the company", or Grönroos's (1984:36-44) that it is the product of the way a company is perceived by consumers.

Other scholars, especially those in the field of organisational behaviour, such as Dutton and Dukerich (1991), and Gioia and Thomas (1996), see image as what internal stakeholders think the perceptions of external stakeholders are; while the concept of reputation is used to refer to the perceptions that external observers have of a company (Dukerich & Carter, 2000:103). In the case of scholars who see both reputation and image as being specific to the perceptions of external stakeholders, the distinction made about reputation is that it has an accumulated historical meaning. This is because reputation, for instance, develops over a period of time, driven by consistent performance, with the support of effective communication;

whereas image can be produced quite quickly via well thought out communication strategies (Gray & Balmer, 1998).

> "Image here differs from reputation in that, whereas the former concerns the public's latest belief about an organisation, reputation presents a value judgment about the organisation's qualities built up over a period and focusing on what it does and how it behaves. This distinction between image and reputation is useful, in that we can form an image of an organisation without any real experience of it, whereas something deeper, often referred to as reputation, implies something grounded in experience" (Chun, 2005:95).

Image can thus be changed more quickly through advertising than can reputation, "which requires more time and consistent effort to build internally and externally" (Chun, 2005:95). In the event of a controversy or crisis, however, both image, as well as reputation, can be impaired quite quickly. In short, reputation can at best be viewed as being about the perceptions of both internal and external stakeholders' perceptions of a company being aligned, particularly the perceptions of customers as well as employees, since both these stakeholder groups will interact and can be affected (Hatch & Schultz, 2001).

However, while some see image and reputation as two separate and different constructs, others, especially marketing scholars, tend to see the two as synonymous. For example, in much of the literature on service quality the two concepts of reputation and image have gone on to be used interchangeably (Chun, 2005). Gotsi and Wilson (2002) identify two perspectives, that is: the school of thought that sees corporate reputation as being the same as corporate image; and the differentiated perspective in which the terms are considered related but different. The differentiated school of thought, based on the understanding that image and reputation hold a bilateral relationship, seems to have gained more scholarly support (Gotsi & Wilson, 2002). In this relationship, the images that stakeholders hold of a company are influenced by their overall assessment of that company (that is, its reputation), but equally the reputation that stakeholders have of a company is shaped by the images they have of the company. However, the main limitation of this understanding is the underlying assumption that stakeholders form multiple images but a single reputation of a company. Issues that some scholars have highlighted are the suggestion that stakeholders' evaluations of a company are homogeneous; and the problem of the halo effect that appears when stakeholders that do not have any knowledge of a company evaluate its reputation on the limited images they hold (Helm, 2007).

Highhouse, Brooks and Gregarus (2009:1490) argue that image is an impression that stakeholders hold about a company, but the company cannot hold an image; whereas corporate reputation is an evaluation that stakeholders make towards a company and which a company can hold. This highlights the important issue of ownership and control. With regard to ownership: a company cannot own an image for the reason that different stakeholders will have multiple and often conflicting images; but it can own a reputation because this is the overall assessment that its stakeholders make about it, regardless of the multiple images. With regard to control: even though in theory companies are able to influence image and reputation, in practice they are more able to influence image than reputation, due to the particular nature of image and the broad nature of reputation.

2.8.3 Identity: 'How we see ourselves'

The term identity is a concept that seems to be commonly misunderstood, especially when it comes to its relation to reputation. Corporate identity refers to how a company's internal stakeholders (that is, employees) understand their organisation (Bromley, 2000; Dutton & Dukerich, 1991). Put simply, identity is how we view ourselves while reputation is how others view us, or in the words of Albert and Whetten (1985), identity is about the question of: "who are we as an organisation?"

Although the construct is defined in different ways in the literature, there are two main noticeable themes that stand out: corporate identity and organisational identity. Organisational identity refers more to an organisation's behaviour, while corporate identity, also known as desired or strategic identity, is a concept that is commonly used in the marketing discipline (Chun, 2005). Organisational identity is seen as fundamentally concerned with a company's definition of itself as a collective entity (Scott & Lane, 2000). For Albert and Whetten (1985), it is a response to the question "who are we?", or "how do we see ourselves?", that is, the perceptions that employees and managers have of a company. As Hatch and Schultz (1995:357) state, organisational identity refers to "what members perceive, feel, and think about their organisation", and it is focused on those attributes of an organisation that are most essential, unique, as well as long-lasting (Albert & Whetten, 1985).

On the other hand, corporate identity is about the images (visual signals) like a company's name, symbols, as well as logo; or the strategic signals, such as mission, vision and philosophy (Bernstein, 1984; Ind 1992 & Olins, 1978, 1989). The strategic cues form part of integrating corporate strategy with a company's image, as well as its reputation (Dowling, 1994; Selame & Selame, 1988). In other words, it is how people recognise you – but not necessarily how they feel about you. In this context, corporate identity becomes incorporated into the process of managing a company's corporate image externally (Abratt, 1989). A number of scholars caution against the perception of corporate identity as being the company's logo (King, 1973:7). The notion that corporate identity should project the unique attributes or "corporate personality" based on how members of the organisation behave, is something that has increasingly come to be recognised by researchers (Balmer, 1995:184), as well as how employees identify themselves with the company (Stuart, 2002). This reinforces the assertion that the role of a company's employees and the interaction between the external as well as internal view of a company is perhaps the most prominent trend in the study of corporate identity in the 21st century (Chun, 2001a). Corporate identity as well as organisational identity, are seen here as being closer to each other in terms of definition but are not interchangeable. The two may even be interrelated.

Other scholars suggest that there are similarities between culture and the identity of an organisation because if culture is "how we do things around here" and identity is “how we see ourselves”, then the two should be related (Chun 2005). Barney (1986) maintains that culture can be a differentiating factor between rival companies when culture is seen as being about history, a unique personality, as well as experiences of a company’s employees. In their definition of identity, Albert and Whetten (1985) noted its “central, enduring and distinct characteristics”, which is close to Chun’s (2005) implied definition of culture. Central character means that identity is preoccupied with only the most essential features of the organisation rather than those that are at the periphery; distinctive character points to features that distinguish the organisation from others with which it may be compared; and the enduring aspect refers to the features that exhibit continuity over time (Albert & Whetten, 1985).

Hatch (1993) makes the distinction between identity and culture as follows: “(organisation) identity which is how we define and experience ourselves is influenced by our beliefs which are grounded in and justified by cultural assumptions and values” (in Chun, 2005:97). Another distinguishing feature of culture is that it is not something that can be easily manipulated, changed or shaped through strategy by top executives (Hochschild, 1983; Smircich, 1983). Identity is susceptible to change (Chun, 2005), and as such, cultural change can happen only when there is a change in identity. Thus unlike culture, identity is more amenable to external influences, a notion which is supported by Gioia, Schultz, and Corley (2000) and which they say can be explained by its continuous association with image. Even though some scholars, such as Downey (1986; 87), maintain that culture arises from the identity of an organisation, many others have considered a company’s culture or personality as contributing to the creation of identity (Abratt, 1989).

Within companies, the management of reputation is usually the responsibility of a board member (often the CEO) rather than specifically a reputation department (Davies & Miles, 1998). This makes sense as image is about issues external to the company, the responsibility for which would be corporate communication, as well as marketing. On the other hand, human resources management would be concerned with the inside or internal view or identity. Every aspect of management will be focused on what builds the company's reputation. This includes every interaction the stakeholder has with the company. What this suggests is that corporate reputation has three components to it, in which:

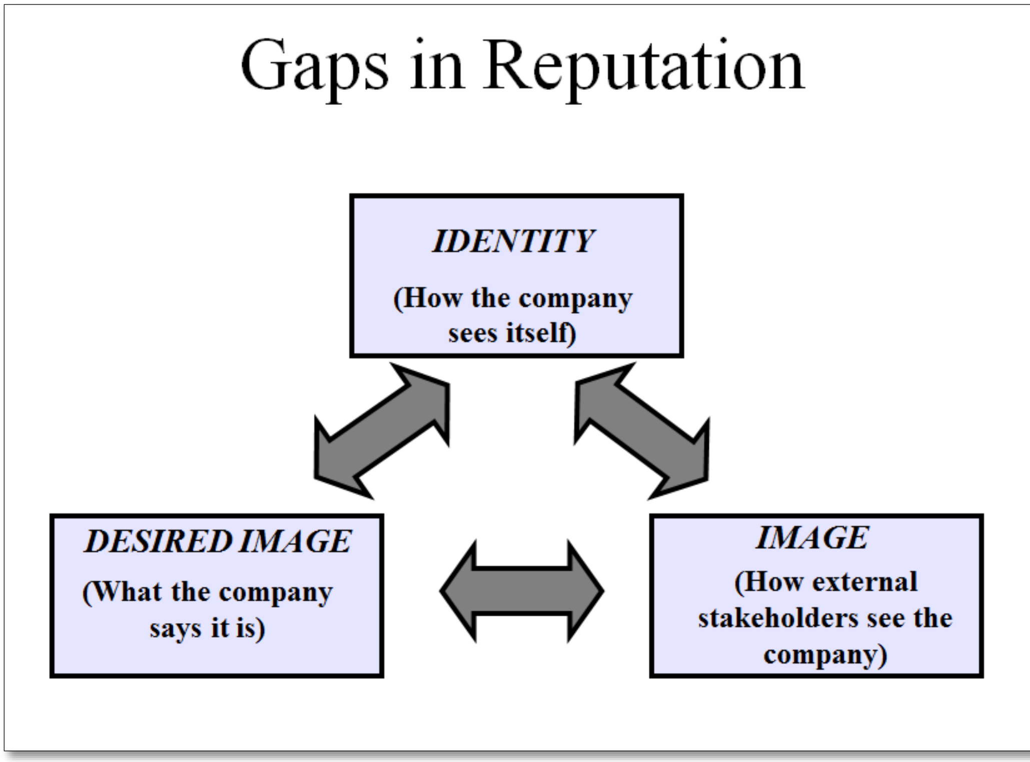
> "Image is one element of reputation rather than a synonym for reputation and as referring to the external stakeholders' perception of the organisation, especially that of customers. Image should be aligned with both organisational identity, the internal members' belief about organisation, and what can be termed desired identity or desired image, how managers would like their organisation to be seen" (Chun, 2005:97).

The image-identity-reputation nexus is further illustrated by Figure 2 below.

2.8.4 The image-identity gap

Figure 2. below illustrates the notion that these elements of corporate reputation, that is: "how others (the customers) see ourselves"; "who we really are"; as well as "what we say we are", should be aligned. This idea emphasises that image and reputation are not one and the same thing. It has been suggested that the image a company has, starts externally with its internal stakeholders, mainly employees, and their assessment of the company (Gray, 1986). The behaviour of a company's employees, especially the behaviour of employees that deal directly with customers, influences the image of the company (Lloyd, 1990:182). Thus, the company's outside stakeholders can have an image of it based on their perception of these same employees (Kennedy, 1977; King, 1991).

Figure 2: The main components of corporate reputation



Source: Davies and Miles (1998).

Chun (2005) argues that this will mostly be true of a number of service-oriented businesses, like a hotel, restaurant or an educational institution, with which customers have direct experience. A number of scholars, including Chun (2005) and Schultz and Werner (2005), point out that it is common for "gaps" to exist between a customer's actual experience with, or perception of, the company and the promises made by the company. Therefore, if customers' experiences differ from their expectations, then the company's reputation is tarnished. The existence of such gaps is an indication of a lack of a harmonious relationship between image and identity, as alluded to earlier by Schultz and Werner (2005).

It is implied in the literature that any gap or lack of alignment between identity and image will affect a company's reputation. Davies and Miles (1998) also agree that any misalignment between the perceptions of external as well as internal stakeholders is particularly important in the context of service businesses. In such businesses, the interaction between employees and customers is crucial. According to Hatch and Schultz (2000), this misalignment represents a "relational difference" between: image and vision; image and culture; as well as vision and culture. Dowling (1994:92) maintains that keeping an eye on the gaps between what the internal stakeholders (that is, employees) think and what other stakeholders think "can signal potential problems in preventing reputation crises". In other words, the role of corporate reputation management is to close the gap and nurture a harmonious relationship between image and identity.

There are suggestions that identity and image may be causally linked (Davies & Chun, 2002). If image (external) is the mirror of identity (internal), this then means that the management of image can partly be achieved by managing identity. Therefore, it is helpful to view the reputation of a company as an aggregated view of the perceptions that the relevant stakeholders have of the company. In other words, customers, employees, suppliers, managers, creditors, the media and communities believe what the company stands for, and the associations they make with it. Image and identity, on the other hand, can be usefully seen as the main components of reputation.

2.8.5 Legitimacy

Traditionally, legitimacy can be obtained when companies conduct themselves in accordance with expectations of particular stakeholders (Deephouse & Carter, 2005). In other words, it is seen essentially as being an evaluative assessment of a company based on the degree of its conformity to social norms or values, as well as its compliance with legal requirements. As such, this conceptualisation has been characterised by some scholars as having a moral bent to it (Foreman, Whetten & Mackey, 2012).

However, more recently, some scholars have conceptualised legitimacy in broader and specifically more cognitive terms, particularly within the new institutionalism theory (Scott, 1995). Successive theoretical developments have recognised the multidimensional nature of legitimacy, in such a way that the construct is framed as an evaluation based on any number and type of criteria – the most popular forms being cognitive, moral/normative, rational/pragmatic, regulative/socio-political (Deephouse & Suchman, 2008). Suchman (1995) has identified the following three types of legitimacy: *pragmatic* (how does this benefit me?); *moral* (is this the right thing to do?), and *cognitive* (is this how it usually is?). These are similar to the three streams of institutions and their corresponding bases of legitimacy (regulative, normative and cognitive) as proposed by Scott (1995). Parallels can also be drawn between Suchman's (1995) types of legitimacy and socio-political and cognitive forms of the same construct proposed by Aldrich and Fiol (1994).

Suchman (1995: 574) has proposed as follows a fairly inclusive definition of legitimacy that takes into account all these multiple dimensions:

> "Legitimacy is the generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, belief, and definitions."

In this regard, therefore, legitimacy is an assessment of the appropriateness of the company as an example of a social type, category, form, or role (Foreman, Whetten & Mackey, 2012). This judgment of "correctness" is guided by the criteria of fit or similarity – that is, the extent to which a company's characteristics and conduct are consistent with its pronouncements about "what kind of organisation we are". Foreman, Whetten and Mackey (2012) infer that legitimacy is an evaluation of identity with respect to what is required – that is, what every company of a particular form, or performing a particular role, must do (King & Whetten, 2008; Polos, Hannan & Carroll, 2002; Zuckerman, 1999).

A challenge for companies seeking legitimacy is how to strike a balance between conformity and differentiation. To a certain degree, organisations need to be seen to be similar to others so as to be seen as legitimate, but they also need to differentiate themselves from rivals in order to gain strategic advantage (Deephouse, 1999).

Reputation is similar to legitimacy in that both represent the evaluations of an organisation by external stakeholders. However, the difference is that reputational judgment does not focus on the appropriateness of the organisation's attributes and behaviour, but on the effectiveness of its performance (that is, as a predictor of that organisation's ability to meet future performance-related expectations). Furthermore, the frame of reference is not the organisation's similarity to type, but rather its uniqueness or difference (in other words, how it distinguishes itself positively from similar others as a specific example of that type) (Deephouse & Suchman, 2008; King & Whetten, 2008). King and Whetten (2008) argue that legitimacy is about an organisation achieving a certain standard which stakeholders expect it to meet, whereas those organisations that excel beyond these expectations will enhance their reputations. It is worth noting that if stakeholders' expectations are unmet, or are not significantly met, the consequence will be illegitimacy and reputational damage respectively.

2.8.6 Celebrity

Although celebrity is often associated with popular individuals in sports, the arts and entertainment, some scholars on corporate reputation have extended the concept from the individual to the company level of analysis (Rindova, Pollock & Hayward, 2006). These scholars argue that the high levels of public attention to individuals or companies, as well as the emotional responses that define celebrity, increase the economic opportunities that the individual or company has available to it. However, studies on organisational celebrity are still emerging, and our understanding of how companies are said to achieve, maintain and lose this social approval asset, is still incomplete.

Organisational celebrity is an important intangible asset that is bestowed on an organisation by the high levels of attention and emotional responses from its stakeholders (Mishina & Seo, 2016; Pfarrer, Pollock & Rindova, 2010; Rindova, Pollock & Hayward, 2006). Stakeholders comprise those individuals with the potential to interact with an organisation, including those who are more engaged, as well as more diffuse observers (Pollock *et. al*., 2016; Bundy & Pfarrer, 2015; Lange, Lee & Day, 2011; Fombrun, 1996). As such, constituents "transcend stakeholder group boundaries" (Rindova & Martins, 2012: 22) – their distinct perceptions become the foundation of organisational celebrity. Therefore, celebrity companies are those organisations that attract high levels of public attention and generate positive emotional responses from stakeholder audiences.

Organisational celebrity is socially constructed by the media and is viewed by resource-based theorists as a strategic resource with the potential for economic value (Carroll, 2016). The process by which a company achieves celebrity begins with the media's use of information about the prominent and socially significant aspects of the company's identity (Zavyalova, Pfarrer & Reger, 2017). The media, across all platforms (radio, print, television and online) play an important role in creating celebrity among stakeholders (Zavyalova, Pfarrer, Reger & Shapiro, 2012). The media cast companies as actors in their dramatic narratives (Rindova *et. al*., 2006). These narratives draw stakeholders' attention and meet their needs for excitement, affiliation, and attachment (Pfarrer *et. al*., 2010; Rindova *et. al*., 2006). It is in this way that organisational celebrity is formed, maintained or lost, based on the stakeholders' attention and emotional reactions to media narratives about an organisation.

While corporate reputation is formed through the dissemination of information about a company's ability to deliver value along dimensions important to stakeholders, scholars have theorised that celebrity is gained through high levels of attention and positive emotional responses to a company's nonconforming actions, or actions that underconform or overconform to accepted industry norms (Rindova *et. al.*, 2006). Journalists select companies whose nonconforming actions reflect "important changes in industries and society in general" (Rindova *et. al.*, 2006: 52) in order to attract the attention of their stakeholder audiences to their stories. Rindova *et. al*. (2006: 60) explain thus: "The reason...that nonconforming behaviours are more likely to attract media attention [is] because they fit the definition of news as obtrusive events". The likelihood that these constituents will view a company as a celebrity increases, since these narratives attract high levels of stakeholders' attention and conjure positive emotional responses.

For example, Southwest Airlines removed seat assignments and food service (Bascle, 2016; Rindova *et. al*., 2006), thus underconforming to prevailing industry norms. However, the airline was also the leader in delivering superior customer service, thus overconforming to industry norms (Bascle, 2016). Both underconforming and overconforming actions were met with high levels of attention and positive evaluations from constituents, who enjoyed greater service at lower costs. As a result, Southwest gained celebrity among these constituents (Rindova *et. al*., 2006).

While organisational celebrity does not necessarily guarantee success or long-term effectiveness, it does, however, modify the economic opportunities available to companies that gain that status. For this reason, celebrity is seen as an intangible asset for a company. In this regard, corporate celebrity and reputation share some similarities in that both are seen as being part of a subset of intangible assets, that is, social approval assets, because they derive value from favourable collective perceptions. They are also similar in that they are both social constructs derived from specific framing aimed at shaping the behaviours of stakeholders. At the level of the organisation, reputation represents the aggregation of public recognition based on the equality of the focal company's capabilities, as well as outputs, often developed by showing consistent behaviours. Corporate reputation is thus generated from external recognition of the demonstrated ability to generate value for others. Corporate celebrity furthermore involves capturing high levels of public attention. However, instead of attention for consistent behaviour linked to value, corporate celebrity is typically gained by nonconforming actions that need only take place once to be targeted by the media. Conduct that is viewed as outside of what is regarded as typical in an industry make for more interesting stories in the media, given that unconventional or sometimes even controversial actions are more likely to draw an emotional response from stakeholder audiences. However, company celebrity differs from corporate reputation in that celebrity must elicit a positive emotional response.

This emotional resonance, engagement, excitement, together with highly visible nonconformist behaviour, is what differentiates celebrity from reputation.

2.8.7 Status

Since the works by Fombrun and Shanley (1990), as well as Merton (1968), reputation and status as theoretical constructs have been made popular in the literature, and empirical evidence have been provided by scholars to offer a more complete view of their influence. Like the other constructs already discussed, status is viewed as an intangible asset that companies can rely on to gain competitive advantage (Barney, 1991). It has been defined in several ways within different literatures, but it is broadly understood as the position in a social hierarchy that results from accumulated acts of deference (Sauder, Lynn & Podolny, 2012; Gode, 1978; Whyte, 1943) “and is externally attributed” (Washington & Zajac, 2005). Put simply, it is about a company signalling superior attributes about itself to rivals (Podolny & Phillips, 1996). Deference has been argued by some scholars to be an important antecedent of status. For example, a positive academic citation could be viewed as an act of deference, which, if collectively put together with other forms of deference, can result in a positive status. Status is generated from past demonstrations of quality, which may give insights into future performance and value-add (Podolny & Phillips, 1996).

Because reputation refers to the perceptions that stakeholders hold about a company, and status is seen as related to professional position or social standing, both concepts share a similarity in that they are regarded as forms of social evaluation. However, while they may be intertwined, both reputation and status are separate and distinct constructs, with different methods through which companies obtain them. Some scholars have distinguished between status and reputation on the basis of exchanges in social relations. For example, Podolny and Phillips (1996:455) highlight this difference as follows:

> "What makes status distinct from reputation is that it derives not only from past added value, but also from the status of those with whom the actor engages in exchange relations. When actors enter into relations with one another, a transfer of status takes place."

The importance of status for companies lies in that it influences the weight that stakeholders place on quality, the way in which they evaluate quality, and the importance they put on products and services (Benjamin & Podolny, 1999). The essence of this is that a company's status will determine whether it develops a reputation for quality.

Scholars identify two further distinguishing attributes of status. In the first instance, the transfer of status is often beyond the control of individual actors and as a result, it is in some respects pushed on a company. Secondly, an intermediary or third party is needed to value independently the transfer of status. Podolny (1994) argues that if a company's stakeholders have prior experience with the company, this can be used to determine the potential quality of the reputation. However, when stakeholders do not have an exchange relationship with a company, then status becomes an important criterion for the potential quality of the reputation. In both cases, the structure of the social network, the position of the actors within the network, and the nature of the social relationship will determine how the status of the company is shaped (Harvey, 2014). This suggests that social networks are crucial for shaping the status of companies. This is especially important today given the eruption of digital social networks in which social structures are even denser and information can be transferred between actors at unprecedented speeds (Harvey, 2014).

In summary, therefore, it is clear now that there are a number of overlaps between the constructs of "reputation", "identity", "image", "status" and "celebrity" as has been documented by various scholars (Rindova *et. al.*., 2006; Dutton & Dukerich, 1991). If identity comprises the attributes of companies that are distinct, central and enduring, as described by Albert and Whetten (1997), then those companies with strong identities will more like attract attention and appreciation. If "image" consists of the impressions a company makes on external stakeholders (Bromley, 1993), then companies with favourable images are more likely to be appreciated and better regarded. On the other hand, if "status" is viewed as the relative ranking of a company in a hierarchy (Fombrun, 2012), then a company with a high status is more likely to be respected, develop trust and become attractive to stakeholders – thereby building reputation. Rao (1994) notes that a company that wins repeated competitions and appears on a number of "best lists" builds status compared to its rivals. At the same time, a company that has a strong and favourable reputation is more likely to earn status over time (Abrahamson & Fombrun, 1994).

A similar relationship ties the concept of corporate reputation to the constructs of "legitimacy" and "celebrity". As suggested earlier, legitimacy focuses on the degree to which a company's practices, products, as well as, structures conform to social expectations (Rindova *et. al*., 2006). Some scholars have argued that both legitimacy and reputation develop from common social comparison processes (King & Whetten, 2008). If stakeholders base their evaluations on institutionalised standards and compare companies (Rindova & Fombrun, 1999), then legitimacy may arise from comparisons between companies that result in appreciation (that is, respect, trust and admiration) of one company over another, to build reputation.

Lastly, reputation is also linked to the concept of "celebrity". Celebrity comes from the amount of public attention a company receives, as well as, the emotional responses it generates (Pfarrer *et. al*., 2010; Rindova *et. al*., 2006). Fombrun (2012) argues that if reputation is viewed in terms of the emotional evaluations that observers make about a company, "celebrity" is an equivalent and more encompassing construct than the concept of "brand equity" in the marketing literature. As Keller (1998: 50) acknowledges:

> "Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favourable, and unique brand associations in memory."

Aaker (1990) operationalised a measure of brand equity in similar ways to the celebrity construct as being a product of "familiarity" and "favourability". Therefore, celebrity is a higher-order interpretation of the concept of "corporate brand equity" - it describes the asset formed from the combined visibility and favour in the stakeholder community.

2.9 STAKEHOLDER MANAGEMENT

Scholars in communication management tend to take the "stakeholder approach" in their view of the concept of corporate reputation (Fombrun, 2005). In this regard, corporate reputation is generally seen as a collective assessment of an entity or company by its various stakeholder groups (Barnett, Jermier & Lafferty, 2006). Different stakeholders will have different views of a company's reputation on the basis of their first-hand experience with the company, as well as from third-party influencers, such as personal contacts, the media or public perceptions. The perceptions of each stakeholder are processed by their own priorities, interests as well as needs (De Marcellis-Warin & Teoderesco, 2012).

Just like corporate reputation, stakeholder management is also a fairly recent concept in management theory and practice. Freeman (1984) traces the emergence of the idea of stakeholders to the 1960s work of researchers at the Stanford Research Institute, which by then had systematically begun to offer company executives a new lens by which to understand the changes in the business environment. According to Freeman (1984), stakeholders can then be viewed as any group or individual that can affect or be affected by the achievement of an entity or company's objectives. In its definition of stakeholders, the Stanford Research Institute refers to them as "those groups without whose support the organisation would cease to exist" (Freeman, 1984:46). Some researchers at the Wharton School introduced the phrase "stakeholder management", having developed a more action-oriented view of "stakeholders" in the 1970s and early 1980s. These researchers adopted Freeman's (1984:46) definition of stakeholders above. They held that in business environments that are changing very fast, company executives had to focus more on external forces and pressures, and that strategic action needed a more sophisticated approach to dealing with a range of stakeholders, such as employees, suppliers, customers, investors, society, communities, the media as well as interest groups, among others.

For many proponents of the view of stakeholder management, such as Freeman (1984), "stakeholders" became a more useful and fundamental unit of analysis, arguing that a company's standing depends largely on the behaviour and interaction with its stakeholders. Implied in this view, and in light of the development of stakeholder theory, it can be stated that: stakeholders are about business and that business is about stakeholders. As Freeman (1984) points out, in order to achieve sustainable profits over time, a positive or good reputation is necessary for any business, and for any businessperson.

Freeman (1984) further argues that since the time when the notion of stakeholder emerged as an organising principle in strategic planning, the concept of "stakeholder management" or "stakeholder theory" has developed along a number of dimensions. These dimensions are: as a strategic tool; as a corporate communication idea and as a way of thinking about corporate social responsibility, all of which have evolved into different and distinct academic and practitioner literatures.

The notion of the stakeholder in strategic management has continued to develop over time. While some scholars suggested a path for strategic management as a field to be stakeholder-oriented, the field, in fact, took a perspective of strategy that has widely come to be known as "the resource-based" view (this view was discussed in detail in an earlier section in this Chapter). According to Sachs and Ruhli (2011), it is only recently that both perspectives have been reconciled. However, a number of companies appropriated some form of the stakeholder notion in their processes of strategic planning and strategic management.

As when the concept of corporate reputation emerged, there was concern about making the "business case" for stakeholder management. In an early study conducted by Preston and Sapienza (1990), the two researchers linked data about reputation from the Fortune magazine index to financial performance. Fortune's index was identified with "good stakeholder management" and then correlated with financial returns. The study found positive support looking at compound returns over a ten-year period.

As much as Freeman's (1984) perspective of stakeholder management maintained the idea that it was most useful as a strategic tool, much of the academic world and that of managerial practice, took it as a more subtle perspective of corporate communication. Fombrun (1996) suggests several multi-stakeholder models that have been developed around corporate communication and public relations. Welch and Jackson (2007) furthermore provide an overview of a stakeholder approach to internal communication within a business. In addition, many textbooks on public relations coalesced around the stakeholder notion and the whole idea of the public relations concept being better understood as "how to engage stakeholders".

2.10 COMMUNICATION AND CORPORATE REPUTATION

While Carroll (2013) acknowledges business management as the centre from which corporate reputation emerged, he advises that for any researcher wishing to understand the concept in greater depth, it is important that they also consider communication perspectives. He further argues that while much of the current literature may be enough for those that are satisfied with an understanding of corporate reputation only from an organisational or management view, communication perspectives must be included for those who want to understand corporate reputation in greater depth. The field of communication management has noticeably been absent in most studies, which Carroll (2013) argues, has left a number of questions regarding the idea of corporate reputation unanswered.

However, communication as a discipline is now increasingly engaging the topic of corporate reputation, offering new perspectives to the concept and its various aspects. Van Riel (1997), for example, argues that as one of its duties, corporate communication should be responsible for corporate reputation. In this regard, corporate communication is viewed as being both the foundation of a company's reputation and the principal mechanism with which the company can build its reputation. Carroll (2012) has done some work in explaining the corporate reputation concept, its aspects, consequences, antecedents, and its measurement, management, as well as its valuation from the communication perspective. Several other scholars have examined corporate reputation through a distinct communication lens. In this regard, the concept of corporate reputation has been reframed from the perspective of a number of communication dimensions in attempts to highlight more explicitly what communication has to offer to the study of corporate reputation.

By its nature, reputation is not something that companies can always control, as it is something that is formed among the company's stakeholders. However, several scholars note that a company can actively influence stakeholder perceptions through acting responsibly, being competent, as well as communicating effectively, thereby meeting the expectations of these stakeholders (Floreddu *et. al*. 2014; Juholin 2009:193; Aula & Mantere 2008). Aula and Mantere (2008:133) make the point that having a good reputation, at least in principle, is a result of the responsible actions of a company, but in reality this in itself may not be enough, and the company's actions or deeds have to be communicated to stakeholders. Gray and Balmer (1998), who note that a company's reputation develops over time from continuous performance, but that it should be enhanced by capable communication, also argue this point. Rindova and Fombrun (1999) furthermore argue that a company can build competitive advantage not only by creating desired outcomes using material resources, but also by managing communication so as to shape the interpretations and perceptions of stakeholders. Similarly, a company can create competitive advantage by familiarising its stakeholders with its own culture and can use communication strategy to form long-term relationships with the constituents who shape the organisation's image and reputation.

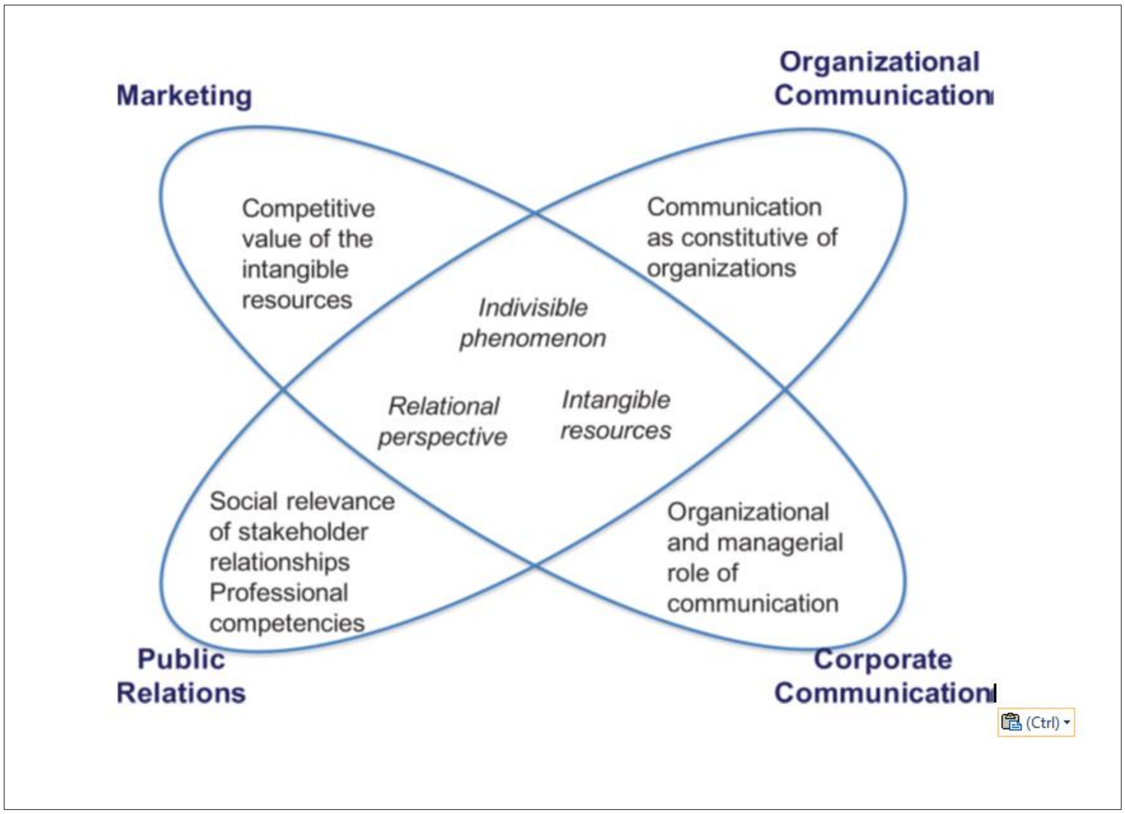
As shown in the previous sections, reputation is commonly defined as stakeholders' overall perception of the company, which is mainly based on the company's behaviour and communication (Aula & Mantere 2008; Gotsi & Wilson 2001; Fombrun 1996).

Although reputation by definition does not belong to the organisation and hence cannot be entirely determined and controlled by the company, a number of scholars argue that communication has an important role to play in influencing stakeholders' perceptions (Forman & Argenti 2005; Aula & Mantere 2008; Cornelissen 2014).

Therefore, it is crucial to consider the role that communication plays in order to better understand the development of strong reputations, as this function is closely linked to corporate reputation (Forman & Argenti 2005; Fombrun & Rindova 1998; Burke 1998). Several other scholars have gone further to suggest, like Van Riel (1997) has, that building and maintaining a favourable reputation with the company's stakeholders is a key responsibility of the corporate communication function (Cornelissen 2014:5; Forman & Argenti 2005). It is thus no coincidence that several of the communication tasks, including media relations, internal communication, government relations, and crisis communication (Neil, 2015), among others – have to do with building and ensuring a positive reputation. Argenti (1996) identifies a number of similar functions within the corporate communication discipline concerned with building and protecting reputation, which include advertising, image and identity, media relations, financial communication and investor relations, employee relations, community relations and corporate citizenship, public affairs, and crisis communication. Cornelissen *et. al*. (2006) also offer a view of corporate communication activities that is consistent with that of Argenti (1996).

Mazzei (2013) furthermore identifies and makes a comparative analysis between four business-related communication disciplines, namely: marketing, organisational communication, public relations and corporate communication, noting that even though these are different, there are areas of convergence (Figure 3 below). In this regard, the prevailing purpose of communication in companies, according to marketing, is to build loyal relationships with all stakeholders (Kitchen & Schultz, 2003). For organisational communication, it is the social creation of the process of organising (Ashcraft *et. al*., 2009). For public relations, it is the managing of relationships to position the organisation's reputation (Cropp & Pincus, 2001). And for corporate communication it is the management of corporate reputation. Different scholars have identified several areas of convergence. Firstly, some scholars consider the communication of an organisation as an indivisible concept (Mazzei, 2013); marketing underlines the concept of total business communication, encompassing all the contact points with stakeholders; organisational communication highlights the network of relationships that crosses organisational boundaries; and public relations comprise dialogue activities with all communication and identifies itself with a holistic view of communication.

Figure 3: Convergences and specificities among the four business-related communication disciplines



Source: Mazzei (2013)

Secondly, all the disciplines adopt, implicitly or explicitly, a relational perspective. Marketing stresses the relations with customers and all stakeholders, developing relationship marketing (Duncan & Moriarty, 1998; Morgan & Hunt, 1994). Organisational communication focuses on networks of inter- and intra-organisational relationships (Monge & Contractor, 2001). Public relations assume that relationship management is one of the key features of its role (Ledingham & Bruning, 2000). Corporate communication places the building of relationships with all the company's stakeholders among its purposes (van Riel, 2003). These arguments provide motivation for the transition from the notion of communication as a connection between two points, to that of interaction between players. Lastly, all the disciplines assume that communication in organisations supports the creation of intangible resources. Intangible resources, for example, knowledge, trust, loyalty, reputation, and identification, are valuable, rare, inimitable, organisation-specific and they are key assets for long-term competitive advantage (Barney, 1991). They are also generated through networks of trust relationships (Coleman, 1988, 1990). Marketing furthermore highlights how relationships with different partners generate loyalty and knowledge; organisational communication underlines the knowledge creation processes, while public relations and corporate communication focus on reputation as a valuable resource. The three convergences among business-related communication disciplines represent a very important area of overlap and correspond to the core identity of communication in organisations.

Romenti and Illia (2013:184) refer to the concept of a communicatively constituted reputation, which is essentially based on the notion that the actions of any organisation are coordinated and orchestrated, its relationships are created, and that communication is an important means of maintaining organisations overall (Christensen & Cornelissen 2011).

Romenti and Illia (2013:184) identify the following four elements, which they argue underpin the idea of communicatively constituted reputation:

- The first one is managing corporate identity carefully (self-structuring), since it influences stakeholders' perceptions of the company and hence its reputation (Romenti & Illia 2013:187; see also Dowling 2004);
- the second one is negotiating membership within the organisation so that employees feel satisfied and act as ambassadors of (positive) reputation

(Romenti & Illia 2013:187-188), which can also be done through effective internal communication;

- the third factor is activity coordination, which refers to the continuous alignment among corporate values and daily collective behaviours (Romenti & Illia 2013:188), and
- lastly, institutional positioning encompasses stakeholder engagement and community building, which legitimate an organisation as a social partner (Romenti & Illia 2013:189-190).

Dowling (2006) also identifies internal communication, external communication, as well as, issues management as the three important roles that corporate communication plays in driving good corporate reputation. A number of studies have supported the notion that companies with better corporate communication processes tend to enjoy better reputations. For example, in their research into best practices of communication professionals in three European companies (Siemens, Nokia and Philips), Bekkum, Cornelissen and Van Ruler (2008) found that these companies consistently had strong and positive reputations over the past years, even despite market setbacks and negative coverage in the media. A study by Fombrun and Shanley (1990) investigating the factors that influence corporate reputation, found that stakeholders construct reputation based on corporate strategy signals and institutional signals.

In his thesis of how reputations are created, Fombrun (2005) notes that corporate reputation is a social construct created from a company's interaction with an institutional field. Implied in his view is the role that communication plays in a company's interaction with its stakeholders. Fombrun and Rindova (2001) identify three social processes – shaping, refraction and assessment – by which companies and intermediaries are linked to key resource providers from which they argue corporate reputations develop:

i. a *shaping process* that is rooted in a company's strategic efforts to influence key resource providers;

ii. *a refraction process* that is based on the interpretations of institutional intermediaries, like the business media and analysts as well as the messages they communicate; and
iii. an *assessment process* that aggregates judgments of companies, and compares them to one another.

Thus, with regard to the shaping process, for instance, communication constitutes the "strategic informational signals" intended to raise awareness amongst stakeholders of the products and services a company offers; to raise awareness of its activities and future prospects; and to secure stakeholder support in the process (Fombrun & Van Riel, 2001). In this regard, companies often use public relations and advertising campaigns to reinforce customer identification.

Several sub-fields in communication have been identified for the understanding of the concept of corporate reputation. Carroll (2004; 2011) provide an overview of the developments and contributions to corporate reputation from the perspective of mass communication; Van Riel (1995, 1997) has made similar contributions from the corporate communication perspective; while others, such as Hutton, Goodman, Alexander and Genest (2001), have also made similar contributions from the public relations perspective. However, what is still missing is an extensive and consolidated view from the perspective of communication, which is itself a widespread and multidisciplinary field. Carroll (2013) insists that it would be remiss for researchers in the field of corporate reputation not to take into account the complete range of contributions that the discipline of communication can make to the phenomenon.

A few scholars have attempted to provide an extensive and consolidated view from the perspective of communication. Scholars such as Balmer (2017; 1995), Illia and Balmer (2012) as well as Gray and Balmer (1999), have proposed and discussed at length the concept of total corporate communication, which is based on the thinking that everything a company or any organisation does, will in some way communicate its identity (Balmer, 1995). The logic recognises that everything an organisation says, makes and does – as well as what others say about a company – communicates

(Gray & Balmer, 1999), and also accords importance to a stakeholder orientation, whereby significance is given not only to customers but also to other key stakeholders. As such, Balmer (2017) argues that total corporate communication (which encompasses discourses between stakeholders and others) will communicate a company's identity and will influence perceptions (and ultimately behaviours) of an entity. Balmer (2017) notes that understanding and meeting the needs of customers and other key stakeholders is a cornerstone of corporate marketing and a prerequisite for business success and survival. In short, it comes with a realisation that a stakeholder perspective is important for an entity's on-going survival and success.

Balmer and Gray (1999) furthermore maintain that it is important for company executives to appreciate how total corporate communication represent a nexus – a tripartite bridge – between a company's corporate identity and the perceptions (corporate images, corporate reputations and attributed identities) assigned to the organisation's stakeholders. Balmer (2017) argues that the total corporate communication approach differs from the standard corporate communication logic in that it is informed by an approach that recognises the importance of both "controlled" (integrated) and "uncontrolled" corporate communication.

Balmer (2017) notes that in order to understand more comprehensively the dimensions of total corporate communication, additional labels to each of the total corporate communication dimensions should be given as follows: latent, overt and tangential communication. As such, he notes further, the total corporate communication approach takes into account the following:

- Latent (primary communication) – which influences a company's corporate identity traits, namely: the corporate communication impacts of corporate activities and behaviours, product and service quality, management and employee behaviour, among others;
- overt (secondary corporate communication) – which refers to influences and effects of integrated (planned and controlled) formal corporate

communication, including the corporate communication impacts of corporate advertising, corporate design, corporate public relations; and

- tangential (tertiary corporate communication) influences – the communication effects of third-party "uncontrolled" communication, such as the corporate communication impacts of word-of-mouth communication (on social media, for instance), government/legal pronouncements, commentary on broadcast and in printed media, competitor communication, commentary on the industry/sector, and commentary on organisations in the supply chain/business network, among others.

In this regard, the total corporate communication approach (Balmer & Gray, 1999) epitomises a much-expanded theoretical perspective relating to corporate communication, as evinced by the approaches of Aberg (1990), Van Riel (1995) and the integrated marketing communication approach of Schultz *et. al*. (1994). Total corporate communication also represent a radical departure from traditional one-way communication models, which emphasise "controlled communication" (Shannon & Weaver, 1949).

Balmer (2017) argues further that whilst total corporate communication cannot be entirely managed, it should, nonetheless, be completely understood and taken into account. In addition, senior management cognisance of total corporate communication in relation to strategic corporate identity formation, management and maintenance avoids a narrow conceptualisation of corporate communication in terms of "integrated/ controlled corporate communication" which, arguably, is myopic and potentially perilous because corporate communication may be narrowly conceived (Balmer, 2017).

2.11 HOW REPUTATION IS CREATED

As discussed earlier, corporate reputation results from the prior experiences, attitudes as well as perceptions of a company held by stakeholders. It is thus a social construct created from a company's interaction with an institutional field (Fombrun, 2005). It forms as the perceptions of different individuals coalesce into more or less shared understandings with collective properties (Fombrun, 2012). The reputation of a company, therefore, is an attribute that is found in and is attached to a company. It is an organisational characteristic that a company's stakeholders may or may not share, and that can be experienced, evaluated, valued and shaped (Fombrun, 2012).

This suggests that corporate reputation emanates from the following different sources: the personal experiences that stakeholders have with the company and the evaluations they make based on their interactions with the company; corporate initiatives and communication actions that executives embark on to strategically shape the perceptions of stakeholders, as well as, the specialised coverage that the company receives from influential intermediaries, such as the media and analysts, are linked through social networks (Fombrun, 2012). These three main factors influence corporate reputation through the experiences that stakeholders have of the company's products and services, and the company itself. Experiences deemed to be positive induce stakeholder satisfaction, identification with the company, as well as, engagement, all of which play a part in the generation of favourable impressions of the company and making it more attractive, thereby, building its reputation.

Scholars within the marketing discipline maintain that the main factor behind customer satisfaction itself is made up of the personal experiences that individuals have with the company and the products and services it offers (Keller, 1998). With regard to the company's products becoming "personalised" to customers, they also identify more strongly with the company. As long as the experience (that is, the products and services, as well as the company) deliver what they promise, customers are more likely to be satisfied, engaged, and more committed, and to view the company as more attractive for their own purposes – no matter how narrow these may be. When this is extended to the company's full stakeholder set, those experiences create for customers, employees, and investors more or less favourable perceptions of the company; its products deliver "value" and "quality"; and its enables stakeholders to identify more with the company and what it offers (Fombrun, 2012).

In the final analysis, a better understanding of corporate reputation will come from acknowledging that its aggregated properties come from a process of social construction. Some scholars have argued in the context of organisational identity that these processes reside in the distributed awareness, as well as the consciousness of a company's stakeholders (Hatch, 2005). Corporate reputations can be viewed in the same manner in which some scholars have viewed identity (Czarniawska, 1997), that is, as narratives constructed much like novels, with multiple plotlines, characters and authors who draw on institutionalised discourses to provide context in which meanings are made. This raises questions about the power and politics through which claims about reputation are articulated, negotiated and substantiated (Fombrun, 2012: 124).

2.12 HOW REPUTATIONS CREATE ECONOMIC VALUE: THE VALUE CYCLE

Practitioners as well as scholars in the field of corporate reputation are interested in the question if and how corporate reputations create financial value for companies. In fact, this has become a "Holy Grail" of studies on corporate reputation, which many researchers in the field still find elusive. Up to now, most of the studies that have tested the claim that a positive corporate reputation directly affects the value of a company have produced findings that are at odds with each other (Dowling, 2006). The lack of a theoretical explanation of cause and effect has been pointed out as the major reason for this difficulty (Sabate & Puente, 2003). For instance, one of the key issues is whether a good reputation leads to better financial performance or whether better profits lead to a good corporate reputation. This section briefly provides literature that connects having a better corporate reputation to the creation of financial value in companies.

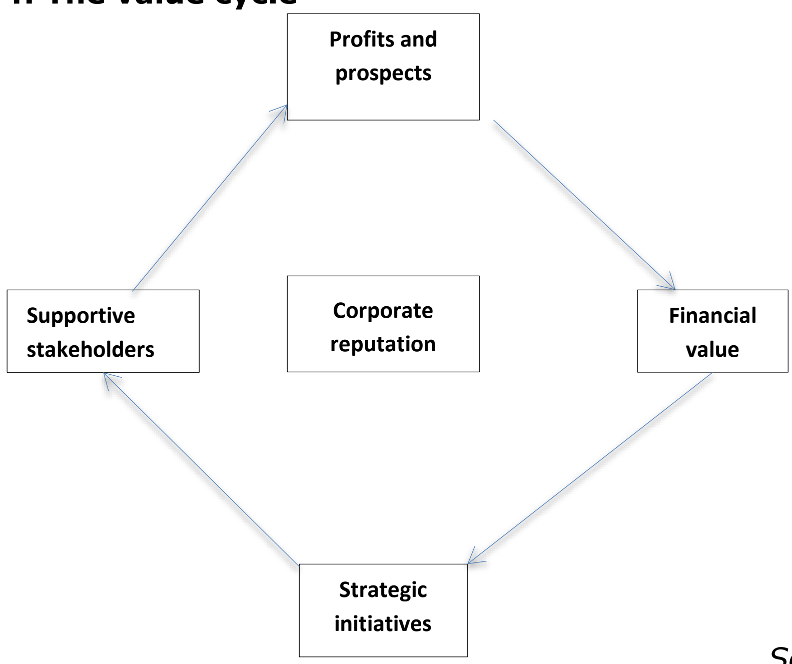
A good corporate reputation influences stakeholders' decision-making processes (Frooman, 1999) and facilitates closer relationships between a company and its stakeholders (Shapiro, 1982, 1983). Just like its other related constructs, such as image, status, legitimacy and celebrity, reputation is a social approval asset (Bitektine, 2011; Deephouse & Suchman, 2008). As such, it is a scarce resource that is not easy to copy, and therefore, a superior reputation should be critical to financial performance and long-term competitiveness (Bergh, Ketchen, Boyd & Bergh, 2010; Horner, 2002; Weigelt & Camerer, 1988).

The inherent economic value of a company's reputation is said to lie in its capability to launch strategic initiatives that induce what scholars term "supportive behaviours" from key stakeholders, especially employees, customers, communities and investors (Fombrun, 2005:295). In this regard, the greater availability of resources to a better-regarded company improves its perceived prospects for the future, which encourages stakeholders to drive up the financial value of the company. For example, a significant amount of marketing literature puts emphasis on the importance of customer satisfaction as a driver of customer loyalty. This loyalty in itself is a major factor in generating favourable outcomes for companies, especially through its effects on building brand equity, productivity of employees, sales revenue growth as well as the profitability of a business. The benefits of having customers that are satisfied arises from a company's ability to encourage supportive behaviours from customers, employees, as well as investors that, in turn, positively impact the company's profits (Fombrun, 2012). Several scholars have extended, in varying degrees, the connection between satisfaction, loyalty and performance, to other constituent groups, such as investors and employees (Helm, 2007).

In his "value cycle" model (see Figure 4 below), Fombrun (2005) demonstrates that a company's financial value derives from perceptions of its prospects in the future. He argues that these views emanate from the favourable and supportive behaviours by a company's main constituents towards it, for example, product sales, strong new hires, or favourable coverage in the media. The company's growth itself indicates approval of its strategy and future plans and is a result of more favourable assessments. Fombrun (2005) further notes that it is the value cycle that drives the "winner-take-all" process in reputational markets. Senge (1995) points to bandwagon processes, which he argues are characteristics of complex systems in which small differences in performance create enlarged perceptions of value, and fuel "reinforcing loops". Fombrun (2005:295) argues that:

> "These enlarged perceptions occur as each resource provider observes companies in an institutional field, and makes decisions about which companies to supply with scarce resources and which not."

Figure 4: The value cycle



Source: Fombrun (2005)

Fombrun (2005) argues further that according to the model, a good reputation enhances a company's ability to attract talented employees, making it an "employer of choice"; attracts customers to its products and services; develops repeat purchases, making it a "supplier of choice"; and makes the company a "neighbour of choice" (Burke, 1996). In turn, this puts it in a position to be treated favourably by the media, as well as local authorities; and assists tit to come to be considered an "investment of choice," making it easier for it than rivals to get capital at reduced cost, thereby ensuring that the company's shares are at a premium price.

In the end, therefore, favourable support from stakeholders makes available a range of resources to companies. By appealing to customers, companies increase their sales revenues; by appealing to more and better employees, they improve their efficiency as well as productivity; by attracting support from lenders, they are able to access credit at lower costs; and by appealing to investors, they improve the market for their shares. Ultimately, this support translates into better operating results for companies, and has a positive effect on the overall bottom line (Fombrun, 2012; Fombrun & Van Riel, 2004).

Some studies have shown that the long-term effect of improved profitability is the growth in a company's range of intangible assets – intellectual, organisational as well as reputational equity that the company achieves from having supportive stakeholders (Dowling & Roberts, 2002). This is based on the view that companies that are profitable tend to re-invest at least a portion of their profits in the development of proprietary products and tools (in their people as well as organisational systems and processes). Re-investments in all these aspects increase the companies' competitive strengths in the market. These re-investments are intangible assets that result in competitive advantage for a company by building mobility barriers that competitors find difficult to overcome (Rindova & Fombrun, 1999). These mobility barriers, in turn, institutionalise reputation, prestige, and celebrity for companies possessing them, which reinforces their standing in the industry rankings (Fombrun, 2012; 1996; Rao, 1994), thereby making them seem more legitimate and securing them a licence to operate (Deephouse & Carter, 2005).

2.13 SUMMARY

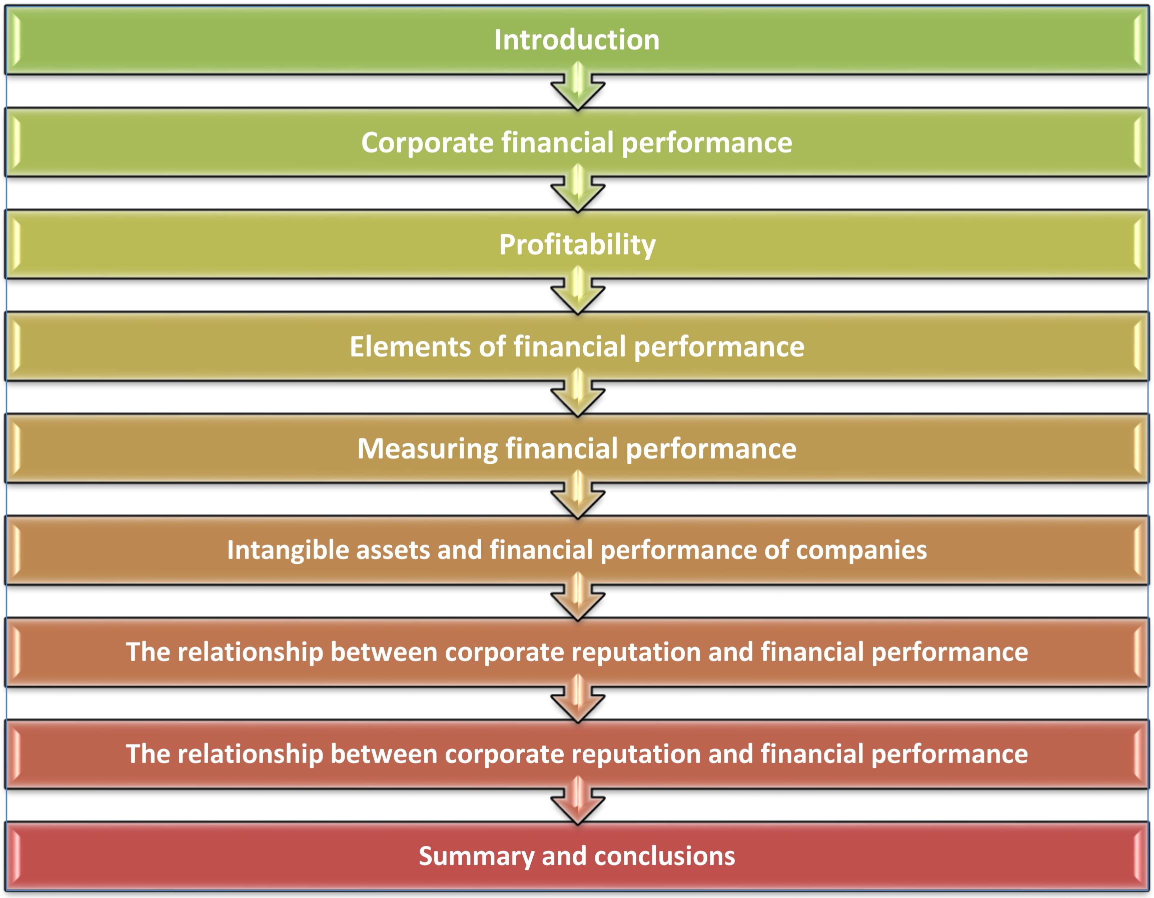
This Chapter explored some of the theoretical perspectives and conceptual issues present in the literature on corporate reputation. Tit reviewed six theoretical perspectives that have become dominant in studies on the corporate reputation concept. These approaches were then assigned to four main frames that can be used in the study of reputation, depending on the focus of the particular theoretical approach (that is, organisation-based, context-based, evaluator-based and outcome-based). Each of these perspectives has its own advantages, which enhance our understanding of corporate reputation from different vantage points. Some scholars have suggested the need for integrating different theoretical perspectives in studies in order to better appreciate and understand reputation (Fombrun, 2012; Rindova & Martins, 2012; Rindova *et. al*., 2005). Such an approach is important in providing a more or less complete conceptual understanding of the phenomenon. A number of studies have started to unearth the potential of combining multiple theoretical perspectives and the benefits that can be derived from such an approach (Mariconda, 2014). The Chapter also discussed at length the socio-cognitive perspective, which, although still at its infancy, is nonetheless gaining momentum.

A consideration of the literature on corporate reputation from a number of theoretical orientations also highlights the complexity of the concept as a focus of study. Although the fact that the field of corporate reputation has emerged from several disciplines is in itself a source of insights, it has however also created a number of challenges regarding our understanding of the concept, key among which is that of definition and how reputation is often confused with a number of terms. In this regard, reputation and some of its key related constructs namely image, identity, celebrity, status and legitimacy, were also discussed at length. Despite some overlaps that exist between these constructs and the literature sometimes conflating them, they are all separate and different from each other, particularly in terms of their meaning and how they each develop. They all form part of the complex web of sense-making that surrounds companies (Scott & Walsham, 2005) and from which reputations are created and destroyed. Each of these constructs is mainly defined by the internal and external stakeholders that they focus on. The importance of distinguishing between the constructs in this manner lies in that the management of reputation can then be viewed as an overall activity within a company – from the perspective of the external as well as the internal view. Some scholars view these constructs as the different sub-dimensions of reputation and highlight the importance of scrutiny on how these interact with one another, and emphasise the different antecedents and consequences that they may have (Fombrun, 2012; Rindova *et. al*., 2007). They argue that different lenses in terms of both commercial function as well as academic discipline may be required for each of these.

The Chapter then considered how a company's reputation is formed. Fombrun (2005) makes the point that corporate reputation is a social construct created from a company's interaction with an institutional field. In this perspective, Fombrun and Rindova (2001) identify three social processes that link companies and intermediaries to key stakeholders from which they argue corporate reputation develops. These processes are: the shaping process; the refraction process, as well as the assessment process, each of which takes into account the perceptions of different stakeholders of a company. Lastly, the Chapter examined the convergence between corporate reputation and financial performance, relying largely on the resource-based perspective of companies. In particular, the focus was on how reputation creates financial and economic value in companies. Fombrun's (2005) "value cycle" model was instructive in this regard.

The Chapter provided an important theoretical and conceptual context for understanding the phenomenon of corporate reputation. This review of the literature, therefore, provides a useful frame of reference for researchers interested in reputation from a perspective of multiple theories and disciplines. Despite the various differences among scholars from the various disciplines, what is clear is that they seem to agree on one thing: the notion that having a strong and positive reputation is valuable for companies. The following chapter focuses on financial performance in companies, which was identified under the meta-theoretical framework as one of the concepts that are key to understanding the research problem.

CHAPTER THREE: FINANCIAL PERFORMANCE OF COMPANIES



3.1 INTRODUCTION

In the previous chapters, corporate reputation was discussed as one of the intangible assets at the disposal of companies to leverage for sustainable competitive advantage and to improve financial performance. Under the resource-based view in particular, reputation is seen as having both tangible and intangible benefits for companies. Better financial performance is regarded as one of the benefits that companies can derive from having a superior corporate reputation. Financial performance is also one of the key concepts identified under the meta-theoretical framework of this study as discussed in Chapter One and by which the research problem is partly understood. It is an indicator of a company’s financial health over a period of time, which in turn is a reflection of business sustainability. This Chapter provides a comprehensive review of the literature on the concept of financial performance, as well as some of its related constructs. In addressing the topic, the Chapter discusses, among other issues: the concept of corporate financial performance; the relevance of intangible assets; the construct of profitability by which financial performance is largely measured; elements of financial performance, including the profit zone and causal factors; and it also reviews various metrics of financial performance. It ends by examining the nexus between corporate reputation and financial performance, focusing on how reputation creates financial value in companies.

3.2 CORPORATE FINANCIAL PERFORMANCE

Performance in general refers to the act of performing, implementing, achieving, and fulfilling the given tasks that must be measured against defined sets of precision, money, fullness and timing (Farah, Farrukh & Faizan, 2016). Some scholars make the point that the term performance cannot be put into a rigid framework, as it is an indistinct phenomenon that can be interpreted and measured in different ways. It is a term that is understood differently by its different users, depending on their perspective (Farah *et. al.,* 2016).

In business finance, performance refers to the measurements of the company's policies, activities and operational results in financial terms. It is used to assess a company's success, compliance and financial position. These results are reflected in the returns a company makes on its investment, assets, equity, capital employed and profitability. As a result, as Borba (2005:39) states, financial performance can be defined "in terms of maximising the owners' wealth". Assaf Neto (2010) asserts that companies are focused on value creation in order to maximise the wealth of their owners. Financial performance, therefore, principally reflects business outcomes and the overall financial health of a company over a given period of time and can be used to compare similar companies across the same industry or sectors in aggregation (*Investopedia*). It is an indication of how well an entity is using its resources to maximise the shareholders' wealth and profitability. As such, a financial analyst will assess a company's performance from a profitability and growth perspective. Financial performance is the scientific assessment of profitability and financial strength of a business concern, which in turn assists management in making sound operating and financial policies and decisions.

Financial performance is, furthermore, the extent to which a company's financial health is measured over a period of time. It can be viewed as the snapshot of a business' position and ability to survive the ever-changing environment and it is an indication of how a business is performing under the leadership of its management. Financial performance is, in fact, a way of assessing the performance of a company's management. The main objective of any business is to earn satisfactory returns on the funds invested in it. In line with maintaining a sound financial position, an assessment of such performance is done so as to measure the efficiency of operations or the profitability of the company and to assess the financial strength as compared with other firms in the same industry. Appraising the financial position of a company is generally directed towards evaluating the liquidity, stability and profitability of its business, which, when put together, symbolises its financial efficiency.

Although a complete assessment of a company's financial performance takes into account many other different kinds of measures, the most common performance measurement used in the field of finance and statistical inference are financial ratios. The main purpose of evaluating a company's financial performance is to provide complete to-the-point information to shareholders and stakeholders to encourage and support them in making decisions. In this regard, understanding a company's financial position can help determine its operating performance. It can be used to evaluate similar companies from the same industry or to compare industries in aggregation. Managing a company's risk and increasing its profitability within the parameter of corporate governance compliance is essential for making good decisions.

Some scholars divide corporate financial performance into two general categories, namely: the return to investors and accounting return (Cochran & Wood, 1984).

Others argue that corporate financial performance uses both financial variables and capital market measures (McGuire, Sundgren & Schneeweis, 1988). Orlitzky, Schmidt, and Rynes (2003) note that corporate financial performance is represented by three ways: the first one deals with market measures reflecting shareholders' level of satisfaction; the second one depicts the level of business efficiency through accounting measures; the third one refers to surveys with estimated financial performance. In their study, Bonaventura, Silva and Bandeira-De-Mello (2012) indicate that in the years 1996-2010, the most commonly used variables to represent the financial performance of companies, were: ROA (return on assets), ROE (return on equity), sales growth, ROS (return on sales), contribution margin, Tobin's Q, market share, company's risk, ROCE (return on capital), operating income, cash flow, and share earnings.

Surroca, Tribo, Josep and Waddock (2010) assessed the impact of intangible assets of a company on mediating the relationship between corporate responsibility and financial performance in several countries. For the analysis of the study various variables were used, including: financial performance and corporate responsibility to measure corporate performance; innovation, human capital, reputation and culture to assess intangible assets; and physical resources, influence, financial resources, control, size and risk to evaluate tangible assets. The results from Surroca *et. al.*'s (2010) study showed no direct association between corporate responsibility and financial performance – but only an indirect financial relationship that relies on the mediating effect of the company's intangible assets.

Researchers continue to use the definition of financial performance with indicators relating to a company's efficiency, shareholders' satisfaction, and estimates of financial performance (Chiarello, Pletsch, Da Silva & Da Silva, 2014). Given that the goal of companies is widely seen as being to maximise wealth for their shareholders, corporate financial performance is easily defined by measures such as profitability, among others (Borba, 2005). According to Assaf Neto (2003), the analysis of a company's financial performance is made possible by financial indicators when considering financial statements as sources of data and information, which provide historical performance reports, as well as forecasts for the future. Performance indicators, in turn, can show the strengths and weaknesses of companies, thus, enabling corrective and proactive actions in certain decisions (Trentin, 2009). Barney (1991) maintains that one of the features driving the competitive advantage of a company refers to intangible assets, represented by innovation, human resources, reputation, and organisational culture, among other intangible characteristics.

3.3 PROFITABILITY

Profitability is a key component of financial performance, and is the primary goal for establishing any business concern. It is the main motivating factor for economic activity and has to be achieved consistently. The construct is described in the literature as "the effectiveness with which management utilises both the total, as well as net assets as recorded in the balance sheet" (Helfert, 1991:99). The effectiveness is assessed by relating net profit to the assets employed in generating the profit. From the view of the shareholders, that is, the owners of the company, profitability means the returns achieved by a company's managers on the equity or funds that the shareholders have invested (Helfert, 1991:102). In other words, profitability is the extent to which a business or activity yields financial gain or profit. A profit or return is the income earned after all the costs of running the business have been paid, and as such, profitability is the ability of a business to earn a profit.

Businesses that are unable to generate efficient profit from their operations cannot compensate the providers of their capital, that is, the shareholders, and this makes it difficult for them to maintain the continuity of their existence. Companies need to generate profits not only to remunerate capital, but also to finance the growth of their businesses and ensure their survival. For a company to be sustainable in a competitive and expanding environment, it has to continue expanding the scale of its operations on a regular and continuing basis. In this regard, a company's profit can be described as the soul of the business without which it becomes weak and lifeless. Profits can increase when customers buy more of the company's goods or services or when the price paid by the customers for the product of the business company exceeds the cost that has been incurred from it.

3.4 ELEMENTS OF FINANCIAL PERFORMANCE

This section considers the various components of financial performance as identified in the accounting literature. These elements are important as they provide useful information for anyone inside or outside the company who is concerned about its financial health. Such information can help a company's stakeholders better understand its financial position and whether it is doing significantly better or worse than the average in its industry.

3.4.1 The profit zone

Achieving profitability is regarded as the main challenge in business today and for companies this entails understanding where they can make profit in an industry, that is, understanding their profit zones. The profit zone is the area of a business' economic neighbourhood, where it will be allowed to generate a profit. To reach and operate in the so-called profit zone is viewed as the goal of every company concerned with profitability (Slywotzky & Morrison, 1998).

For a long time in business, companies believed that achieving high market share and high growth could predict and guarantee profitability. As a result, managers pursued market share and growth in the belief that this would automatically place them in direct positions to business success (Wingard, 2002). However, in the last few decades, this classical strategic thinking has been shown to be limited as many large companies, after focusing on market share and volume growth, have not been able to achieve the profitability that such strategies promised. Large companies, such as United Airlines, IBM, Kodak, Ford, General Motors, and others were very successful in winning the market-share game but did not enjoy the profitability that was supposed to follow (Slywotzky & Morrison, 1998). There are many examples of companies around the world with high market share but low profitability and shareholder value - despite achieving leading market share positions in their various industries, these companies experienced erosion of profitability, specifically in the 1980s (Slywotzky & Morrison, 1998). This raised questions about market share as the ultimate business goal and providing the guarantee for business success. As a result, in the last few decades, several companies have moved away from the strategic thinking about market share towards profits, and initiated radical shifts in their business designs, which have seen them enjoy some of the success that had been eluding them (Slywotzky, 1998: 12). Many other traditional market share leaders have been persuaded to follow suit and to reconsider their assumptions on which their business designs are built.

Slywotzky and Morrison (1998:12) argue that business success in today's world depends on the following considerations:

- How does profit really happen in an industry?
- Where is the "profit zone" - that area within an industry in which earning profit is allowed?
- How should the business model be designed in order to reach and operate in the profit zone?

This suggests that profitability should be understood for each company in its own terms. Slywotzky and Morrison (1998:14-15) further maintain that companies such as Disney and Coca-Cola make their profits in very different ways but both are part of a small portfolio of companies that are referred to as "re-inventors". These are companies that have become almost habitually customer-centric and profit-centric. They change their business design every five years and expect that process to continue. The authors argue that General Electric (GE) has probably answered better than any other company the question of how manufacturers can generate profits. In the early 1980s, GE's strategic business model was based on the principle of being No. 1 or No. 2 or getting out of the business because being the market-share leader was the pathway to highest profitability. By the mid-1980s this was no longer true because GE's customers began to focus on getting the lowest price. The company then changed its business model to not only being No.1 in terms of market share, but also securing the No.1 spot for productivity. That model worked for several years, but by the early 1990s it was not enough to create sustained profit growth. The profit was in selling the full "package", so GE began to develop services, solutions, and other ancillary activities to ensure profit growth (Slywotzky & Morrison, 1998: 15).

3.4.2 Determinants of financial performance

A number of studies have found that even though some observers may advocate a single specific factor as the driver of superior financial performance, there is no single element that acts or achieves this independently (Capon, Farley & Hoenig, 1996:182). Various major factors from several research perspectives have been found to work collectively to result in better-than-average performance outcomes. Capon *et. al.* (1996) found that the environment or context, strategy and organisation (that is, structure and culture) of businesses are important factors in explaining the differences in financial performance among companies. The study showed that the environment and strategy variables dominate in strength of impact, with strategy providing the most consistent effects. These two factors were shown to also provide the strongest relationships with performance, although several significant relationships for organisation were also identified (Capon *et. al.*, 1996: 182). The authors further identified the following six causal factors that, regardless of analytic method employed, stand out in terms of the consistency with which they affect alternative measures of performance:

1. Competing in relatively concentrated markets with high market share (environment);
2. competing in growing markets (environment);
3. high investment in research and development, especially for developing new products and services (strategy);
4. high involvement in markets outside of the US (strategy);
5. low debt levels (strategy); and

6. an entrepreneurial atmosphere (organisation) that supports a strategy of innovation.

3.5 MEASURING FINANCIAL PERFORMANCE

Despite the differences regarding the conceptualisation about what constitutes performance in an organisation, there is nonetheless some convergence in the literature on three common measurement approaches, namely: objective and subjective; quantitative and qualitative; and financial and non-financial (Firer & William, 2003; Venkatraman & Ramanujam, 1986). Quantitative measures are objective whilst qualitative measures are subjective and are based on perceptions often measured using Likert-type scales. Financial performance highlights a company's profitability (return on assets), solvency, liquidity, productivity (turnover over total assets) or market strength (market to book value ratio of net assets). As a result, financial measures take a variety of forms (Capon *et. al.*, 1996:7). These measures differ from each other on several dimensions, and many issues concern the choice of which particular financial measure to employ (Wingard, 2002:95). For instance, measures may be absolute (such as, sales, profit), return-based (such as, profit/sales, profit/capital, profit/equity), internal (such as, profit/sales), external (such as, market value of the company), a level for a single period (such as, one year), a mean or a growth rate over several years or a variability (such as, standard deviation) about a mean or a trend. In their empirical study, Capon *et. al.* (1996) introduced company survival as one of these measures.

Banker, Chang and Majumdar (1993:35) argue that finding useful components of performance measures is a relevant area for further research. For them a major difficulty was defining the appropriate components and showing whether the interpretations that result are reasonable and applicable elsewhere. Some of the key measures that are often used to evaluate financial performance are discussed in detail in the following sections. Although several previous studies on corporate reputation and financial performance have used various financial metrics, this research opted to use ROE (return on equity), ROA (return on assets) and ROIC (return on invested capital), mainly because they are some of the commonly used and readily available financial performance measures. Furthermore, they are considered equally important in their own different ways in evaluating the financial performance of companies. Using other metrics, such as EVA and market-to-book value (mbv) as used in other studies was not an option largely because some of the companies ranked by Reputation House and considered in this study were not publicly-listed companies, and therefore obtaining such information would have been difficult as more time and resources would have been required. These other financial ratios would have worked well in this research if it only considered companies that are publicly listed. The study focused on all the companies that have been ranked by Reputation House's RepTrak, some of which are publicly listed and others not.

3.5.1 Profit margin

Profit margin is one of the commonly used profitability ratios to measure the profitability of a business. It is an accounting measure that is used to gauge the financial health of a business or industry and is a reflection of how much money a business is making from each sale. In other words, it indicates how well a company is using its income and is always expressed as a percentage. A high ratio means that the company is generating a lot of profit for every rand of revenue, whereas a low percentage means that the company's high costs reduce profit for each rand of income. A relatively high profit margin is desirable as it corresponds to low expense ratios relative to sales (Wingard, 2002:95). For example, if a business reports that it achieved 25% profit margin, it means that it had a net income R0.25 for each rand of sales generated. A smaller margin is not necessarily bad, for example, lowering a sales price will usually increase unit volume, but profit margins will shrink. Total profit may still increase due to the increase in volume (Ross, Westerfield, Jordan & Firer 1996: 60–61). Profit margin can be used to compare the success of large companies with small ones. A a large company might be making billions of rand in revenue and profit but if its profit margin is low, it might not be doing as well as a much smaller company that has a better ratio. So, if a company pushes sales growth but spends more on expenses, then its profit margin and cash flow will decline. Therefore, setting profit margins forces management to grow or maintain revenues, while keeping costs under control.

Profit margin is calculated by simply taking the profit and dividing it by the revenue, and the profit margin formula is expressed as follows:

Profit margin = Net profit after tax / Sales

Essentially, profit margin has become the globally adopted standard measure of profit-generating capacity of a business, and is a top-level indicator of its potential (*Investopedia*).

3.5.2 Return on equity

Return on equity (ROE) is one of the three financial performance metrics used in the regression analysis of this study to determine whether corporate reputation and financial performance have an influence on each other. ROE is considered the most popular and widely used overall measure of financial performance (Higgins, 2011; Rappaport, 1986:31). It measures the accounting earnings for a period per value of shareholders' equity invested or the profitability of a company for its shareholders, and is expressed as:

ROE = Net Income/Total Shareholder Equity

Monteiro (2006:3) states that ROE is perhaps the most important ratio investors should consider, as it offers an "accounting" measure of the "returns" to shareholders' investments. Ross *et. al.* (1996) assert that since the main goal of a company is to benefit shareholders, ROE is, in an accounting sense, the true bottom-line measure of performance (Higgins, 2011). It is a measure of profit per rand or dollar invested in equity. Helfert (1991:102) prefers to call this ratio "return on net worth" and states that it is the most common ratio used for measuring the return on the owners' investment. Given that shareholders' equity is equal to a company's assets minus its debt, ROE could thus be viewed as the return on net assets. The higher the return, the more attractive the company becomes for investors as it provides a shorthand way of evaluating the profitability of their investments. In other words, it is a consolidated view of how well an investment could fare. Firer *et al*. (2004:68) argue that instead of regarding ROE as the point of departure, it could also be viewed as the final result of structured financial ratio analysis. The fact that it represents the end-result of structured financial ratio analysis contributes towards its popularity among analysts, financial managers and shareholders alike (Stowe, Robinson, Pinto & McLeavy, 2002:85; Correia, Flynn, Uliana & Wormald, 2003:5-19; Firer, Ross, Westerfield & Jordan, 2004:67).

However, the metric's biggest strength as a summarised view is also seen as its greatest shortcoming. Hagel, Brown, Samoylova and Lui (2013) argue that by focusing primarily on returns generated from equity, the view disregards the effects of leverage or use of debt. They argue that the flaw lies in that ROE is calculated after the cost of debt, but before taking into account the cost of own capital. ROE increases with more financial gearing, as long as the returns earned on the borrowed funds exceed the cost of the borrowings. The problem with increasing the financial gearing beyond a certain level is that the increased financial risk may cause the value of the company to diminish (De Wet and Du Toit, 2006). The pursuit of higher ROE may lead to wealth destruction in the long run. As such, a criticism of using ROE as a measure is that it does not provide a comprehensive view of a company's financial performance. As a source of financing, debt is an important element of corporate balance sheets. While debt can help a company meet its objectives, excessive amounts can be damaging. These effects, however, are not reflected in ROE as the measure does not directly factor in leverage. For example, if a company were to raise an unhealthy amount of debt but manage to generate income from that debt, ROE would likely rise even though the company may have a riskier capital structure. In this instance, increased leverage could help a company meet its short-term objectives while threatening its long-term viability given its debt exposure. It is for this reason that Copeland, Koller and Murrin (1996:105) argue that ROE is a short-term financial performance measure and that too much focus on it can lead a company to overlook long-term growth opportunities that might increase shareholder value. A company may also be able to improve its ROE, while at the same time earning a return that is below its weighted average cost of capital (WACC), and thereby destroy value (De Wet and Du Toit, 2006).

Despite these weaknesses, however, there is a recognition in the financial accounting fraternity of the importance of ROE. Black *et. al.* (2001:329) recognise that there may still be a place for ROE, especially when used together with a variety of other performance measures (such as return on assets discussed below) which also focus on various aspects of a financial performance.

3.5.3 Return on assets

Return on assets (ROA) is considered to be a financial performance metric that offers a more balanced view of profitability compared to ROE and other metrics (Hagel *et. al*., 2013). Higgins (2011) describes ROA as a measure of the amount of profit a company can make using one unit of assets – it does not make the distinction between shareholders' capital and that raised from creditors. Put simply, it is the percentage of how profitable a company's assets are in generating revenue. The measure gives a company's stakeholders, especially managers, investors, or analysts, an idea as to how efficiently a company's managers are at utilising the company's assets to generate earnings. The higher the return, the more productive and efficient management is in utilising assets or economic resources. Net assets (total assets less current liabilities), which are equivalent to the total long-term sources on the balance sheet may also be used, using the argument that operating liabilities are available essentially without cost to support a portion of the current assets (Helfert 1991:99).

As such, ROA measures the "return" on the amount of money invested in assets and the formula to calculate it is expressed as follows:

ROA = Net Income/Assets

However, Bandrowski (1992:19) argues that the most widely used formula for return on investment is return on net assets (RONA). Ross *et. al.* (1996:61) maintain that RONA is a measure of profit per rand of assets invested in a firm and thus an indicator of operating performance, and they chose to define it as follows:

RONA = Net profit before interest and tax / Net assets

Helfert (1991:100) accepts the argument that income taxes are a normal part of doing business and states that net profit before interest but after taxes can be used in the above ratio. Ross *et. al.* (1996:61) state that the above ratio is sometimes used with net profit after interest and tax in the numerator.

ROA is another of the three financial performance measures that this research relies on for the regression analysis conducted to determine whether corporate reputation and financial performance have an influence on each other. This is partly because ROA is the easiest form of profitability analysis – it is important when it comes to the evaluation of the results of management decisions or the use of a company's assets. Hagel *et. al.* (2013) argue that although ROA alone may not be a perfect measure, it is still the most effective and broadly available financial measure to assess company performance. It captures the fundamentals of business performance in a holistic way, looking at both income statement performance and the assets required to run a business. The authors maintain that commonly used metrics such as return on equity or returns to shareholders are vulnerable to financial engineering, especially through debt leverage, which can obscure the fundamentals of a business. ROA is also seen as less vulnerable to the kind of short-term manipulation that can occur on income statements since many assets, such as property, plant, and equipment, and intangibles, involve long-term asset decisions that are more difficult to tamper with in the short term.

Hagel *et. al.* (2013) furthermore note that even though many companies have been reporting record profits over the last 50 years or so, longer-term trends suggest these companies are struggling. In the authors' view, part of the answer to this paradox lies in that companies been focused more on generating profits in the short term and tended to overlook a critical component of business activity, that is, the assets required to run a business. Ultimately, companies need to earn a healthy return on those assets in order to stay in business. ROA captures how well a company used its assets to create value (Hagel *et. al.,* 2013). This makes ROA a more effective measure of fundamental business performance.

Therefore, ROA provides a more balanced view of profitability compared to other traditional metrics, such as ROE, which disregard risk that financial leverage creates. An increase in leverage commensurately improves asset balances through the cash it provides. Any changes in leverage, therefore, are equally reflected in assets (Hagel *et. al.,* 2013; De Wet and Du Toit, 2006). Another advantage of ROA is its ability to holistically measure business operations. A move to artificially improve net income would create a much smaller change in ROA since the measure weighs net income as a proportion of assets. The choice to compare net income to assets is a significant one. ROA reflects the cumulative outcome of decision making. It gives ROA the benefit of holding management accountable for the cumulative decisions made in deploying assets. If resources are used in projects that consistently yield little value, ROA will stagnate. Alternatively, if management utilises its assets in projects that more optimally create value, ROA will rise. Thus, companies that can balance short- and long-term stakeholder needs will be best able to develop a vision and commitment to execution. A long-term focus is inextricably tied to the trajectory of ROA. These companies will be best poised to make outsized gains.

3.5.4 Du Pont identity

The Du Pont identity is an expression that shows a company's return on equity (ROE) and can be represented as a product of three other ratios: profit margin, the total asset turnover and the equity multiplier. In other words, it is an expression which breaks ROE into three parts. The formula for the Du Pont identity is:

ROE = profit margin x asset turnover x equity multiplier

This formula can in turn, be broken down further as follows:

> ROE = (net income/sales) x (revenue/total assets) x (total assets/shareholder equity)

According to Ross *et. al.* (1996: 64), the Du Pont equation expressed above shows that ROE depends on operating efficiency (profit margin), asset use efficiency and financial leverage. The authors state that the Du Pont system is a financial analysis and planning tool, which uses basic accounting relationships, and is designed to provide an understanding of the factors that drive the ROE of a company. ROE can be progressively broken into specific income statement and balance sheet items. The decomposition of ROE may be represented by a flow chart. Thus, if the ROE is unsatisfactory, the Du Pont identity can assist analysts and managers to locate the part of the business that is underperforming. Management can use such a flowchart to identify specific ratios where improvement can best be achieved if ROE is unsatisfactory (Ross *et. al.*, 1996:63–64).

Banker *et. al.* (1993: 25) note that the Du Pont equation has long been used to measure the financial performance of companies. They further argue that, due to the way in which the profitability ratio is constructed, it provides only a gross aggregate measure and does not easily capture the impact that the micro-attributes of the operations of companies have on profitability. In response to this dilemma the American Productivity Center's (APC) formula disaggregates changes in a company's profitability into two components, capturing changes in its productivity and its price recovery ability.

The APC productivity change ratio is the ratio of the values of current period outputs to base period outputs, divided by the ratio of the values of current period inputs to base period inputs. The APC price recovery ratio is the ratio of the value of outputs at current period prices to the value of base level prices, divided by the ratio of the value of inputs at current period prices to the value at base level prices (Banker *et. al.,* 1993:26–27).

3.5.5 Earnings per share

Earnings per share (EPS) is the portion of a company's profit allocated to each ordinary share and is an indication of a company's profitability. It is a measure which both management, as well as shareholders, pay particular attention to. According to Helfert (1991: 105), it is widely used in the valuation of common stock and as the basis for setting specific corporate goals and objectives as part of a company's strategic planning. In its simplest form, EPS is calculated as follows:

EPS = Net income / Number of issued ordinary share

For investors that are primarily concerned with a steady source of income, the EPS ratio can tell them the space a company has for increasing its existing dividend. Some observers caution that, although EPS is very important and a crucial indicator for investors, it should not be looked at in isolation. They argue that the EPS of a company should always be considered in relation to other companies in order to make a more informed and prudent investment decision.

3.5.6 Price/Earnings ratio (P/E ratio)

The Price/Earnings (P/E) ratio is the widely used ratio for valuing a company which measures its current share price relative to its earnings per share (EPS) (Helfert, 1991). The P/E ratio is sometimes known as the price multiple or the earnings multiple, and is used to indicate how the stock market is judging the company's earnings performance and prospects.
It is calculated as follows:

P/E ratio = Market Value per Share / Earnings per Share

Generally, a high P/E ratio suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. A low P/E can indicate either that a company may currently be undervalued or that he company is doing exceptionally well in relation to its past trends. When a company has no earnings or is posting losses, in both cases P/E will be expressed as "N/A", which stands for not applicable (*Investopedia*).

3.5.7 Excess value

Excess Value (EV) expresses the premiums or discounts granted to individual companies by the market. The concept was first used by Thomadakis (1977) and Errunza and Senbet (1981), and was found significant by Cochran and Wood (1984:50) to relate social responsibility and financial performance.

It is calculated as follows:

EV = (Market value of equity + Book value of debt – Total assets) / Sales

3.5.8 Return on capital invested (ROIC)

The return on capital invested (ROIC) is also one of three financial performance measures used in the regression analysis phase of this research. The ROIC ratio assesses how efficiently a company is at allocating its capital to profitable investments and gives an indication of how well a company is employing its capital or money to generate profits. Also known as "return on capital", it essentially shows how good a company is at converting capital into profits. It is expressed as follows:

ROIC = Net Income / Debt + Equity

According to Stewart (1990:85), the rate of return on total capital is the return that should be used to assess corporate performance. In order to increase earnings, a company has to invest in its capacity for production of goods and services. This investment may be in plant and machinery, technology, inventory, supply chain and other assets. For every amount of money that is spent by the company, an additional level of earnings can be expected in future. The reason why there is a focus on measuring returns on past and future investments is that a company that generates higher returns on an investment than it costs it to raise capital for that investment is earning excess returns and will trade at a premium over a company that does not earn excess returns. Equally, a company that expects to continue generating positive excess returns on new investments in the future will see its value increase as growth increases, whereas a company that earns returns that do match up to its cost of funding will destroy value as it grows (Damodaran, 2007).

ROIC has become a more common measure in corporate finance in the past few years as companies have recently begun to view it as key driver of value. Even though the increased attention on ROIC is relatively recent, the ability of a company to earn a return on capital greater than its cost of capital has for a while been understood to be the primary driver of value creation. A 2012 McKinsey study of the capital allocation decisions of global companies found that companies that aggressively reallocate capital to the highest return segments outperform over the long-term (Trainer, 2018). The success of companies that prioritise capital allocation, along with pressure from the investment community, has led to a greater emphasis on ROIC among company executives. This trend should increase the efficiency of the capital markets and create opportunities for investors to benefit from improved corporate governance (Trainer, 2018).

Stewart (1990) furthermore points out that because ROIC measures the productivity of capital employed without regard to the method of financing, it is free from accounting distortions that arise from accrual bookkeeping entries, free from the conservative bias of accounting statements, and from the tendency to understate capital by writing off unsuccessful efforts.

However, simply measuring ROIC is not enough, as it is important to consider the cost of capital employed as well as the return on it. Even though ROIC is a powerful tool as it looks at earnings power relative to the amount of capital that is tied up in a business, as well as the fact that a positive ROIC is a good indicator of company’s competitive advantage, it is important to look at the company holistically when assessing its financial performance. Doing so entails the incorporation of other financial performance measures into such an assessment.

3.5.9 Economic value added (EVA)

Economic value added (EVA) is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis (*Investopedia*). EVA is sometimes referred to as economic profit, as it attempts to capture the true economic profit of a company. It is a measure that compares net operating profit to total cost of capital.

According to Assaf Neto, Araújo and Fregonesi (2006), EVA helps the company with its decision-making processes. It can be considered a variable for measuring economic return (Fatemi, Desai & Katz, 2003). EVA is the measure organisations use to indicate whether an investment is contributing positively to shareholder's wealth, or not (Gitman, 2006).

Assaf Neto (2010) notes that a company's decisions related to the financing area are focused on both value creation and increasing shareholder's wealth. A company focused on value creation becomes more attractive to all stakeholders (Sobue & Pepper, 2012). In this regard, EVA allows for not only the interests of shareholders and executives to be aligned but also those of people who occupy lower positions. According to Perez (2000), EVA helps managers focus on value creation, whether in everyday decisions or in investment decisions.

Epstein and Young (1999: 46) furthermore note that EVA is similar to conventional measures of profit but with the two following important differences:

- EVA considers the cost of all capital, including the cost of equity.
- EVA corrects for potential distortions caused by generally accepted accounting principles (GAAP).

The authors argue further that, to understand EVA, it is necessary to understand market value added (MVA), which is the difference between the market value of the company and its invested capital (including equity and debt) contributed to the company. MVA is calculated as follows:

MVA = Market value – Invested Capital

Based on the above, MVA is the net present value (NPV) of a company's current and anticipated future investments, or the NPV of the company. According to Thompson (1998: 17), MVA or NPV can be calculated as the present value of all future EVA, just as it can be the present value of cash flow.

Thus, EVA is the mathematical equivalent of NPV. If the same assumptions are plugged into both valuation models, they will produce the same answer. This is an essential theoretical underpinning of EVA. However, unlike NPV, EVA yields a period-by-period scorecard on whether management is actually delivering positive NPV, and a basis for analysts to assess likely future increases in NPV (Thompson 1998: 17).

Huckle (1995:41) argues that EVA is the most robust measure of company profitability, but that its calculation is onerous and time consuming. Uyemura, Kantor and Pettit (1996: 103) referred to an "EVA drivers" analysis that identifies the specific aspects and parameters of any product or service that are key to realising a sustainable, positive EVA and conceded that such comprehensive profitability measurement may appear to be a daunting undertaking.

3.6 INTANGIBLE ASSETS AND FINANCIAL PERFORMANCE OF COMPANIES

As discussed in the previous chapters, an intangible asset is defined as an asset that is a source of value but has no physical substance (Lev, 2001). These assets are assets that cannot be touched because "they have no body" (Hendriksen & Van Breda, 1999:388). They are generally like any other asset in that companies can derive from them future economic benefits (Iudícibus, Martins, Gelbck & Antos, 2010). Intangible assets are recognised as the dynamic capacity of a company, created by knowledge, organisational structure, innovative capacity, brand, research and development, as well as, market share (Tsai, Lu & Yen, 2012). According to Tsai *et. al.*. (2012), intangible assets represent the future profitability and growth opportunities that promote increasing the value of a company. As such, these assets should be recognised when the generation of future economic benefits is probable, and when it is possible to measure the cost of the asset in a reliable way (CPC 04 (R1), 2010).

Some of the future economic benefits said to be generated by intangible assets include: revenues from the sale of products or services, and cost savings or other benefits resulting from the use of the asset by the company. For instance, the use of intellectual capital in production processes can reduce future production costs rather than increase future revenues (CPC 04 (R1), 2010). Over the past few years, intangible assets have gained in prominence, exceeding the value of the tangible ones in some instances. The brand of a company, for example, may be worth much more than its assets (Teixeira, Petri & Marques, 2012). In the contemporary business environment, companies seek ways to create value, which aim at the best interaction between tangible and intangible assets (Perez & Fama, 2006).

A number of studies have found the existence of a correlation between a company's intangible assets and financial performance. For instance, Riahi-Belkaoui (2003) found that intellectual capital of sampled multinational companies in the US was positively associated with their financial performance. Megna and Klock (1993) found that intangible assets can contribute to the value of Tobin's Q. Lantz and Sahut (2005) stated that there is a positive correlation between research and development (R&D) expenditures and a company's market value. Erawati and Sudana (2005) revealed that intangible assets would affect the company's financial performance which is reflected in the company's return and income statements. Appelbaum, Calla, Desautels and Hasan (2017) stated that intangible assets affect agility and business performance as well. Kothari, Laguerre and Leone (2002) found that when R&D expense increases, the company's future earning will increase as well.

The importance and value of intangible assets have become evident due to the great appreciation of companies with an intensive use of assets. Scholars note that whereas tangible assets are easily acquired, since the company possesses the financial position to do so, intangible assets are unique and owned by a single company. This is an important differentiating factor, contributing to the achievement of competitive advantage (Kayo, Kimura, Martin & Nakamura, 2006). These assets are generated by innovation, unique organisational initiatives, as well as, human resources practices. Tangible and intangible assets often interact to create value and economic growth for a company. A combination of these two sets of assets explain a company's market value (Teixeira *et. al*., 2012). Due to the highly competitive environments in which companies are increasingly operating, intangible assets are regarded as the key factors allowing differentiation between business and the achievement of competitive advantage (Perez & Fama, 2006). Several scholars agree that the value of a company is largely determined by their intangible assets (Ciprian, Valentin, Madalina & Lucia, 2012). According to Axtle-Ortiz (2012), intangible assets generate economic value to businesses, suggesting that the only way to manage these assets is by both knowing their composition and recognising their value within the company.

3.7 THE RELATIONSHIP BETWEEN CORPORATE REPUTATION AND FINANCIAL PERFORMANCE

A number of studies that have researched the existence of an association between reputation and financial performance have tended to make the assumption that a "direct" relationship exists. Some scholars argue that such an approach, to a greater degree, reflects a broad simplifying perspective about corporate reputation's effects on future financial performance (Tracey, 2014; Roberts & Dowling, 1997), that is, an assumption that a good reputation always impacts financial performance in a positive way. These scholars argue that the proposition is that there is little or no fluctuation in the level of influence that reputation has, and that this level of influence occurs at all points in time regardless of the general economic, industry or competitive environments.

Fombrun (2012:121) describes corporate reputation to mean a "collective assessment of a company's attractiveness to specific stakeholder groups relative to a reference group of companies with which the company competes for resources" (Fombrun, 2012:121). A company's reputation can be damaged by claims of unethical behaviour, which can cause severe resource constraints (Sims, 2009). A compromised reputation can, in turn, also affect the morale of employees, reduce productivity, increase employee turnover, and create anxiety among stakeholders (Joshi & McKendall, 2018; Sims, 2009; Turban & Cable, 2003). A large body of work that has paid attention to the benefits of corporate reputation has established that a positive reputation is an important intangible asset that provides several valuable benefits to a company and its stakeholders (Roberts & Dowling, 2002; Fombrun, 1996). Much of the literature focusing on how company reputations are built and sustained suggests that generally, good reputations come from a company's past history of behaving cooperatively and meeting commitments with exchange partners (Wiegelt & Camerer, 1988; Shapiro, 19983). On the other hand, when companies behave in questionable ways, such as delivering performance that is below the expected standard, their reputations should incur damage (Mishina *et al.*, 2012). The threat that companies within a certain environment will suffer reputational consequences is thought to act as a deterrent to such conduct and thus enable reputation to facilitate exchange and function as social control mechanism (Burt, 2005; Klein & Leffler, 1981).

Tracey (2014:29) proposes a more realistic view that the impact of corporate reputation on financial performance differs as a result of changes in the conditions confronting individual companies, industry sectors or the economy in general. He makes the point that in a time of a general economic downturn, for instance, such as resulted from the global financial crisis, even companies that had been seen as having a superior reputation were negatively affected, apparently receiving little in the way of benefit from their reputation. This suggests that if conditions are sufficiently difficult, that all companies suffer, and if we observe the relationship between reputation and performance in these periods, we may observe no relationship. Yet, if observed over a longer period, it might be found that companies with stronger reputations recover or rebound more quickly than those without.

On the other hand, conditions at other points in time may be so munificent (McArthur & Nystrom, 1991; Husted, Allen & Kock, 2012; Ndofor, Vanevenhoven, Barker III, 2013) that all companies, regardless of corporate reputation, do well (consider the mining boom in Australia); although companies with poorer reputations may be the first to have a decline in performance as conditions deteriorate. This suggests that the influence of reputation varies over time and the assumption that a good reputation *always* directly influences future financial performance therefore limits our understanding of the process or mechanism through which this influence occurs. This assumption is reflected in some of the empirical studies that rely on relatively short time periods and/or cross sectional methodologies (Tracey, 2014). For example, McGuire *et. al.* (1990) and Nanda, Schneewis and Eneroth (1996) used measures of corporate reputation in only two years (that is, 1983 and 1989), respectively, and calculated future financial performance an average of only three years (that is, 1982 to 1982 and 1989 to 1991, respectively).

However, as Tracey (2014: 30) further suggests, an alternative approach to understanding the relationship between corporate reputation and financial performance is to focus on the capacity of companies with superior reputation to better sustain superior profitability over extended periods, compared to companies without such a standing. Some researchers have found that companies with superior reputations – albeit along different dimensions – were both able to sustain superior profitability over the long term and recover from positions of inferior performance faster than those without superior reputations (Roberts & Dowling, 1997; Roberts, 1999; Roberts & Dowling, 2002; Choi & Wang, 2009). What this indicates is that reputation impacts financial performance in a less direct manner and that this influence can be observed by examining the capacity of companies to sustain above average profitability for extended periods. Therefore, rather than viewing reputation as having a direct and consistent relationship with financial performance, researchers should draw upon the notion of sustained profitability as a potential measure of future financial performance.

3.8 BRIEF REVIEW OF LITERATURE ON PREVIOUS STUDIES AND FINDINGS

The literature dealing with corporate reputation and its effects on financial performance in companies is a reflection of the various methodological and theoretical approaches on the subject, which include game theory, strategy, and traditional management, among others. Scholarly research on a company's reputation and its financial performance is still relatively small even though a number of research articles on the subject have been written in recent years (Rose & Thomsen, 2004).

Table 9 below, as compiled by Gartzet (2015), gives an overview of some findings from empirical studies on the effects of corporate reputation and financial performance on each other. These empirical studies focus on different concepts and measures of reputation and the data used are from different countries. For example: the *Fortune* magazine ranking of US companies (McGuire *et. al.,* 1990; Roberts & Dowling, 2002; Stuebs & Sun, 2010); media reputation based on a newspaper content analysis for US companies (Deephouse, 2000); image ratings by Danish business managers for Danish companies (Rose & Thomsen, 2004); the Spanish reputation index MRCO (Sanchez & Storrio, 2007); and using the reputation concept (Schwaiger, 2004), in a way that distinguishes the cognitive ("competence") and effect ("sympathy") components of reputation based on a representative sample (telephone survey) in Germany for one year (Eberl & Schwaiger, 2005).

Carmeli and Tischer (2005) conducted a survey among executives whom they asked for their perceptions of reputation of their companies using the elements of the *Fortune* magazine ranking. Moreover, these studies measure financial performance differently using a variety of accounting measures, such as market capitalisation, return on assets (ROA), Tobin's Q, net income or a four-factor benchmark model or based on surveyed executives' own assessment of the performance of their company. As illustrated in Table 9 below, the various studies on the issue have found the impact of corporate reputation on financial performance in companies either to be positive, negative, both positive and negative or to not exist at all. A positive linear correlation means that if the values of one variable increases, the values of the other variable also increase. A negative linear correlation indicates that if the values in one variable increase, the values of the other variable decrease. This means that, for example, the higher a company is ranked the better the financial performance, and vice-versa.

Table 9: Selected empirical studies and findings on the association between corporate reputation and financial performance

Article	**Reputation measure and sample**	**Causation/ stakeholder consideration**	**Impact of corporate reputation on financial performance**
McGuire *et. al.* (1990)	*Fortune ranking* *131 US companies* *1977-1981.*	-	Positive
Deephouse (2000)	Media reputation based on content analysis of newspaper archives 121 US commercial banks 1988 – 1992.	-	Positive
Roberts and Dowling (2002)	Fortune ranking 300 companies in reduced sample 1984 – 1998.	-	Positive
Rose and Thomsen (2004)	Image ratings of leading Danish companies based on questionnaire to Danish managers 62 Danish companies listed on the Copenhagen Stock Exchange 1996 – 2001.	-	No impact

Eberl and Schwaiger (2005)	Reputation: distinguish cognitive and effective component Telephone survey among general public German companies - DAX30 stock index		Positive/Negative
Carmeli and Tischer (2005)	Reputation: perceived organisational reputation Questionnaire answered by CEOs of companies (self-assessment) 86 Kibbutz-owned industrial enterprises in Israel.	Relation between product/services quality mediated by customer satisfaction.	Positive
Sanchez and Satorrio (2007)	Reputation: Spanish MERCO index 88 of the most reputable companies in Spain 2004.		Positive
Stuebs and Sun (2010)	*Fortune* ranking 112 US company-year observations 2006 – 2008.	Reputation is positively associated with labour efficiency (due to positive association between reputation and labour productivity) No association between reputation and labour costs.	Positive
Raithel and Schwaiger (2014)	Reputation: Distinguish cognitive and affective component Telephone survey among general public German companies – DAX30 Index 2005 – 2011 among general public.	-	Positive

Source: Gartzet (2015)

In their study, Tischer and Hildebrandt (2011) argue that none of the several studies linking corporate reputation and performance could prove conclusively the impact of reputation on a company's financial performance. They include empirical studies by Anderson and Smith (2006); Fornell, Mithas, Morgeson and Krishnan (2006); Inglis, Morley and Sammut (2006); Roberts and Dowling (2002); Rose and Thomsen (2004); Sanchez and Satorrio (2007); Vergin and Qoronfleh (1998), as among the studies that have not been able to confirm this relationship. Tischer and Hildebrandt (2011) argue that the reasons for this were that either the analyses were not able to prove the claimed effects (as in the case of Inglis, Morley and Sammut (2006); and Rose and Thomsen (2004)) or the studies could not definitely determine the direction of causation.

In their examination of corporate reputation and its impact on shareholder value, Tischer and Hildebrandt (2011) conducted two event studies in which they used *German Manager* magazine's reputation rankings between 1998 and 2008 on the prices of shares. They found that companies were either upgraded or downgraded as a result of positive or negative announcements. As a result, the authors maintain that published rankings provide investors with new information (which causes an increase or decrease in reputation) on the basis of which share prices are adjusted. They were able to show that, neither positive nor negative reputation scores in a ranking were solely appropriate to generate excess returns in the long run. The authors further note that:

> "The announcement effect clearly indicates that corporate reputation is information which is not public. As a consequence, corporate reputation has to be disclosed. However, once published the information is quickly 'fully' reflected in share prices" (Tischer & Hildebrandt, 2011).

In their study, in which they analysed reputation-building and corporate strategy, Fombrun and Shanley (1990) used a sample that consisted of 292 large US companies. They acknowledge that companies compete for reputation standing, whereby executives try to influence other stakeholders' perceptions by signalling a company's distinct advantages. They do this in a number of ways, including a mix of signals derived from accounting and market information, news reports, as well as other non-economic sources. From their empirical analysis, the researchers found that past performance and the noneconomic signals affect reputation.

McGuire, Schneeweis and Branch (1990) based their study on data from *Fortune* magazine's reputation rankings in examining the relationship between company quality and company performance. The researchers dealt with two key issues: 1) the extent to which perceived quality of a company or its management influences the company's subsequent financial performance; and 2) the extent to which past measures of financial performance predict future assessments of the quality of a company or its management. From their analysis, they were able to find that financial measures of both risk, as well as return, have an influence on perceptions of the quality of the company. In addition, views of company quality, although associated with the subsequent performance of specific financial measures, were generally more closely associated with previous financial performance than to subsequent performance.

This study, with its aim of determining whether or not corporate reputation and financial performance influence each other, is in line with empirical research by, among others, Roberts and Dowling (2002), Rose and Thomsen (2004), and Inglis, Morley and Sammut (2006), who also examined the relationship between corporate reputation and financial performance. Like the other studies mentioned, this study also uses rankings data as well as financial metrics to determine this association. While some of the other studies use media ranking measures, this study uses non-media, reputation rankings data from the Reputation Institute in South Africa. The other difference with some of the previous studies relates to the financial measures used. This study uses ROI, ROE and ROIC, whereas most of the previous studies used measures such as the market-to-book-value (or mbv) and market capitalisation. The data sample used by Roberts and Dowling (2002) was based on a sample over a 14-year period (that is, between 1984 and 1998) of *Fortune* magazine's survey of "America's Most Admired Corporations" (AMAC). The authors found that companies with relatively good reputations were in a better position to sustain superior profit outcomes over time. Rose and Thomsen (2004) furthermore note that Roberts and Dowling's (2002) study clearly acknowledged the problem of ascertaining the direction of causation. The former authors broke down overall reputation into an element that is predicted by previous financial performance and found that each element supported the persistence of above-average profits over time.

Rose and Thomsen (2004) also examined the relationship between a company's reputation and financial performance using two different sets of data. One set comprised image ratings from the Danish business publication *Borsens Nyhedsmagasin* (now *Berlingske Nyhedsmagasin*), which rates on an annual basis the image of leading Danish companies based on a survey of executives. Various business publications across the world, such as *Fortune*, undertake similar ratings.

The second data set used by Rose and Thomsen (2004) was financial information sourced from Copenhagen Stock Exchange, primarily the market-to-book value of equity (mbv) of companies. This measures the market's perception of the company that is theoretically based on the expected net present value of future dividends. Rose and Thomsen (2004) constructed the database by merging the image and stock market data over the five-year period between 1996 and 2001. Interestingly, Rose and Thomsen's (2004) findings challenge the conventional wisdom since they found that a company's reputation does not impact its value (mbv), whereas, on the other hand, financial performance improves corporate reputation. The implications of their results are that executives should care about the company's reputation if it influences business profitability and growth, but not because of a direct impact on the stock market.

Inglis, Morley and Sammut (2006) replicated Rose and Thomsen's (2004) study but based theirs on Australian data. They also used two pre-existing data sources. The first data set was a reputation rankings index that is produced every year by an Australian private company – RepTex – on the basis of ratings from a range of community and business groups on four key aspects, namely: corporate governance;

workplace practices; social impact, and environmental impact. The second set of data that was used was financial information, namely mbv, as used by Dowling and Roberts (2002) and Rose and Thomsen (2004). Inglis, Morley and Sammut (2006) found that there was no causal relationship between corporate reputation and financial performance in either direction in the Australian sample.

In their study, Kotha, Rajgopal and Rindova (2001) examined the association between three types of activities that build reputation for Internet companies, namely: investments in marketing, reputation borrowing, and media exposure, and a company's financial performance. Their findings suggest that the activities that build reputation may be a main factor in competitive success. The authors argue that at the same time, this raises some questions about the resilience of the impact of such activities.

Michalisin, Kline and Smith (2000) tested the so-called "resource-based view", which holds that having strategic assets, such as reputation, expertise, as well as organisational culture, provides companies with sources of sustainable competitive advantages and the ability to generate better earnings than rivals. Their data set consisted of 100 randomly selected *Fortune 500* companies. The authors found the relationship between intangible assets and return on investments to be significant.

Albert (1995) specifically examined the problem of causality in a study which explored if simultaneous effects existed among the variables, production, product differentiation as well as innovation. No positive effect was found to exist from product differentiation to innovation, that is, once technical improvements have been established, companies exchange the barriers of entry created by brand image for the real barriers established by innovation itself.

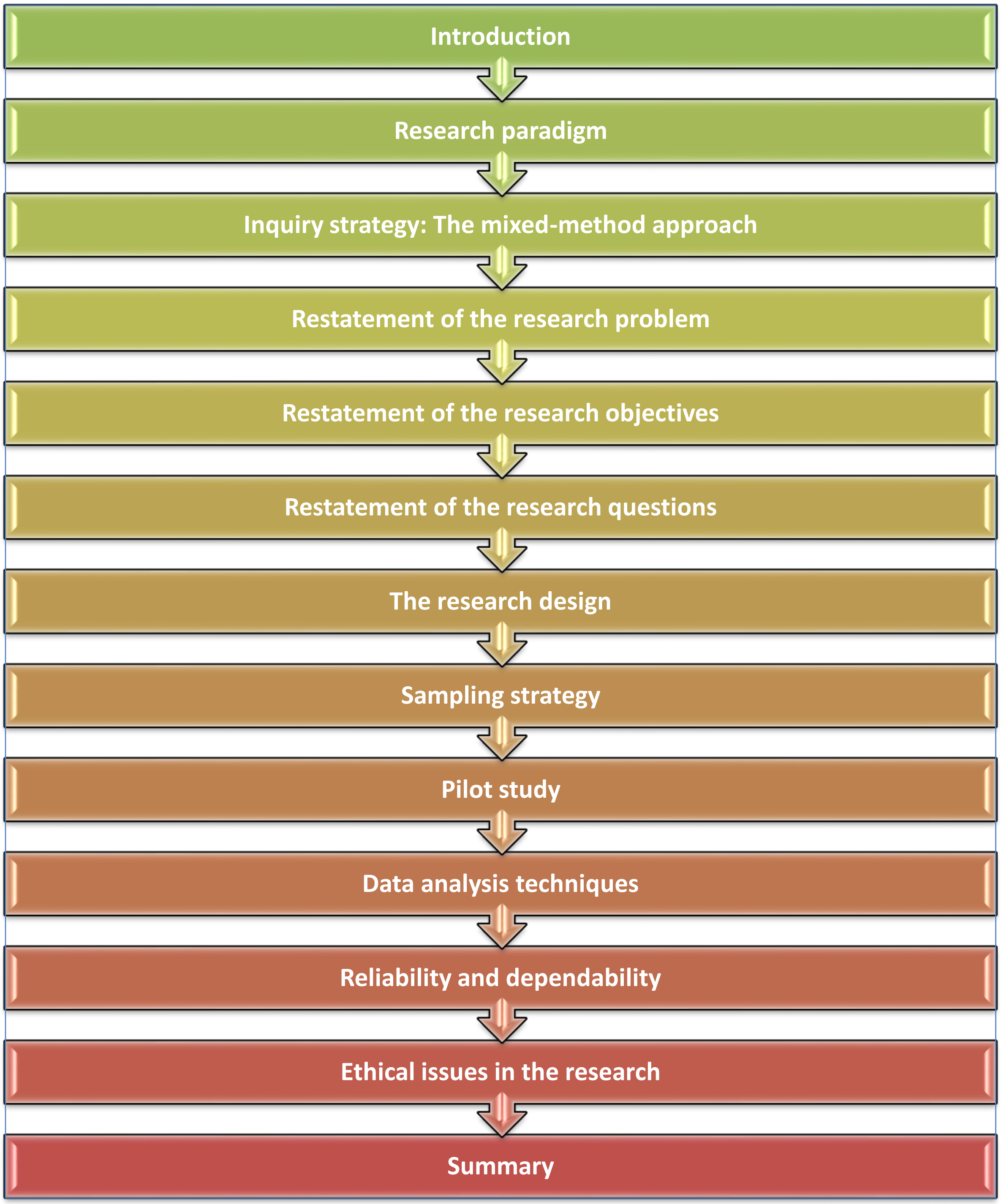
Barry and Epstein (2000) tested several hypotheses with regard to common management techniques using informational reports on quality, empowerment, and teams, including a measure of the implementation of total quality management programmes. They discovered some interesting findings, in particular, that companies associated with popular management techniques did not have higher economic performance. At the same time, they found that these companies were more admired, perceived to be more innovative, and rated higher in management quality.

Lastly, Greenly and Foxall (1997) used a broader approach recognising company performance in relation to various stakeholders. They found that companies that did not take into account the interests of their stakeholders exhibited poor performance, although the relationship depended on external factors such as competition and market growth. Thus, it was argued that some kind of weighting may be necessary if all the major stakeholder groups are to be assessed.

3.9 SUMMARY

This Chapter discussed, among others, the concept of financial performance, its related construct of profitability, its key elements as well as various ways of measuring it. Financial performance is now considered an indicator of a company's financial health over a period, which in turn is a reflection of business sustainability. Good financial health is what every for-profit entity strives for, and it is one of the benefits that a company can derive from having a superior corporate reputation. It also provided a brief review of literature on various methodological approaches used in previous studies on determining whether corporate reputation and financial performance influence each other, as well as, some of the findings from these studies are then discussed. This is useful in locating this study or at least parts of it within some of the more or less similar studies that have been done elsewhere. This Chapter and the ones before it have provided an important theoretical and conceptual context and basis on which the following chapters build.

CHAPTER FOUR: METHODOLOGY AND RESEARCH DESIGN



4.1 INTRODUCTION

This Chapter outlines the research philosophy as well as the methodological approach used in this study. It also discusses the processes and tools used in collecting the evidence; the methods of analysing that data; and the criteria for assessing the validity as well as reliability of the research. The Chapter is organised as follows: in the next section the research paradigms adopted in this study are discussed, followed by a discussion on the mixed-method inquiry strategy applied here. The problem statement, key research questions and objectives of this study are then restated, followed by a discussion on the research design, sampling methods and data analysis techniques. Lastly, a brief overview on the quality and rigour of the research, as well as, ethical issues in this research complete the Chapter.

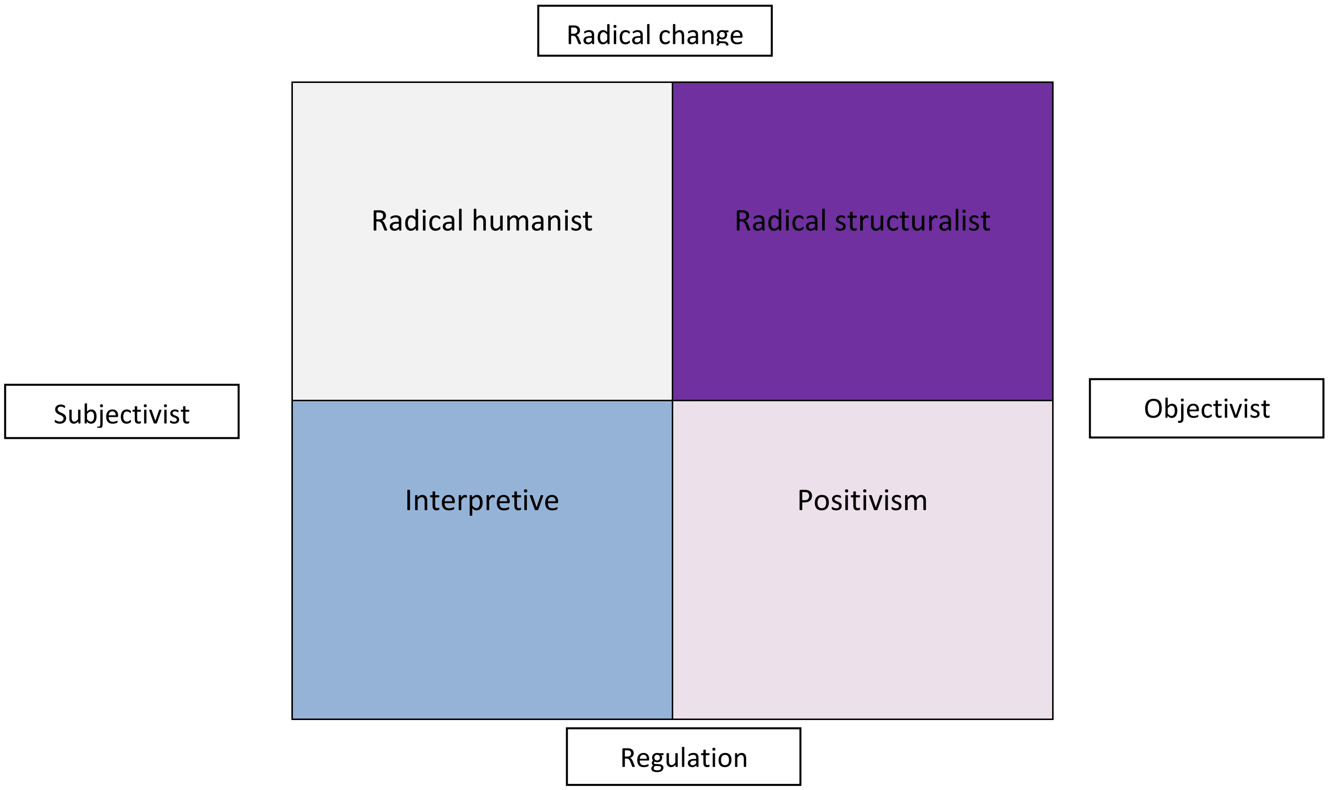
4.2 RESEARCH PARADIGM

In business-oriented research, it is important to clearly define the philosophical underpinnings and paradigm of any academic research. A research paradigm is an umbrella concept relating to the development of knowledge, as well as, the nature of that knowledge (Saunders *et. al.*, 2012). Considering the paradigm within which a research strategy or design and methods are developed is a vital step in planning a research project (Wilson & McCormack, 2006). The research strategy will influence not only what the researcher does but also how they understand the subject of their study. Crotty (1998) suggests that the assumptions we make at this stage regarding knowledge, as well as, the realities we meet up with during the research, inevitably shape how we understand our research questions, the methods used and how interpretation of findings are arrived at. As such, a study's philosophical underpinnings and paradigm will inform the research design, data collection instruments, and the process of analysing the data (Steenkamp, 2015).

Paradigm is a frequently used term in social science research and tends to have multiple meanings, which can be a source of confusion. Saunders *et. al.* (2012: 141) define paradigm as a way of examining phenomena from which particular understandings can be gained and explanations attempted. It is a shared worldview that represents the beliefs and values in a discipline and that guides how problems are solved (Schwandt, 2001). It is a way of describing a worldview that is informed by philosophical assumptions about ontology (the nature of social reality), epistemology (ways of knowing), and axiology (ethics and value systems). Thus, a paradigm leads researchers to ask certain questions and to use a systematic approach to inquiry, that is, methodology, which relates to how they study the world (Kawulich, 2012).

Burrell and Morgan (1982) have come up with a fourfold categorisation of the social science paradigms that represent the main belief systems of management and business researchers, dependent upon their views about the ontology of research and the nature of society. The authors arrange the four paradigms – positivist, interpretive, radical humanist and radical structuralist – as a matrix corresponding to the two following conceptual dimensions: subjectivist to objectivist, and radical change to regulation (as illustrated in Figure 5 below). The first two dimensions were discussed in Chapter One. With regard to the other two dimensions, radical change relates to the judgment about the way organisational affairs should be conducted and suggests ways in which this may be done, so as to make fundamental changes to the order of things (Saunders *et. al.*, 2012: 141). As such, it takes a critical perspective on organisational life. Regulation, on the other hand, is less judgmental and critical; seeks to explain the ways in which organisational affairs are regulated; and offers suggestions of how these may be improved within the framework of the way things are done at present (Saunders *et. al.*, 2012). So, whereas the radical change dimension approaches organisational problems from the perspective of overturning the existing state of affairs; the regulatory dimension approaches them from the viewpoint of working within the existing state of affairs.

Figure 5: Four paradigms for the analysis of social theory



Source: Adapted from Burrell and Morgan (1982)

Particular paradigms are usually associated with certain research methodologies. For instance, the positivist paradigm typically assumes a quantitative methodology, while an interpretive paradigm typically uses the qualitative methodology (Kawulich, 2012). As mentioned earlier, this study follows the mixed-method approach to data collection and analysis, which is a combination of quantitative and qualitative approaches. These paradigms are, in turn, respectively underpinned by the positivist and interpretivist philosophical traditions as discussed in Chapter One The quantitative part of the research falls broadly within the positivist philosophical tradition, the epistemological perspective that emphasises an observable reality. Under positivism, social phenomena are studied using research designs similar to those used by natural scientists (Saunders *et. al.*, 2012). This entails the collection of data about a reality that is observable and looks for irregularities and causal associations in data to create law-like generalisations, like those produced by scientists (Gill & Johnson, 2010). Positivist ontology is based on the assumption that because reality has "immutable natural laws and mechanisms", it is possible for a researcher to acquire knowledge of this reality by observing the phenomena (Guba, 1990:19).

The research applies this logic in determining whether the variable of corporate reputation and financial performance in South African companies influence one another. Within this ontological perspective, the need for objective enquiry is highlighted (Matveev, 2002). Saunders *et. al.* (2012) note that in order to generate a research strategy for the collection of the data, a number of hypotheses may be developed from existing theory. The authors further note that these hypotheses "will be tested and confirmed, in whole or part, or refuted, leading to the further development of theory which may be tested by further research" (Saunders *et. al.*, 2012:134). In this regard, this study tests working hypotheses and assumptions about the relationship between corporate reputation and financial performance in companies. In other words, it is concerned with whether or not the two variables influence each other in any way. The study will also follow models used in studies conducted elsewhere, to determine whether it will arrive at similar or different findings in a South African context.

Data collection techniques that are most often used by positivist researchers, as is the case in Phases 1 and 2 of this research, are highly structured methodologies and make use of large samples so as to make replication of the research possible (Jill & Johnson, 2010). In this regard, emphasis is placed on observations that can be quantified and statistically analysed. The quantitative part of this study, for example, uses a structured questionnaire as a data collection tool for the primary data component and relies on available archival databases for the secondary data, which in both instances, are analysed using statistical methods.

Phase 3 of the research, which seeks to assess the views of South African company executives of corporate reputation and financial performance, and is located within the interpretive paradigm. This paradigm refers to the epistemological position of interpretivism, which refers to the way in which humans attempt to make sense of the world around them (Saunders *et. al.*, 2012). The concern researchers working within this paradigm have is to comprehend the fundamental meanings attached to organisational life. People interpret things around them in the way they understand them. This part of the research was interested in understanding, in a qualitative manner, how South African company executives interpret the relationship between the concepts of corporate reputation and financial performance.

From an ontological perspective, the third phase of the study assumes the position of subjectivism, which allows for a degree of subjectivity regarding the interpretation of the research objectives and/or questions of the study. To this extent, some scholars such as Baldwin *et. al.* (2004: 26), argue that "reality and meaning are always personal and channelled through the society that contains them". This aspect of the study falls under the subjectivist ontology in that all interactions that lead to perceptions of corporate reputation, as well as, the factors and dimensions that constitute it, are the result of constant "making of meaning" between various stakeholders – with some stakeholders projecting meaning and others making sense of it (Baldwin *et. al.*, 2004:28).

The purpose of interpretive research is to understand people's experiences. From a methodological perspective, the research takes place in a natural setting where the participants make their living. The purpose of the study expresses the assumptions of the interpretivist researcher in attempting to understand human experiences. According to Kawulich (2012), assumptions about the multiplicity of realities also inform the research process. For instance, the research questions may not be established before the study begins but rather may evolve as the study progresses (Mertens, 2009). The research questions are generally open-ended, descriptive and non-directional (Creswell, 2003). A typical model includes a "grand tour" question followed by a small number of sub-questions (Spradley, 1979). The grand tour or primary research question is a statement of the problem that is examined in the study in its broadest form, posed as a general issue, so as not to limit the inquiry (Creswell, 2003). The sub-questions are used as guides for the methodology and methods used to enable the researcher to answer the broad-based grand tour question.

The researcher gathers most of the data. In recognition of the assumption about the subjective nature of research, the researcher will need to describe themselves, their values, ideological biases, relationship to the participants and closeness to the research topic. Access and entry to the study site are important and sensitive issues need to be addressed (Kawulich, 2011). The researcher will also have to establish trust, rapport and authentic communication patterns with the participants so that they can capture the subtle nuances of meaning from their voices (Denzin & Lincoln, 1998). Ethics is an important issue that the researcher addresses throughout the study whenever it arises. Data gathering techniques are selected, depending on the choice of design, the nature of the respondents and the research problem. They include semi-structured interviews, as used in this research.

4.3 INQUIRY STRATEGY: THE MIXED-METHOD APPROACH

In order to determine whether corporate reputation and financial performance influence each other, as well as, to assess the observations and views of South African company executives of the two concepts and their relationship, this study adopted a mixture of qualitative and quantitative research methods. According to Creswell (2012) a mixed-method research framework is a procedure for collecting and analysing, as well as, "mixing" both quantitative and qualitative methods in a single study to understand a research problem. Creswell and Plano Clark (2011:256) define the approach as a mix of qualitative means of collecting words and a quantitative way of collecting numbers in conducting research. Sometimes referred to as mixed methodology, multiple methodology or multi-methodology research, this approach is meant to offer the researcher the best of both worlds: the in-depth, contextualised, and natural but more time-consuming insights of qualitative research, on the one hand, coupled with the more-efficient but less rich or compelling predictive power of quantitative research, on the other (Creswell, 2012). Several scholars acknowledge that such use of more than one technique enables validity of the results more than if it were only one technique employed (Meyers & Powers, 2014:300; Creswell & Plano Clark, 2011:256). As a result, the qualitative part of this research utilised exploratory and descriptive research design, especially as it attempted to explore and describe the perspectives of South African executives on corporate reputation and financial performance. Given that the phenomenon of the research problem has not undergone much previous exploration with regard to the South African context and that the researcher found it feasible to generalise the findings to the rest of the population, the researcher considered exploratory design in this regard (Meyers & Powers, 2014:311).

As stated above, the mixed-method approach utilises a combination of quantitative and qualitative methods of collecting, analysing, and interpreting data (Johnson, Onwuegbuzi & Turner, 2007:121), the conclusions of which are based on both methods and treated as a whole (Creswell, 2014:4). In conducting this study, the researcher collected and analysed data in separate stages, which were later interpreted according to the different research objectives and questions that the research sought to address. The first phase involved the collection and analysis of archival data, that is, reputational rankings of South African companies sampled over a period of time, as well as, the financial metrics against which the rankings were plotted and analysed using regression analysis. The second phase of the research involved the collection of primary data by means of a structured questionnaire, which was then analysed using various statistical techniques. Lastly, in the third phase, primary data were collected through one-on-one semi-structured interviews with participants in a particular company (field study). The researcher applied a convergent design to collect and analyse data. The data analysis for each phase was done independent of each other. The key reason behind the choice of the convergent design was to enable triangulation of the results by comparing and contrasting the qualitative and quantitative results (Bergman, 2004:4). This design was selected so as to give equal priority to the qualitative and quantitative evidence.

A combination of the quantitative and qualitative approaches was chosen for this study because using both provides a more comprehensive perspective than tackling the various aspects of the research problem from only one point of view. The approach was viewed as more appropriate for this study especially considering that the research problem is particularly concerned with how company executives perceive corporate reputation and financial performance, as well as determining the nature of the relationship between the two variables. Furthermore, with the emergence of strategies and tools for blending the different types of data, the mixed-method approach allows for the crossing of disciplinary boundaries. This is especially useful given the multidisciplinary nature of scholarly research into corporate reputation, and the fact that this study seeks to test theories and hypotheses, as well as, interrogate contexts and meaning. The relationship between corporate reputation and financial performance is a complex phenomenon, for which enquiry and understanding require a multifaceted approach. The relationship cannot be fully understood by relying on a singular methodological approach. As each type of data collected through each of the two methods (that is quantitative and qualitative) provides different representations of the world, their integration widens the range of perspectives that can be explored to finding useful answers to the research objectives and questions.

As Creswell (2008) notes, a mixed-method approach is usually used when both qualitative and quantitative data, together, provide a better understanding of a research problem than either orientation by itself. It can also be useful when one type of research (qualitative or quantitative) is not enough to address the research problem or answer the research questions. In some cases, it can be used for pragmatic purposes, that is: practicality; multiple viewpoints; biased and unbiased; subjective and objective (Creswell, 2012). Applying this method requires an understanding of *both* qualitative and quantitative research.

4.3.1 Quantitative research

The first phase of this study adopts a quantitative, empirical-based approach to exploring whether a company's reputation and its financial performance influence each other. The focus of this research method is on the collection and analysis of evidence in statistical form. As such, this method of inquiry draws on positivist ontologies and epistemologies. With regard to this study, secondary data (or archival statistical data), as well as, primary data (data gathered from respondents through a structured questionnaire), were collected and analysed to enable objective conclusions being drawn with regard to the research problem.

According to Creswell (2012), quantitative inquiry is a kind of research whereby the researcher, having decided on the problem being studied, will pose specific, narrow questions; collect data that can be quantified from participants (usually from a large sample); analyse the data using statistics; and the research is undertaken in a manner that is not biased and is objective. In general, the approach of the first phase of this study uses quantitative variables of interest, such as reputation and financial performance. It involves collecting numerical data and emphasises that questions must be measurable (Fischer, 2000).

Frankfort-Nachmias and Nachmias (1992) note that quantitative research is "deductive and particularistic", and thus rests on developing hypotheses as well as either confirming or disproving them empirically using a specific set of data. Shuttleworth (2008) states that quantitative experiments all use a standard format, with a few minor inter-disciplinary differences, of generating a hypothesis to be proved or disproved. Such a hypothesis must be provable by mathematical and statistical means, and is the basis around which the whole experiment is designed. The quantitative research design was considered useful as it is an excellent way of finalising results and proving or disproving several hypotheses outlined in Chapter One.

As stated above, the quantitative research design was considered to be useful in this study in attempting to prove or disprove hypotheses made about whether or not corporate reputation and financial performance of companies influence each other. One of the strengths of using quantitative enquiry in this regard lies in that the variables considered in the study are clearly and precisely specified. The original research goals are strictly followed, which allows for more unbiased conclusions to be arrived at, hypotheses are tested, and in general, the issues of causality determined. In addition to being relatively easy to analyse, data must be very consistent, precise and reliable. The research must be designed in such a way that the research findings can be generalised, provided that the selection process is well-designed and the research sample represents the study population under consideration. Some of the examples of the methods of collecting the data when investigating social phenomenon under the quantitative research design include: survey questionnaires (with closed-ended questions) and numerical data.

Shuttleworth (2008) states that from the statistical analysis of the results, comprehensive findings can be made and the results can, with justification, be discussed and published. Quantitative procedures also ensure that there is little or no influence of outside factors, and so the results can be viewed as being authentic and not biased. Quantitative studies are furthermore useful for testing the results gained by a series of qualitative studies, leading to a final answer, and a narrowing down of possible directions for follow-up research to take.

A key characteristic of quantitative inquiry is that a study must be replicable and as a result, the evidence gathered in the study needs to be trustworthy. In other words, if the study were to be repeated, similar results must be found (Hughes, 1997). If a study cannot be repeated, explanations and descriptions of the current research cannot be proved as reliable. Furthermore, scientific hypotheses are free of values; the researcher's own values, biases, and subjective preferences have no place in the quantitative approach. For example, researchers can view the communication process as concrete and tangible and can analyse it without contacting actual people involved in communication (Ting-Toomey, 1984).

However, having said that, the quantitative method of inquiry is not without its limitations. To begin with, related secondary data are sometimes not always available or accessing available data may be difficult or impossible. In addition, even though the data can be quite consistent, precise and reliable, it can also make it difficult to understand the context of a phenomenon and data may not always be robust enough to explain complex issues.

4.3.2 Qualitative research

In addressing one of the objectives of this research, that is, to assess how South African company executives view the concept of corporate reputation and its assumed role in a company's financial performance, the qualitative method of data collection and analysis were also relied upon. Shank (2002) describes qualitative research as a systematic search for "meaning" or, as Creswell (2008) puts it, a means to understand and interpret human behaviour. In employing this method, the researcher must ask broad questions to identify and gather opinions/impressions of the research problem. According to Creswell (2008: 46), qualitative research is:

> "A type of educational research in which the researcher relies on the views of participants; asks broad, general questions; collects data consisting largely of words (or text) from participants; describes and analyses these words for themes; and conducts the inquiry in a subjective, biased manner."

Pope and Mays (1995) define this method as the development of concepts which help researchers to understand social phenomena in natural (rather than experimental) settings, placing due emphasis on meanings, experience and views of participants. In qualitative research, the number of people participating in the research is not seen as being of major importance. It is more about the researcher's ability to interpret the findings correctly in order to prove a point. In the words of Shulman (1988:7): "There are times we wish to know not how many or how well, but simply how." The positives for using a qualitative method are: flexibility, as the researcher can go deeper into the subject by presenting extra questions; sensitivity to contextual factors; the theoretical framework as a basis, which is limited to a single set of research questions; and the ability to explore social meaning (Ospina, 2004).

The approach was chosen for the third phase of the study, largely because it was deemed appropriate in addressing the research objective and questions that were concerned with assessing how South African company executives view and treat corporate reputation and financial performance. Obtaining an in-depth understanding of the views of participants in a study is a complex process, for which a qualitative research design is well suited. Qualitative research is exploratory in nature and generally involves listening to the participants' voices and subjecting the data to analytic induction, such as finding common themes. As Leedy (1997:95) states, "qualitative researchers seek a better understanding of complex situations, with their work often exploratory in nature and their research processes mostly emergent". That is, the specific focus of their work, the design of their research, measurement instruments and interpretations often develop and change along the way. The qualitative methodology was used in this research in order to delve deeper into the results obtained in Phases 1 and 2 of the research. The research departs from the assumption that the importance of corporate reputation in the financial performance of companies is something that has only recently begun to be understood by South African company executives, with no known studies in this regard having been conducted in the South African context.

According to Creswell (2002), qualitative research is an inquiry approach useful for exploring and understanding a central phenomenon.

> "To learn about this phenomenon, the inquirer asks participants broad, general questions, collects the detailed views of participants in the form of words or images, and analyses the information for description and themes. From this data, the researcher interprets the meaning of the information drawing on personal reflections and past research. The structure of the final report is flexible and it displays the researcher's biases and thoughts," (Creswell 2002:58).

Qualitative methodologies produce information only on the specific cases studied and any more general conclusions are only propositions or informed assertions. They usually adopt an interpretive approach to data, study "things" within their context and consider the subjective meanings that people bring to their situation. According to Leedy (1997:96), qualitative researchers "often start with general research questions, collect an extensive amount of verbal data from a small number of participants, organise that data into a form that gives them coherence, and use verbal descriptions to portray a situation they have studied". Qualitative differs from the quantitative research approach in that it works on the assumption that reality is not always easily divided into discrete, measurable variables (Leedy, 1997:96). Thus, qualitative researchers make considerable use of inductive reasoning by making many specific observations and then drawing inferences about larger and more general phenomena. This research used the face-to-face semi-structured interviews, which is one of the methods of data collection used in qualitative methodology.

4.4 THE RESEARCH DESIGN

A research design is a "blueprint" or "roadmap" used in the execution of a study towards the realisation of the objectives of the research (Aaker, Fournier & Brasel, 2004:73). It is concerned with gathering the kind of evidence that is needed in order to ensure that the research questions are answered appropriately. The aim is to ensure the data collected are pertinent and make it possible for the researcher to answer the research questions as explicitly and unequivocally as possible. In order to obtain such relevant data, it is crucial to specify the kind of data required to answer the research objectives and questions, to test a theory or to explain a phenomenon precisely. Therefore, when a researcher is designing their study they must have the following question in mind: with regard to the research objectives or questions (or theory) at hand, what kind of data will be required to answer the objectives or questions (or test the theory) conclusively?

For Yin (1989:29), research design "deals with a logical problem and not a logistical problem". In this regard, for instance, an architect or builder would first need to consider the type of building desired, what it is going to be used for, as well as, the specific needs of the occupants before they can even come up with a work plan or order materials. The same logic applies in research, where certain issues, such as sampling, method of data collection (like questionnaire, observation, and document analysis), and design of questions are "all subsidiary to the matter of 'what evidence do I need to collect?'" (Yin, 1989:29). From this perspective, the sampling strategy for the study will be addressed next.

4.5 SAMPLING STRATEGY

Sampling is the process of choosing a part of the population to represent the whole. According to Polit and Hungler (1995:230), a sample is made up of "subjects or units that make up the population". In each one of the three phases of this study, samples were selected from a target population (Du Plooy, 2009:108). The three phases of this research applied what some scholars refer to as *nonprobability sampling* (Field, 2005), as well as, *purposive sampling* methods (Burns & Grove, 1997). In terms of nonprobability sampling, as opposed to probability sampling, the elements of a population are chosen based on their availability (for example, because they volunteered) or because of the researcher's personal judgment that they are representative (Field, 2005). Burns and Grove (1997:306) describe purposive sampling as "a conscious selection" that the researcher makes of certain elements or subjects to include in their study. In this instance, researchers use their judgment to select the membership of the sample based on research objectives.

In terms of collecting secondary data, this research focused on gathering data on only those companies that were also tracked by Reputation House and ranked in the RepTrak index between 2011 and 2016 (see Appendices C, D, E, F and G). The companies included entities listed on the Johannesburg Securities Exchange, as well as, non-listed companies across various sectors of the economy, including financial services, mining, retail, media, energy, communication and transportation and beverages, among others. In order to ascertain whether or not corporate reputation and financial performance influence each other, such research has to rely on reputation rankings that have been done. The companies were ranked between 1 and the number of companies that were tracked in each particular year (with 1 being the highest ranked). The list of companies that had been tracked over the period under consideration amounted to a total of 72 companies and was considered to be a fair

and adequate representation of corporate South Africa. Most of the companies selected also had their financial data easily available.
With regard to the data that were gathered through the structured survey questionnaire, a list of 300 respondents was drawn up consisting of executives from the same list of companies considered in the collection of secondary data. However, in order to bring the sample to 300 respondents, executives from other companies that had not been tracked by Reputation House were also included on the basis of their availability and role at their companies. The respondents selected included company chairpersons, CEOs, financial directors, chief risk officers, senior executives in the corporate affairs or communications departments or any other relevant reputation stewards. The sample was deemed representative enough of the target population, that is, the group of people to whom the research results are expected to apply.

With regard to the third phase of the study, a purposive sampling strategy was also adopted in identifying participants to be interviewed. Given that the focus of this part of the research was on a specific company (field study), a list of participants was compiled to include interviewees from various levels of management at the company. A total of 25 participants across various levels of management leadership were included in the study, consisting of members of the group's executive committee, managing principals, principals and vice principals (the different layers that constitute middle and senior management at the company). For a detailed profile of the participants, please refer to Appendix I. Access to the managers was obtained through written requests either directly to them or to their personal assistants. The sequence of the guiding questions varied from interview to interview, depending on the direction taken by the interview. All the interviews were recorded using an audio-recording device on the researcher's laptop. This was used to assist the capturing of information; it helped the researcher to maintain attentive listening, in an interview situation where he would otherwise be distracted by note-taking.

4.6 THE THREE RESEARCH PHASES

This research was approached in three phases, in which the first phase focused on addressing Research Objective 1, namely: determining whether or not corporate reputation and financial performance influence each other. In addressing this objective, archival data (that is, reputation rankings of South African companies) as well as the companies' financial performance metrics were used. In the second phase of the research, Research Objective 2 was addressed, namely: determining whether the industries in which companies operate and whether or not they are listed on the JSE have a bearing on how the company executive regard corporate reputation. With regard to this objective, data gathered through a survey questionnaire were relied upon. The third phase was concerned with addressing the third objective of the research, which was to establish how South African company executives view and behave towards corporate reputation in relation to financial performance. To this end, primary data collected through one-on-one, semi-structured interviews were used.

As such, this study adopted a mixed-research approach in the collection and analysis of data, an approach which combines aspects of both quantitative and qualitative methods. This approach was opted for mainly because it enabled the researcher to address fairly adequately the research questions and objectives. Using both methods was useful as they complemented each other (Leedy & Ormrod, 2014:269) in the process of exploring and understanding various aspects of the problem under investigation.

i. Phase 1: Regression analysis (Secondary archival data)

This phase adopted a quantitative, empirical-based approach to determine the association between the two variables, reputation and financial performance, in South African companies. Broadly, the focus of quantitative research is on the collection and analysis of evidence in statistical form. This method of inquiry draws on positivist ontologies and epistemologies.

In terms of the research design for this phase, secondary data (or historical statistical data) were collected from existing data sources and analysed using tools that allow for objective conclusions to be drawn. A statistical analysis, to establish if a directional relationship between reputation and financial performance in companies exists, was conducted. In this regard, two sets of archival data were collected and analysed. The first data set was the Reputation Institute RepTrak Pulse's annual "Most Reputable Companies" rankings (for the years 2011-2016). Apart from the media rankings (such as *Fortune* magazine's "America's Most Admired Companies" annual survey or the *Financial Times*' "World's Most Respected Companies" ratings), RepTrak has become one of the widely relied upon reputation ranking measures that have emerged. The Reptrak system is a methodology that turns qualitative variables affecting corporate reputation into a ranking. It measures the degree of admiration, trust, good feeling and overall esteem that respondents express about companies of different industries (Trotta and Callavaro, 2012).

This Reptrak index has been tracking the reputations of a number of South African companies since 2008. RepTrak Pulse is a reputation study conducted in South Africa by the Reputation Institute and Reputation House, whereby the reputations of some of the biggest and most visible companies in South Africa are measured via a survey among a representative sample of the general public. RepTrak tracks perceptions about companies' ability to deliver in the following seven key areas: performance, leadership, innovation, products, governance, workplace, as well as, citizenship. Each of the dimensions comprises a number of elements which consider past and future risk relating to social responsibility and is in line with the definition of reputation proposed and used by several scholars (Fombrun, 2012; 1996); and similar to the reputation quotient proposed by Groenland (2002). The use of such established data rules out the examination of cognitive and affective dimensions in this part of the study, which makes it typically consistent with quantitative research. Rose and Thomsen (2004) maintain that image ratings offer a source of data that is available publicly, and can be considered as "a partial contribution in examining the causal relationship between company image and stock market value" (Rose & Thomsen, 2004). From this data, companies are then scored and ranked in an ascending reputational scale in which No. 1 represents the most reputable company.

This research focused on the five-year period between 2011 and 2016, with 2011 chosen as the start period because that is when Reputation House started providing reputation rankings data of any significance. The five-year period is chosen mainly because, as Gartzert (2015) observes, the effects of corporate reputation may not immediately show in a company's earnings and thus its financial metrics. Therefore, an analysis of the effect of reputation on a company's financial performance is usually undertaken over a longer period of time instead of only one point in time. In the case of this study, an even longer period would have assisted in producing more conclusive findings.

The data from the rankings have been used by researchers in studies determining the link between a company's reputation and other financial or strategic variables. However, as McGuire *et al.* (1988) point out, even though using these data in terms comparable data over extended periods of time as well as the sample sizes, there are still some weaknesses. For example, the measures tend to assess nothing more than just financial performance, despite there being other factors on which reputation should be assessed (Caruana, 1997; Fryxell and Wang, 1994). Chun (2005) argues that while some financial metrics may explain a big part of the changes in a company's reputation, it is inevitable that there will still be a variation that is not explained. As a result, there will always be speculation about the role of other factors which could be essential in evaluating the attributes of a company's reputation (Sobol and Farrelly, 1998, 57). Other authors, like Fryxell and Wang (1994), have criticised the approach of using single measurement items to measure such nonfinancial characteristics.

The other secondary data set used in the research was financial information. This was taken from existing databases which provide audited financial information for all companies sampled. This study relied mainly on data from Morningstar Investment Management South Africa, which is part of the global Morningstar Investment

Management Group, which offers investment advisory and research services around the world. It is a well-known industry-wide and trusted source of independent investment information. In particular, three measures of financial performance, that is, return on equity (ROE), return on assets (ROA) and return on invested capital (ROIC), were taken from the database (See Appendix C, D and E). The data were available online on Morningstar Investment Management Group's website. However, to ensure reliability of information, it was verified using other similar publicly available data, such as the companies' annual financial statements, which are also freely available on the individual companies' websites. Although several previous studies have used the market-to-book value (mbv) financial performance measure (Roberts & Dowling, 2002; Rose & Thomsen, 2004; Inglis, Morley & Sammut, 2006), this study subsequently opted not to use the mbv ratio, mainly because some of the companies ranked by Reputation House and considered in this study were not publicly-listed companies, and therefore obtaining such information would have been difficult as more time and resources would have been required. The mbv ratio would have worked well when considering only companies that are publicly listed. The study focused on all the companies that have been ranked by Reputation House's RepTrak, most of which are among some of South Africa's largest and leading players in their different industries.

The metrics eventually used in this study were chosen mainly because they are some of the commonly used and readily available financial performance measures and are considered equally important in their own different ways in evaluating the financial performance of companies. The study also considered evidence from a period of five years, that is, 2011 to 2016. The corporate reputation rankings data were then plotted against the financial measures to test any relationships between the variables using the linear regression analysis. In this regard, the study almost parallels some of the methodological approaches that have been used in recent studies to examine the directional relationship between a company's reputation and its financial performance. For example, these include studies done by Roberts and Dowling (2002), which studied US companies and was later adapted by Rose and Thomsen (2004) in which they used Danish evidence, as well as Inglis, Morley and Sammut

(2006), who used Australian data. In all these studies, publicly available image ratings data and financial metrics of leading companies, in their respective markets, were combined to examine the link. The various statistical analysis methods that this study applies are dealt with in more detail in coming sections.

ii. Phase 2: Quantitative survey (Primary data)

In this phase, a structured survey questionnaire was also administered to 300 respondents as part of the research objective to asses the perceptions of South African company executives towards corporate reputation and financial performance. The survey, with a total of 33 questions (See Appendix B for actual questions), was emailed to the respondents using the online *Qualtrics* survey tool between March 12 and May 16, 2017. Of the 300 respondents targeted, 65 completed the survey. The returned usable surveys translated to a completion rate of 21.6%. These respondents included company chairpersons, executive managers, heads of corporate affairs departments, as well as any other relevant reputation stewards at the South African companies sampled for study. The survey provided part of the primary evidence used in the research, and was analysed using various methods consistent with the quantitative research methodology. As already stated, the purpose of the survey was to assess prevailing views of senior managers at these companies towards reputation and financial performance. Given that it is now widely acknowledged that a key role of senior executives in companies is to build and sustain a company's reputation (Hall, 1992), it is argued that their views and attitudes towards reputation and how they regard the concept are crucial if the underlying dimensions of reputation are to be identified, assessed and considered by companies (Tracey, 2014). One useful approach to describing executives' views was to ask them directly how they perceived the relationship between corporate reputation and financial performance in their companies to be. The survey questionnaire used for Phase 2 of the research is included below. The items were closed-ended, whereby the respondents were provided with a list of predetermined answers from which to select the ones they deemed appropriate. The list of responses considered every possible response.

In Phase 2 of the research, primary data were gathered using a survey questionnaire, which was sent electronically to selected respondents. The respondents were chosen by means of a purposive sampling method, as discussed earlier in this Chapter. They comprised management executives representing companies considered in the collection of secondary data. However, to increase the response rate, the sample was enlarged to include executives from other South African companies that were not tracked by Reputation House across the spectrum of key industries. The additional respondents were chosen on the basis of their managerial roles at their respective companies. The final list came to a total of 300 respondents.

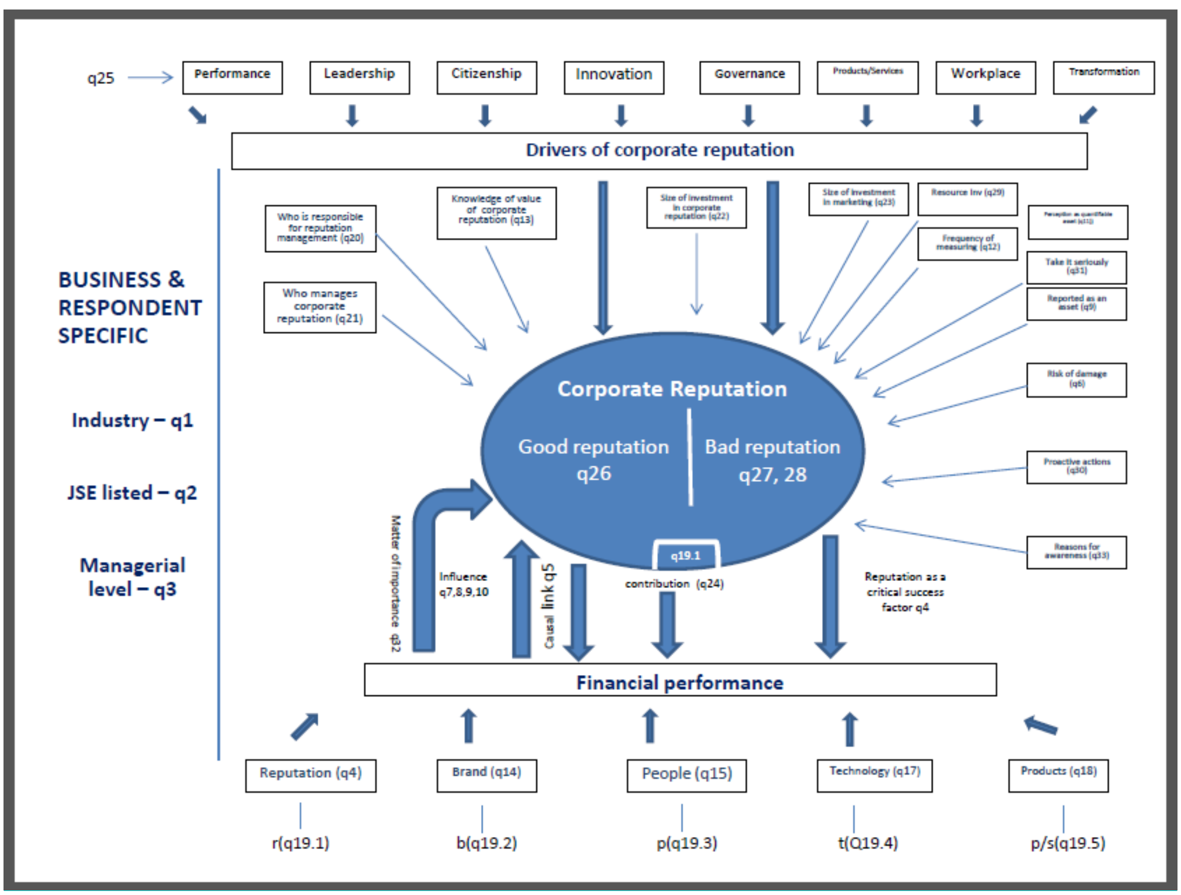
The respondents selected included board chairpersons, CEOs, financial directors, risk officers, senior executives in the corporate affairs or communications departments or any other relevant reputation stewards. The sample was deemed representative enough of the target population, that is, the group of respondents to whom the research results were expected to apply. Demographic Questions 1 and 3 respectively asked respondents to state under which industry category their companies fell, and the level of their management position. The survey was administered through Qualtrics, an online tool, to the selected respondents, who were chosen from across the spectrum of key industries under which most South African companies can be grouped. The responses were also captured using the same Qualtrics tool.

Questionnaire mapping

Respondents were each asked a total of 33 questions, which focused on a range of issues about corporate reputation, as well as, financial performance at their companies. Figure 6 below illustrates how the questionnaire was structured. Questions 1 to 3 were demographic items about the industries or sectors that respondents' companies were located in; whether their companies were listed or not; and the respondents' managerial levels at their respective companies. Questions 4 to 10 focussed on the respondents' views on corporate reputation as an important asset, as well as, its relationship to financial performance. Questions 11 to 13 focused on issues of measurement and valuation of the reputation construct at the respondents' companies.

The respondents were then asked in Questions 14 to 19 whether or not they considered various assets of a company, including reputation, to be critical success factors in the financial performance of their companies. Questions 20 to 24 dealt with what and how much resources the respondents' companies allocated towards the management of their corporate reputations. Questions 26 and 27 dealt with whether the respondents' companies had experienced a good or bad reputation in the past 10 years. These two questions, in particular, were central to the survey and were used in some analyses as key dependent variables against which other questions were tested. Questions 29 to 33 sought respondents' views on the importance and role of corporate reputation on financial performance in South Africa.

Figure 6: Questionnaire mapping



In this second phase, the data gathered through the quantitative research design proved inadequate, particularly in explaining how executives view and regard the two concepts. Hence, given concerns of generalisability of the results that were highlighted from the survey, and a need to delve deeper into some of the findings from the survey, a subsequent decision was made to embark on the third phase of the research by conducting follow-up one-on-one, semi-structured interviews with senior managers at one specific company or field study – namely financial services group The Bank Group Limited (thereafter referred to simply as "The Bank").

iii. Phase 3: Qualitative interviews (Primary data)

Phases 1 and 2 of this research used the quantitative methods in, respectively, determining whether corporate reputation and financial performance influence each other, as well as, assessing the opinions of company executives towards corporate reputation and financial performance. The objective of the third phase was to further assess management executives' views of corporate reputation and financial performance in a qualitative manner. The purpose was to gain further explanatory insights on the research problem, which the emailed survey questionnaire alone could not adequately provide. The field study was chosen as the focus of this part of the research mainly because of the accessibility of the researcher to managers at the company, and also because it is one of the leading companies in South Africa. The researcher felt that the results from the interviews would, to a greater degree, suffice in explaining some of the issues pertaining to the research problem.

a. The field study

The field study provided insights into how South African company executives view corporate reputation and financial performance that the survey could not. A total of 25 participants drawn across the various management levels of the company (as shown in Table 11 above) were interviewed. The following section provides a brief description of the field study.

The Bank Group Ltd (previously The Bank Africa Group and a division of a UK-based global bank) is listed on the Johannesburg Stock Exchange and is one of Africa's largest diversified financial services groups. Excluding South Africa, it has a presence in 11 other countries across the continent and has approximately 42 000 employees, of which about 15% are in various levels of the group's management structures. In October 2018, the company opened up its representative office in London, UK, with a number of other global offices planned for New York and Hong Kong in coming months. In South Africa, it is one of the five-largest banks by assets and market share. The group owns majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, the Seychelles, South Africa (The Bank), Tanzania, Uganda and Zambia. It also has representative offices in Namibia and Nigeria, as well as insurance operations in Botswana, Kenya, Mozambique, South Africa, Tanzania and Zambia.

The Bank offers all its clients across the continent a range of retail, business, corporate and investment services, as well as wealth management products and services. Its businesses are also segmented along these services. It states as one of its missions that it seeks to ensure a positive and sustainable impact in all the countries where it operates. The group positions itself as a truly African brand, inspired by the people it serves and is determined to always be brave, passionate and ready so that it can make Africa proud. On its website, the group says the following about itself: "Its strategy is focused on the opportunity for growth and takes into account the matters it believes are material to its long-term sustainability. It remains responsive to the needs of its key stakeholders in achieving its goals and retains flexibility in executing its strategy, taking into consideration prevailing economic conditions and future opportunities." This suggests that the company takes the perceptions of its stakeholders, and by extension its reputation, seriously. This then supports the researcher's assumption that executive managers at The Bank acknowledges, at least on paper, the importance of corporate reputation in the financial performance of the company.

With regard to its management structure, The Bank has a typical organisation chart that depicts a hierarchy of decision-making authority, which starts with the board of directors led by the chairman, as well as, the executive committee led by the chief executive officer at the top. The executive officers, who make up the company's executive committee (exco), set the strategic goals and direction of the company. A number of supporting layers of managers under the executive level are tasked with applying these goals to their areas of responsibility or departments, which are arranged in order of appropriate information flow from management. For the purposes of this research, the sample included managers across all the various levels of the company's management. In total, 25 managers were interviewed. The Bank is made up of various business divisions and specialised units, each of which is managed by its own decision maker, who theoretically is best able to understand the needs and problems of that particular unit. This structure allows a consolidation of performance information on the managerial level, where the executive level may access only the most pertinent information for strategic goal and directional purposes. This filters out the details of company operations and feeds only the results of operations up the ladder to the executives and board of directors.

b. Themes and questions for interview discussions

A set of key items addressing Research Objective 3, and its set of research questions, was developed to form the basis of discussions with interview participants. These questions were then categorised under three main research themes identified by the researcher as follows: i) level of understanding of reputation and its relationship to financial performance; ii) understanding of The Bank's reputation and its drivers, as well as, iii) understanding how seriously reputation is considered by executives. The purpose of the items in the first category was to assess how the executives understood the concept of corporate reputation and its association with financial performance. The second category was concerned with their specific understanding of The Bank's reputation and some of the key issues that drive it. Lastly, the third category was concerned with their views on how important reputation was regarded at The Bank. For a detailed list of the questions, please refer to Appendix H.

4.7 PILOT STUDIES

In order to refine the structured and the semi-structured questionnaires – that is, the data collecting instruments used in the research – so that respondents and participants could attempt items without problems and so that no problems would be incurred in recording the data (Saunders *et. al.*, 2012:451), the researcher pilot tested the questionnaires prior to using them. Another reason why pilot tests were run, was to enable the assessment of validity and reliability of data that would be collected through the questionnaires. Over and above, the opinion of the researcher's supervisor was sought to provide an additional view about the reliability and suitability of the data collection.

The Bell's (2010) proposition, as adapted by Saunders *et. al.* (2012: 452), was used to pilot test the structured questionnaire. The following was identified:

- The time it took to complete a questionnaire;
- how clear questions were formulated;
- vague or ambiguous questions;
- questions that may have made respondents uneasy to respond to;
- any major topic omissions suggested by respondents; and
- opinions about the physical outline of the questionnaire and any other comments.

Permission was granted by the University of Pretoria's Ethics Committee to conduct the study. In the pilot phase, the questionnaire was emailed to a select sample of about ten respondents from different organisations. Each questionnaire was disseminated (using the Qualtrics tool) with a letter of consent, which clearly stated that participating in the research was voluntary, confidential and anonymous. The respondents were also asked to indicate via email that they understood the terms of the letter. This was done about a month prior to the actual study being executed. The respondents were randomly chosen from different organisations, but constituted people that were known to the researcher.

Out of the ten questionnaires disseminated to the respondents, six were returned. Questions 19 and 25, which respectively dealt with: ranking five tangible and intangible assets of a company (reputation, brand, people, technology, products and services) in order of importance to the contribution to their companies' financial performance; and which of the following factors they considered to be the key drivers of reputation in South Africa (performance, leadership, innovation, governance, products and services, workplace and transformation), presented results which could not be interpreted. As a result, the questions were then rephrased and response choices revised.

As far as the one-on-one semi-structured questionnaire was concerned, the researcher was only able to interview three lower-level managers ahead of the actual interviews. It was difficult to pilot-test the semi-structured interview questions due to the challenges in scheduling times with members of the company's senior management. However, the input from the three participants proved to be valuable and based on the discussions with them and how they answered the questions, the researcher modified some of the questions for more clarity.

4.8 DATA ANALYSIS TECHNIQUES

This section discusses the various techniques used to analyse the primary and secondary data collected. LeCompte and Schensul (1999) have defined analysis as the process a researcher uses to reduce data to a story, to enable its interpretation. In other words, it is a process of reducing large amounts of collected data to make sense of them. As Patton (1988) indicates, there are three processes that happen in the analysis of data, which are: data are organised; reduced through summarisation and categorisation; and themes in the data are identified and linked.

This study applied descriptive and inferential statistical analyses. According to Saunders *et. al.* (2012:502), descriptive statistics uses the evidence to describe the population, either through numerical calculations or graphs or tables. With regard to inferential statistics, on the other hand, inferences and predictions are made regarding a population on the basis of a sample of data extracted from the population being considered. In other words, it is about arriving at conclusions with regard to the population based on data describing a sample drawn from that population (Saunders *et. al.*, 2012). The descriptive statistical technique was used in this research to analyse primary evidence, while various inferential techniques were used to analyse both primary and secondary data. The specific techniques used in the study – viz. linear regression, nonparametric correlation, binary logistical, cluster and cross-tabulation analyses – are each briefly discussed below.

4.8.1 Descriptive and inferential analysis

Descriptive statistics summarise a certain data set, which can either represent the whole population or a sample of it. Descriptive statistics are broken down into measures of central tendency and measures of variability or spread. According to Saunders *et. al.* (2012), it is the analysis of data that is helpful in describing, showing or summarising data in a way that is meaningful so much so that, for instance, patterns may form from the data. However, descriptive statistics do not allow for conclusions to be made beyond the data that have been analysed or conclusions to be reached with regard to any hypotheses that might have been posed. They are merely a way to describe our data.

Descriptive statistics are very important because if we simply presented our raw data it would be hard to visualise what the data were showing, especially if there was a lot of it. Descriptive statistics, therefore, enables us to present the data in a more meaningful way, which allows simpler interpretation of the data. For example, if we had the results of 100 pieces of students' coursework, we may be interested in the overall performance of those students. We would also be interested in the distribution or spread of the results. Descriptive statistics allow us to do this (Saunders *et. al.*, 2012).

Inferential statistics are techniques that enable a researcher to use these samples to make generalisations regarding the populations from which their samples were drawn. Thus, it is essential that the sample is an accurate representation of the population.

4.8.2 Linear regression analysis

A statistical analysis of the secondary data was done by plotting the reputation rankings data against financial performance metrics, where corporate reputation was the independent variable and the three financial metrics (ROA, ROE and ROIC) were the dependent variables. This was to test the strength of the correlation between the variables and to answer the question of whether corporate reputation influences financial performance. Conversely, to answer the question of whether financial performance influences corporate reputation, the data was then flipped around, whereby the financial measures became the independent variables and reputation the dependent variable. The main objective in this exercise was to examine the relationship between corporate reputation and financial performance using these two sets of data. The purpose of the analysis was to test the following working hypotheses:

i) Working hypothesis 1: A higher (or lower) corporate reputation results in a higher (or lower) financial performance

ii) Working hypothesis 2: A higher (or lower) financial performance results in a higher (or lower) corporate reputation

Linear regression analysis was applied to determine the directional relationship between the independent variable (corporate reputation) and each of the dependent variables (namely, the financial performance measures) and vice versa. An independent variable (IV) is a variable that is being manipulated or changed to measure its impact on a dependent variable (DV), which is a variable that may change in response to changes in other variables (Saunders *et. al.*, 2012:174). The intent of the regression analysis was only to determine the statistical significance of the independent variable and strength of the relationship by utilising the standardised beta weights and the statistical significance of the beta coefficient. It was not the aim of this study to establish the sufficiency of the model and the extent to which the variance in the dependent variable can be explained by the independent variable as the focus was not to use this as a model to predict the dependent variable.

Yan (2009) maintains that linear regression is a statistical approach used for modelling the relationship between a scalar dependent variable Y and one or more explanatory variables (or independent variables) denoted by X. It has many practical uses, especially if the goal is prediction or forecasting. In this regard, linear regression can be used to fit a predictive model to an observed data set of Y and X values. As in this study, it may also be used to quantify the strength of the relationship between Y and the X_j, to assess which X_j may have no relationship with Y at all, and to identify which subsets of the X_j contain redundant information about Y (Yan, 2009).

In this regard, the research paralleled, albeit partly, recent similar investigations that have also studied the corporate reputation-financial performance relationship, and in some cases, the direction of influence (Dowling & Roberts, 2002; Rose & Thomsen, 2004; Inglis, Morley & Sammut, 2006). The examples of investigations cited above respectively used the public-image rankings and financial data of top companies in the US, Denmark and Australia in their analyses.

4.8.3 Nonparametric correlation analysis

Nonparametric correlation was one of the methods used in this study to analyse the primary data obtained from the survey. It is a category of regression analysis in which the predictor does not take a predetermined form but is constructed according to information derived from the data. According to Ning Li (2004), it offers a useful way of explaining a general relationship between variables.

> "It gives predictions of observations yet to be made without reference to a fixed parametric model. It provides a tool for finding spurious observations by

studying the influence of isolated points. It constitutes a flexible method of substituting for missing values or interpolating between adjacent X-values," (Ning Li, 2004).

In particular, nonparametric methods were developed to be applied in instances when the researcher knows nothing about the parameters of the variable of interest in the population (hence the term *nonparametric*) (Saunders *et. al.*, 2012). In more technical terms, nonparametric methods do not rely on the estimation of parameters (such as the mean or the standard deviation) describing the distribution of the variable of interest in the population. Therefore, these methods are also sometimes (and more appropriately) called *parameter-free* methods or *distribution-free* methods (Ning Li, 2004).

Nonparametric regression can be distinguished from parametric regression in that the form of the functional relationships between the response (dependent) and the explanatory (independent) variables are not predetermined but can be adjusted to capture unusual or unexpected features of the data. According to Saunders *et. al.* (2012), when the association between the response and explanatory variables is known, then parametric regression models should be applied. If the association is unknown and nonlinear, then nonparametric regression models should be used. In the instance where the relationship between the response and part of explanatory variables is known and the researcher does not know the relationship between the response and the other part of explanatory variables, semiparametric regression models should be used. Any application area that uses regression analysis can potentially benefit from semi/nonparametric regression (Saunders *et. al.*, 2012).

4.8.4 Binary logistical analysis

Logistic regression is an extension of simple linear regression and is used to predict a categorical (usually dichotomous) variable from a set of predictor variables. It is a statistical technique that us used to predict the association between predictors (independent variables) and a predicated variable (the dependent variable) where the dependent variable is binary (for example, sex [male vs. female], response [yes vs. no], score [high vs. low]). The binary logistic model is used to estimate the probability of a binary response based on one or more predictors (or independent) variables (features) (Saunders *et. al.*, 2012:502). It allows one to say that the presence of a risk factor increases the probability of a given outcome by a specific percentage.

> "With a categorical dependent variable, discriminant function analysis is usually employed if all of the predictors are continuous and nicely distributed; logistic analysis is usually employed if all of the predictors are categorical; and logistic regression is often chosen if the predictor variables are a mix of continuous and categorical variables and/or if they are not nicely distributed (logistic regression makes no assumptions about the distributions of the predictor variables)," (Saunders *et. al.*, 2012:502)

All predictor variables are tested in one block to assess their predictive ability while controlling for the effects of other predictors in the model. The chi-square is used to statistically test whether including a variable reduces badness-of-fit measure. If chi-square is significant, the variable is considered to be a significant predictor in the equation" (Saunders *et. al.*, 2012).

4.8.5 Cross tabulation analysis

The cross-tabulation analysis was also used to examine the primary data and it sought to determine if there was any association between the following dependent (DV) as well as independent variables (IV):

a) Question 1 (DV): the industries that the respondents' companies were grouped under and the way the respondents answered questions (IVs) 4; 5; 6; 9; 11; 12; 22; 24; 30 and 31.

b) Question 2 (DV): whether or not the respondents' companies were publicly listed on the JSE and the way they answered questions (IVs) 4; 5; 6; 9; 11; 12; 22; 24; 30 and 31.

The questions that constituted the independent variables, respectively, dealt with the importance of corporate reputation as a critical success factor; the causal link between corporate reputation and financial performance; risk to reputational damage; reputation as a quantifiable asset; frequency of its measurement; how much companies invest in corporate reputation; contribution of corporate reputation to financial performance; whether companies should proactively build corporate reputation; and whether corporate reputation is something South African companies take seriously.

The purpose of the analysis was to test the following working hypotheses in cross-tabulations:

Working hypothesis 3: There is an association between Q2 and questions 4; 5; 6; 9; 11; 12; 22; 24; 30 and 31.

Working hypothesis 4: There is an association between Q1 and questions 4: 5; 6; 9; 11; 12; 22; 24; 30 and 31.

In simple terms, cross tabulations, which are also referred to as cross-tabs, are simply data tables that present the results of the entire group of respondents, as well as results from sub-groups of survey respondents. Cross-tabulations enable the researcher to explore associations within the data that might not be readily apparent when analysing total survey responses.

When conducting a survey analysis, cross tabulations are used in quantitative research to analyse the association between two or more variables. They are a method of analysing and comparing the results for one or more variables with the results of another (or others). The axes of the table may be specified as being just one variable or formed from a number of variables. The resulting table will have as many rows and columns as there are codes in the corresponding axis specification.

In a number of research reports, survey results are presented in an aggregated format only. This means that the data tables are based on the whole group of survey respondents. Cross-tabulations are simply data tables that present the results of the entire group of respondents, as well as results from sub-groups of survey respondents.

4.8.6 Cluster analysis

Cluster analysis or clustering was also used in the analysis of the primary data obtained from the survey and refers to the process of putting into groups a set of objects falling in the same group (also known as a cluster). The objects falling in the same groups are in some way or other more similar to each other compared to those in other groups. In other words, cluster analysis splits data into groups or clusters that are meaningful, useful or both. The main objective is that the objects in a group should be similar or related to one another and different from or unrelated to the objects found in other groups. The greater the similarity amongst objects in a cluster and the greater the difference between the groups, the better or more distinct the clustering (Saunders *et. al.*, 2012).

Whether for understanding or utility, cluster analysis has long played an important role in a wide variety of fields: psychology and other social sciences etc. (Saunders *et. al.*, 2012). It is a common technique for analysing statistical data applied in a number of fields, including pattern recognition, image analysis, information retrieval, bioinformatics, data compression, as well as computer graphics.

4.8.7 Thematic analysis

The analysis of the data collected from the interviews was done through thematic analysis, a widely used method of analysis in qualitative research. Braun and Clarke

(2006:79) describe thematic analysis as a qualitative analytic method for "identifying, analysing and reporting patterns (themes) within data. It minimally organises and describes your data set in (rich) detail. However, it frequently goes further than this, and interprets various aspects of the research topic".

Thematic analysis, therefore, emphasises pinpointing, examining, and recording patterns (or "themes") within data. Themes are patterns across data sets that are important to the description of a phenomenon and are associated with a specific research question. In describing what constitutes a theme, Braun and Clarke (2006:83) note that it captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set.

Braun and Clarke (2006) argue that while thematic analysis is a poorly demarcated, rarely-acknowledged, yet widely-used qualitative analytic method in various disciplines, it offers an accessible and theoretically-flexible approach to analysing qualitative data. A theme captures something important about the data in relation to the research question, and represents some level of *patterned* response or meaning within the data set (Braun & Clarke, 2006). An important question to address in terms of coding is what counts as a pattern/theme, or what "size" does a theme need to be? This is a question of prevalence both in terms of space within each data item, and prevalence across the entire data set. Ideally there will be a number of instances of the theme across the data set, but more instances do not *necessarily* mean the theme itself is more crucial. As this is qualitative analysis, there is no hard-and-fast answer to the question of what proportion of your data set needs to display evidence of the theme for it to be considered a theme.

Thematic analysis as described by Bryan and Bell (2011: 351) and Kawulich and Holland (2012:231-235) entails the following five steps:

Step 1: Being familiar with the data

This involves transcribing the data, then reading the data while noting the initial ideas. The researcher will himself transcribe the interviews with the 25 participants selected.

Step 2: Creating the initial codes

This step codes interesting attributes of the data in a systematic way across the data set, marking data relevant to each code through the constant comparison approach.

Step 3: Grouping codes into categories

The formulation of clusters or categories is intuitive and should reflect the research question(s) – by means of an ongoing analysis, refining the specifics of each cluster (the overall story that the analysis tells) and generating clear definitions and names for each category. These categories should be exhaustive, mutually exclusive, reflect the content and conceptually congruent (that is, reflect the same level of abstraction).

Yin (2014:138) warns against the potential of a biased use of concepts as a result of the fact that a researcher may already be familiar with them because of their knowledge of the topic being studied. In this regard, all reasonable attempts should be made in order to avoid the possible limiting effect of such pre-existing concepts from the researcher, including re-reading of data and the careful consideration and reconsideration of categories and themes in relation to all participants.

Step 4: Analysis and confirmation

Analysis depends on the back and forth movement between: (a) data and abstract concepts, (b) inductive and deductive reasoning, (c) description and interpretation, as well as, (d) confirmation of interpretations. The researcher constantly makes related notes on additional ideas and the research process. The process of analysis is incomplete without confirmation of the findings.

Step 5: Producing the report

The final step in the thematic analysis is the selection of "vivid and compelling extract examples and relating these back to the research question and literature".

4.8.8 Leximancer analysis

The data from the semi-structured interviews was also run through the semantic analysis software tool Leximancer, so as to ensure that the results and findings from the semi-structured interviews are not merely reliant on the researcher's subjective interpretations. The automated text analytic software can also "be used to analyse the content of collections of textual documents and to visually display the selected information" (Smith, 2007:5; Smith 2006; Smith & Humphreys, 2006). The programme is a concept discovery system operating at the "almost fully automated end of the scale" in terms of the variety of existing computer-aided text analysis (CATA) programmes (Kabanoff & Brown, 2008:154). Leximancer searches for context and goal-dependent models of meaning in texts and whether these meanings are changing over time (Leximancer, 2008).

The programme generates word lists by assessing the contextual collocations of words through "term-occurrence information, such as co-occurrence, positions and frequencies of nouns and verbs" in text (Kamimaeda *et. al.*, 2007: 265; Young & Denize, 2008), suggesting clusters of meaning based on word groupings. The programme achieves this by: (a) populating a ranked list of terms using indirect and semantic extraction from the text; (b) using these terms to propagate a thesaurus builder that intelligently develops classifications from "iteratively extending the seed word definitions" (Smith, 2006: 4) beyond the connections of merely two keywords; (c) portraying weighted term classifications as concepts which go to comprise a concept index; and (d) through the application of co-occurrence matrices and clustering algorithms (from computational linguistics), generating concept maps which include a third hierarchical (theme) level (Leximancer 2008; McKenna & Waddell, 2007; Smith, 2006).

Leximancer can easily manage large volumes of data text that is not structured. According to Robson, Farshid, Bredican and Humphrey (2013:527), unlike other simpler analysis tools, Leximancer can pick up "concepts" within the text rather than just keywords, and delivers focus on developmental "discovery" and not just "data exploration". The "discovery" element is vital to "true meaning". Furthermore, the use of "interconnectedness and co-occurrence" inside the software drastically increases the understanding of the study within its context (Robson, et al., 2013).

4.9 RELIABILITY AND DEPENDABILITY

Reliability is the degree of consistency between two measures of the same thing (Mehrens & Lehman, 1987). It is the measure of how stable, dependable, trustworthy, and consistent a test is in measuring the same thing each time (Worthen *et. al.*, 1993). Credibility is an evaluation of whether or not the research findings represent a "credible conceptual interpretation of the data drawn from the participants' original data" (Lincoln & Guba, 1985:296).

Reliability of research is about whether there is consistency between the evidence as well as the analysis used. Three questions with which a researcher can check the reliability of their research are suggested by Easterby-Smith *et. al*. (2002) as follows:

- Will the measures yield the same results on other occasions?
- Will similar observations be reached by other observers?
- Is there transparency in how sense was made from the raw data?

Saunders *et. al.* (2007) identify subject or participant error, subject or participant bias, observer error, as well as observer bias as being the main threats to reliability. The research avoided as much as possible these threats to reliability.

Cooper *et. al.* (1998) describe validity as the extent to which a test measures what actually is intended. Mehrens and Lehman (1987) define validity as truthfulness, in other words, does the test measure what it purports to measure - the extent to which certain inferences can be made from test scores or other measurement. Worthen *et. al.* (1993) note that it is the degree to which they accomplish the purpose for which they are being used.

Validity encompasses both design as well as methods, and is concerned with whether or not an association between two variables is a casual one. In other words, it describes whether a change in one variable is going to affect the other or not. History, testing, instrumentation, mortality, maturation and ambiguity about causal direction are seen as the main threats for validity (Saunders *et. al.*, 2007).

This study relied on both primary and secondary data as discussed earlier in this Chapter. The secondary data, which comprised company rankings, as well as, company financial measures, were gathered from publicly available and reliable sources. With regards to the financial data in particular, this was checked against various other existing sources, such as the companies' annual reports, to ensure that it was consistent. In using these sets of secondary data, the study was adapting research designs developed and used in previous similar studies. In this regard, the study can be replicated in other different contexts and ensured that the research analysed evidence that addressed the intended objectives and hypotheses.

In terms of the primary data, a questionnaire was developed and the questions that respondents were asked were consistent with the research objectives and research questions of this study outlined earlier. The survey sought to elicit the views of top managers in South African companies regarding corporate reputation and financial performance. As such, respondents were carefully selected to ensure that only the views of company executives were considered for analysis. To maintain the same characteristic of quality of research design, internal validity was established from questions in the questionnaire that seemed to be related to certain analytical outcomes (Saunders *et. al.*, 2012:193). The survey was further supplemented by face-to-face interviews with managers at The Bank, which was used as a field study. This was able to provide further insights about the observations and views of company executives regarding corporate reputation and financial performance.

Furthermore, both the structured questionnaire and the semi-structured interview questions were pilot tested prior to being administered.

Data collection techniques and analytical procedures were selected in such a way that given another chance in another situation of data collection, the research would yield similar results (Saunders *et. al.*, 2012: 192). The research further indicates signs of generalisability of the findings from the companies and respondents considered in this research, to other companies. The companies and respondents sampled share similar contextual attributes, hence, the findings can be generalised to others (Saunders *et. al.*, 2012:194).

4.10 ETHICAL ISSUES IN THE RESEARCH

In addressing the research objectives and questions, the researcher was guided by a set of principles that must be followed when collecting and analysing data. Research ethics guidelines as provided for by the University of Pretoria were followed, with much care taken to avoid any instances of malpractice or harm against the participant and respondent, as well as, the researcher. Furthermore, due consideration was taken by the researcher of the importance of privacy and respect for the participants and respondents, and involved maintenance of anonymity, confidentiality, informed consent and objectivity. Even though some of the archival reputation rankings data were publicly available on certain media platforms, permission to use the data was sought from the Reputation Institute.

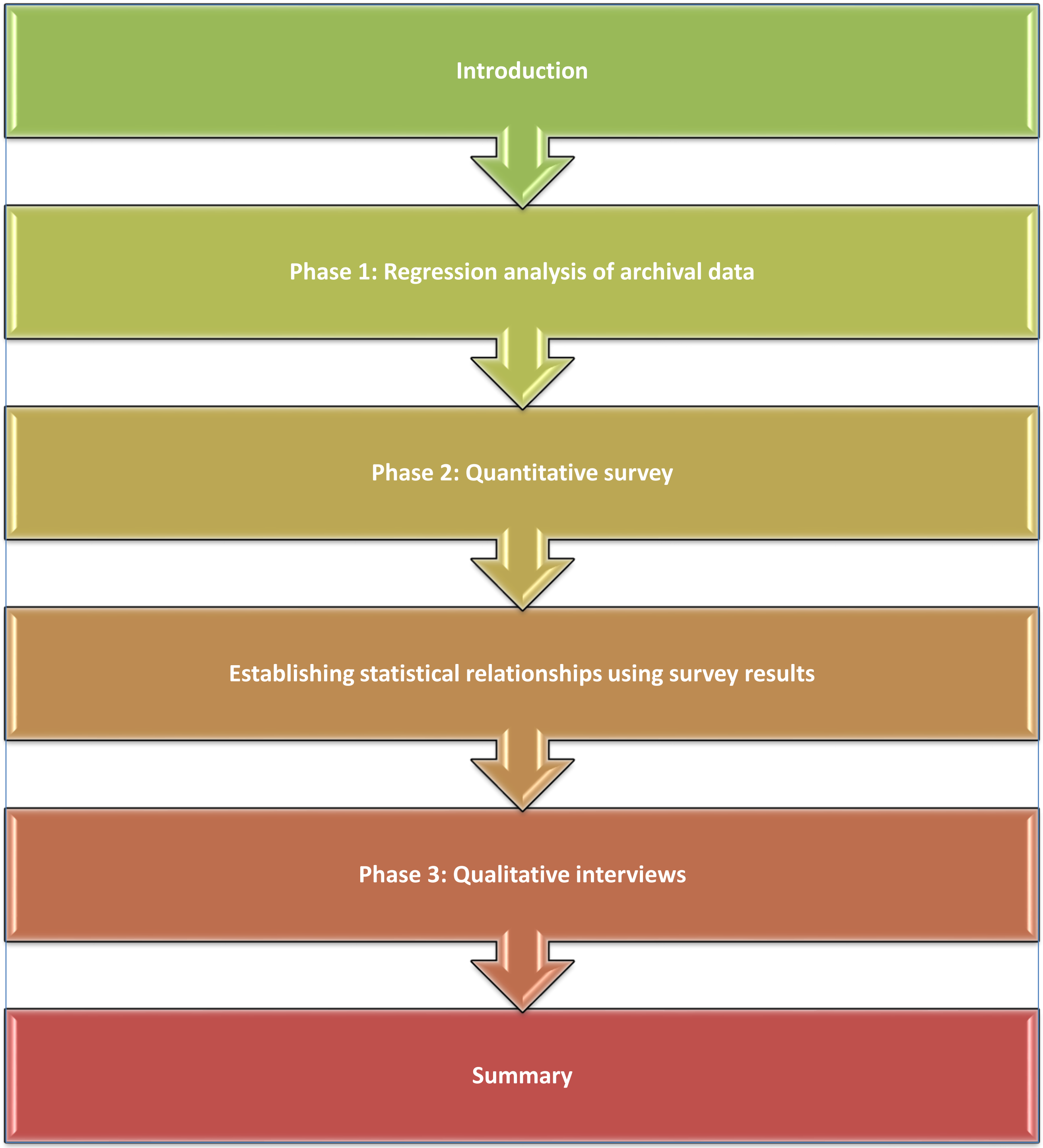
In the process of data collection, respondents and participants were asked to provide consent by signing a letter (see Appendix A) to indicate that they understood and agreed to participate in the research, providing the researcher with information requested and in the manner it was asked for. Throughout the process, respondents reserved their right to withdraw whenever they wished, while the researcher maintained his by withholding any personal information. Information obtained through the one-on-one interviews was recorded and later transcribed without any alterations to the content. Anonymity and confidentiality were also maintained by avoiding sharing with the subsequent interviewees the names of the prior interviewees or their points of discussion. Moreover, interviews were scheduled according to the availability of the prospective interviewee and once started, the researcher avoided pressurising the interviewee with demeaning questions. The researcher was successful in keeping to the agreed time of the interview. With regard to the interviews, the researcher also first sought the permission from The Bank to conduct research within the organisation.

During data analysis and reporting, the researcher avoided being selective about the reported data. Even at this stage, the researcher still maintained confidentiality and anonymity by reporting the research results in a way that the participating stakeholder or institution would not be associated with the results. The researcher ensured total protection of the participants and respondents by not revealing their names and locations and actual names of the institutions.

4.11 SUMMARY

This Chapter outlined the philosophical underpinnings, paradigmatic and methodological approaches used in this study. The inquiry strategy, research design, and process and tools for data collection were also discussed in detail, as were the methods of analysis, as well as, the criteria for assessing the validity as well as reliability of the research. The data collection and analysis instruments and techniques were consistent with the mixed-method research inquiry strategy, which in turn, required the use of more than one paradigmatic lens. Given the nature of the research inquiry strategy (that is, a mixture of both quantitative and qualitative methods), this study thus relied on the interpretive and functionalist paradigms in investigating the research problem. The following chapter presents the results obtained from the research.

CHAPTER FIVE: DATA ANALYSIS AND RESEARCH RESULTS



5.1 INTRODUCTION

This study sought to examine whether or not corporate reputation and financial performance in South African companies influence each other. Furthermore, it also sought to assess the observations and views that South African company executives have with regard to corporate reputation and financial performance. The research design considered both primary and secondary evidence, which were collected and analysed using quantitative, as well as, qualitative tools and techniques (described in detail in the previous chapter). In this regard, the mixed-method research approach was adopted, rendering the study exploratory in parts, as well as, descriptive in others.

In this Chapter, the research results are presented, which is done in the following three stages according to their quantitative or qualitative nature: i) Phases 1 and 2 focus on the results from the quantitative data, that is, the archival reputational rankings and financial performance metrics, as well as primary evidence collected through the structured survey questionnaire; and ii) Phase 3 includes results from the primary data collected through the semi-structured, one-on-one interviews with senior executives at The Bank (field study).

The findings and how they address the research objectives and questions, are presented and discussed in the next chapter.

5.2 RESULTS FROM DEMOGRAPHIC DATA

The two sections below present the demographic data for the quantitative survey.

5.2.1 Response rate

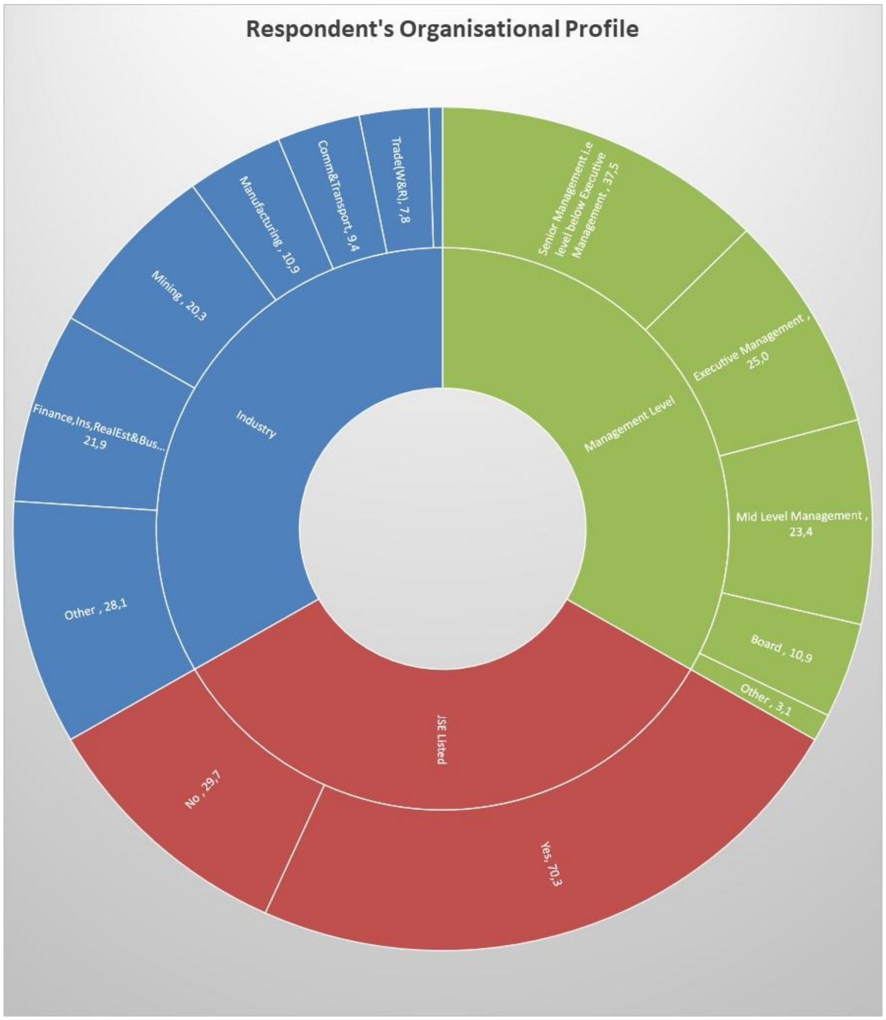
The survey, with a total of 33 questions, was emailed to a sample of 300 respondents using the online *Qualtrics* survey tool between March 12 and May 16, 2017. A total number of 65 respondents completed the survey – they were considered to be a fair representation of the spectrum of South African companies surveyed; and was representative of the level of management at these companies (as was required for the study and as demonstrated in Figure 7 below. The returned, usable survey instruments, translated to a response or completion rate of 21.6%. This is more or less in line with expected response rates for e-mail surveys, which are said to be generally between about 15% and 28% (Martinez & Kalliny, 2012:240). However, the small sample size presented problems when applying certain inferential statistical analyses on the data. It was for this reason, and the fact that more in-depth data on certain of the statistical results were needed, that the researcher further conducted face-to-face interviews to supplement the survey data. How the respondents answered each survey question is captured and presented in figures 15 to 22 below.

5.2.2 Descriptive data

In this section, the descriptive statistics from the survey are presented. They describe the basic features of the data in the study and provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of most quantitative analyses of data (Saunders *et. al.*, 2012). Figure 7 below represents the respondent organisational profile. It illustrates the various industries that the respondents represent; the level of management of respondents; as well as, whether or not they are listed on the JSE.

According to the figure (the blue part), almost 20.3% of the respondents were from the mining industry and 21.9% from the financial and services industry. A majority of those that indicated “other” as their response noted that they were in the education sector. The results show that the respondents represented companies from a wide spectrum of South Africa’s major industries.

Figure 7: Respondent profile



Respondents were then asked to state if their companies were listed on the Johannesburg Securities Exchange (JSE) or not. The red part of Figure 7 above indicates that 70.3% of the respondents were from companies that were publicly listed on the JSE while the remainder were from non-listed entities. This question was asked to help determine if the nature of entities, that is, listed or non-listed, that respondents represented had a bearing on the respondents' views on a company's reputation and its association with financial performance. For instance, responses to this question were used as a key independent variable in the cluster analysis to determine any interdependency or association between a company's status as a listed or non-listed entity and respondents' views towards corporate reputation. The green part of Figure 7 above represents the different levels of management from which the respondents were drawn. A bulk of the respondents – more than a third of them (37.5%) – were senior managers in their companies, while a quarter of them (25%) were executive managers. This figure illustrates that a majority of the respondents held management positions in their companies and about three quarters of them of them either at senior management, executive or board levels.

5.3 PHASE 1: REGRESSION ANALYSIS OF ARCHIVAL DATA

Secondary data were primarily included to address the first objective of the study, which sought to determine the relationship between corporate reputation and financial performance. Linear regression analysis was used to determine the directional relationship between an independent variable (corporate reputation) and a dependent variable (financial measures, namely *return on assets* (ROA), *return on invested capital* (ROIC), and *return on equity* (ROE) and *vice versa* (see Appendices D, E, F and G).

The financial performance data was taken from existing databases, which provide audited financial information for all companies sampled. This study relied mainly on data from Morningstar Investment Management South Africa, which is part of the global Morningstar Investment Management Group and offers investment advisory and research services around the world. It is a well-known industry-wide and trusted source of independent investment information. The data was available online on Morningstar Investment Management Group's website. However, to ensure reliability of information, it was verified using other similar publicly available data, such as the companies' annual financial statements, which are also freely available the individual companies' websites. Please refer to appendices E to G for detailed information on the financial performance data sets.

The reputation rankings data was sourced from the Reputation Institute RepTrak Pulse's annual "Most Reputable Companies" rankings (for the years 2011-2016). RepTrak Pulse is a reputation study conducted in South Africa by the Reputation Institute's local affiliate, Reputation House, whereby the reputations of some of the biggest and most visible companies in South Africa are measured via a survey among a representative sample of the public in South Africa. RepTrak tracks perceptions about companies' ability to deliver in the following seven key aspects: performance, leadership, innovation, products, governance, workplace, as well as citizenship. From this, companies are then scored and ranked in an ascending reputational scale in which No. 1 represents the most reputable company. Please refer to Appendix C for detailed information on the reputation rankings data set.

The intent of the regression analysis was to ascertain the statistical significance and strength of the relationship by using the standardised beta weights and the statistical significance of the beta coefficient. It was not the purpose of the research to determine the adequacy of the model and the degree to which the independent variable explains the variance in the dependent variable, as the focus was not to use this as a model to predict the dependent variable.

However, as the sample size in some instances turned out to be very small (less than 10 for some of the regression models tested), the Spearman correlation coefficient was used in these instances.

The following regression models were tested:

a) The 2011 to 2016 corporate reputation (CR) values (independent variable) with the three financial measures for 2011 to 2016 ROA, ROE, and ROIC as the dependent variables respectively.

b) ROA, ROE and ROIC as independent variables respectively with corporate reputation (CR) as a dependent variable.

Two regression models were run for the independent variable values for a specific year, namely: the regressions were run with the dependent variable's data for the same year and the following year (to see if there was a lagged effect).

The models tested correspond directly with Working Hypotheses 1 and 2 as set out in Chapter One, which respectively were as follows:

iii) Working hypothesis 1: A higher (or lower) corporate reputation results in a higher (or lower) financial performance;

iv) Working hypothesis 2: A higher (or lower) financial performance results in a higher (or lower) corporate reputation.

Table 10 below, examines the relationships between the corporate reputation variable and financial performance variable (as measured by ROA, ROIC and ROE, which express a company's objective financial performance). When the data were flipped around, whereby the financial measures became independent variables and corporate reputation the dependent variable, and the regression model was tested, the results as set out in Table 11 below were obtained.

The standardised coefficient betas are rated as follows:

0-0.199 (very weak)
0.2-0.399 (weak)
0.4-0.599 (moderate)
0.6-0.799 (strong)
Above 0.8 (very strong)

Table 10: Regression analysis (standardized beta coefficients and Spearman correlation results)

Dependent variable			Independent variable: CR 2011	CR 2012	CR 2013	CR 2014	CR 2015	CR 2016
	2011	ROA	-.058					
		ROE	-.502					
		ROIC	-.545					
	2012	ROA	-.199	-.184				
		ROE	-.514	-.294				
		ROIC	-.620	-.489				
	2013	ROA		-.376	-.367			
		ROE		-.416	-.345			
		ROIC		-.597	-.538			
	2014	ROA			-.348	-.166		
		ROE			-.328	-.335		
		ROIC			-.616	-.347		
	2015	ROA				-.477	-.362	
		ROE				-.655	-.461	
		ROIC				-.704	-.589	
	2016	ROA					-.074	.019
		ROE					-.247	-.008
		ROIC					-.336	-.041

Standardised beta coefficients are shown in table above. Where Spearman correlation coefficients apply, it is indicated as (SP) in brackets.

According to the results:

i. The statistical significance of the coefficients were mostly non-significant. However, this was as a result of the small sample sizes used.

ii. The regression analysis reveals that there is a moderate negative relationship between ROIC and corporate reputation. A negative correlation means that if one variable gets bigger, the other variable tends to get smaller. The t-test result shows non-significance.

iii. There is a weak to moderate negative relationship between ROE (return on equity) and corporate reputation. The t-test result shows non-significance.

iv. There is a weak negative relationship between ROA (return on assets) and corporate reputation. The t-test result shows non-significance.

Of interest is that the strength of the relationships are generally larger when a lag of one year is introduced, thereby indicating that these regression models are potentially a better indication of the relationship between the independent and dependent variables considered.

Table 11: Regression analysis results where corporate reputation was the dependent variable (standardised beta coefficients and Spearman correlation results)

Independent variable			Dependent variable					
			CR 2011	CR 2012	CR 2013	CR 2014	CR 2015	CR 2016
	2011	ROA	-.058					
		ROE	-.502					
		ROIC	-.545					
	2012	ROA	-.048	-.184				
		ROE	-.151	-.294				
		ROIC	-.212	-.489				
	2013	ROA		-.118	-.367			
		ROE		-.251	-.345			
		ROIC		-.512	-.538			
	2014	ROA			-.147	-.166		
		ROE			-.240	-.335		
		ROIC			-.215	-.346		
	2015	ROA				-.394	-.362	
		ROE				-.506	-.461	
		ROIC				-.562	-.589	
	2016	ROA					-.106	.019
		ROE					-.318	-.033
		ROIC					-.255	-.041

Standardised beta coefficients are shown in the table above. Where Spearman correlation coefficients apply, it is indicated as (SP) in brackets.

According to the results:

i. The statistical significance of the coefficients were mostly non-significant. However, this was as a result of the very small sample sizes used.

ii. The regression analysis (Table 11 above) reveals that there is a generally moderate negative relationship between ROIC (return on invested capital) and corporate reputation. The t-test result shows non-significance.

iii. There is generally a weak negative relationship between ROE (return on equity) and corporate reputation. The t-test result shows non-significance.

iv. There is generally a very weak negative relationship between ROA (return on assets) and corporate reputation. The t-test result shows non-significance.

The results prove that a generally weak to moderate negative relationship exists in either direction between the financial performance measures and corporate reputation. A negative linear correlation indicates that if the values in one variable increase, the values of the other variable decrease. The results from both analyses show that the strength of the association between the variables tested.

The hypothesis that a higher (or lower) corporate reputation results in a higher (or lower) financial performance in companies, and vice versa, that is, a higher (or lower) financial performance results in a higher (or lower) corporate reputation in companies, could not be confirmed without any doubt. Nonetheless, the results are still significant in that they still prove that a relationship, albeit a weak to moderate one, exists between corporate reputation and financial performance.

5.4 PHASE 2: QUANTITATIVE SURVEY

In this section, results from the quantitative survey are presented.

5.4.1 Results from the quantitative survey

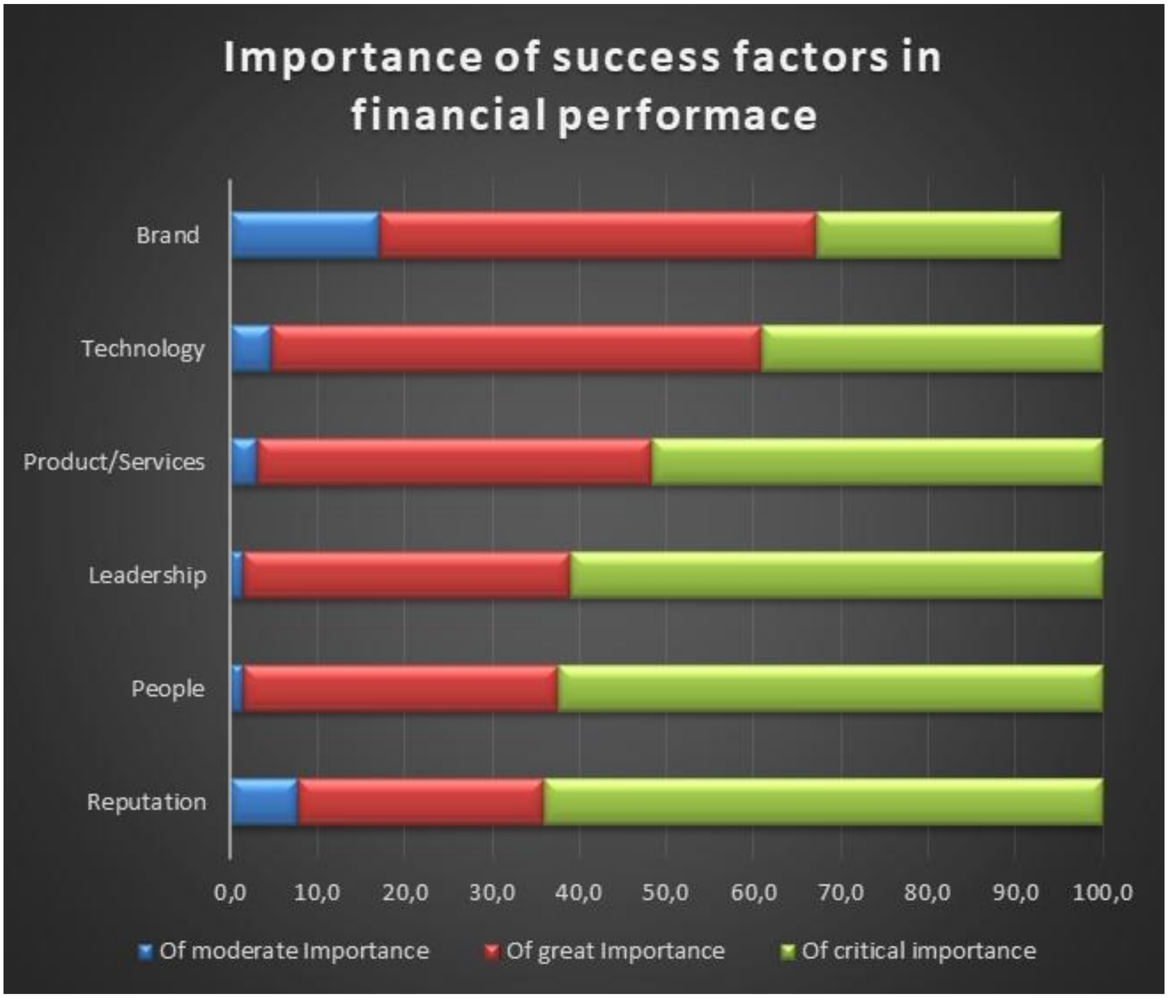
i. *Importance of corporate reputation and other factors in the financial performance of companies*

Figure 8 below illustrates that, for the large majority of respondents (approximately 92%), corporate reputation is either of great (30%) or critical (61.7%) importance in the financial performance of their companies. Even those respondents that answered otherwise (8.33%), still considered corporate reputation to be of importance, albeit moderately so. From this, it can be deducted that all respondents indicated that corporate reputation is a critical success factor. It can then be inferred that South African companies generally acknowledge that corporate reputation is a critical success factor in the financial performance of their companies.

When asked to indicate the importance of the brand as a success factor or asset in the financial performance of their companies, three-quarters of the respondents (75.87%) either said it was of great or critical importance. When asked to indicate the importance of people as a success factor or asset in the financial performance of their respective companies, almost all respondents (98.3%) said people were of either great or critical importance.

When asked to indicate the importance of leadership as a success factor or asset in the financial performance of their companies, again almost all respondents (98.2%) said leadership was of great or critical importance. When asked to indicate the importance of technology and innovation as a success factor or asset in the financial performance of their respective companies, an overwhelming majority of the respondents (95%) said it was of either great or critical importance. When asked to indicate the level of importance of products and services as a success factor or assets in the financial performance of their companies, once again almost all of the respondents (96%) said they were of either great or of critical importance.

Figure 8: Importance of corporate reputation and other factors in the financial performance of their companies



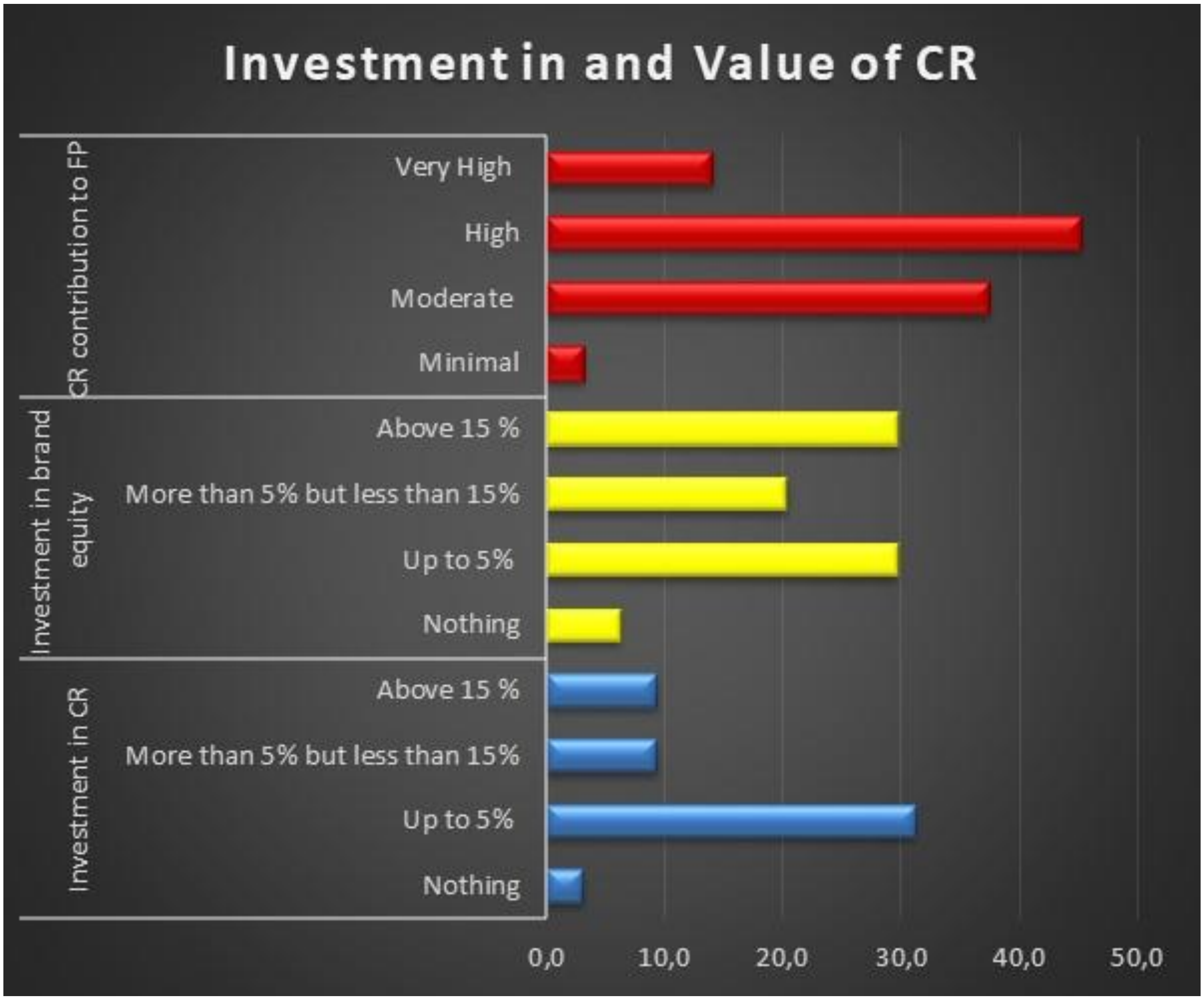
ii. Investment in and value of corporate reputation

When asked how they would consider the contribution of corporate reputation (compared to other assets) to the financial performance of their companies, a total of about 95.5% (almost all) of the respondents noted that they considered its contribution to be moderate, high or very high (as indicated in the red bars in Figure 9 below). This again seems to support the assertion that executives in South African companies generally believe corporate reputation to influence or contribute to a company's financial performance. The responses here are more or less in line with responses to previous questions dealing with the importance of corporate reputation, as well as, its consideration as a critical success factor to a company’s financial performance.

Figure 9 also indicates approximately how much (as a % of total invested capital) companies invest annually in marketing, advertising and other brand equity building activities. The results show that over three quarters of respondents (78.2%) indicated that their companies invest significantly in their brand equities. It appears from the results that companies generally invest more towards brand equity than they do towards reputational equity. This may be explained by the fact that in business, generally, there is more familiarity with, as well as understanding of, the concept of marketing, than there is of corporate reputation.

It also shows responses when respondents were asked approximately how much (as a % of total invested capital) their companies invested annually in building, managing and protecting their reputations. This excludes investments towards marketing, advertising and other brand-building activities. A large percentage of respondents (41%) were not sure; while just more than half of respondents (55.4%) noted that their companies make some financial investments towards their corporate reputations. Despite the overwhelming recognition of corporate reputation as a critical success factor, there is not as much response when it comes to financial investments made towards it. This points to a gap between the acknowledgement of corporate reputation as an important factor in a company’s financial performance, and how much companies actually invest in it.

Figure 9: Investment in and value of corporate reputation



iii. Reporting and measurement of corporate reputation in companies

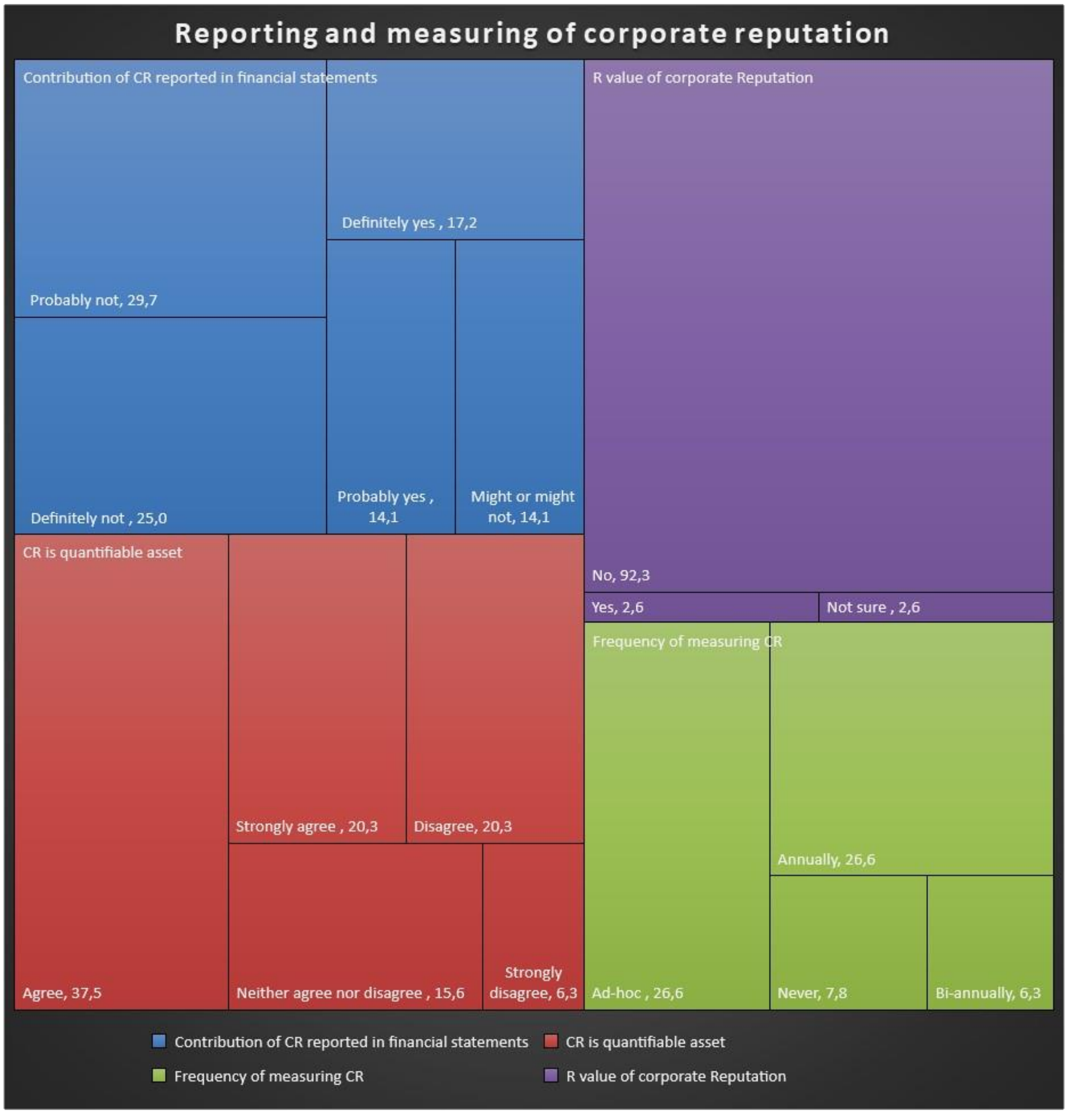
Figure 10 below illustrates that, when respondents were asked to indicate if the contribution of corporate reputation to financial performance was something that was reported in any way in their companies' financial statements (see blue square), just over 55% either said definitely not or probably not; while 33% said either definitely or probably yes. Even though an overwhelming majority of respondents acknowledge the importance and contribution of corporate reputation to a company's financial performance, not as many actually capture or report it as an asset in their financial statements – in the same way they would goodwill, for example. This may suggest that it is not something they even measure or the value of which they can determine.

The Figure also shows that, when respondents were asked to indicate the level to which they agreed with the statement that reputation is an asset of which the value can be quantified (red square), just over half (57.8%) either agreed or strongly agreed; while almost a third (27.59) were in disagreement. This shows once again, as in Question 9 (which dealt with reporting of corporate reputation in companies' financial statements), that not as many respondents view corporate reputation as a quantifiable asset in as much as they acknowledge it as a critical success factor. This raises issues around conceptualisation and measurement and could suggest that executives generally either do not know how to measure corporate reputation or face challenges in understanding what constitutes reputation.

The Figure also indicates that, when asked if their companies were aware of what the value of their corporate reputations (measured in monetary terms) were worth (see purple square), a large majority of the respondents (92.3%) noted that their companies were not aware; 2.6% were not sure if their companies were aware; and only 2.6% said that their companies were aware. When viewed together, the way respondents answered Questions 11 to 13 seems to suggest that not many companies in South Africa think that corporate reputation is a quantifiable resource or asset; very few measure it regularly; and only a few know what the value of their reputations, measured in monetary terms, would be.

When asked to indicate the frequency with which their companies measured their corporate reputations (green square), about a quarter (31.58%) of the respondents said that they were not sure, or said that their companies did so on an *ad hoc* basis (30%), while 23% said annually (16%) or bi-annually (7%). The result seems to suggest that South African companies generally do not measure their corporate reputations on a regular basis in as much as they recognise it as an important success factor in the financial performance of their companies.

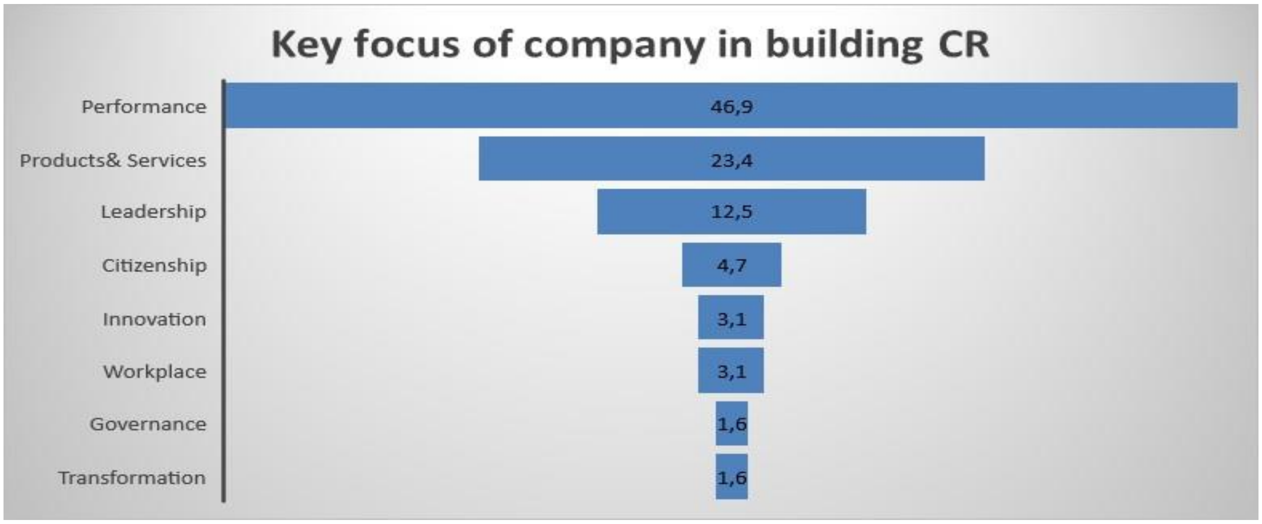
Figure 10: Reporting and measurement of corporate reputation



iv. Drivers of corporate reputation

Figure 11 below illustrates what the respondents said when asked what they considered to be the key drivers of corporate reputation at their companies. Most indicated that performance was the main driver, followed by products and services, leadership, citizenship, innovation, workplace, governance and transformation.

Figure 11: Drivers of corporate reputation

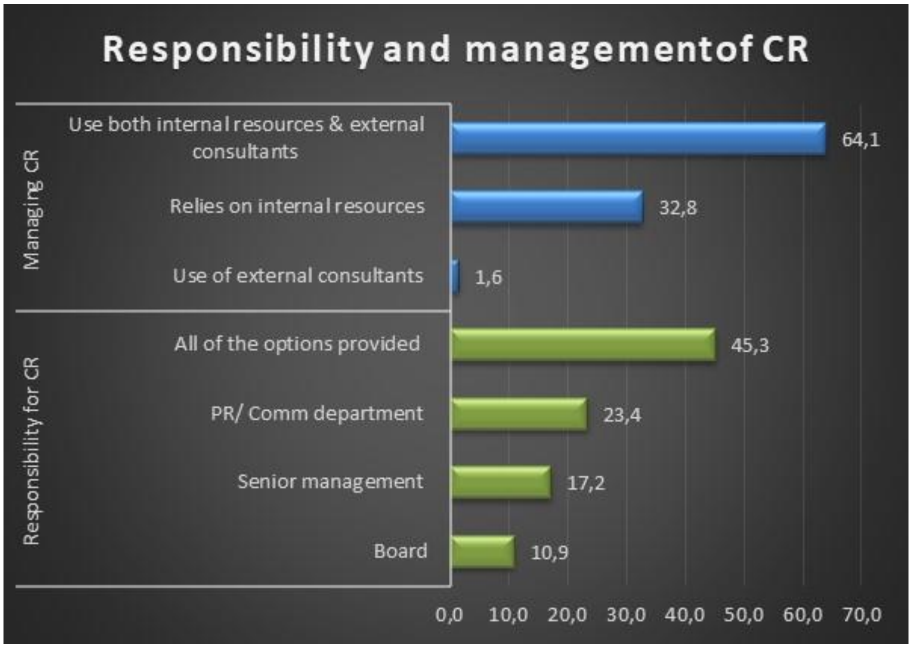


v. Responsibility for managing corporate reputation

In Figure 12 below the blue bars indicate that companies relied on an internal department or external consultants when managing their corporate reputations; a third (32.8%) indicated that their companies relied solely on internal resources. However, the majority of the respondents (64.1%) indicated that they used both internal resources, as well as, external consultants. This shows that a total of 98.25% respondents (almost all) noted that their companies either have internal or external resources or both dedicated to the management of their corporate reputations. That companies even allocate such resources shows that they consider the management of corporate reputation as important.

Figure 12 also illustrates who in companies was primarily responsible for the management of corporate reputation (see green bars). About a quarter of the respondents (23.4%) said their communications or public relations departments were responsible for managing the reputation of their companies. About 45% said all of the above stakeholders were responsible, which may point to the view that most company executives believe that the management of corporate reputation is the responsibility of everyone in a company. This shows that there is recognition that corporate reputation is something that executives view seriously and that it should be actively managed, at least internally.

Figure 12: Responsibility of managing corporate reputation



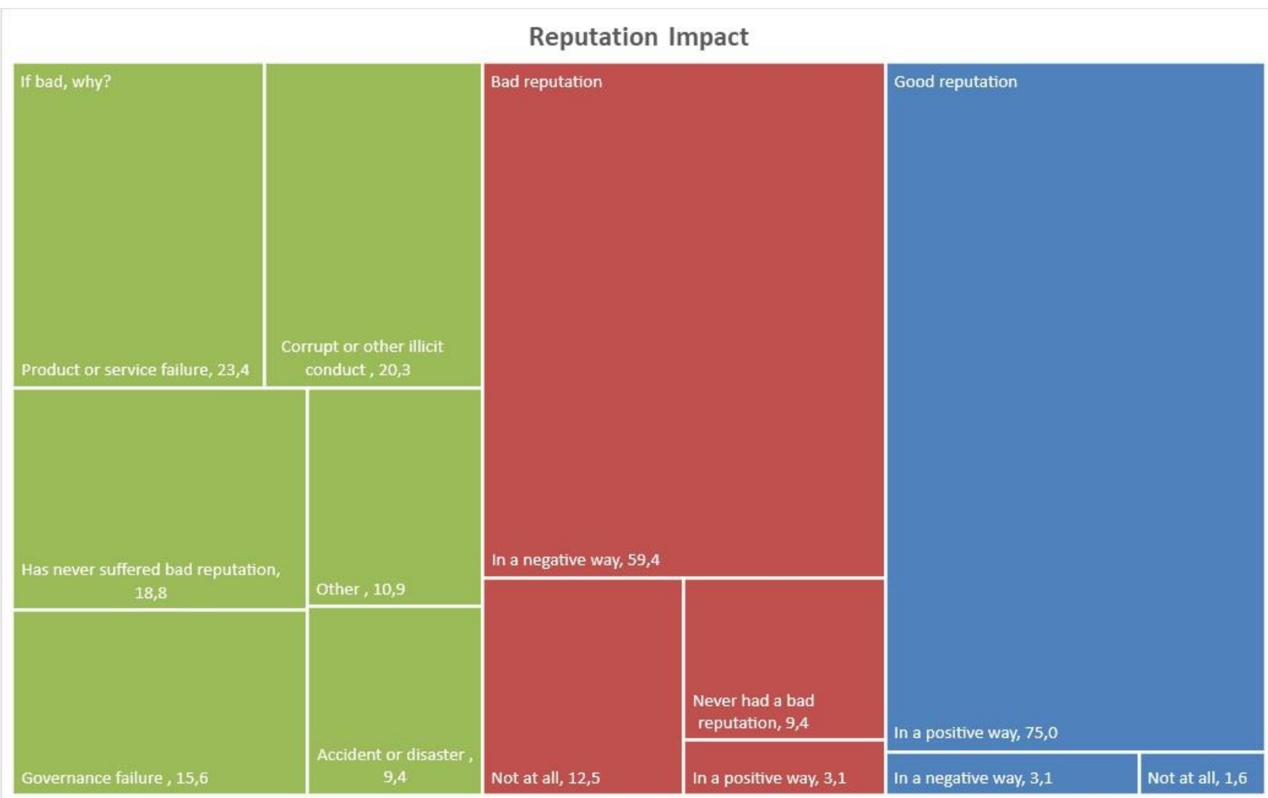
vi. Impact of good and bad reputation on financial performance

Figure 13 below shows what respondents said when asked if a good reputation had impacted on their companies' financial performance over the last 10 years. Three-quarters of the respondents (75%) indicated that their companies had been impacted in a positive way by a good reputation in the past 10 years; almost a quarter, 23%, were not sure. This shows that most companies have experienced good corporate reputations before, with positive effects on their financial performance. This could explain why, in response to some of the previous questions, respondents indicated strongly that they think there is a causal link between corporate reputation and financial performance. It may also explain why they view corporate reputation as an important success factor in the performance of their companies.

The Figure also indicates that, when asked if a bad corporate reputation had impacted on their companies' financial performance over the last 10 years, almost two thirds of the respondents (59.4%) indicated that it had in a negative way; 12.5% said the financial performance of their companies had not been impacted in any way by a bad reputation; while 9.4% indicated that their companies had not experienced any bad or negative reputation in the last 10 years.

It also indicates that, when asked if their companies had suffered from a bad reputation in the last 10 years, and what this had been a result of, the highest number of respondents (23.4%) said that this had been due to product failure; 15.6% indicated that it had been due to governance failure; 9.4% said it was due to an accident or disaster; 20.3% said it was due to corruption or illicit behaviour; 10.9% stated other reasons (sectoral issues; legitimacy; service failure, corruption, mismanagement; collusion; people; funding politically exposed persons; appeared disengaged; own goals; stakeholder relations). About 9.4% stated that their companies had never suffered a bad reputation.

Figure 13: Impact of good and bad reputation on financial performance

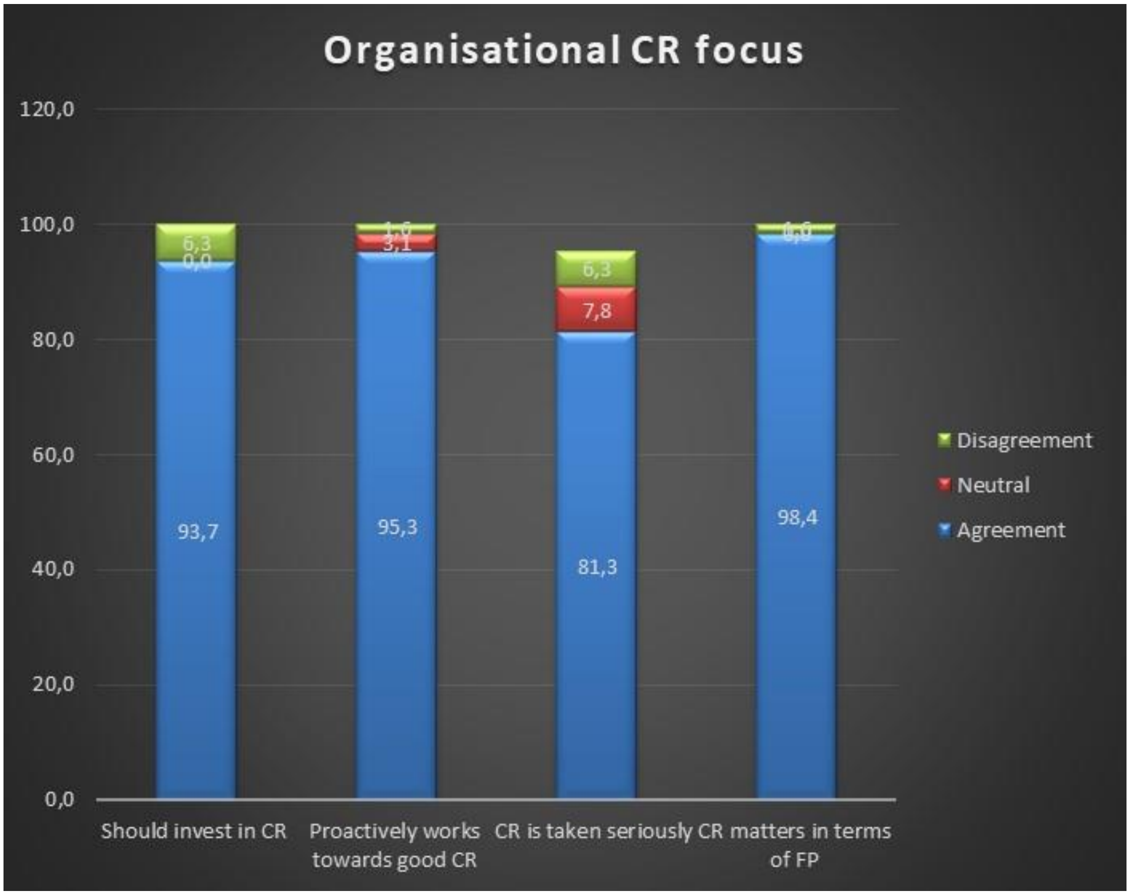


vii. Organisational focus on corporate reputation

Figure 21 below indicates that, when asked if corporate reputation was something of value that their companies should invest resources in, an overwhelming number of the respondents (93.7%) indicated that they were in agreement; only 6.3% were in disagreement. While the majority of respondents were in agreement that considerable investments have to be made towards corporate reputation, their overwhelming responses here do not correspond with what they seem to do in practice. For example, only about 55% of the respondents noted that they actually committed financial resources to the management of their corporate reputations. This again demonstrates that there is a mismatch between their strong positive perceptions of corporate reputations and what they actually do in practice.

When asked if companies should proactively work towards building good corporate reputations to improve their financial performance, 95.3% of the respondents were in agreement, while 4.7% were either neutral or in disagreement. Once again, respondents seem to agree, at least in principle, that companies should be proactive in the management of their corporate reputations, but this does not seem to be translated into practice. For example, not many companies measure the size of their corporate reputations, and therefore do not capture or record it as an asset in their financial statements. On the question of whether or not corporate reputation is something South African companies take seriously, just more than three-quarters of the respondents (81.3%) were in agreement; with 7.8% being neutral and 6.3% disagreeing. On the question of whether or not corporate reputation matters for companies if they are to improve financial performance, almost all of the respondents (98.4%) were in agreement, while 1.6% indicated that they disagreed. This emphasises again the point that corporate reputation is viewed as an important success factor in the performance of companies.

Figure 14: Organisational focus on corporate reputation



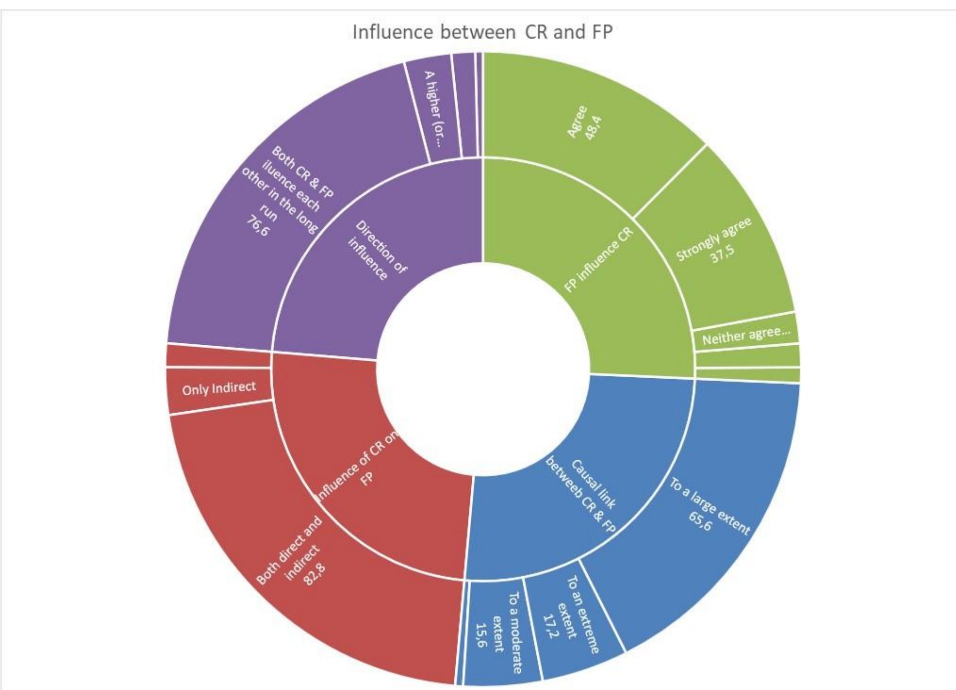
viii. Link between corporate reputation and financial performance

Figure 15 below illustrates that, when asked to what extent they agreed that there is a causal link between reputation and financial performance (see blue section), all of the respondents agreed to varying degrees. None of the respondents were in disagreement. This shows that most managers in South African companies agree that there is a link between corporate reputation and financial performance in companies. The Figure also indicates that, when asked whether respondents thought the influence of corporation reputation on financial performance was direct or indirect (red section), an overwhelming majority (82.8%) said the influence was both direct and indirect. This shows that most South African company executives believe that the beneficial effects of corporate reputation on financial performance are both direct and indirect.

When asked to indicate their level of agreement on whether financial performance influenced the corporate reputation of their companies (green section), a combined 85.9% either agreed or strongly agreed. When taken together with Questions 4, 5, 6 and 7, it can be said that executives in South African companies perceive corporate reputation as a critical success factor that influences a company's financial performance, but also that the influence between the two variables happens in both directions, that is, both are seen as having an influence on each other.

Figure 15 below also indicates that, when respondents were asked if they agreed or strongly agreed in Question 8, what they considered to be the direction of influence between corporate reputation and financial performance (purple section). An overwhelming majority (76.6%) said that both corporate reputation and financial performance influenced each other in the long run. The results here illustrate that most executives of South African companies believe that influence in the relationship between corporate reputation and financial performance happens in both directions, that is, both variables have an impact on each other.

Figure 15: Link between corporate reputation and financial performance



5.4.2 Summary of survey results

Below is a summary of some of the key findings that can be drawn from the primary data presented above. These findings are discussed in more detail in the next chapter.

1. The results suggest an acknowledgement by executives in South African companies of corporate reputation as a critical resource that contributes to the financial performance of their companies. It is clear that executives generally agree that the management of corporate reputation is something towards which companies should devote financial and other resources. For example, in answer to Question 4, 90% of the respondents indicated that corporate reputation is either of great or critical importance in the financial performance of their companies; 100% of the respondents thought there is a causal link between corporate reputation and financial performance in companies (in Question 5); 93% indicated they regarded seriously any risk to corporate reputational damage; 56% of the respondents noted that their companies made some financial investments towards their corporate reputations (in Question 22); and 96% said they considered corporate reputation to make a contribution to the financial performance of their companies.

   However, the fact that just 56% invest in the management of their reputations, means that a significant number still does not invest in this intangible asset. This is despite many of the respondents acknowledging the importance of corporate reputation in the financial performance of their companies. This seems to suggest that South African management executives can "talk the talk" but do not "walk the walk" when it comes to corporate reputation, that is, they do not act in a manner that is consistent with what they say.

   From the results, it is also apparent that most companies have experienced either a good or bad reputation or both in the past and experienced the impact thereof on financial performance. This could explain why most respondents believe there is a causal link between corporate reputation and financial performance. From this, a conclusion can be made that a good (or bad) corporate reputation will result in better (or poor) financial performance. About two-thirds of the respondents indicated that their companies were listed on the JSE, a listing which comes with an array of regulatory and compliance requirements that intend to promote good corporate governance and conduct of companies. This may explain why most respondents acknowledge the importance and role of corporate reputation.

2. Despite the recognition by South African executives of the importance of corporate reputation in the financial performance of their companies, most of the executives generally appear not to measure nor value it, or record or capture it in their financial statements. For example, when asked (in Question 9) to indicate if corporate reputation's contribution is recorded or captured in their financial statements, a majority of the respondents (55%) said it was definitely or probably not something their companies did; on the issue of quantification, 53% said they believed corporate reputation was an asset of which value could be quantified (in Question 11), and as many as 77.42% of the respondents either stated that their companies never measured it or did so on an *ad hoc* basis (in Question 12). Hence, when it came to Question 13 on the awareness of the value of their corporate reputations, measured in monetary terms, almost all respondents (95%) said they were either not sure, or that their companies did not know.

3. The results also suggest that executives in South African companies view corporate reputation and financial performance as influencing each other in the long run. For example, in response to Question 8, 85% of the respondents said they thought financial performance influenced the corporate reputations of their companies; in Question 10, an overwhelming 81% noted that both corporate reputation and financial performance influenced each other in the long run.

5.5 ESTABLISHING STATISTICAL RELATIONSHIPS USING SURVEY RESULTS

In order to analyse if it is possible to predict a positive answer (good reputation results in better financial performance) or a negative answer (bad reputation equals poor financial performance) respectively as dependent variables based on a set of the variables identified that could potentially be drivers of a) a positive or b) a negative answer, binary logistic regression as a method was investigated. However, because of the small sample size and the large number of independent variables that were to be included, the analysis could not be conducted meaningfully. Consequently, the relationship between each of the dependent variables and independent variables considered was investigated through nonparametric correlation analysis using the Spearman's Rho correlation coefficient. It must be noted that the original questions (Q26 and Q27) were recorded where a 1 indicated that a good reputation had impacted on the company's financial performance over the last 10 years in a positive way (Q26) and a 1 indicated that a bad reputation had impacted on the company's financial performance over the last 10 years in a negative way (Q27). The other options were recorded as a 0.

5.5.1 Nonparametric correlation analysis

Table 12: Results of nonparametric correlation analysis

Key Variable 1 Question 26			**Key Variable 2 Question 27**		
Respondents were asked whether or not a *good corporate reputation* had impacted their companies in a *positive way* over the past 10 years.			Respondents were asked whether or not a *bad corporate reputation* had impacted their companies in a *negative way* over the past 10 years.		
Variables	**Spearman's rho Value**	**Direction and strength of relationship**	**t Variables**	**Spearman's rho Value**	**Direction and strength of Relationship**
Q4. Corporate reputation as a critical	0.196	Weak positive (+)	Q6. Risk to reputation was something their	0.165	Weak positive (+)

success factor in the financial performance of their companies			companies took seriously		
Q11. Corporate reputation as a quantifiable asset	-0.161	Weak negative (-)	Q7. Whether corporate reputation's influence on financial performance is direct or indirect	0.186	Weak positive (+)
Q12. Frequency with which companies measure corporate reputation	0.397(close to 0.4)	Moderate positive (+)	Q11. Corporate reputation can be quantified	0.152	Weak positive (+)
Q22. How much companies have invested in their reputations?	0.340	Weak positive (+)	Q22. How much companies invested In corporate reputation	-0.211	Weak negative (-)
Q31. Whether or not South African companies take reputation seriously	-0.161	Weak negative (-)	Q24. What the impact of corporate reputation is considered to be	-0.175	Weak negative (-)
			Q29. Is reputation something that companies should invest resources in	0.149	Weak positive (+)
			Q30. Companies should focus on building and managing their reputations	0.162	Weak positive (+)
			Q32. Corporate reputation matters for companies	-0.129	Weak negative (-)

Table 12 above summarises the results of the nonparametric correlation analysis conducted on the data.

A negative linear correlation indicates that if the values in one variable increase, the values of the other variable decrease while a positive linear correlation indicates that if the values in one variable increase, the values of the other variable also increase. The thresholds for classification of the correlation coefficients are as follows:

0-0.199 (very weak)
0.2-0.399 (weak)
0.4-0.599 (moderate)
0.6-0.799 (strong)
Above 0.8 (very strong)

5.5.2: Correlation with Key Variable 1 (Q26)

i. *Correlation Q4 with Q26:* The weak positive correlation shows that there is a tendency that the more respondents acknowledged corporate reputation as a critical success factor in the financial performance of their companies, the higher the likelihood that a good reputation impacted their companies in a positive way

ii. *Correlation Q11 with Q26:* A weak negative correlation indicates that there is a tendency that the more the respondents considered corporate reputation as a quantifiable asset, the higher (as a 1 on the scale used to indicate "strong agreement" and 5 "strong disagreement") the likelihood of their companies experiencing a good reputation in the last 10 years, with a positive impact on their financial performance.

iii. *Correlation Q12 with Q26:* A moderate positive correlation shows that there is a tendency that the more frequently companies measure their reputations, the higher the likelihood that they will have a good reputation impacting positively on their financial performance. This suggests that it is important for companies to measure their corporate reputations frequently.

iv. *Correlation Q22 with Q26:* A weak positive correlation means that there is a tendency that the more the respondents say their companies invest towards their corporate reputations, the higher the chances that their companies have experienced a good corporate reputation in the past 10 years, with a positive impact on financial performance as a result.

v. *Correlation Q31 with Q26:* A weak negative correlation indicates that that there is a tendency that the more the respondents considered corporate reputation as something companies in South Africa do take seriously enough, the higher (as a 1 on the scale used to indicate "strong agreement" and 7 "strong disagreement") the likelihood of their companies experiencing a good reputation in the last 10 years, with a positive impact on their financial performance.

5.5.3: Summary of correlations with Key Variable 1 (Q26)

A major conclusion that can be drawn from the correlation results above, is that: when companies acknowledge corporate reputation as a critical success factor; measure it more frequently; and invest considerably in it; the higher the likelihood that they will have a good reputation and in turn will experience better financial performance as a result. The converse also holds true.

5.5.4: Correlation with Key Variable 2 (Q27)

i. *Correlation Q6 with Q27:* A weak positive correlation, indicates that there is a tendency that the more respondents disagree that their company takes the risk to corporate reputational damage seriously (as a 1 on the scale used to indicate "strong agreement" and 7 "strong disagreement"), the more likely it is that it would experience a bad corporate reputation, impacting negatively on its financial performance.

ii. *Correlation Q7 with Q27:* A weak positive correlation shows that there is a tendency that the more respondents acknowledge the influence of corporate reputation on financial performance as direct or indirect, the higher the likelihood that their companies had suffered a bad reputation that impacted negatively on their financial performance in the past 10 years.

iii. *Correlation Q11 with Q27:* A weak positive correlation indicates that there is a tendency that the more respondents disagree that corporate reputation is a quantifiable asset, the more likely they are to agree that their company had experienced a bad reputation with a negative impact on financial performance as a result.

iv. *Correlation Q22 with Q27:* A weak negative correlation indicates that there is a tendency that the less companies invest in the building, enhancing and protection of their corporate reputations, the more likely they are to suffer a bad reputation with negative consequences on their financial performance.

v. *Correlation Q24 with Q27:* A weak negative correlation result indicates that there is a tendency that the less the respondents consider the contribution of corporate reputation to be, the higher the likelihood that their companies have experienced a bad reputation in the past 10 years, with a negative impact on their financial performance.

vi. *Correlation Q29 with Q27:* A weak positive correlation indicates that there is a tendency that the less they think that corporate reputation is something of value that their companies should invest in, the more likely they are to say their companies have suffered bad reputations with a negative impact on financial performance in the past 10 years.

vii. *Correlation Q30 with Q27:* A weak positive correlation that indicates that there is a tendency that the more the respondents disagreed that companies should proactively build good corporate reputations to improve financial performance, the more likely they answered that the financial performance of their companies had been negatively affected by a bad corporate reputation.

viii. *Correlation Q32 with Q27:* A negative correlation indicates that there is a tendency that the more respondents agreed that corporate reputation matters, , the higher the likelihood of them saying that their companies had suffered a bad reputation in the past 10 years, potentially as a result of the harm a bad reputation has caused the company.

5.5.5: Summary of correlations with Key Variable 2

The results show that a relationship, whether positive or negative, exists between the variables that were tested. The main conclusion that can be drawn here is that the less respondents acknowledge: that corporate reputation is something their companies take seriously; that it has an influence on financial performance of their companies; that it is an asset that can be quantified and should be invested in; that they invest capital towards corporate reputation; that it contributes highly to financial performance; and that it matters if companies are to improve financial performance; the higher the likelihood that they would indicate that their companies experienced a bad corporate reputation in the past 10 years. This shows a correlation between corporate reputation being regarded highly and being properly managed in a company, and the likelihood for such a company experiencing a bad reputation.

5.5.6 Association between industry and listing status, and respondents' views on reputation

In order to determine whether an association exists between executives' views on corporate reputation, and: a) the companies' industry, as well as, b) whether a company is listed on the JSE or not, cross-tabulation analysis was conducted and the Pearson Chi Square test for independence was used to determine if a statistical significant association existed. The sample size of 65 was adequate for the use of the Pearson Chi square test to test for statistical significance in the relationships. All of the relationships tested involved 10 or less cells, and, using the rule that the sample size should be at least the number of cells multiplied by five (i.e. 50 at least), confirms that the sample size was large enough, except for testing the association between Q2 and Q31 where 14 cells were involved. However, as this is not a restriction for the use of the Fischer test, the results for this association will reflect the Fischer test values.

Furthermore, as it is known that in the case of more than 20% of the cells having an expected count of less than 5, the Pearson Chi Square test is too liberal, specifically in the case of 2-by-2 tables; all the tables were firstly larger than 2-by-2, and secondly, the Fisher exact test value is provided for final conclusions regarding statistical significance in these cases. A 5% level of significance was used.

The analysis thus sought to determine if there was any association between:

Question 1: The industries that the respondents' companies were grouped under and the way the respondents answered Items 4; 5; 6; 9; 11; 12; 22; 24; 30 and 31.

Question 2: Whether or not the respondents' companies were publicly listed on the JSE and the way they answered Items 4; 5; 6; 9; 11; 12; 22; 24; 30 and 31.

The questions that constituted the variables, respectively, dealt with the importance of corporate reputation as a critical success factor; causal link between corporate reputation and financial performance; risk to reputational damage; direction of influence between corporate reputation and financial performance; reputation as a quantifiable asset; frequency of its measurement; how much companies invest in corporate reputation; contribution of corporate reputation to financial performance; whether companies should proactively build corporate reputation, and whether corporate reputation is something South African companies take seriously.

The two working hypotheses tested here, were:

a) *Working Hypothesis 5*: There is an association between Q1 and Items 4; 5; 6; 9; 11; 12; 22; 24; 30 and 31 (see Table 13).

b) *Working hypothesis 6*: There is an association between Q2 and Items 4: 5; 6; 9; 11; 12; 22; 24; 30 and 31 (see Table 14).

The results are interpreted as follows: if the significance value is less than 0.05 (the level of significance), then there exists a statistically significant relationship or association between, for example, a company's status as listed or non-listed and the amount invested in its corporate reputation or the frequency with which it is measured.

The results of the hypotheses tested in cross tabulations are presented in Tables 13 and 14 below:

Table 13: Working hypothesis 5

Cross-tabulation variables	Fisher exact test value	Exact significance (p-value)	Result
Q1 by Q4	15.105	0.141	Not statistically significant
Q1 by Q5	17.596	0.683	Not statistically significant

Q1 by Q6	14.427	0.854	Not statistically significant
Q1 by Q9	23.104	0.421	Not statistically significant
Q1 by Q11	19.007	0.796	Not statistically significant
Q1 by Q12	9.720	0.889	Not statistically significant
Q1 by Q22	13.837	0.583	Not statistically significant
Q1 by Q24	21.075	0.201	Not statistically significant
Q1 by Q30	24.311	0.707	Not statistically significant
Q1 by Q31	38.898	0.542	Not statistically significant

Table 14: Working hypothesis 6

Cross-tabulation variables	Pearson Chi-Square/Fisher value	Approximate significance (p-value)/Exact significance	Result
Q2 by Q4	2.874	0.212	Not statistically significant
Q2 by Q5	4.077	0.247	Not statistically significant
Q2 by Q6	2.698	0.414	Not statistically significant
Q2 by Q9	5.055	0.284	Not statistically significant
Q2 by Q11	2.841	0.593	Not statistically significant
Q2 by Q12	2.994	0.404	Not statistically significant
Q2 by Q22	11.277	0.004	Statistically significant
Q2 by Q24	5.873	0.094	Not statistically significant
Q2 by Q30	1.693	0.884	Not statistically significant
Q2 by Q31	7.902	0.186	Not statistically significant

The results above illustrate clearly that there is very little or no interdependence between the variables tested. This means that the fact that a company is listed on the JSE or not has little or no bearing on how executive managers view corporate reputation, as well as, its association with financial performance as only one of the associations were statistically significant, namely: the relationship between listed on the JSE or not with how much a company is investing in its reputation. The results show that 72.7% of those listed spent up to 5% while only 33.3% of those not listed spent up to 5% of their overall budget.

The results also indicate that the executives' observations and views are not influenced by the industries that their companies operate in either. This illustrates that the general recognition by South African executives, and their awareness of the importance of corporate reputation as a critical success factor at their companies, is not influenced by whether or not their companies are publicly listed or by the industries that they operate in.

Given the onerous regulations that companies in certain industries, such as financial services, mining and those that are publicly listed, generally have to comply with, the researcher had assumed and expected that strong associations would exist between the variables tested. Stringent rules and regulations should encourage a better understanding and awareness of corporate reputation. However, the small size of the data sample may have contributed to the results, which means that further research may need to be conducted using a much bigger sample than what was used in this study.

5.6 PHASE 3: QUALITATIVE INTERVIEWS

After completing Phase 1 and Phase 2 of the study, the researcher further assessed the observations and views of South African company executives regarding corporate reputation and financial performance by interviewing executives in a particular company that was chosen as a field study. This section presents results from the data collected through the semi-structured interviews conducted with members of management from The Bank, the organisation chosen for the field study. The qualitative information obtained through interviews was encoded in order to determine the key themes emerging from the data. Manual coding was conducted to indicate occurrence, frequency and contextual similarity of the themes and concepts obtained from the interviews. The responses to the open-ended questions that formed the basis of the interviews were manually analysed to categorise words and themes of contextual similarity. In addition, the thematic analysis of the transcribed interviews was done at the word-level, key phrases and strings of words determined by Leximancer. Leximancer further clustered concepts that co-occurred into coloured circles that were heat-mapped to indicate their importance. The field study contains the following elements: i) a brief corporate profile, ii) details on the research context, and iii) the results, firstly from the manual analysis and then those from the Leximancer analysis.

5.6.1 Brief corporate profile

The field study is of a company in the banking sector and is listed on the Johannesburg Stock Exchange. Being one of the Big Five banks in South Africa, it is also one of the largest corporates in the country. Excluding South Africa, it has a presence in 11 other countries across the African continent and around 42 000 employees, of which about 15% are on various levels of the group's management structures.

5.6.2 Research setting

The researcher scheduled interviews with participants situated at two of the organisation's head office campuses in Sandton and central Johannesburg, South Africa. All interviewees were full-time employees, who were on various levels of the organisation's management structure and represented its different business divisions. A total of 25 respondents, including vice-principals, principals, managing principals, executive committee members, as well as, board members, were interviewed. The responses provided by the interviewees were all spontaneous and not prepared ahead of the interviews. Other than the general issues of discussion, interviewees were not told what kind of questions would be asked before the actual interviews took place. Table 15 below illustrates the spread of interviewees across the various levels of the company's management. Due to time constraints, it was difficult to schedule interviews with more participants at board and executive management levels. All the interviews were recorded and then transcribed by the researcher. They were then analysed, first manually and then using the Leximancer software.

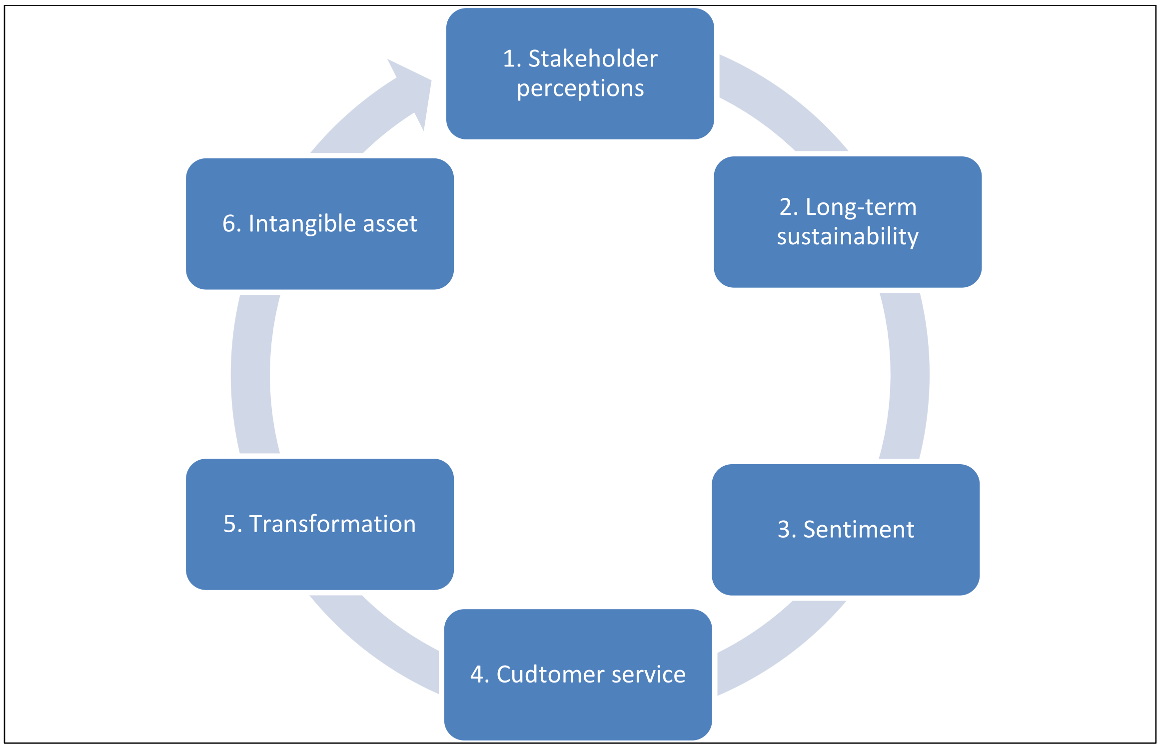
Table 15: Interviewee profiles

Level of Management	No of Participants	Business Divisions
Board	2	Social and ethics committee
Executive	5	Corporate and Investment Banking; Retail Banking, Business Banking, Marketing and Corporate Relations, WIMI
Managing Principal	5	Corporate and Investment Banking; Retail Banking, Business Banking, Marketing and Corporate Relations, WIMI
Principal	8	Corporate and Investment Banking; Retail Banking, Business Banking, Marketing and Corporate Relations, WIMI
Vice Principal	5	Corporate and Investment Banking; Retail Banking, Business Banking, Marketing and Corporate Relations, WIMI
Total	**25**	

5.7 KEY THEMES – MANUAL ANALYSIS

A number of themes and sub-themes emerged from the data collected through the semi-structured interviews. Figure 16 below illustrates the key dimensions around which these themes and subthemes are clustered. The various themes are explained in detail below.

Figure 16: Key themes emerging from the semi-structured interviews



5.7.1 Theme 1: Stakeholder perceptions

Although corporate reputation was understood differently by the various interviewees, the general trend in their responses was to understand the concept as referring to the perceptions that a company's stakeholders, particularly external stakeholders, have of the company. The terms "perception" and "stakeholders" came up in almost every response. In some instances, interviewees referred to stakeholders as "people" or "the public", while in others interviewees identified specific stakeholders, such as "shareholders" or "investors", "customers" or "clients", "employees" or "staff" or "colleagues", "regulators" and "the government". It was the judgments that these stakeholder groups make of a company that the interviewees cited as being important in the reputation-making process.

Below are some examples of how interviewees at various levels of management explained their understanding of the concept:

> *My perspective on corporate reputation is that it's effectively the perceptions amongst external stakeholders – whether they be customers, regulators, parliamentarians. It is about their perceptions of us as a business. So to my mind, brands and brand identity is something that we develop; something we put out into the external domain. Reputation refers to the actual perceptions that others have of us as a result of what we do and how we do it. So it's probably a much clearer and stronger judgment of who we are.*

> *For me it's about what people say about you (as an organisation), whether it is good or bad, and that may be informed by people's realities and in some instances perceptions. But primarily it's what people's perceptions are about you as an organisation.*

> *Corporate reputation entails a number of things, but primarily it's about how the organisation is perceived by its stakeholders, which could include customers, regulators, civil society in general.*

> *Reputation entails the perceptions that people have of you and what you stand for. Corporate reputation extends beyond the individual to the organisation because corporate lives through its people...*

> *I think it is very much perceptual in nature, very much driven by what is the perceived behaviour of an organisation, including individuals in the organisation. So it [corporate reputation] talks to how an entity is perceived by those who interact with it.*

My understanding of reputation is that it is specifically the perceptions and the level of trust that stakeholders (including media, corporates, business and political elites, regulators, governments etc.) place in a corporate entity.
In simple terms, it is about the perceptions that your stakeholders have of you; how they view you; how they understand what you do and it's kind of the brand, your brand essence.

Although generally the interviewees understood corporate reputation broadly to be about the perceptions that stakeholders have of an entity, others even went so far as to describe it in terms of its other facets and its related constructs, such as viewing it as an asset that is unique to each company and that can be leveraged in times of crises. Several scholars, especially, those who have studied corporate reputation, from the disciplines of strategy and economics, view it as an intangible asset that a company can rely on to gain competitive advantage and use as a buffer in difficult times (Barney, 1991). For example, according to one managing principal:

One's reputation, be it an individual or a company, is perhaps the strongest asset; it's what you call on in tough times; it's that equity that gets you through a crisis.

Several other interviewees also understood the concept to mean "legitimacy", "identity" "brand" or "image", or "status" or "standing". For example, some interviewees referred to it as that which gives companies social legitimacy or licences to operate in their chosen markets. This is very much in line with the new institutionalism perspective that some of the reputation scholars have relied upon to explain how companies gain legitimacy and social support by developing privileged positions in the social order of the environments they operate in (Fombrun, 2012; Suchman, 2005).

Corporate reputation is essentially about a social license that an organisation has to operate, which therefore requires organisational behaviour that *complies with certain norms expected by society … for it to be able to have rights to trade in whatever it trades in.*

Another interviewee viewed corporate reputation in terms of how a company projects itself to its various stakeholders or its image.

I think it is about how the organisation positions itself and how it constructs an image and a profile for itself in order to continue to do business.

In some instances, interviewees saw corporate reputation as how an organisation and its employees behave or conduct themselves, which implies an understanding of reputation as identity. For example, one interviewee stated that:

For me it would, therefore, involve certainly not participating in any illegal activities, not sponsoring any activities or businesses that perhaps can bring the company or an industry or even the brand into disrepute as well, and I think it would require a company to be very considered about how its public profile is perceived and managed.

The terms used by interviewees to describe corporate reputation are all constructs that are related to reputation and which have, at times, been treated as being synonymous to or conflated with it. These constructs, although related to reputation, are different. Nonetheless, the responses provided by the interviewees demonstrate a tacit awareness and understanding of what the concept of corporate reputation entails, much in line with how it is generally defined in the literature. Furthermore, all the interviewees stated that corporate reputation is certainly something that any company should be preoccupied with.

Without a good reputation, you might as well forget about having a sustainable business. People do business with any entity largely because of its name; its reputation, so corporate reputation is a therefore a very important consideration when running any business.

About 92% of respondents in the structured survey also indicated that corporate reputation was either of great or critical importance in the financial performance of a company and business. In the interviews, corporate reputation was generally viewed as being an important factor in the company's success, as one of the respondents (a board member) noted:

> *It[reputation] is critical because if what the public out there and people internally think is not positive about your business and who you are and what you stand for then there is clearly a disconnect. The consequences can be dire....Let's use a more recent example of Facebook, which lost billions of dollars in value after its data security system was breached. People saw this to be a reputation that was not necessarily in line with what they expected of the company. So, corporate reputation is important in that if people begin to think that you are acting out of line with how they would expect you to, that would bring down your reputation, and in doing so affect business performance.*

5.7.2 Theme 2: Long-term sustainability

Interviewees invariably stated that corporate reputation is an important factor in the financial performance and sustainability of any company. Corporate reputation was acknowledged as being central to any organisation's long-term survival and companies should be concerned about its proper management. Generally, interviewees understood the importance of corporate reputation in the financial performance of a company, as well as, how companies derive financial benefits from having a good reputation.

Below are some of the observations and views mentioned by interviewees with regard to the impact of corporate reputation on financial performance:

> *One of the pillars of a financial institution is trust; so if your reputation is questioned and there are things that the company is doing that are not aligned with best practices and principles, stakeholders out there will be concerned.*

They would be very wary of trusting the organisation. An organisation like that would struggle to attract and retain talented employees, customers and investors. When this happens, then the company's business and financial performance will certainly suffer.

In the long run I think it [corporate reputation] would impact your financial performance because your clients also don't want to associate or shouldn't want to associate with companies that they believe do not have the right value systems. If customers won't deal with you because they think you are reputationally dubious, well then, you are not going to earn any revenue from them… You might earn revenue from clients who themselves are reputationally dubious and you may not go out of business, but you won't be a respected entity.

How do you attract and retain talent; how does your share price do well; how do you attract and retain customers and employees when the market out there does not regard you highly? At the end of the day reputation is all about how the market views you and that certainly has an effect on your bottom line.

A positive or good reputation will lead to positive financial performance because as much as people will want to work for that company, customers will also want to associate with that company and support its products and services too; similarly investors will be willing to invest their money with that company. Surely a company in this position should experience better financial performance.

Let's say, for example, we do business in a way that impacts the customers negatively, customers will perceive us in a negative way and stop doing business with us. Therefore, our revenues and profitability will certainly be affected in a negative way as a result.

In general, therefore, participants agreed that corporate reputation plays an important part in a company's financial performance and long-term sustainability. Implied in most of their responses was the view that having a good reputation is good for a company's bottom line and having a bad reputation has the opposite impact. Therefore, the more favourably a company's stakeholders perceive it, the more they are likely to associate with it and the higher the likelihood of it performing well financially

5.7.3 Theme 3: Sentiment

Conversely, financial performance was seen as being an important driver of a company's reputation. When asked during the interviews to rate their company's corporate reputation (on a scale of 1-10, where 1 was weakest reputation and 10 strongest), almost all of the interviewees rated it at either five or six. A major reason cited for this average rating was that the company's financial performance had not been the greatest in a long time. Several interviewees noted that over the last couple of years the company had lagged its peers in the industry in terms of performance as exemplified by its share price (which some argued was way below those of rivals) and annual financial results. Interestingly, financial performance was also ranked by respondents in the structured survey as the leading driver of corporate reputation.

Below are some of the observations from the interviewees:

> *People love winners; they love to associate with winners. For instance, investors will invest in better performing companies because of the prospects of their wealth to grow; winning companies also attract talented employees; financiers will gladly want to lend you money, even at competitive interest rates because you are a good borrower, and similarly, customers also want to associate with you. So, yes strong financial performance will enhance your reputation because all the people that interact with you, view you in a positive light.*

Reputation is shaped by sentiment – so if a company is trending positively in terms of sentiment, it's generally a precursor to better financial performance, which in turn attracts more capital and sells more products. It shows that the business is on the upward cycle. Negative sentiment inversely shows a business that is on a downward cycle.

I think the number one thing we have to fix in this organisation is our financial performance and when you do that, you become seen as a successful organisation and by default the perceptions people have or your reputational equity improves. Stakeholders respond positively, so it creates a halo effect.

If you perform well financially, potentially then your reputation in the market is that you are a high performing organisation that people would want to be associated with.

Thus, interviewees viewed a stronger performing company as having the effect of enhancing the company's reputation in that more stakeholders would want to be associated with it for their own different reasons. For instance, investors would be attracted to such a company for the perceived prospects of growing their wealth; customers would want to do business with the company because of the perceived quality of services and products and the possibility of lower prices; employees would want to be associated with it because it is a winning organisation. Financial performance, therefore, was viewed as an important driver of corporate reputation.

5.7.4 Theme 4: Customer service

When asked how they would rate their company's reputation (on a scale of 1 to 10, in which 1 was the weakest reputation and 10 the strongest) interviewees generally stated that their company's reputation was average, with many scoring it at either a five or six. Very few of them put it at a seven or eight. While interviewees acknowledged that the company was a solid business that played a significant role in the local and continental economies it operated in and that it was one of the biggest industry players in its market, they however, raised a number of factors that they highlighted as affecting the perceptions its stakeholders have of it. These factors were expressed quite frequently in the interviews and included: perceived poor levels of customer service offered by the company; the company lagging its peers in terms of its financial performance; and a perceived lack of or slow pace of transformation within the organisation (both in terms of race and gender). The results from the interviews show that there is a general consensus that the company's reputation is not as great as the interviewees would expect it to be, especially given its place in the market. Apart from transformation, products and services, as well as, financial performance, were ranked quite highly as drivers of corporate reputation by respondents in the structured survey.

What is interesting is that, even though interviewees demonstrated a clear understanding of the concept; acknowledged it as a critical factor in the sustainability and financial performance of the business; and agreed that it was regarded by executives as something that is very important, most interviewees still thought that the company's reputation was still average. This will be dealt with in the discussion of the results in the next chapter.

Below are some of the comments, especially those relating to financial performance, that were made by some of the interviewees:

> ***Customer service***
>
> *Our level of service to customers and the number of customers we have lost in this process over the years and continue to lose, as well as, our share price trading at a discount compared to our competitors. Because of these and other factors, we are not doing as great as we would like as a company and that is why I would rate us at a 5.*
>
> *A consistently positive customer experience is at the core of any company and its brand. Customers share their experiences on social media and other platforms.*

I would say the reputation is about a 6; it's not outstanding and it's not bad, it's just average and this is based on the type of services our customers complain about all the time.

I would rate it at a 6, and the reason is purely because of a generally poor service to customers. I think that our business processes have not kept up fast enough with current trends and we have not been fast enough on the product innovation front.

I would say the biggest problem is our organisation's inability to meet customer needs and expectations – that definitely has had a big negative impact on our reputation. It is a reputational issue for the bank when we are unable to meet the expectations of our customers. That's not something that will go down well with them and will influence the way they see us. As much as we have many other stakeholders, our customers are definitely top of that list.

Financial performance

Good financial performance relative to sector peers acquires good standing among investors, and attracts positive commentary on public platforms. The opposite is also true.

If you look at our share price, for instance, it is probably the worst performing of the Big Four (banks). Why? Maybe they (investors) feel that our reputation is of a firm that does execute well enough on its strategy or that we don't have the right kind of strategy in place.

I think as a business our reputation is probably at about a 6. Even though we have been consistent in the way the business has been run, there is however an expectation and a view that that we could do better in building a stronger platform, financially. I think, like other established banks in this market, we *are losing customers to new entrants, who coming in with more progressive suites of products and delivering better for their customers in the digital space.*

I think our reputation is average; as a business, there are things that we do well in and there are others that we do horribly. For instance, I think, if you talk about financial performance and things like transformation, these are what's pulling our standing down. This is because the perception is we are not a well transformed organisation and that our performance relative to our peers is not where it should be.

We would probably get a 5 because we aren't out-shinning our peers in terms of our financial performance; we are not the darling of the market and we have done some things.

5.7.5 Theme 5: Transformation and leadership

When asked to name some of the most prominent issues the company had faced in the last five to 10 years that had an impact on its reputation, the interviewees highlighted a number of issues that had had both positive and negative effects. On the positive side, key issues that were highlighted were: the company's leading position in the financial services industry in the market; its range of activities in the citizenship space, especially its financial support to the education sector across the continent (the company provides scholarships to thousands of disadvantaged students) and enterprise development; its range of sponsorships and broader social responsibility role, as well as, its generally good regulatory compliance culture. The launch of a new strategy and brand of the organisation earlier in 2018, following its separation from its UK-based parent company, was largely viewed as having had a positive effect and something that should boost the organisation's reputation going forward.

However, the reputation-enhancing attributes above seem to be overshadowed by a number of issues that interviewees pointed out as having had a negative effect on how the company is generally perceived by its stakeholders. The interviewees identified the following as the main issues that were negatively affecting the company's reputation: the constant changes and restructuring that the organisation has been undergoing over the last 10 years or so and the business instability that has resulted from that (the company has experienced a number of ownership changes, which have necessitated strategic and organisational changes); the lack of agility and innovation; perceptions of poor customer service; perceptions of the slow pace of transformation and lack of diversity; financial underperformance, as well as, the type of executive leadership in place. Issues on customer service and products offered have been dealt with above. Transformation is particularly a major political and socio-economic issue in South Africa owing to the country's history of apartheid, that engendered serious divisions along racial and gender lines. Although it was not ranked as highly in the structured survey as a top driver of corporate reputation, it was noted by interview respondents as an important factor.

The company's on and off relationship with its major UK shareholder was also seen as having had both a positive and negative impact on The Bank's reputation. According to one senior respondent, when the UK shareholder initially bought a controlling stake in The Bank more than 10 years ago, this had been welcomed as a good sign of investor confidence in both the South African company and country. However, once that merger had gone through, UK shareholder's presence as the parent company was seen as stifling The Bank's financial performance as well as standing in the market because of the onerous regulatory compliance regime the UK company brought on board. Hence, when the UK shareholder announced in 2017 that it would exit its stake and separate from The Bank, the move was generally widely welcomed by the market in the South Africa market as this was seen as The Bank regaining the independence to determine its own destiny.

Below are some of the paarticipants' comments of the issues affecting The Bank's reputation:

Transformation

Like every company in South Africa we need to deal with transformation; because I think being seen to be transformed (both gender and race) is reputationally enhancing.

I think there is a perception out there that the bank (The Bank) is not well transformed, which in South African terms is a not great way to be perceived, so I think that's negative.

Issues around transformation and the departure of many black executives over time have led to the perception that we do not create enough room for black executives to grow and thrive.

I think that we have lagged some of our competitors in the industry and beyond with regard to transformation. The presence of so many old school, 50+ white males at the helm of the group; we have seen that with the recent appointments; people are saying you talk about transformation, yet you are not demonstrating that at the highest level and I think that doesn't bode well (it's not about whether those people are good or not). It is about the sentiment about the group perpetuating old profiles instead of taking every opportunity to transform.

UK shareholder's influence parent

Interestingly enough, I think ultimately the exit of our UK Shareholder probably has been a positive. So it was positive on the way in, and positive in the way out. On the way in, yeah it was positive because it was big vote of confidence if you remember it was probably the biggest foreign direct investment in the country. So I think that was positive for the bank and positive for the country, but I think also on the way out it's been positive for the bank *although may be less so for the country because it's been seen as The Bank regaining its independence.*

Also the noise in the market about our UK Shareholder coming and then leaving has certainly had an impact because of all the stagnation around our brand, years of underperformance and us losing and struggling to retain talent as a result have hurt us, our reputation.

I think the sell down by our UK Shareholder and our separation from it; so first our UK Shareholder came in and upset the applecart and then now they have just left again. I think that's been negative and it has caused business instability. I think it is getting better now that we have ownership of own brand and identity, but it will still take some time to recover from that, so generally I think our UK Shareholder has been a factor in our reputation.

I think the other issue that has had an influence is the change in ownership – first of all we were The Bank, then became part of our UK Shareholder, which then divested and came back to who we are now as The Bank and having to become a new brand. So I think the views of people looking at us going through those kinds of changes over the last 10 years would have been affected.

I think that the acquisition of a stake in The Bank by the UK Shareholder had both positive and negative attachments to it. There is one school of thought that saw it was a sign of faith both in the business and the country in that the UK Shareholder would be making that massive investment. Equally though there was another school of thought that saw acquisition of The Bank as a British business coming in and taking a stake in a South African business, so it became a different perspective. So there were negatives and positives, but broadly I think the investment was seen as a positive. The sell down equally you almost see a reverse in those views – there are people that felt our UK Shareholder was running away from the country and that it was a bad thing, and equally there were those that felt The Bank was getting its independence *back and it was a good thing. Those events I think are balanced, you get both good and bad, positive and negative reaction.*

Leadership

The CEO has been head of the organisation for the last 10 years and I think that the period of time that she has occupied that position has given her a little bit of staleness. People may equate her long stay with stability and a level of credibility, but the fact of the matter is that it has also hurt the organisation in some ways because we have not been able to innovate as quickly as we could. As a resulted we haven't disrupted the market in ways that we could have and that's largely because of her conservative style of leadership.

You can't have the same type of leadership that's been at the bank over the last 10 years where there wasn't a change and expect that leadership to embrace change and start doing things in a different way. I think new blood is needed to lead the organisation in a different way and take it to new heights. This is the only way we are going to be the first-mover, digitally-led bank we aspire to become; shifters.

Having a different type of leadership, one that's visible would be one way of actually changing and influencing the perceptions that people have of us.

Leadership stability, and a leadership that is sound and cohesive, that is engaged and has a vision and understands how to galvanize the teams across; there was a balance between understanding what the priorities were and what it was that we needed to do in terms of the culture and how we built the culture within.

I think there needs to be fundamentally changes in our leadership. I think the appointment of a new CEO and how that person pulls the organisation together will be important, would be key to changing how we are perceived out there.

If we have a really awesome leader, I think our reputation will improve significantly.

Leadership has massive impact on reputation; it's the confidence in your leadership to drive and deliver strategy; if you've got really well equipped leadership that knows, that is dynamic, agile and can perform under pressure, you will achieve great things as an organisation. You just have to look at some of the best companies in the world to see who stands out – it's the top leadership and the lieutenants behind the CEO, and they have that confidence.

The fish rots from the top down; if you don't have a leadership that can actually inspire and lead a company, the employees aren't going to do what you want them to do; and you can get exponential discretionary value from your employees i.e. people who will go over and above what they are meant to do; it all comes down to how you lead them. If employees themselves believe in the leadership and they buy into the vision, they will do everything possible to make things happen. People do not join companies to just be there; they want to join companies that are going places and where they can add value and be part of the dynamic business and know that they are helping to build it and take it forward. And how do you get staff to do that without great leadership in place.

I think leadership and transformation are interrelated. Leadership has a significant impact on the way we are perceived.

5.7.6 Theme 6: Intangible asset

Most interviewees indicated that corporate reputation is something that their company takes seriously and that executive leadership pays as much attention to as it does other intangible assets. Generally, the interviewees indicated that corporate reputation is top of mind for the executive team as they understand its importance in the business. For example, a few executive members remarked that:

I think as executives we think about it (reputation) very hard and very often because we understand that sometimes it can create big business challenges for the organisation. But I think our attitude towards it is the right one in that there is no amount of money you can make to compensate for a negative Sunday Times headline. So it is definitely front of centre for the organisation.

I know personally that the leadership of the business spends a lot of time discussing not just reputation as an abstract concept but also the things that drive reputation and link the two and make the association between the two. So if you look at our organisation, there is a social and ethics committee; there is a brand and risk committee etc, where these topics are discussed. They are debated and analysed at the executive group leadership level and also amongst the broad levels of management. Reputation is an extremely important consideration.

We have all the resources; all the people; all the agencies; we want for nothing. I have worked at an agency where I have consulted to clients and I have never seen the machinery that The Bank deploys in order to manage its reputation. I haven't seen it in any other brand I have consulted to – and I have consulted to big banks, telecoms, IT companies and I think The Bank takes reputation seriously.

I think they (top executives) have just started taking it (corporate reputation seriously). I think they have only realized that reputation matters although it's still a journey because it takes time for others to realise what we need to do.

I think they (executives) do; I think they pay a significant degree of attention to corporate reputation; it's a difficult thing to say, more than other assets; but on the whole there is sufficient focus on reputation management.

I think that there is a very high level of consciousness around the issue of the company's reputation. I have worked in the FMCG environment and I don't *think that the same level of consciousness exists there as it does here. Here it's not just about individual behaviour but how we behave as an organisation; whereas in other organisations people care about how they behave as an organisation and not as individuals. I think here it is taken quite seriously.*

As the leadership, we would be worried about it (reputation) because it affects the sustainability of our business, hence reputational risk is one of the principal risks that The Bank keeps a constant eye on. The focus on managing reputational risk is big because in the ERM (enterprise risk management) framework, it is one of the nine principal risks and there is a reason why we have a principal risk officer responsible for it.

However, at the management levels below the executive leadership of the companies some interviewees believed that corporate reputation was not taken that seriously by the executive leadership of the company. For example:

I think there is a willingness, a desire to consider that corporate reputational impact of the organisation, but in the daily activities in their doing of things, I don't think that's a top-of-mind issue.

I think that's because financial performance is based on facts and figures, you can see these in black and white and in numbers; whereas corporate reputation, I'm not sure there is a measure for them, to show them in a tangible way as with financial performance has been.

Behaviour would suggest that they (executive managers) don't; I think they may have good intentions but if I look at conduct risk management, reputation risk management – we tend to deal with it when it's broken rather than proactively managing it. I think if we are serious about reputation we would have sorted the barriers to our financial performance a long time ago because those two are inextricably linked.

I think there is a sense it is an important thing to keep your eye on it and manage it; but I just don't know that we have internalized that there are two parts to it. We worry about the "reacting" to things that have happened, rather than proactively anticipating these and proactively managing them. That, for me, is a crucial part of reputation management.
I think it's something they do not fully understand; it's not that they don't take it seriously or not. There is a science to it and there are certain drivers to it but as long as it is relegated to a communication plan, it will not be understood.

What's measured is what's done; and when you don't have measures like brand equity, reputation equity etc. on your group scorecard and your group executives aren't held accountable for that but only one little person in a corner is held responsible for that, then I think you will not take it seriously because it's going to require you to take different decisions. If it is someone's problem, "Yes, yes it's good we must do it but I don't have to do it because I am not measured on it".

5.8 RESULTS FROM THE LEXIMANCER ANALYSIS OF QUALITATIVE INTERVIEWS

The researcher also ran the data from the semi-structured interviews through the semantic analysis software tool Leximancer, to complement the manual analysis and to explore some of the themes identified during this analysis in more detail. Figures 17, 18 and 19 below present simplified models of the relationships between words, concepts and themes in the functional structure of the software output. They illustrate the themes and connectivity of the participant's answers to the questions on corporate reputation and financial performance. The interviews conducted with the participants at The Bank were based on a number of open-ended questions, which made it appropriate to use the Leximancer tool. The researcher used concepts and themes that were automatically generated by Leximancer in combination with user-generated concepts. The focus was mainly on the word-like concepts that occurred instead of name-like concepts. The results indicate words obtained from the interviews, the relationship between the concepts and themes, and the relevance of the concepts to the themes.

Figure 17: Themes

Figure 18: Concepts

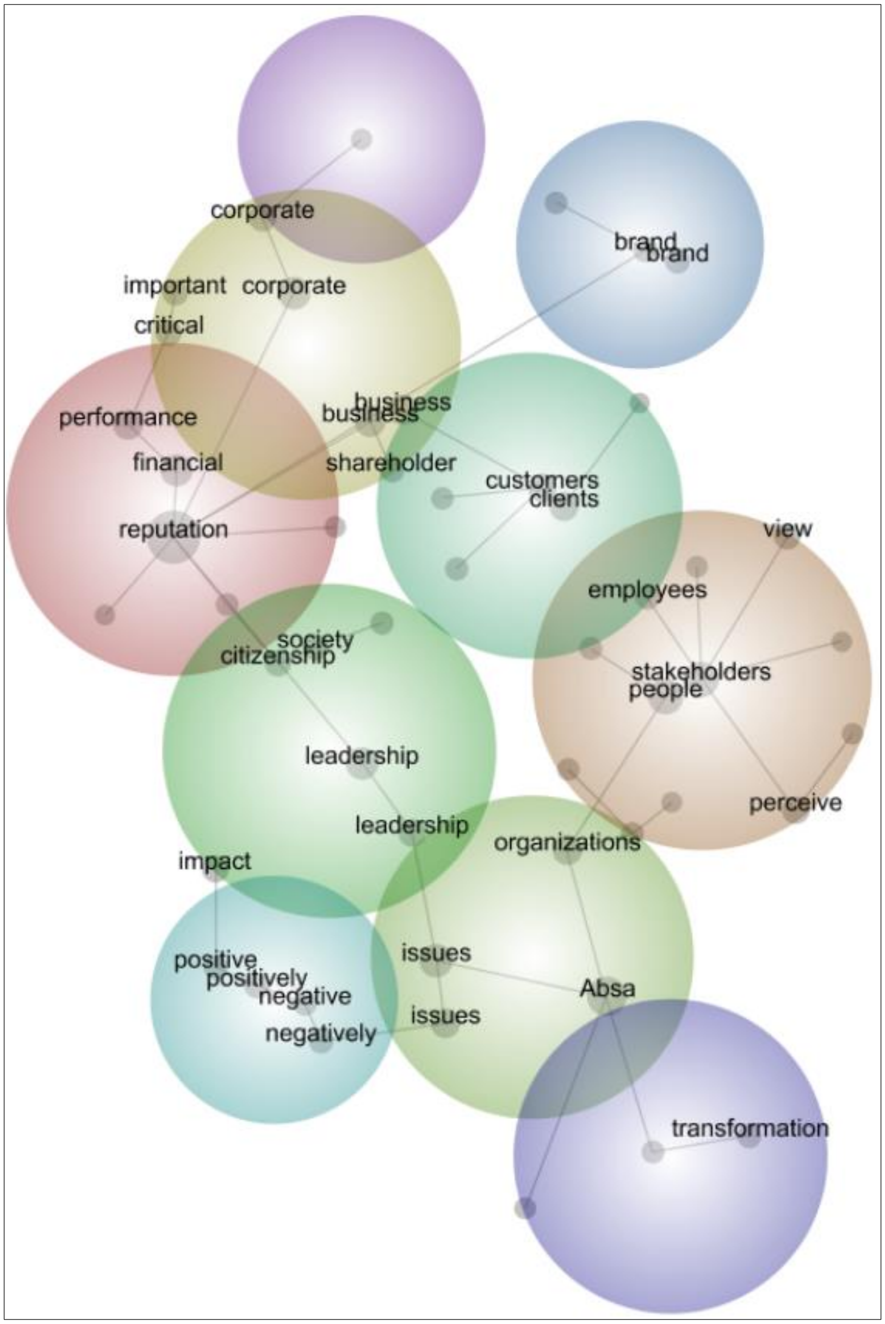
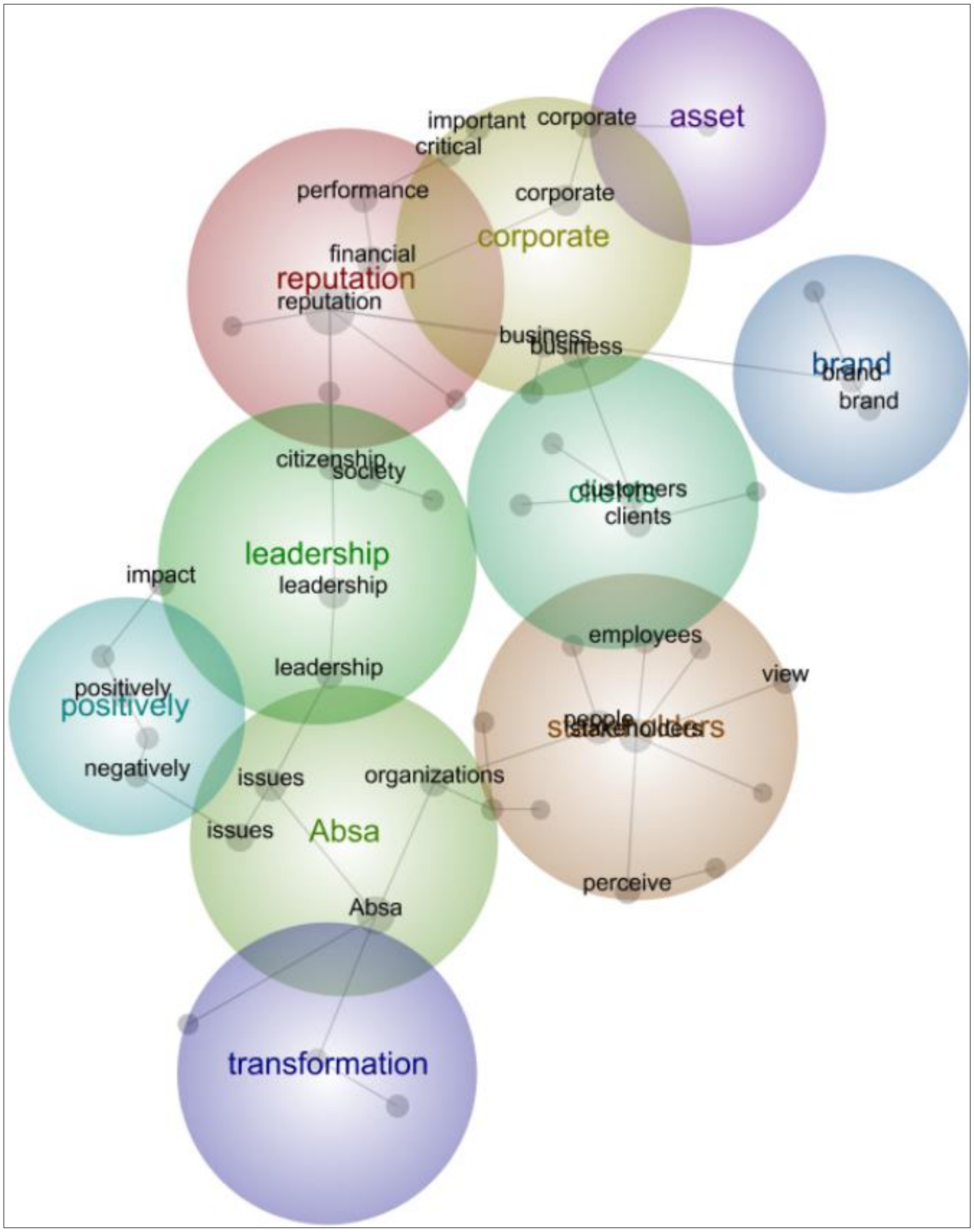


Figure 19: Themes and concepts



The semi-structured interview questions revolved around respondents' understanding of corporate reputation; whether or not it impacted financial performance and whether or not financial performance impacted corporate reputation; how participants rated their organisation's reputational standing and some of the issues that have had an impact on its reputation; and whether or not they believed executive leadership of their organisation took corporate reputation seriously. Figures 17, 18 and 19 24 illustrates three concept maps of the all the interviews (25 in total) conducted with members of senior management at The Bank. The first map in Figure 17 illustrates the most occurring themes; the second map (Figure 18) illustrates the concepts related to each theme; while the third map (Figure 19) is a combined view of both themes, as well as, the concepts linked to them. Table 16 below shows the top 10 themes.

Table 16: Themes and connectivity of interview transcripts

Theme	Connectivity
Reputation	100%
Stakeholders	97%
Corporate	94%
The Bank	92%
Leadership	71%
Clients	40%
Positively	30%
Brand	21%
Transformation	15%
Asset	2%

As shown on Table 16 and illustrated in Figure 19 above, *reputation, stakeholders* and *corporate* are the top three themes. As shown in Table 18 above, *reputation* is the most co-occurring theme and is associated with the terms *financial* and *performance.* It has a theme connectivity of 100% as shown in Table 6 and it is within the red circle that illustrates the most important theme in the text. Theme connectivity is the summed co-occurrence counts of each concept within the theme. It thus provides an estimate of the coverage of a theme across the data (Leximancer, 2011). The theme itself includes concepts such as "performance" and "financial", and is also directly connected to other thematic circles, namely "corporate" (which has the concepts "important", "critical"), "asset" and "brand". These terms indicate that the participants referred to corporate reputation as important or critical to a company's financial performance. As the manual analysis showed earlier, financial performance was also viewed by the executives as an important driver of corporate reputation. Other terms like "asset" and "brand" illustrate how the participants viewed corporate reputation. For instance, many of the interviewees referred to corporate reputation as an asset that companies have, while others tended to conflate "brand" and sometimes "image" to mean the same as reputation.

Stakeholders is the next most co-occurring theme at the rate of 196 hits (97%) and is associated with the terms "employees", "people", "perceive" and "view". Stakeholders appear in the pink circle (another colour that is considered warm enough and demonstrates the occurrence of important themes). Based on the concepts associated with it, this theme illustrates that corporate reputation was viewed by the interviewees as being about how stakeholders of an entity perceive or view it. "Employees" are part of the different stakeholder groups on whose perceptions corporate reputations are formed, and were mentioned by a number of interviewees as being a crucial stakeholder group. Participants expressed that they understood corporate reputation to refer to the perceptions or views that stakeholders have of a company. They also expressed the view that it is an important factor in the financial performance of a company and that it is also a phenomenon that is driven by financial performance. Financial performance was also similarly identified by respondents in the structured survey questionnaire, most of whom noted that it is the biggest driver of corporate reputation.

"The Bank" with a theme connectivity of 92% is also present and includes concepts such as "organisation" and "issues". It is also connected to the thematic circles of "leadership", "transformation" "clients", "transformation" and "positively" and "negatively". These terms and themes featured mostly in the discussions relating to the participants' views on their organisation (The Bank), that is, how they rated its reputation; some of the issues that had affected its reputation (whether positively or negatively) in the last five to 10 years; as well as, their views on how the executive leadership regarded reputation in the organisation. Leadership and transformation were some of the themes that featured prominently in the interview discussions. Leadership in particular was also identified by respondents in the structured survey questionnaire as one of the top three drivers of corporate reputation. "Clients" or "customers" is also present with a theme connectivity of 40%. This theme illustrates that interviewees considered customers to be an important stakeholder group in business and how they experience the products and services of the business has a bearing in how they perceive that business. Customers were identified by the respondents as one of the key stakeholder groups that had had a major impact on the organisation's reputation.

5.9 SUMMARY

The researcher adopted the mixed-method research approach in the collection and analysis of data. The secondary data, as well as, that collected through the survey, formed the quantitative part of the methodological approach and were collected and analysed using quantitative methods of analysis. The results were then illustrated in the form of tables and figures. The data collected through face-to-face interviews conducted with executives of a particular company (The Bank) used as a field study, constituted the qualitative part of the research. The data were analysed manually as well as using the Leximancer software, and some of the results were presented in a descriptive format, while others were illustrated in the form of figures and tables. The aim of this part of the research was to triangulate the findings of the research. The next chapter provides a detailed discussion of the research findings.

CHAPTER SIX: DISCUSSION OF RESEARCH FINDINGS

6.1 INTRODUCTION

This Chapter provides an interpretation of the research results, which is informed by and done within the theoretical and conceptual context as discussed in the literature review sections of this thesis. The findings are discussed under each research objective. Each objective merges and triangulates the findings obtained from analysis of various data collected. A framework or guideline for managing corporate reputation is also proposed in this Chapter based on the research findings. The findings, together with the literature reviewed, are then used in the next chapter as the basis to formulate recommendations for future research, as well as for companies to optimise their corporate reputations to improve financial performance.

6.2 RESEARCH OBJECTIVE 1

To determine whether corporate reputation and financial performance influence each other in South African companies.

The first research objective was to determine if a directional relationship exists between corporate reputation and financial performance in companies: whether or not a company's reputation influenced its financial performance; and whether or not a company's financial performance influenced its reputation. The working hypotheses (H1 and H2) proposed, were that the higher (or lower) a company is ranked in the reputation index, the better (or poorer) its financial performance. In addressing this objective, secondary evidence was gathered and analysed using the regression analysis method.

Scholars who have studied corporate reputation from the resource-based theoretical perspective view the concept as a resource a company has to improve competitiveness and sustainability. In this theoretical perspective, corporate reputation is seen as an important intangible resource at the disposal of companies to be competitive and improve financial performance (Hall, 1991). Even accounting literature now seems to support the notion that corporate reputations contribute to financial performance through goodwill, while some conventional wisdom holds that the reputations which companies create for themselves result in sustainable profits (Iwu-Egwuonwu, 2011). When properly managed, corporate reputation can help improve performance and deliver substantial financial value for companies (Jackson, 2004), and vice-versa. Other proponents of this view have also argued that financial performance is an important factor that drives corporate reputation (Rose and Thomsen, 2004). Corporate reputation can be an additional source of competitive advantage for companies. Some of the benefits of a good corporate reputation, for example, relate to, among others, improved investor appetite, higher customer retention rates and associated increases in sales and product selling prices (Shapiro, 1983), as well as reduced operating costs (Podony, 1993). All these benefits are thought to ultimately translate to improved competitiveness and better financial performance. They also suggest that the impact of corporate reputation on financial performance is not a direct one, but rather is indirect. Therefore, contemporary thinking in the literature holds strongly that corporate reputation creates economic benefits for companies (Aula & Mantere, 2008). As discussed in the previous chapters, a good corporate reputation is seen as critical not only because of its potential for value creation but also because its intangible character makes replication by competing companies considerably more difficult (Fombrun, 2012; 2005).

The literature dealing with corporate reputation and its effects on financial performance in companies and vice-versa reflects different methodological approaches, which range from traditional management to game theory, as in Webber and Farmer (1996), for example. The various empirical studies are based on different concepts and measures of reputation and use data from different countries. For example, the *Fortune* ranking of US companies in the case of McGuire *et. al.* (1990), Roberts and Dowling (2002), and Stuebs and Sun (2010); media reputation based on a newspaper content analysis for US companies in Deephouse (2000); image ratings by Danish business managers for Danish companies by Rose and Thomsen (2004); the Spanish reputation index MRCO by Sanchez and Storrio (2007); and by using the reputation concept by Schwaiger (2004), which distinguishes the cognitive ("competence") and effect ("sympathy") components of reputation based on a representative sample (telephone survey) in Germany for one year (Eberl & Schaiger, 2005). Carmeli and Tischer (2005) conducted a survey among CEOs who were asked for the perceived reputation of their companies using the *Fortune* ranking determinants. In addition, financial performance in these studies is measured differently using various accounting measures, return on assets (ROA), Tobin's Q, net income or a four-factor benchmark model, or based on surveyed CEOs' own assessment of their company's performance.

Tischer and Hildebrandt (2011) argue that none of the several studies linking corporate reputation and financial performance (including Sanchez & Satorrio, 2007; Anderson & Smith, 2006; Fornell, Mithas, Morgeson & Krishnan, 2006; Inglis, Morley & Sammut, 2006; Rose & Thomsen, 2004; Roberts & Dowling, 2002; Vergin &

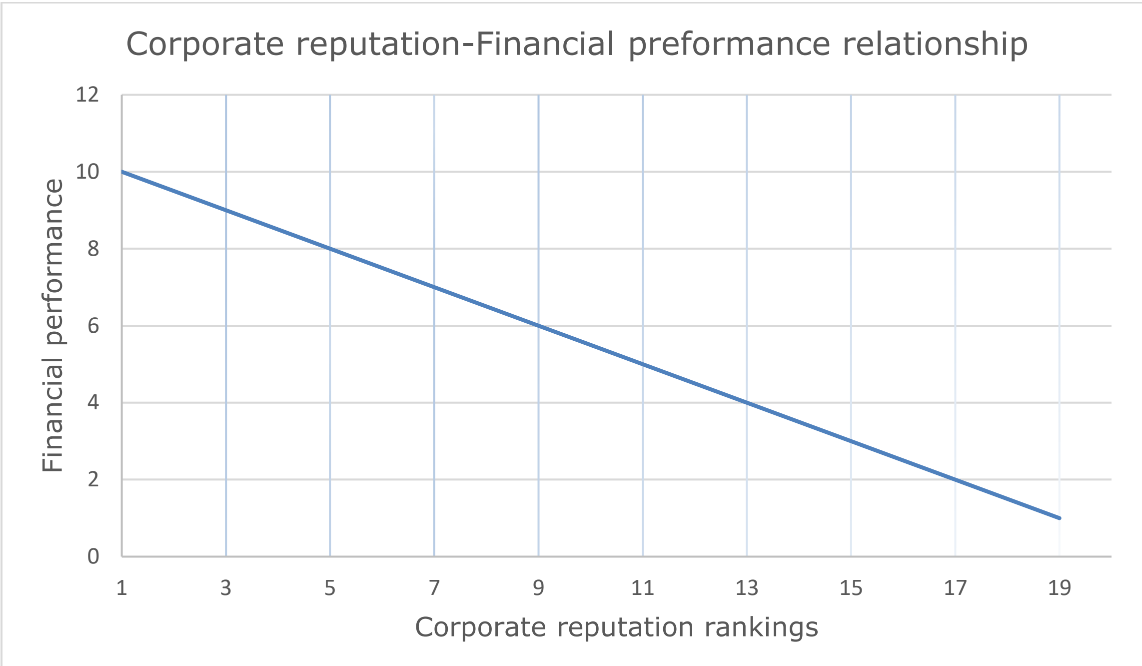
Qoronfleh, 1998), were able to confirm, without any doubt, an influence of corporate reputation (measures) on financial performance. This, Tischer and Hildebrandt (2011) further note, is because either the analyses could not prove the claimed effects (Inglis, Morley & Sammut, 2006; Rose & Thomsen, 2004) or the direction of causation (see also Sabate & Puente, 2003; McGuire, Schneeweis & Branch, 1990; McGuire, Sundgren & Schneeweis, 1988) could not definitely be determined (Anderson & Smith, 2006; Fornell *et. al*., 2006; Roberts & Dowling, 2002; Sanchez & Satorrio, 2007; Vergin & Qoronfleh, 1998).

Phase 1 of this research, which sought to address Research Objective 1, was conducted more in line with some of the studies, such as that done by Roberts and Dowling (2002), Rose and Thomsen (2004) and Inglis, Morley and Sammut (2006). These studies examined the relationship between corporate reputation and financial performance. They also used secondary data but on companies in the US, Denmark and Australia respectively. Rose and Thomsen (2004) broke down overall reputation into a component that is predicted by previous financial performance, and one which is "left over", and found that each element supports the persistence of above-average profits over time. Rose and Thomsen's (2004) study found that corporate reputation does not impact company value (market-to-book value of equity), whereas, on the other hand, financial performance improves corporate reputation. Their findings challenged the conventional wisdom that corporate reputation has a direct impact on financial performance. Inglis, Morley and Sammut (2006) replicated Rose and Thomsen's (2004) study but based theirs on the Australian data. They found that there was no causal relationship between corporate reputation and financial performance in either direction.

In this study of South African companies, more or less similar archival data, as in the three studies mentioned above, were used to determine whether or not corporate reputation and financial performance influence each other. This was tested using regression analysis. The research first tested the directional relationship between corporate reputation ranking as an independent variable and the financial measures, namely: return on assets (ROA), return on invested capital (ROIC), and return on equity (ROE), as dependent variables. The reputation rankings data from the Reptrak Index that is compiled annually by Reputation House, a South African affiliate of the global Reputation Institute, were relied upon. The companies are listed in the reputation rankings index in a descending order (with No. 1 being the highest ranked or most reputable company). When the data were analysed through linear regression, the results revealed a generally weak to moderate negative relationship between corporate reputation and each of the three financial performance variables. Conversely, when the variables were switched around, that is, with corporate reputation being the dependent variable and the three financial measures being the independent variables, the results from the regression analysis again showed a very weak to moderate negative relationship between the variables. A negative linear association implies that when one variable increases, the other variable tends to decrease.

In this instance, the results demonstrate that an association exists in either direction of the relationship between corporate reputation and financial performance. This means that corporate reputation and financial performance do indeed influence each other. In other words, the higher a company is positioned in the reputation rankings (with 1 being the highest position), the better its financial performance; and conversely, the better a company's financial performance, the higher its reputational standing. Figure 20 below illustrates the negative linear relationship between corporate reputation and financial performance. The results only confirm the strength of the association between the variables tested and not necessarily causality.

Figure 20: Corporate reputation-financial performance relationship



What is significant about the finding, therefore, is that the study was able to confirm that a relationship between corporate reputation and financial performance does indeed exist in either direction, even if it is not as strong as previously assumed by the researcher. The finding also backs the assertions in the literature about the link between corporate reputation and financial performance, and how the two influence each other (Roberts & Dowling, 2002). So, to the extent that such a negative relationship was established, the results then support two of the hypotheses this study sought to test, that is, a higher (or lower) corporate reputation equals higher (or lower) financial performance, and higher (or lower) financial performance resulted in a higher (or lower) corporate reputation.

The research finding supports the resource-based theoretical view that companies benefit from having positive reputations. Therefore, this offers a strong justification why companies should be interested in having strong reputations, and why it is important to manage them effectively. The implication is that management executives should take note of corporate reputation and how it influences profitability, and of financial performance, if it drives corporate reputation. This then calls upon executives and managers to pay more attention to improving both corporate reputation and financial performance in order to build strongly competitive companies that are highly regarded and can deliver better financial performance.

6.3 RESEARCH OBJECTIVE 2

To determine whether or not a *good (or bad) corporate reputation* had impacted companies in a *positive (or negative) way* over the past 10 years.

The results for Research Objective 2 are supported by the findings from some of the data obtained through the structured survey questionnaire. In addressing Research Objective 2, respondents were asked in the quantitative survey if a good or bad reputation had influenced their companies' financial performance over the last 10 years. The objective sought to determine if it is possible to predict a positive answer (good reputation results in better financial performance) or a negative answer (bad reputation equals poor financial performance) respectively as dependent variables based on a set of the variables identified that could potentially be drivers of a) a positive, or b) a negative answer.

The organisation-based perspective – whose prominent theories are signalling and impression management – focuses on the efforts that companies make to shape the perceptions of their stakeholders and to ensure support for their preferred initiatives and interest. Both these theories focus on how companies manage their actions and communication to create certain signals or impressions about themselves among their stakeholder audiences. The importance of the organisation-based perspective is that it demonstrates that reputation is something that companies can actively build and manage. In other words, the suggestion is that companies have at their disposal mechanisms and means to shape the ways in which they are perceived by their stakeholders on different occasions. Thus, if a company actively and effectively manages its reputation, it is likely to experience a good reputation, and, in turn, better financial performance. If it does not, then it is likely to experience the opposite effects. This suggests that a company can, through actions it takes or does not take, shape the way it is perceived by its stakeholders.

From a signalling theory perspective, corporate reputation is viewed as either a trait or signal, which a company gives out to create favourable perceptions about itself amongst a range of its stakeholders or observers. It signals the company's commitment to deliver desirable product or service features, such as quality, or reliability, to consumers; and the executives' commitment to act in reputational-consistent ways towards investors (Fombrun & Van Riel, 1997:6). In a context in which observers do not have sufficient information to closely assess the behaviour of a company, reputation becomes a cognitive shorthand or "heuristic" to make inferences about the soundness of the bases of company success (Li Destri, 2014). A company's reputation, therefore, allows observers to deduce "what the company is; what it does; what it stands for" (Li Destri, 2014). According to Fombrun and Van Riel (1997:6), these perceptions "stabilise interactions between a company and its publics … reputations are information signals that increase observers' confidence in the firm's products and services". As far as the signalling theoretical perspective is concerned, reputation is largely based only on the observations of a company's past actions. Such actions accumulate over time, contributing to making the reputation stable and inert and thus fundamentally difficult to change. The signalling perspective assumes that companies have great control over their reputations as they can decide how to behave and which signals to send or not (Mariconda, 2014).

Impression management theory, like signalling theory, also focuses on the efforts that companies make to influence their stakeholders and to ensure support for their preferred initiatives and interest. Both theories focus on how companies manage their actions and communication to create certain signals or impressions among their stakeholder audiences. These signals or impressions can be considered as marketing messages aimed at targeted audiences to convey a desirable or desired image of the company (Basdeo *et. al*., 2006; Fombrun & Shanley, 1990; Turban & Greening, 1997). Companies also target certain important intermediaries, such as journalists and investment analysts, in constructing their reputations and seeking to shape the impressions about themselves that these intermediaries project to their respective audiences (Fombrun, 2012; Elsbach, 1994). Through communication, companies often assist journalists to create a “dramatised reality” that is meant to engage audiences emotionally (Bryant *et. al*., 2002).

Both the signalling and impression management approaches demonstrate that reputation is something that companies can build and manage. In other words, companies have at their disposal mechanisms and means to shape the ways in which their stakeholders perceive them on different occasions. Mariconda (2014) maintains that studies in this area also have a relatively strong normative element as findings can be used as guides by companies to manage their reputations (Coombs, 2010). In this perspective, a good or bad corporate reputation can thus be seen as a reflection of how poorly or well a company actively manages its reputation.

Results from the quantitative survey showed that having a good or a bad corporate reputation depends, to a large extent, on the actions companies take to influence the perceptions of their stakeholders and essentially how they interact with their environments. When asked if a good or bad reputation had influenced on their companies’ financial performance over the last 10 years, three-quarters of the respondents indicated that their companies had been impacted in a positive way by a good reputation in the past 10 years. This shows that most respondents’ companies had experienced good corporate reputations before, with positive effects on their financial performance. When asked if a bad corporate reputation had impacted on their companies’ financial performance over the last 10 years, two thirds of the respondents indicated that it had in a negative way.

In the nonparametric linear correlation analysis, a generally positive relationship (although a weak one) was established between a company experiencing positive financial performance from a good reputation, on the one hand, and the extent to which respondents agreed to the role of corporate reputation in financial performance. The results showed that a relationship, whether positive or negative, exists between the variables that were tested. This means that when companies acknowledge corporate reputation as a critical success factor; measure it more frequently and invest in its management through activities that enhance reputation; the greater the likelihood that they will have a good reputation and will experience better financial performance.

The less respondents acknowledged: that corporate reputation is something their companies take seriously; that it has an influence on financial performance of their companies; that it is an asset that can be quantified and should be invested in; that they invest capital towards corporate reputation; that it contributes highly to financial performance; and that it matters if companies are to improve financial performance; the higher the likelihood that they would indicate that their companies experienced a bad corporate reputation in the past 10 years. This shows a correlation between corporate reputation being regarded highly and being properly managed in a company, and the likelihood for such a company experiencing a bad reputation. Respondents also strongly acknowledged that corporate reputation and financial performance influence each other. In the survey, financial performance was identified as the leading driver of corporate reputation, and 92% of the respondents noted that corporate reputation was either of great or critical importance in the financial performance of their companies.

6.4 RESEARCH OBJECTIVE 3

To determine whether the industries in which companies operate and whether or not they are listed on the JSE have a bearing on how the company executives regard corporate reputation.

This objective to determine whether an association exists between executives' views on corporate reputation, and: a) the industries in which their companies belonged, as well as b) whether a company is listed on the JSE or not.

The key focus of the new institutionalism theory is to understand how companies construct, through interaction, the environment in which they operate (Berger &

Luckmann, 1966). In other words, the actions undertaken by companies are driven in part by social pressures to conform to existing norms, as well as regulations, and are inspired by the need to be viewed as legitimate, thus getting a continuing licence to operate (Oliver, 1997; DiMaggio & Powell, 1996). The essential notion that companies are deeply entrenched in their environments suggests that organisational practices and structures are often either reflections of or responses to rules, beliefs, and conventions built into the wider environment (Powell, 2007).

The need by companies to be seen as legitimate within their environments (Suchman, 1995) is one of new institutionalism's key focal points, and refers to how companies have come to be seen as appropriate and desirable by conforming to and complying with social expectations and the consequences that this can result in. Institutional theory pays attention to the importance of what Abrahamson and Fombrun (1994) refer to as "micro-culture" of an industry to which a company belongs, as well as the transactional network from which it derives its existence. A micro-culture develops from interactions between companies and their stakeholders, mediated by institutional intermediaries, like the media and different other specialist organisations (Fombrun, 2012; Fombrun, 1996; Hill & Jones, 1992). As a result of conformity, the companies' actions come to look more similar over time (DiMaggio & Powell, 1983). For instance, the surge in corporate social responsibility reporting or integrated reporting in the past two decades is an indicator of institutionalisation and an acknowledgment by companies that maintaining favourable relationships with stakeholders has strategic value (Fombrun, 2012).

Although institutionalism scholars have focused largely on legitimacy as a social approval asset (Mariconda, 2014), corporate reputation has also received considerable attention from this theoretical orientation (Deephouse & Suchman, 2008). Studies on corporate reputation using the institutional perspective are multifaceted with regard to what they pay attention to, even though they almost always depend on similar methodological techniques (that is, archival data and regression analysis) (Mariconda, 2014). Some scholars have identified at least three related sub-streams within research on corporate reputation from an institutional perspective, which can be re-conducted to the original incarnations of the theory (Mariconda, 2014; Scott, 2001). Each of the sub-streams or pillars offer a different rationale for legitimacy, either by virtue of being legally sanctioned, morally authorised or culturally supported (Powell, 2007). These streams, as briefly explained below, also take slightly different definitions of corporate reputation.

In the first stream, researchers examine the ways in which companies build favourable reputations through the display of appropriate symbolism of conformity to social expectations (Love & Kraatz, 2009). In this regard, it involves shared conceptions and frames through which meaning is understood (Powell, 2007). In terms of this approach, reputation is seen as an overall favourable assessment of a company gained by being seen as a culturally fit organisation (Love & Kraatz, 2009). Studies under this stream have found that companies that embrace popular management techniques are judged in a more positive light by their stakeholders, even if these methods do not impact on the profitability of the companies (Staw & Epstein, 2000). In their study, Phillipe and Durand (2011) also found that a company's reputation can benefit in various ways by conforming, to different extents, to corporate environmental disclosure standards.

Reputation research under the second stream has examined the relationships between corporate reputation and legitimacy to comprehend the ways in which the two constructs impact on one another and also to separate the different antecedents and consequences of these social approval assets (Bitektine, 2011; Deephouse & Suchman, 2008). Researchers in this field highlight the difference between reputation and legitimacy by arguing that reputation puts emphasis on differentiation from a company's rivals, whereas legitimacy focuses on similarity to competitors, as well as compliance with social norms and standards. Therefore, a company creates a positive reputation for itself by differentiating specific dimensions among its competitors. In this regard, Deephouse and Carter (2005), found that financial performance impacted a company's reputation in a positive way, but not its legitimacy. On the other hand, conformity has a positive impact on legitimacy, but a positive effect only for companies with lower reputations. Other researchers in this stream (Foreman *et. al*., 2012; King & Whetten, 2008), have claimed that a company's social identity is the construct based on which stakeholders assess companies in terms of legitimacy and reputation. In this perspective, a company obtains legitimacy when it has achieved the minimum requirements of a given social identity. On the other hand, a positive reputation is created when the company is viewed positively in relation to the ideal standards of a certain social identity.

The third pillar within the institutional perspective has focused on the role of reputational rankings in institutionalising corporate reputation (Rindova & Martins, 2012). Here, corporate reputation can be defined as the relative standing of a company compared to others in rankings generated by institutional intermediaries, such as the Reputation Institution's Most Reputable Companies and *Fortune*'s Most Admired Companies. This pillar is underpinned by the notion that the institutions that come up with the rankings are powerful intermediaries that have the ability to determine the criteria on which companies should be assessed while also determining how companies perform along these criteria (Mariconda, 2014). Once the reputation that a company gains from such rankings becomes institutionalised, it acquires the quality of what Rao (1994) refers to as a social fact; a socially constructed property that comes to be seen as an objective fact. According to Rindova *et. al.*. (2005), companies that receive endorsements from such intermediaries gain prominence in the minds of the stakeholders, from which they are likely to derive a range of benefits. Some studies in this stream have found that reputational rankings have a significant impact on the fate of companies (Rao, 1994), as well as, the actions that companies take (Martins, 2005; Elsbach & Kramer, 1996).

The cross-tabulation analysis of the data from the quantitative survey found that there was little or no interdependence between the variables tested. This analysis sought to determine whether an association exists between executives' views on corporate reputation, and: a) the industries in which their companies belonged, as well as b) whether a company is listed on the JSE or not. The results showed that two-thirds of the respondents indicated that their companies were listed on the JSE, a status that comes with an array of regulatory and compliance requirements that intend to promote good corporate governance and conduct. A significant number of respondents also indicated that their companies operated in industries that highly regulated in South Africa, such as financial services and mining. The finding means that the fact that a company is listed on the JSE or not or belongs to a certain industry had little or no influence on how company executives viewed corporate reputation, as well as its association with financial performance. Only one of the associations were statistically significant, namely: the relationship between listed on the JSE or not with how much a company is investing in its reputation. The results show that 72.7% of those listed spent up to 5% while only 33.3% of those not listed spent up to 5% of their overall budget.

The results also indicate that the executives' views are not influenced by the industries that their companies operate in either. This illustrates that the general recognition by South African executives, and their awareness of the importance of corporate reputation as a critical success factor at their companies, is not influenced by whether or not their companies are publicly listed or by the industries that they operate in. This then suggests that other factors exist that influence the executives' views and awareness of the importance of corporate reputation.

Given the onerous regulations that companies in certain industries, such as financial services, mining and those that are publicly listed, generally have to comply with in South Africa, the researcher had assumed that strong associations would exist between the variables tested. Stringent rules and regulations should encourage a better understanding and awareness of corporate reputation. However, the small size of the data sample may have contributed to the results obtained in this research, which means that further research may need to be conducted using a much bigger sample than what was used in this study.

6.5 RESEARCH OBJECTIVE 4

To explore how South African company executives view the concept of corporate reputation and its assumed role in a company's financial performance.

The point is emphasised in the existing literature that corporate reputation has become an important intangible asset at the disposal of company executives to improve financial performance. This then suggests that management executives, being at the helm of companies, are central to how corporate reputations, as well as other intangible assets of a company, are regarded, managed and leveraged for competitive advantage and to achieve better financial performance. This is why the executives' perceptions and attitudes towards these assets matter. Some scholars point out that a key role of senior executives is to build and sustain their companies' reputations (Hall, 1992), which means that their views and attitudes towards corporate reputation are crucial if the underlying dimensions of the concept are to be identified, assessed and considered as part of the resources at a company's disposal. By virtue of their positions as executives at various levels of management, they are leaders who have the capacity to influence a company's reputation. Davies and Chun (2016) argue that given a company's reputation is essentially a function of how it treats its stakeholders (such as employees and customers), its leadership plays an important role in signalling how this is to be through strategy and policy, and also through its own behaviours. As such, management executives have a particular role in transmitting this internally to their employees, who in turn transmit the same to external stakeholders.

Other scholars conducting research on reputation are now increasingly relying explicitly on socio-psychological perspectives to explain not only how reputations are created and sustained, but also why some companies have favourable reputations while others have unfavourable reputations (Mishina*et. al.*, 2012; Sohn & Lariscy, 2012; Sjovall & Talk, 2004; Brooks *et. al*., 2003). These scholars have now explored both the positive and negative sides of corporate reputation by examining the manner in which these different types of reputations are built or damaged, and how these processes influence the ability of company executives to enhance and protect these reputations. For instance, some scholars have researched the processes through which corporate reputations are created (Fischer & Rauber, 2007; Sjovall & Talk, 2004) or the way in which different pre-existing levels of familiarity influence reputational assessments (Brooks & Highhouse, 2006; Brooks *et. al*., 2003; Turban, 2001; Turban & Greening, 1997). Others, such as Mishina *et. al.* (2012), Sohn and Lariscy (2012) and Berens *et. al*. (2017), have focused on how new information influences existing reputations (Mariconda, 2014). For example, Mishina *et. al.* (2012) have investigated the various ways in which new information can influence the evaluations about a company's capabilities and character, which are driven and shaped largely by the executive leadership of the organisation. They unpacked what has been referred to as the favourability or the perceived quality aspect of corporate reputation. They focus particularly on the favourability aspect, because much research on corporate reputations has been concerned with the impact of favourability on a company.

Much more recently, others have adopted the socio-cognitive perspective to explain why companies in the same industry respond differently to the various pertinent concerns of their stakeholders, on whose perceptions corporate reputations are ultimately formed (Josh & McKendall, 2018: Waldron *et. al.*, 2013; Bundy *et. al.*, 2013). Studies in this field particularly pay more attention to the strategic cognitive processes by which companies and their executives interpret concerns of stakeholders, than they do on the cognitive processes by which stakeholder's perceptions of companies are formed. In this regard, company executives are part of the cognition processes in companies or how companies interpret and respond to salient issues raised by stakeholders or issues in their environments. Focusing on companies typically suggests that the interpretations by their executives of stakeholder issues and concerns explain the differences in how companies, say in an industry, respond differently to these issues and concerns, and in turn, how they are perceived by stakeholders on the basis of their reaction. These scholars have introduced a whole new agenda for exploring the responsiveness of companies to their stakeholders, and providing an additional lens of understanding the formation and management of corporate reputation. These studies again highlight the centrality of company executives in decision making, as well as the development and management of corporate reputation.

Bundy *et. al.* (2013), for instance, proposed a strategic cognition view of "issue salience" as a new perspective of understanding a company's responsiveness to stakeholder concerns. The authors explain issue salience as the extent to which a stakeholder issue resonates with and is prioritised by a company's management. The underlying reason is that the actions of companies in responding to stakeholder issues are not responses to objective characteristics of those demands, but are conditioned by the issue interpretation of the companies' executives. Waldron *et. al.* (2013:398) focused attention on explaining what determines whether, and in what manner, companies in an industry will give in to pressures from social activists, and change whatever practices are being contested. The authors adapt theory on executives' cognitive structures for evaluating and dealing with external pressures to predict the reactions of companies and others in the same industry to activist campaigns. Joshi and McKendall (2018:706) also developed a framework of how companies are likely to respond when faced with allegations of wrongdoing or unethical conduct, suggesting that the response choices are based on the degree of reputational risk from stakeholder withdrawal of support and perceived threats to the company's primary or secondary identity.

It is also argued extensively in the literature that, in an environment in which true product differentiation is now difficult; the regulatory landscape more stringent and challenging; global partner ecosystems more vulnerable; and the pressure to hire high-potential talent intense; a company's intangibles are increasingly recognised as business assets central to sustaining and increasing business value. A company's reputation should, therefore, be seen as one such intangible asset that executives can use to improve financial performance. The arguments that a good reputation is an intangible resource that has both tangible and intangible benefits, and when properly leveraged has the potential to unlock an organisation's bottom line, are now well documented (Jackson, 2004). The importance of the perceptions of executives towards corporate reputation can thus also be viewed through the theoretical lens of the concept as an intangible resource. Intangible resources have long been identified by researchers and executives alike as being crucial to the success of a company (Wernerfelt, 1984; Barney, 1991; Hall, 1992). There are suggestions in the literature that, to some extent, management executives understand this point. Bick (2006) maintains that executives are increasingly under pressure to demonstrate on a regular basis that they are improving financial performance and subsequently growing value for their stakeholders. He argues further that, in trying to meet short-term targets, they have placed a lot of emphasis on the organisation’s tangible assets at the expense of intangible assets – much to the detriment of enterprise value in the long-term (Bick, 2006).

However, despite the acknowledgement by most executives of corporate reputation as an important resource in the financial performance of companies, as argued in much of the literature, reputation is still not given the same treatment as other intangible assets. Executives are not managing corporate reputations with as much rigour as they apply to managing financial and operational risk (Resnick, 2004). According to Jackson (2004), for instance, in spite of the evidence suggesting that corporate reputation may be a key driver of a company’s success, reputation, like most other intangible assets, remains largely neglected in the boardrooms and overlooked in conventional analyses of financial statements. The continued prevalence of reputation-damaging events experienced by companies globally is in itself an indication that there are problems in the way corporate reputations are regarded and managed by companies. Some scholars argue that executives find managing intangible assets perplexing because current accounting systems fail to track or analyse them (Ballow, Burgman & Molmar, 2004:26). The authors argue that without numbers, executives tend to overlook their importance and their decisions will always be biased in favour of tangibles. When it comes to corporate reputation or other intangibles, the challenge for researchers and executives lies largely in how they are conceptualised and understood as well as how they are measured.

In the case of corporate reputation, in particular, Feldman, Bahamonde and Belido (2014) argue that, although the concept has already been around for a few decades now, empirical research's attempts to measure the reputation construct have not evolved at the same rate. Therefore, despite the recognition of corporate reputation as an important business asset, corporate capabilities in reputation measurement often lag. As Chun (2005) contends, often the constructs used to characterise corporate reputation do not cover all of its scope and conceptual richness, arguing further that such one-dimensional measures do not explain why one company has a poorer or better reputation than another. Salomon (2014) notes that, even management executives with sophisticated and smart market research portfolios find themselves confronted with issues of how to measure corporate reputation. As Salomon (2014) argues, measuring corporate reputation effectively could show actionable strategies to companies that allow them to manage possibly one of their most important assets and points of risk proactively. Research-based decisions inform what can otherwise be a vague or historically "programme-driven" discipline. This is a productive and pivotal time for the practice of reputation measurement, as companies around the world seek to align their research insights portfolio with the recognised importance of reputation in maintaining and driving business growth.

In addressing Research Objective 4, the study asked a series of primary and secondary research questions and these were answered through the thematic analysis of data collected through the qualitative interviews. These questions are addressed and discussed in the following sections.

6.5.1 Primary Research Question 1: Do management executives in South African companies view corporate reputation as an important factor that contributes to financial performance?

All participants in the qualitative interviews stated with certainty that corporate reputation was an important factor in the financial performance of their company and something that any entity should be preoccupied with. For example, one participant observed as follows:

How do you attract and retain talent; how does your share price do well; how do you attract and retain customers and employees when the market out there does not regard you highly? At the end of the day, reputation is all about how the market views you and that certainly has an effect on your bottom line. It is about what you do that determines how the market perceives you.

Implied in the responses was the view that having a good reputation is good for a company's bottom line and having a bad reputation has the opposite impact. In addition, it was their views that companies can determine how stakeholders perceive them through the actions they take or not take. Therefore, the more favourably a company's stakeholders perceive it, then the more they are likely to associate with it and the higher the likelihood of it performing well financially. The results show that South African executives firmly believe that corporate reputation is an important factor in the success of their companies. They view corporate reputation as an important precondition and a means of establishing a solid commercial basis from which the success of the company eventually derives (Van Riel & Fombrun, 1995:297-298). The participants in the interviews seemed to understand that to achieve this commercial basis, the company has to achieve the cooperation of and favourable perceptions and attitudes from a range of stakeholders (Fombrun, 2004). A company's reputation can make an important contribution in this regard, and it is for this reason that it is thus viewed as an important basis for competitive advantage and an intangible asset (Podnar, 2015). Likewise, commercial success or better financial performance will enhance a company's reputation.

Interestingly, results from the quantitative survey also support the above findings. For example, in answer to Question 4 of the survey, 90% of the respondents indicated that corporate reputation is of great or critical importance in the financial performance of their companies; all of the respondents thought there is an association between corporate reputation and financial performance in companies in response to Question 5 of the survey; 93% indicated they regarded seriously any risk to corporate reputational damage; 56% noted that their companies made some financial investments towards their corporate reputations in response Question 22 of the survey and 96% said they considered corporate reputation to make a contribution to the financial performance of their companies. This level of awareness and acknowledgement can be attributed to the fact that many of these executives indicated that their companies had experienced a reputation-damaging event in the last 10 years. As much as 61% stated that their companies' financial performance had suffered as a result of a bad reputation. This may also explain why an overwhelming 94% said they believed that South African companies should proactively work towards building good reputations in order to improve their financial performance.

Therefore, the results from both the structured survey and the qualitative interviews indicated overwhelmingly that executives recognise corporate reputation as an important intangible resource that contributes to and is a critical success factor in the financial performance of companies. From the results, it is clear that executives understand that it is important to devote financial and other resources towards the management of corporate reputation.

Interview participants understood clearly the concept of corporate reputation, which they viewed as being an important factor in the company's success. For example, one of the interviewees (a board member) noted:

> *Without a good reputation, you might as well forget about having a sustainable business. People do business with an entity largely because of its name; its reputation, so corporate reputation is therefore a very important consideration when running any business.*

Most participants indicated that corporate reputation was something that their company took seriously and that executive leadership paid as much attention to as it did other intangible assets. Generally, the interviewees indicated that corporate reputation was top of mind for the executive team, as they understood its importance in the business. For example, some of the interviewees noted that:

I know personally that the leadership of the business spends a lot of time discussing not just reputation as an abstract concept but also the things that drive reputation and link the two and make the association between the two. So if you look at our organisation, there is a social and ethics committee; there is a brand and risk committee etc, where these topics are discussed. They are debated and analysed at the executive group leadership level and also amongst the broad levels of management. Reputation is an extremely important consideration.

I think they (top executives) have just started taking it (corporate reputation seriously). I think they have only realized that reputation matters although it's still a journey because it takes time for others to realise what we need to do.

I think they (executives) do; I think they pay a significant degree of attention to corporate reputation; it's a difficult thing to say, more than other assets; but on the whole there is sufficient focus on reputation management.

These results are significant as they demonstrate generally a high level of appreciation and awareness that South African executives have of corporate reputation and their acknowledgement that it has an important role to play in a company's financial performance. This research also indicates that, just like it is for their counterparts in other parts of the world, corporate reputation is something that has also become top of mind for South African executives. The risk of damage to corporate reputation is therefore something that they take seriously, and this is why 56% of the respondents noted that they made capital and other resource investments towards their corporate reputations. These views of South African executives on corporate reputation are therefore very much in line with what the existing literature says with regard to executives' perceptions on the importance of corporate reputation. The results themselves are significant in that they serve to confirm some of the assertions in the literature about the perceptions of company executives towards corporate reputation and its relationship with financial performance.

6.5.2: Primary Research Question 2: Do South African company executives think corporate reputation has an influence on financial performance in companies?

Scholars have argued that one of the tangible benefits of corporate reputation is its potential to unlock a company's bottom line in the long run (Jackson, 2004). Reputation is an important precondition and a means of establishing a solid commercial basis from which the success of the company eventually derives (Van Riel & Fombrun, 1995:297-298). To achieve this commercial basis, the company has to achieve the cooperation of and favourable perceptions and attitudes from a range of stakeholders (Fombrun, 2004). A company's reputation can make an important contribution in this regard, and it is for this reason that it is thus viewed as an important basis for competitive advantage and an intangible asset (Podnar, 2015).

In general, participants in the qualitative interviews agreed that corporate reputation plays an important part in a company's financial performance and long-term sustainability. Implied in most of their responses was the view that having a good reputation is good for a company's bottom line and having a bad reputation has the opposite impact. Therefore, the more favourably a company's stakeholders perceive it, the more they are likely to associate with it and the higher the likelihood of it performing well financially.

Participants invariably stated that corporate reputation was an important factor in the financial performance and sustainability of any company. Corporate reputation was acknowledged as being central to any organisation's long-term survival, and the management of which companies should be concerned about.

Interview participants understood the importance of corporate reputation in the financial performance of a company, as well as, how companies derive financial benefits from having a good reputation. Scholars have argued that one of the tangible benefits of corporate reputation is its potential to unlock a company's bottom line in the long run (Jackson, 2004).

The results expressed by participants in the qualitative interviews on this question research question mirrored those obtained from the quantitative survey. For example, 89% of the survey respondents indicated that they were in agreement that it did. Furthermore, as many as 82% said they believed that influence between the two variables happens in both directions. This shows that most South African company executives consider both corporate reputation and financial performance to influence each other.

6.5.3: Primary Research Question 3: Do management executives consider financial performance to be an important driver of corporate reputation?

Interview participants viewed financial performance as being an important driver of their company's reputation. Without exception, all participants also categorically stated that financial performance was a key driver in the reputation of their organisation. As one participant noted:

> *Good financial performance relative to sector peers acquires good standing among investors, and attracts positive commentary on public platforms. The opposite is also true.*

The participants invariably stated that their organisation's (The Bank's) financial performance had lagged that of its industry peers for a while, which they cited as one of the major reasons for scoring its reputation averagely when asked to do so (on a scale of 1 to 10, in which 10 indicated the strongest reputation). For instance, some of the interviewees noted that:

> *We would probably get a 5 because we aren't out-shining our peers in terms of our financial performance; we are not the darling of the market and we have done some things.*

> *If you look at our share price, for instance, it is probably the worst performing of the Big Four (banks). Why? Maybe they (investors) feel that our reputation*

is of a firm that does execute well enough on its strategy or that we don't have the right kind of strategy in place.

A stronger performing company was viewed as having the effect of enhancing the company's reputation in that more stakeholders would want to be associated with it for their own different reasons. For instance, investors would be attracted to such a company for the perceived prospects of growing their wealth; customers would want to do business with the company because of the perceived quality of services and products and the possibility of lower prices; employees would want to be associated with it because it is a winning organisation. Financial performance, therefore, was viewed as an important driver of corporate reputation.

When asked during the interviews to rate their company's (The Bank's) corporate reputation (on a scale of 1-10, where 1 was weakest reputation and 10 strongest), a majority of the participants rated it at five. A major reason cited for this average rating was that the company's financial performance had not been the greatest in a long time when compared to its peers. Several participants noted that over the last couple of years the company had lagged its industry peers in terms of financial performance as exemplified by its share price (which some argued was way below those of rivals and the industry average) and annual financial results. In fact, the organisation moved from being the best performing industry stock up to 2009 when it was returning 78%, to being the worst since then (*Business Day*, August 6, 2018; *IOL Online*, 2012). Financial performance was identified in the Leximancer analysis as one of the 10 most important themes from the interviews.

If you perform well financially, potentially then your reputation in the market is that you are a high performing organisation that people would want to be associated with.

People love winners; they love to associate with winners. For instance, investors will invest in better performing companies because of the prospects of their wealth to grow; winning companies also attract talented employees;

financiers will gladly want to lend you money, even at competitive interest rates because you are a good borrower, and similarly, customers also want to associate with you. So, yes strong financial performance will enhance your reputation because all the people that interact with you, view you in a positive light.

Interestingly, financial performance was also ranked by respondents in the structured survey as the leading driver of corporate reputation (ahead of other drivers: products and services, leadership, citizenship, innovation, workplace, governance and transformation).

6.5.4:Discussion and summary

These results from both the qualitative interviews and quantitative survey are significant as they demonstrate generally a high level of appreciation and awareness that South African executives have of corporate reputation and their acknowledgement that it has an important role to play in a company's financial performance. South African executives also view financial performance as a leading driver of corporate reputation. This research also indicates that, just like it is for their counterparts in other parts of the world, corporate reputation is something that has also become top of mind for South African executives. The risk of damage to corporate reputation is therefore something that they take seriously, and this is why 56% of the respondents noted that they made capital and other resource investments towards their corporate reputations. These views of South African executives on corporate reputation and financial performance are therefore very much in line with what the existing literature says with regard to executives' perceptions on the importance of corporate reputation. The results themselves are significant in that they serve to confirm some of the assertions in the literature about the perceptions of company executives towards corporate reputation and its relationship with financial performance.

However, despite the recognition by South African company executives of the importance of corporate reputation, most respondents in the survey noted that their companies did not quantify or capture it in any form in their financial statements. For example, when asked in Question 9 of the survey, to indicate if corporate reputation's contribution was recorded or captured in their financial statements, a majority of the respondents (55%) said it was either definitely or probably not something their companies did, while a significant number was not sure; 53% said they believed corporate reputation is an asset that can be quantified (in Question 11); and a majority of the respondents said their companies did not measure their corporate reputations on a regular basis (in Question 12). According to Bick (2006), the accounting treatment of intangible assets has traditionally adopted a conservative approach, not reflecting these assets on the financial statements. This could explain why, when asked in Question 13 on the awareness of the value of their corporate reputations measured in monetary terms, 95% of the respondents said they either were not sure or that their companies did not know. However, Bick (2006) notes further that "as intangibles now comprise 75-80% of market value, pressure is being brought on to the accounting fraternity to recognise their most important assets" (Bick, 2006:17).

When it came to questions on whether their companies captured corporate reputation in their financial statements or whether it was something they measured or were able to put a financial value on, another picture emerged. More than half (55%) indicated that their companies captured corporate reputation in their financial statements. When asked about whether they believed that corporate reputation was an asset whose value could be quantified, again 53% either agreed or strongly agreed, while 28% disagreed completely. A total of 94% of the respondents stated that their companies were either not aware or were not sure what the value, measured in monetary terms, of their corporate reputations was.

With regard to the qualitative interviews, most participants indicated that they would rate their organisation's reputation (on a scale of 1-10 in which 10 was strongest) on average at 5. This was despite them acknowledging that corporate reputation was highly regarded by the executives and within the organisation; and that it was seen as a critical success factor in the financial performance of the organisation. This was also despite the interviewees demonstrating an understanding of the key drivers of reputation (such as, financial performance, leadership, products and services). For example, in highlighting the importance with which corporate reputation is held in the organisation, some of the executives noted that:

> *We have all the resources; all the people; all the agencies; we want for nothing. I have worked at an agency where I have consulted to clients and I have never seen the machinery that The Bank deploys in order to manage its reputation. I haven't seen it in any other brand I have consulted to – and I have consulted to big banks, telecoms, IT companies and I think The Bank takes reputation seriously.*

> *As the leadership, we would be worried about it (reputation) because it affects the sustainability of our business, hence reputational risk is one of the principal risks that The Bank is keeps a constant eye on. The focus on managing reputational risk is big because in the ERM (enterprise risk management) framework, it is one of the nine principal risks and there is a reason why we have a principal risk officer responsible for it.*

One would have expected that, for a company with a leadership with such high levels of awareness about the importance of corporate reputation, the company would be better regarded compared to what the executives think it is. However, the results suggest that a major gap exists between the respondents' and interviewees' perceptions of corporate reputation and what they actually do about it in practice. In other words, how they regard corporate reputation appears to be somewhat at odds with their actions towards it. On the one hand, they seem to recognise it as an important success factor for which proper management is essential, but then on the other, it would seem they do little or nothing in practice to demonstrate this understanding as illustrated by the survey results, as well as how in the field study interviewees rated their organisation. The high levels of recognition and awareness by executives of the importance of corporate reputation does not seem to be reflected in the company's own reputation. Indications are that many companies whose executives were surveyed do not measure or value it, and do not record it in their financial statements. This gap may be attributed to their general lack of understanding of how to measure and manage it effectively. It is clear that a significant number of companies do not measure their reputations, which may be a result of the challenges that they probably face with regard to measurement approaches. Some interviewees explained the problem at their organisation as follows:

> *In this organisation what's measured is what gets done; so if we are serious about reputation and its equity and therefore driving its value we have to at least measure it in a meaningful way. Should it sit on our balance sheet as an intangible asset; I think that's perhaps a step too far for were we are now, but in the long term, I think it should. In the short term, at least, if it were to sit on everyone's scorecard because when everyone is held accountable for it, we would have won 90% of the battle.*

> *What's measured is what's done; and when you don't have measures like brand equity, reputation equity etc. on your group scorecard and your group executives aren't held accountable for that but only one little person in a corner is held responsible for that, then I think the whole notion of corporate reputation will not be taken seriously because it's going to require you to take different decisions. If it is someone's problem, "Yes, yes it's good we must do it (be concerned about corporate reputation) but I don't have to do it because I am not measured on it".*

These findings corroborate further similar findings from previous research and support some of the issues that have already been raised in the literature, especially regarding the way management executives perceive and deal with corporate reputation. The measurement of corporate reputation remains a key challenge not only for company executives but for researchers as well. This has been highlighted by various scholars (Chun, 2005).

6.6 RESEARCH OBJECTIVE 5

To develop a strategic framework for managing corporate reputation in companies

The fifth objective of this study, which sought to develop a strategic framework to guide researchers and company executives in managing corporate reputation, is addressed in this section. In addressing the objective, the primary research question the study asked was: *How best can companies manage their reputations in ways that improve financial performance?* Corporate reputation is now widely acknowledged as an important factor in the competitive success in companies. The results from the quantitative survey and qualitative interviews on the views of South African company executives also corroborate this assertion. However, as highlighted in the preceding section and suggested in some of the evidence from this research, there seems to be a lack of alignment between how executives view or regard corporate reputation (that is, as an important factor in the competitiveness and financial performance of their companies) and what they do in practice to harness it as an asset. As showed and argued elsewhere in this study, this may be explained in part by the challenge company executives face regarding the effective management of corporate reputation. Despite a surge in recent years in studies in the field of corporate reputation, which have increased our understanding of the phenomenon and its assumed benefits, executives and researchers alike still grapple with its management. Findings from both the quantitative survey qualitative and interviews highlighted this challenge.

Several scholars maintain that corporate reputation has always conferred strategic leverage for companies (Fombrun, 2012; 1996; Van Riel, 1995). This study was also able to demonstrate that corporate reputation – whether good or bad – has an influence on financial performance. This highlighted the need for executives to consider the management of their reputational assets as a key strategic issue for their companies. As Ambler (2003) points out, organisations can draw on several different lenses through which managers can address the strategic issues facing their companies. For example, in the field of marketing, Peppers and Rogers (2005:50) identify what they call brand equity and customer equity "simply as two different financial lenses, each of which can provide different insights into how a company creates value". Similarly, Gray and Balmer (1998) suggest that the concept of corporate reputation should be seen as a relatively new and additional lens through which executive management can gain a better understanding of their business. As discussed in Chapter Two, corporate reputation is a social construct that develops as a result of interaction a company has with its various stakeholders within a common institutional field (Fombrun, 2012; Goode, 1978; Rao, 1994). This suggests that companies and their external stakeholders are intimately involved in a mutual process of social construction (Berger & Luckman, 1966). Based on the findings of this research and as was illustrated and argued in earlier chapters, in today's highly competitive and sensitive business environments, a company's sustainability may well depend on building and maintaining a favourable reputation. This directly relates to the effective management of corporate reputation.

It is in this context that a simple but pragmatic two-part framework (see Figure 21 below) to help guide researchers and executives in managing a company's reputation is proposed and developed in this study. This is done on the basis of the literature reviewed, as well as, research findings.

Figure 21: Strategic framework for understanding and managing corporate reputation

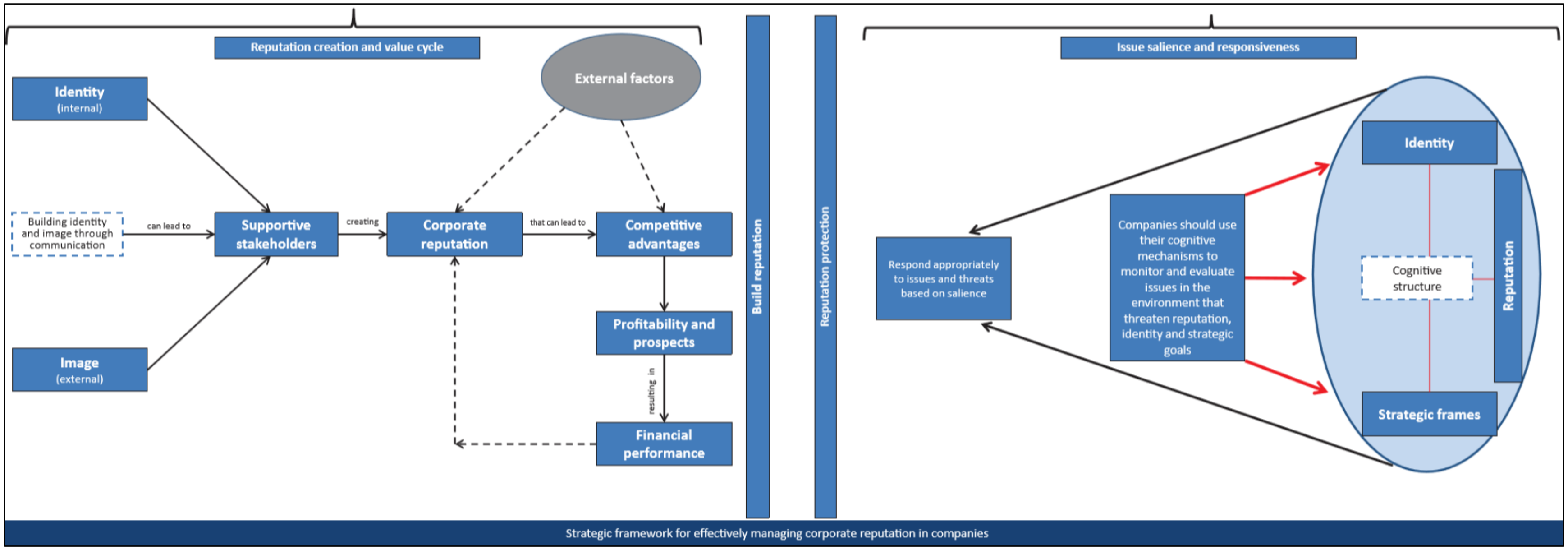


Figure 21 above illustrates the two-part framework, which incorporates both the reputation forming and sustaining processes. On the one hand, the framework focuses on the elements that explain how reputations are created and what constitutes them and those that explain how reputations create value; and on the other hand, those that might explain the favourability of reputations or how they are protected. In doing so, the framework provides a new and enlarged lens through which to view and manage corporate reputation. The framework focuses, firstly, on how reputations are created, as well as how they contribute to financial value creation in companies. Secondly, it pays particular attention to how companies use their cognition structures to respond to salient issues in their environments, thereby highlighting their abilities to enhance and sustain their reputations. Generally, companies that are concerned with the management of their reputations tend to focus more on either building or protecting these reputations than on both. Therefore, this particular framework calls upon executives to focus on both the processes that build and help sustain corporate reputations as an effective way of managing these reputation. It points executives to focus their attention and efforts equally on these two aspects in order to manage their corporate reputations in a holistic manner. In the following two sections, the parts of the framework are discussed in more detail.

6.6.1 Corporate reputation building and value creation processes

In the first part, the framework focuses on the key dimensions that are fundamental to the process of corporate reputation formation – namely, how companies see themselves (the internal dimension) and how others see them (the external dimension), also referred to in the literature review as identity and image respectively. Communication is seen as playing a central and enabling role in the interrelationship between image, identity and reputation. The framework also suggests that the result of the process can be competitive advantages, even though several other factors external to the framework can also affect this outcome.

In terms of the framework, a company can attract for itself a range of supportive internal and external stakeholders through focusing on and building its corporate identity and image, the key elements of corporate reputation. Some scholars have noted that the image that a company has externally starts with a company's internal stakeholders, primarily its employees, and how they perceive the company – in other words, its identity (Gray and Balmer, 1998). The behaviour of employees, and especially those that are customer facing, is said to affect a company's image (Lloyd, 1990:182). Thus in this view, a company's external stakeholders can develop an image of the company depending on their image of these same internal stakeholders (Kennedy, 1977; King, 1991). Findings from the quantitative survey and qualitative interviews also suggested that what companies do internally (that is, how they define themselves and say who they are) has an impact on how they are perceived by their external stakeholders (in other words, how others perceive them).

In much of the literature on corporate reputation and inferred in the definitions of several scholars (Fombrun, 2012; Chun, 2005; Van Riel & Fombrun, 1997), corporate reputation should be seen as an umbrella concept referring to the cumulative impressions of a company's internal and external stakeholders. From the findings of the qualitative interviews, it is clear that company executives consider corporate reputation to be about stakeholder perceptions. In explaining their understanding of the concept, the interviewees encapsulated the essence, as well as the perceptual nature of corporate reputation as described in the literature (Fombrun, 2012; Chun, 2005). A definition of corporate reputation in the literature that is widely accepted is one provided by Fombrun (1990: 72) that it is: "a perceptual representation of a company's past actions and future prospects that describe the company's overall appeal to all its key constituents when compared to its rivals". Scholars generally agree that, apart from its historical nature, corporate reputation can be explained in terms of its perceptual nature, that is, the perceptions that stakeholders have of an entity. These perceptions are determined, to a greater extent, by how a company defines and sees itself.

It is clear from some of the research's findings that executives understand corporate reputation to have both the internal and external dimensions – that is, respectively what a company says it is and what stakeholders perceive it to be. This framework considers the two to be important dimensions of corporate reputation and suggests that these should be linked in a rational way, in order to ensure effective reputation management. Following the above logic, for instance, if a pharmaceutical company sees itself as the market leader in the development and supply of drugs for the treatment of cancer, and the customer perceives it as a competent supplier of medicine, harmony between identity and image exists. In case of the field study, while The Bank considered itself as a market leader in the provision of financial services, it was clear from the interviews that many of its customers did not seem to experience and recognise it as such, which means that there is lack of harmony between identity and image. This was part of the reasons that interview participants advanced to explain why they thought the company's reputation standing was either average or below. Achieving a harmonious relationship, in turn, strengthens the company's reputation. The objective of corporate reputation management, therefore, is to foster this harmonious relationship between identity and image. The literature also suggests that any misalignment or gap between the dimensions affects a company's reputation negatively (Chun, 2005; Hutch & Schultz, 2001; Davies & Miles, 1998). Therefore, monitoring the gaps between what the employees think and what others think can signal potential problems in preventing reputation crises.

Gray and Balmer *(*1998:699) raise the important role played by communication in such a process. They define corporate communication as "the aggregate of messages from both official and informal sources, through a variety of media, by which the company conveys its identity to its multiple audiences or stakeholders" (p699). In other words, it is the link between the company's identity, image and reputation. Corporate communication is a critical link between corporate identity and corporate image and its reputation. As Gray and Balmer (1998:699) state, "it subsumes all communications to the company's multiple stakeholders who, in turn, through secondary and tertiary interpersonal communication may further influence the company's image and reputation".

Thus, favourable perceptions of the company among its stakeholders create positive corporate reputations. In turn, the companies with such favourable reputations are more attractive to customers, investors, communities, employees, suppliers, among a range of other stakeholders. This attractiveness "yields price, cost, and selection advantages, and it often persists over time" (Reuber & Fischer, 2007:54). For Fombrun (2005), this then implies that companies compete, not only in product, capital, and labour markets but also in what he calls reputational markets. The success at building competitive advantage in each of these markets has economic impacts for the company and its stakeholders (Rindova & Fombrun, 1999).

As this research has shown, the competitive advantages derived from having a good reputation lead to better financial prospects, in turn, resulting in the creation of financial value and better financial performance. Over time, sustained financial performance itself, in turn, contributes further to building the company's reputation in what can be viewed as a "corporate reputation-financial performance" value cycle. Findings from the regression analysis, quantitative survey and qualitative interviews indicated that while corporate reputation is a driver of financial performance, financial performance is also influenced by corporate reputation. The results from the regression analysis showed that a relationship exists in either direction between the two variables. Furthermore, the results from both the survey and the interviews clearly showed that financial performance is considered to be the biggest driver of corporate reputation. For instance, one of the reasons a number of participants in the interviews gave for what they perceived to be a low reputational standing of their company, was that The Bank had consistently performed poorly over a period when compared to its peers in the same industry. They pointed out that this performance was reflected in its share price, which had consistently lagged industry averages. This then means that it is important for any corporate reputation management approach to consider and focus on both variables.

The literature, as well as some of the research findings were able to demonstrate that a good reputation improves a company's ability to attract top people to its jobs, making it an "employer of choice"; draws customers to the company's products and enhances repeat purchases, making it a "supplier of choice"; makes the company a "neighbour of choice" (Burke, 1999: 15), and so makes it a better candidate for favourable treatment by the media and local authorities and helps a company become an "investment of choice," enhancing its ability to attract capital at a lower cost than competitors, thereby generating a price premium for the company's shares. In the "value cycle" model in which he explains how corporate reputation creates economic value, Fombrun (2005:295) states that it is from the perceptions of a company's future prospects that a company's financial value derives. Other studies have found that when financial value is created, it, in turn, impacts positively or enhances corporate reputation in the long run (Rose & Thomsen, 2004).

However, it is important to note that corporate reputation could be influenced by changes taking place in its social environment, or by strategies carried out by the same company or its competitors (García de los Salmones, Herrero & Rodríguez del Bosque, 2005). As a dynamic concept, corporate reputation develops as information about the company's activities and achievements is spread out, and interactions take place between the company and its stakeholders (suppliers, salesmen, competitors, clients, investors, employees and local communities). Different stakeholders may then have different perceptions regarding the company, based on their differing contexts and interpretation of the information received: a company may have, at the same time, a good reputation among its shareholders and one not so good among its employees (Prado, 2008; Mahon, 2002; Bromley, 2000; Fombrun, 1996).

Companies are not wholly in control of the information about them that exists outside their boundaries. Many stakeholders base their opinions without ever having any direct interaction with the company, through third-party sources (for example, the media and opinion leaders). Therefore, companies face an important challenge when it comes to managing their own reputations, which may be influenced by a variety of outside sources besides communication and signalling from inside the company (Einwiller, Carron & Korn, 2010; Brown, Dacin, Pratt & Whetten, 2006). Schultz, Hatch, and Larsen (2000:1) state that: "organisations [now] compete based on their ability to express who they are and what they stand for". Thus, corporate reputation can be thought of as the global perception or evaluation that stakeholders hold regarding a company's performance and attributes. It is a collective phenomenon that comprises both cognitive and affective dimensions, and develops over time (Karaosmanoglu & Melewar, 2006; Bromley, 2000). Corporate reputation takes place when compared to a certain standard (can be against other companies in the industry) to determine the company's relative position and general appeal (Deephouse & Carter, 2005) helping it measure its performance from an outside perception (Sarstedt & Schloderer, 2010).

6.6.2 Issue salience and responsiveness: Corporate reputation sustaining processes

In the second part, the framework focuses on some of the processes that can be adopted in order to sustain the "corporate reputation-financial performance" cycle described above, thus completing the holistic approach to effectively managing and leveraging a company's reputational assets. By being alert to the salient issues of concern to their stakeholders, as well as responding to them appropriately and effectively, companies are better able to mitigate against any threats to their reputations. This part of the framework departs from the premise that recognises the socio-cognitive processes among both the stakeholders of companies, as well as within companies that, in fact, are said to produce corporate reputation standings. As the literature review and some of the findings from both the quantitative survey and qualitative interviews showed, it is clear that the manner in which corporate reputation is formed and destroyed depends on what happens inside the company and how those outside it perceive the company. Although our understanding of what constitutes corporate reputation and the range of benefits that may result from it have been significantly expanded by much of the research around the topic of reputation, little is still relatively known about how reputational assessments happen or how such judgments may change in light of new information (Mishina *et. al.*, 2012:459).

Fombrun (2005) asserts that strategy scholars, as well as economists, disregard the socio-cognitive processes, especially within companies. Some scholars in the fields of economics and strategy now also acknowledge and argue that the viewpoint of reputation as capital fails to account for or capture the essentials of reputation-formation, that is, how reputation is formed, as well as what the role played by organisational strategic initiatives (such as communication) is in that process (Aula & Mantere, 2008). Several scholars have now explored both the positive and negative sides of corporate reputation by examining the role of companies in how these different types of reputations are built or damaged, and how these processes influence the ability of executives to enhance and protect these reputations (Mishina *et. al.*, 2012; Sohn & Lariscy, 2012; Sjovall & Talk, 2004; Brooks *et. al.*, 2003).

This proposition is made within the prevailing understanding in the literature that corporate reputation standing or ranking is a social construct that develops as a result of interaction a company has with its various stakeholders within a common institutional field (Fombrun, 2012; Rao, 1994; Goode, 1978). This suggests that companies and their external stakeholders are intimately involved in a mutual process of social construction (Berger & Luckman, 1966). Therefore, it means a company's reputation resides within the management of the organisation, as much as it does among its stakeholders (Aula & Mantere, 2008:49). In this regard, reputation is thus dependent on the attitudes of stakeholders towards the company, with attitudes denoting the degree to which an object is evaluated positively or negatively (Mariconda, 2014; Ajzen, 2001). Companies have many stakeholders that evaluate them, with each one of them using their own standards in evaluating companies. The way in which companies are regarded is thus an aggregation of assessments of the estimation of companies in an institutional field. These evaluations explain the satisfaction of the firms' social environments (Shapiro, 1987).

Drawing upon the various socio-cognitive perspectives on reputation, this framework suggests that companies have the capabilities within them to shape how they are evaluated by their external stakeholders. These capabilities, as corroborated by findings from the qualitative interviews, lie not only in what they proactively signal or communicate to their various stakeholders, but also largely in their responsiveness to the salient issues of concern in their environments. A number of participants in the field study conducted in this research explained their organisation's (The Bank's) perceived poor reputation by stating that it was a result of the company not responding appropriately to some of the issues in both its internal and external environments. The issues that were highlighted included the perceived poor levels of customer service, the quality leadership and the lack of organisational transformation. The failure to adequately address these issues were viewed as having had a detrimental effect on the company's reputation, and, in turn its financial performance.

Much more recently, some scholars have adopted the socio-cognitive perspective to explain why companies in the same industry respond differently to the various pertinent concerns of their stakeholders, on whose perceptions corporate reputations ultimately depend (Josh & McKendall, 2018: Waldron *et. al.*, 2013; Bundy *et. al.*, 2013). Studies in this field particularly pay more attention to the strategic cognitive processes by which companies interpret issues and concerns of stakeholders, than they do on the cognitive processes by which stakeholders' perceptions of companies are formed. Focusing on companies typically suggests that the interpretations by these companies' executives of salient stakeholder issues explain the differences in how companies in a group or industry respond differently to these issues, and in turn, how they are perceived by stakeholders on the basis of their reactions. The socio-cognitive perspective has introduced a whole new agenda for exploring the responsiveness of companies to their stakeholders, and provides an additional lens of understanding the formation and management of corporate reputation.

Socio-cognitive theorists argue that cues within the environments that companies operate in influence executives' – and consequently, their companies' – actions (Porac, Thomas, Wilson, Paton & Kanfer, 1995; Weick, 1979; Berger & Luckmann, 1966). To this end, this framework suggests that companies should focus on their internal organisational cognition structures in order to better discern issues that are of concern to their stakeholders, what type of threats these represent and what responses might mitigate such threats (Joshi & McKendall, 2018: Waldron *et. al.*, 2013; Bundy *et. al.*, 2013). Organisational or strategic cognition is described as the information-filtering or sense-making process through which companies interpret strategic issues (Bundy *et. al.*, 2013; Finkelstein, 2009). Executives thus need to pay attention to the processes by which their companies interpret issues of concern within their environments as a way of, not only building, but also effectively protecting their reputations from potential harm.

Strategic cognition constitutes the centre of managerial decision-making, which helps us understand how companies act as interpretation systems to receive and process stakeholder issues or cues in their environments (Daft & Weick, 1984). Bundy *et. al.* (2013) recognise organisational identity and strategic frames as two such organisational cognitive structures in understanding companies' responsiveness to salient stakeholder issues (see Figure 21 above). They propose the strategic cognition view of issue salience, defined as the extent to which a stakeholder issue resonates with and is prioritised by a company's management. Issue salience is positioned as a key factor of company responsiveness. Waldron *et. al.* (2013) focus on organisational identity, value propositions and culture, while Joshi and McKendall (2018) propose reputation and identity as the two interpretive factors that influence how companies respond to cues in their environments. Thus, it is important that companies should respond appropriately and effectively when any of their organisational cognitive dimensions are threatened. What is instructive about this approach is that it suggests that a company's responses are based on complex interactions of a number of variables, such as identity, reputation, among others, and those response choices have consequences for how they are perceived both internally and externally.

Bundy *et. al.* (2013) argue that companies do not respond to stakeholder and environmental attributes as such, but instead they respond to specific issues and concerns pushed by stakeholders (for example, emissions reduction advocated by environmental stakeholders, governance reform advocated by shareholders, and fair labour practices advocated by employees). In this regard, Bundy *et. al.* (2013: 372) develop the mediating role of strategic cognition to issue salience, recognising the importance of organisational identity and strategic frames in understanding how stakeholder issues resonate with organisational decision makers. Company executives and stakeholders need only look inward and examine the company's identity and strategic frame to understand how the company might respond to an issue. With this understanding, executives can examine stakeholder issues for core features related to their cognitive structures and come up with appropriate responses. In this regard, this framework, therefore, enters "the black box of managerial decision making" by seeking "to understand how firms act as interpretation systems to receive and process stakeholder issues" (Bundy *et. al*., 2013:356). Thus, the more positively and effectively a company responds to the salient issues of its stakeholders, the better it will be perceived or regarded by the stakeholders and the higher its reputation standing, and ultimately the safer its reputation will be from harm from external threats.

An important aspect for understanding company responsiveness is the executives' interpretation of an issue and its attributes as salient to the company, and thus worthy of a response. A company's cognitive structures of organisational identity and strategic frames use different core logics to influence managerial interpretation of an issue as salient (Bundy *et. al.*, 2013). In this regard, and based on a typology of company responsiveness, companies should respond more substantially to those issues perceived as salient to both cognitive logics and more symbolically to those issues perceived as salient to only one logic. Bundy *et. al.* (2013:353) position organisational identity (Albert & Whetten, 1985; Dutton & Dukerich, 1991) and strategic frames (Huff, 1982) as integral and interrelated components of the issue interpretation process. They argue that organisational identity guides issue interpretation using an "expressive logic", which is related to how the company defines and displays conceptions of the self, while a company's strategic frame facilitates issue interpretation using an "instrumental logic", which is based on the rational pursuit of organisational goals (Polletta & Jasper, 2001; Rowley and Moldoveanu, 2003). Both cognitive structures are said to work simultaneously to influence how executives interpret stakeholder issues they consider salient, which they do based on the issues' relationship to the logic of each cognitive structure. In this regard, issues perceived as *consistent* (that is, materially supporting, reinforcing, or confirming) or *conflicting* (for instance, materially challenging or threatening) with the core logic of each structure will have higher salience, whereas issues perceived as *unrelated* (that is, immaterial to cognitive structures) will have lower salience. In the first scenario, the lack of responsiveness could result in reputation-damaging consequences.

Issues that companies interpret as consistent with both the company's identity and strategic frames are viewed as *true opportunities*, whereas issues construed as being in conflict with both cognitive structures are seen as *true threats* (Bundy *et. al.*, 2013). An issue that represents a true opportunity allows a company to express its identity and promotes actions that fit its instrumental logic of strategic success. In these circumstances, the issue will have high salience, resonating with the company's cognitive structure and being prioritised by executives as being both an expressive and instrumental logic. Issues such as these will engender substantive accommodative responses as the company embraces the issue. On the other hand, a stakeholder issue representing a true threat will be in conflict with a company's both cognitive structures of identity and its strategic frame. In the same way a true opportunity is, a true threat will have high salience as executives evaluate the nature and extent of the perceived challenge and develop a potential response. In this instance, a company will likely adopt a substantive and defensive response in order to lessen the likelihood of reputational damage (Bundy *et. al.*, 2013).

Issues that are material to both cognitive structures may also be at odds – for instance, an issue perceived as consistent with one structure may be conflicting with the other. Bundy *et. al*. (2013) argue that such interpretations create cognitive dissonance for executives as they try to develop appropriate responses. They refer to an issue that is perceived to be in conflict with a company's identity yet consistent with the strategic frame is an *identity conflict*. An issue that is in conflict with the strategic frame but consistent with the company's identity is seen as a *frame conflict*. As an illustration, if an issue is consistent with identity yet in conflict strategic frames, the issue will be prioritised by executives depending on the potential implications of the issue on the company.

The importance of presenting this particular approach to corporate reputation management is that it assists in better understanding not only the thought processes of those making the assessments about companies (that is, stakeholders), but also the cognitive processes by which the companies interpret salient stakeholder issues of concern. This is pertinent as people's assessments influence largely how they interact and relate with companies, such as when they purchase products and services, invest their money or apply for employment. By focusing at the level of the organisation, we are able to understand how companies interact cognitively with their stakeholders and influence perceptions about the companies. Such an understanding can assist executives to better protect their companies' reputations. Furthermore, the new wave of thinking, therefore, fills crucial gaps in the understanding of how companies manage and respond to stakeholder concerns by focusing on the salience of the issue and incorporating strategic cognition as a key mediating mechanism (Bundy *et. al.*, 2013). Thus, this approach provides a more complete understanding of whom and to what companies pay attention, as well as how they respond given a level of attention.

6.7 CONCLUSION

This Chapter provided an interpretation and discussion of the research results that were presented in Chapter Five. The results and findings were discussed in relation to each objective, corresponding hypothesis and key question as set out in Chapter One. The discussion of the results and findings was done within the theoretical and conceptual context as presented in the literature review section of this study.

With regard to the first research objective, which was to determine whether or not corporate reputation and financial performance in South African companies influence each other, the linear regression analysis of archival data found that a generally weak-to-moderate relationship exists between the two variables in either direction. The results were only able to show the strength of the relationship, and not causality – which was not the intent of this study. The finding is significant in that the study was able to establish that a correlation does indeed exist between corporate reputation and financial performance in South African companies, even though this may not be as strong as the researcher had initially assumed.

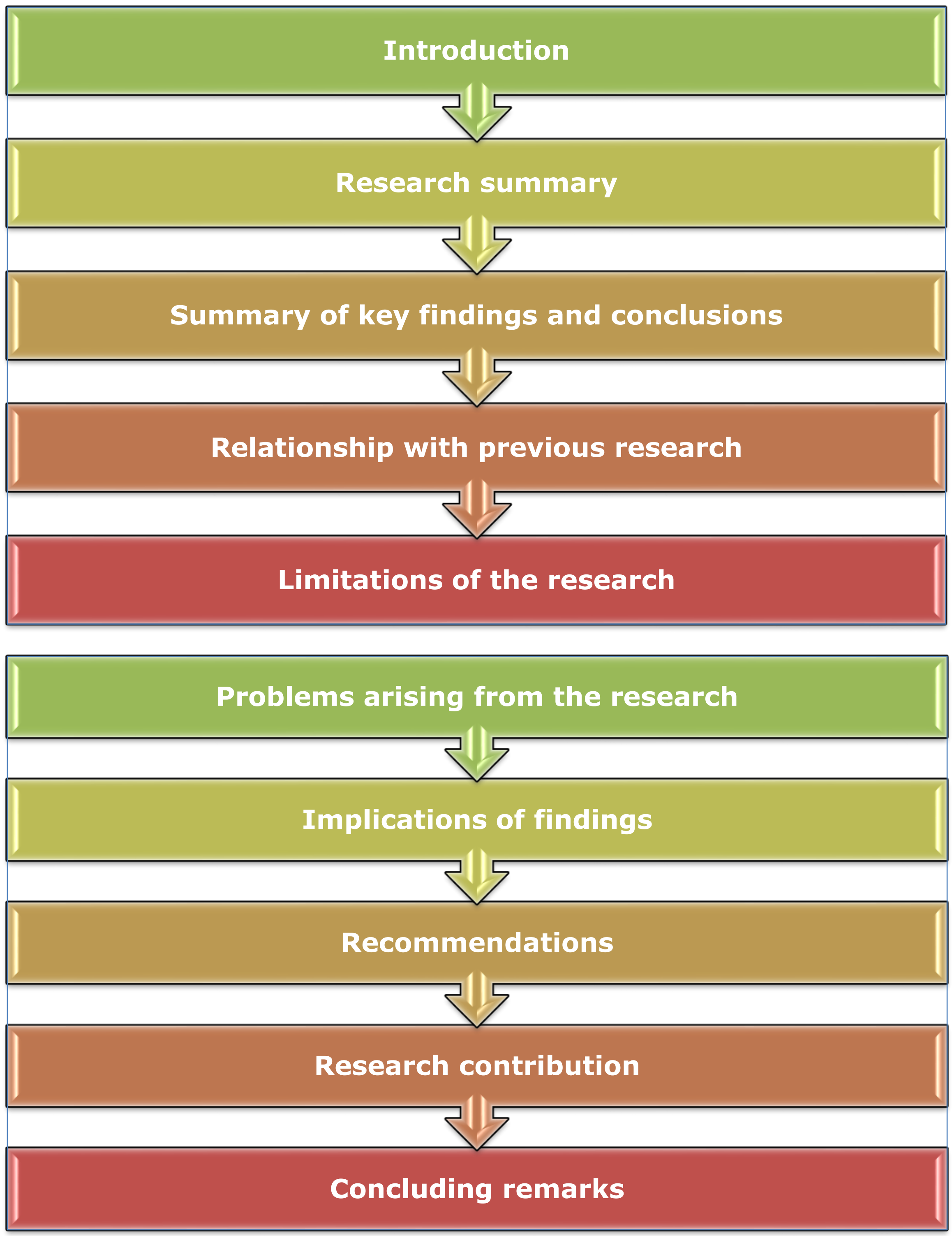
With regard to second research objective, the study found a correlation between corporate reputation being regarded highly and being properly managed in a company, and the likelihood for such a company having a good reputation to be high. Conversely, it also found that the less respondents acknowledged: that corporate reputation is something their companies take seriously; that it has an influence on financial performance of their companies; that it is an asset that can be quantified and should be invested in; that they invest capital towards corporate reputation; that it contributes highly to financial performance; and that it matters if companies are to improve financial performance; the higher the likelihood that their companies experienced a bad corporate reputation in the past 10 years.

In addressing Research Objective 3, the study found that the type of industries companies operate in and the fact that they are listed or not did not influence the executives' views on corporate reputation and financial performance. This then suggests that other factors exist that influence the executives' views and awareness of the importance of corporate reputation.

With regard to the fourth objective of the study, which sought to assess the observations and views of South African company executives regarding corporate reputation and financial performance, the findings confirmed several assertions in the literature and assumptions held by the researcher. Based on the results from both the structured survey questionnaire and the face-to-face interviews, the study found that South African executives understand the concept of corporate reputation and recognise its importance to the competitiveness of a business and financial performance. However, despite this awareness and acknowledgement of what corporate reputation entails and its importance in financial performance, the results suggested that the actual management of corporate reputation was something that South African company executives may be grappling with. For instance, in the field study, interviewees noted that the corporate reputation of their organisation was average despite the high levels of awareness of its importance and the high regard they have for it. Similarly, in the survey questionnaire a majority of the respondents indicated that their companies generally did not measure corporate reputation nor considered it along other intangible assets of their companies. This finding then suggests a gap between the executives' understanding and acknowledgement of the importance of reputation on the one hand, and what they actually do in practice to build and manage it, on the other. It is this gap that the framework for managing corporate reputation sought to address as described under the fifth objective.

The concept of corporate reputation represents a relatively new and additional lens through which executives can view and address the strategic issues facing the company. This perspective views corporate reputation as a critical strategic resource. The framework presented above offers a simple but pragmatic approach for managing the process through which this critical asset is created and can be preserved. Ultimately, this will create additional sources for strategic and competitive advantages, which in turn will contribute to a company's profitability and financial value. In the long run, sustained financial performance will, in turn, contribute positively to a company's reputation. With the careful management of the corporate reputation-financial performance relationship, it can become a self-sustaining cycle in the long run. Furthermore, in order to sustainably manage this cycle, the framework suggests that companies and their executives need to be cognitive and responsive to the salient concerns of their stakeholders, crises or any other issues in their environments. The next chapter concludes the research and details recommendations on some of the issues that can be considered for further research.

CHAPTER SEVEN: CONCLUSIONS AND RECOMMENDATIONS



7.1 INTRODUCTION

This Chapter provides conclusions, which are based on the insights gained from the study's findings, the limitations and problems arising from the research, implications of the study, as well as, recommendations to both company executives and researchers interested in pursuing additional research to exceed the scope and findings of the study.

The aim of this research was to analyse whether corporate reputation and financial performance influence each other in companies, and to assess the perspectives of South African company executives about this phenomenon. It primarily assessed the observations and views of South African company executives regarding corporate reputation in order to understand their appreciation of its importance as a success factor in a company's financial performance. In addition, it was to develop a strategic framework to guide researchers and executives to think about corporate reputation and how to manage it more effectively in ways that can improve financial performance. Academic research in the field of corporate reputation is still evolving, and as such, the concept and its assumed financial benefits for companies is still relatively less understood. This is even more so in South Africa, where little research in this regard has been done. Elsewhere, several empirical studies analysing the relationship between corporate reputation and financial performance have been conducted and these have arrived at varying findings and differing conclusions (Gatzert, 2015).

A review of the literature on corporate reputation and financial performance provided useful insights on both concepts and revealed a need for continued research on the relationship between them. Despite the increasing recognition of corporate reputation as an important success factor in companies, reputation remains largely neglected in the boardrooms and overlooked in conventional analyses of financial statements (Jackson, 2004). This is also despite intangible assets (of which corporate reputation is now considered as being one) now being said to constitute about 80% of the market value of a company and pressure being brought on to the accounting fraternity to recognise these assets (Bick, 2006:17). The continuing occurrence of reputation-damaging events in companies indicates that there are still challenges with regard to how companies manage their reputations in practice.

The thesis began by examining the concept of corporate reputation, which has attracted much interest over the past few years and has emerged as a growing and multidisciplinary field of academic study. Various theoretical approaches through which corporate reputation has been researched and understood were explored, with a focus on their limitations and main contributions to the understanding of the concept. In this regard, the study paid particular attention to the six distinct theories in the literature – namely: signalling theory, impression management theory, institutional theory, agenda-setting theory, socio-cognitive theory, and the resource-based theory – that are dominant in the way studies on corporate reputation are framed.

A comprehensive review of the literature on the concept of financial performance, as well as, some of its related constructs was also provided. Among other issues, the topic of corporate financial performance, relevance of intangible assets, the construct of profitability (by which financial performance is largely measured), elements of financial performance and the various metrics of financial performance were discussed. The nexus between corporate reputation and financial performance, focusing on how reputation creates financial value in companies was also considered.

The study followed the mixed-method approach to collect and analyse data, which typically is a combination of quantitative and qualitative methods. As such, the research was conducted within the positivist and interpretivist paradigms, respectively underpinned by the positivist and interpretivist philosophical traditions. The use of secondary data, as well as, data collected through the survey questionnaire formed the quantitative part of the study, which falls within the positivist paradigm. The qualitative aspect of the study, which comprised the analysis of data collected through face-to-face, semi-structured interviews, falls within the interpretivist paradigm.

7.3 KEY CONCLUSIONS

The first objective of this study was to test the directional relationship between corporate reputation and financial performance measures using linear regression. The results revealed a generally weak-to-moderate negative relationship between corporate reputation and the three financial performance variables that were considered, viz. ROE, ROA and ROIC. When the variables were switched around, that is, with corporate reputation being the dependent variable and the three financial measures being the independent variables, the results from the regression analysis again showed a weak-to-moderate negative relationship between corporate reputation and financial performance.

The conclusion from this is that a relationship in either direction between corporate reputation and financial performance exists, even though this may not be as strong as previously thought by the researcher. Thus, the higher a company's reputation is ranked (on an ascending scale where 1 is the most reputable), the greater the likelihood for it to deliver better financial performance. Similarly, a company performing better financially has a greater likelihood to have a higher or good reputation ranking. The results confirmed the hypothesis that there is a correlation between a higher (or lower) corporate reputation and better (or poor) financial performance. Significantly, this finding confirmed the widely held notion in the literature that corporate reputation and financial performance are associated with one another. As such, it means that management executives can improve the financial performance of their companies by focusing on the management of corporate reputation as one of the factors to achieve improved performance, as well as, enhance the reputations of their companies by improving financial performance.

In addressing the fourth research objective, the perceptions of South African company executives on corporate reputation and financial performance were assessed. This was done using the data gathered through the structured survey questionnaire and face-to-face, semi-structured interviews. A major thread in the primary evidence collected and analysed was that, generally, South African company executives understand and recognise corporate reputation as an important factor in the competitiveness and financial performance of their companies. They also consider the risk to corporate reputation as one of the biggest risks facing their companies, in much the same way similar studies elsewhere around the world have found. A majority of executives were in agreement that corporate reputation matters and that it is something towards which considerable investments should be made. Likewise, the executives also viewed financial performance as an important driver of corporate reputation, that is, they believed that a superior financial performance enhances a company's reputation.

A major conclusion from these findings is that South African executives recognise and regard corporate reputation highly and view it as an important factor in the business success of their companies as well as their financial performance. Their views are much in line with what some of the literature has said in this regard (Van Melle Kamp & Bidoli, 2010; Jackson, 2004). Again, this suggests that it is important and worthwhile for executives to focus their efforts on the effective management of their companies' reputations if they are to improve financial performance. Similarly, it is important for them to pay attention to financial performance if they are to build stronger corporate reputations.

However, despite this acknowledgement by South African executives and the display of high levels of awareness about the importance of corporate reputation, this does not seem to be reflected in how they deal with corporate reputation in reality. For example, it is clear from the survey results that most do not quantify nor capture it in their financial statements nor invest financially towards it. Most respondents also noted that their companies had recently experienced reputational crises. In the field study, executives interviewed highlighted that their company's reputational standing was not as high as it should be, especially given that it was regarded highly and its importance was recognised in the company.

The conclusion from this finding is that a major gap exists between the executives' perceptions of corporate reputation on the one hand, and what they actually do in practice to manage it, on the other. They seem to recognise it, at least in theory, as an important success factor, but then on the other hand, this recognition does not appear to correspond with how they actually manage it. As the survey indicated, many companies do not measure nor put a value to it, let alone record it among other assets in their financial statements. Elsewhere in the survey, respondents also indicated that their companies did not invest as much as they should in the management of their corporate reputations. Furthermore, the continued occurrence of corporate reputation-damaging events also serves to illustrate this point. This gap may be attributed to what scholars have pointed out as a lack of a clear understanding of the concept itself, as well as the challenges associated with how to measure it.

7.4 RELATIONSHIP WITH PREVIOUS RESEARCH

Some of the findings in this study mirror, in a number of respects, those from some of the previous studies done in other parts of the world. For instance, with regard to the findings arising out of the primary data, the observations and views that South African executives have of corporate reputation is one such area of parallel. Van Melle Kamp and Bidoli (2010) and De Marcellis-Warrin and Teoderesco (2012), among others, have conducted more or less similar studies, and have also come to similar conclusions. Like these previous studies, this study also shows that in South Africa, company executives appreciate fully that corporate reputation plays an important role in a company’s financial performance. It also indicates that, just as it is for their counterparts in other parts of the world, corporate reputation is something that has become top of mind for local executives and something they regard highly. The risk of damage to corporate reputation is something that they also perceive in a serious light. The financial performance of their companies is furthermore regarded as a key driver of corporate reputation.

Based on the analysis of secondary data, this study was able to show that corporate reputation and financial performance in South African companies are correlated with one another, albeit, in a weak to moderate manner. The number of studies on the relationship between corporate reputation and financial performance has grown in recent years, with several research articles having emerged to address this issue. Some scholars have argued that none of the several studies linking corporate reputation and financial performance were able to confirm, without any doubt, an influence of corporate reputation (measures) on financial performance (Tischer & Hildebrandt, 2011). This, Tischer and Hildebrandt (2011) further note, is because either the analyses could not prove the claimed effects or the direction of causation.

7.5 LIMITATIONS OF THE RESEARCH

A key objective of this study was to determine whether or not corporate reputation and financial performance influence each other in South African companies. The results from the analysis of the data gathered could only show that a relationship does indeed exist, albeit a negative weak to moderate one. The intent of the regression analysis was to determine the statistical significance and strength of the relationship by using the standardised beta weights and the statistical significance of the beta coefficient. However, the findings of this study do not imply adequacy of the model and the extent to which the independent variable explains the variance in the dependent variable as the focus was not to use this as a model to predict the dependent variable. The nature of the data available and collected and the limited time the researcher had to do the research in, did not allow for the determination of causality or the degree to which each of the variables cause each other to change, as the researcher had originally intended.

The small response rates from both the primary and secondary evidence was another key limitation, especially when it came to testing interdependences or associations between the variables. For example, with regard to the analysis of the secondary data, in particular, the problem of sample size may have contributed to the results of the linear regression analysis. In this instance, the study could only consider data on companies that had been ranked in the RepTrak Index of "Most Reputable Companies in South Africa". The index was supposed to provide crucial reputation rankings data that would then be tested against financial performance measures. It turned out that, unlike similar indices in other countries produced and tracked by the

Reputation Institute, the South African version had only been around for less than 10 years when this research was conducted. In addition, it was also not consistent in the companies included for annual tracking. However, in order to make the most of the evidence that was available, various methods of analysis were then used.

It would be interesting to see what findings could be obtained with bigger sample sizes. It is, therefore, suggested that further empirical research be conducted into the link between corporate reputation and financial performance in South Africa using a much bigger sample. This could require more time and resources. Given that there are no other credible corporate reputation rankings conducted in South Africa currently, such further research may have to wait for a while until other reputation ranking measures are developed or the RepTrak Index reaches adequate levels of consistency.

7.6 PROBLEMS ARISING DURING THE RESEARCH

A major problem encountered during the research, especially with regard to the collection of primary data using the structured survey questionnaire, was the lower-than-expected response rate. The questionnaire was administered through Qualtrics, an online survey tool, to 300 respondents. However, in the end, only 65 respondents took part in the survey. Although online surveys may have a number of advantages, such as ease of data gathering, minimal costs, automation in data input and handling, absence of interviewer, among others, there is always the possibility of encountering co-operation problems. Even though online surveys are able to achieve response rates that are equal to or even slightly higher than those conducted through traditional methods, the problem is that internet users today are continuously bombarded by messages and can easily delete or ignore such advances from researchers. This was a great disappointment because the lack of a bigger sample limited the analytical possibilities and may have affected the quality of the findings.

However, to circumvent this problem, the researcher then made the decision to gather further evidence using in-depth face-to-face interviews with management executives at a particular company chosen as a field study and to use the opportunity to delve deeper into some of the results of the survey. The field study option was chosen, primarily because it was the most feasible one, given the amount of time the researcher had. Interviews with executives from several companies would have been preferred, but due to the limited time available, it would have been a challenge to schedule interviews with executives in these companies.

7.7 IMPLICATIONS OF FINDINGS

The implications of the findings from this research are significant in a number of ways. Firstly, the study confirmed the existence of a relationship in either direction between corporate reputation and financial performance in South African companies, even though this was not as strong as previously thought. Importantly, this finding also confirmed the notion that is now widely held in the literature that corporate reputation and financial performance are associated with one another. As such, the practical implication for management executives is that there is merit in them focussing on improving corporate reputations if they are to improve the competitiveness and financial performance of their companies. The findings also mean that companies should strive to improve financial performance, as a way of improving their reputational standings, and that paying more attention to enhancing both corporate reputation and financial performance will lead to sustainable and more competitive businesses.

Secondly, the findings confirm the view that corporate reputation is now considered by executives as an important factor for the competitiveness and financial performance of their companies. However, in managing this important asset, executives still face similar challenges as they do with other intangible assets of a company. As a result, it is difficult for many of them to close the chasm between what they think about corporate reputation and how they harness it as one of their key assets. This also implies that corporate reputation matters in the sustainability and financial performance of companies, and that executives and their companies should be concerned about its effective management.

The proposed framework for managing corporate reputation should go a long way in addressing this gap. The framework is a simple but pragmatic tool which executives, as well as researchers can use to think about the concept of corporate reputation and how it creates value. The framework identifies some of the key elements that they should focus on when they consider building and managing corporate reputation. In addition, it calls for company executives to focus more on their organisations' socio-cognitive structures in order to identify salient issues in their internal and external environments as an additional way of shaping how they are perceived by their stakeholders.

7.8 RECOMMENDATIONS

The following recommendations are set out in terms of the implications for management and further research. The first part presents a set of recommendations to management executives of companies. The second section offers a set of recommendations for future researchers in exceeding the scope of this study. Recommendations are based on the results and findings of this study.

8.8.1 Recommendations for company executives

i. The study was able to confirm that a relationship between corporate reputation and financial performance does indeed exist in either direction, even if this was not as strong as previously assumed. The finding also backs the assertions in the literature about the association between corporate reputation and financial performance, and how the two influence each other (Roberts & Dowling, 2002). Therefore, this means that executives should care about a company's reputation if it influences business profitability and growth, and about its financial performance if it enhances reputation. This then calls upon executives and managers to pay more attention to improving both corporate reputation and financial performance in order to build strongly competitive companies that are highly regarded and can deliver better financial performance.

ii. The research findings from the survey and interviews highlighted that the effective management of corporate reputation remains a key challenge for South African company executives. These findings corroborate further similar findings from previous research and support some of the issues that have already been raised in the literature, especially regarding the way management executives perceive and deal with corporate reputation. How to measure reputation has been identified as one of the key challenges, not only for executives but for researchers as well. It is, therefore, recommended that company executives consider ways to track or measure the reputations of their companies, perhaps in similar ways that brand equity is measured. Such measures can also be incorporated into the companies' enterprise risk management frameworks, and into the companies' corporate scorecards and those of every one of their employees. This way everyone in the organisation will have accountability for the management of reputation.

iii. It is also recommended that company executives consider a holistic approach to the effective management of corporate reputation, which focuses on a number of elements and dimensions, including: the creation of reputations from the stakeholder perspective and how to leverage their impact; and taking into account the company perspective with regard to responsiveness to stakeholder issues. Generally, companies that are concerned with the management of their reputations tend to focus more on building and enhancing these reputations than on protecting them. However, companies should also focus on incorporating the aspect of company responsiveness to issues in their internal and external environments. By doing so, companies will be better able to anticipate crises before they occur and as such will be able to manage them better or avoid them altogether.

7.8.1 Recommendations for future research on corporate reputation and financial performance

i. As explained earlier, the small sample sizes and response rate for data collected and used in the analysis of quantitative aspects of the research may have been a limitation to this study. Finding consistent reputation rankings data on South African companies that could be used in testing the relationships between corporate reputation and financial performance proved a major challenge. As a result of the lack of availability of consistent data, only smaller data sets could be analysed. It is, therefore, recommended that further empirical research be conducted into ascertaining the nature of the association between corporate reputation and financial performance in South Africa, using a much bigger sample. It will require more time and resources to conduct such a research study. This may also require that a consistent reputation tracker or index of major South African companies must first be developed and implemented over time.

ii. With regard to the survey conducted with company executives the lack of a bigger sample also limited the analytical possibilities and may have affected the quality of the findings. Although the number of respondents that completed the questionnaire were a fair representation of the spectrum of South African companies and level of management responsibility at these companies, the sample size nonetheless presented problems when applying certain inferential statistical analyses on the data. It is, therefore, recommended that future research considers other survey methods or other forms of data collection, which may yield better respondent participation and outcomes than achieved in this study.

Corporate reputation has come to be viewed by scholars as an important resource that companies can leverage to gain competitive advantage and to improve financial performance. Although determining the extent to which corporate reputation influences financial performance (and determining the extent to which financial performance drives corporate reputation) was not the intent of this study, further research in this regard would be worthwhile.

Conducting research on this topic will, however, remain a challenge, since research demonstrating how corporate reputations actually create economic benefits for companies remains little and most of it is largely inconclusive. Not much research has been able to break down corporate reputation's contribution to a company's financial performance (Tischer & Hildebrandt, 2011). What most researchers have been able to determine in some instances are the varying degrees of the strength of the relationship between corporate reputation and financial performance in companies. The lack of such empirical studies probably explains why reputation remains largely ignored by executives, despite it being acknowledged as one of the company's most important intangible assets. This, therefore, calls for further research into corporate reputation's actual contribution to financial performance in companies in order to strengthen the case for corporate reputation occupying a higher place among a company's assets. Establishing such an association empirically may go a long way in ensuring that executives give corporate reputation the proper treatment it deserves. While a theoretical understanding of the significance of a relationship between corporate reputation on the financial performance in South African companies is now well established, more research remains to be done as far as operationalising this understanding. Unless this is resolved, proponents of corporate reputation may continue to find it difficult to convince company executives to not only recognise it as an important intangible asset, but to also give it more recognition in the boardrooms as well as give it proper accounting treatment.

7.9 CONTRIBUTION OF THE STUDY

Maillard (2013) writes that when considering the *impact* of his or her study, a researcher should think about what constructive and applied contribution that study will make to their field of research. In other words, the *significance* of the study should reflect on the extent of the contribution made by the study to improve our understanding, to change a concept or to promote a new hypothesis in a particular field of research. Maillard (2013:1) further states that the significance of the study could be simply reflected by the following questions: "Why should a study be published? What significant scientific contribution is a study making to my area of research?" Maillard (2013), among others, also notes that a research study's contribution should be considered at three levels: the academic, methodological, as well as practical application.

This study aimed to make contributions at the three levels identified by Maillard (2013) and others, that is, in terms of theory, methodology and practice. To start with, the study is unique in that it is the first such study to explore the link between corporate reputation and financial performance using South African data. Its findings confirm those of other similar studies conducted elsewhere. This should strengthen further the view in the literature that corporate reputation management has become more important in the sustainability and financial performance of companies. Significantly, this should also add to the existing body of knowledge and theory in the field of corporate reputation, particularly as it relate to assumptions about reputation and financial performance. While a few studies examining the link between a company's reputation and its financial performance have been done mainly in countries such as the US, UK, Australia, Germany, among others, several leading scholars in the field (such as Fombrun, 2011) have pointed out that more empirical work in this regard still needs to be done. Some of the hypotheses and assumptions on the relationship between corporate reputation and financial performance in the previous studies conducted elsewhere have never been tested in South Africa before.

This investigation, therefore, contributes to the empirical research undertaken in the field of corporate reputation generally and in South Africa in particular. The research examined whether general assumptions, as well as, findings from some of the previous studies about whether or not corporate reputation and financial performance influence each other, can be applicable in the South African context as well. Furthermore, the study provides some useful insights into how company executives think about and behave towards corporate reputation and its management. To this extent, the study certainly adds to the growing corporate reputation field by bringing into the global research mix a different and specifically South African perspective. Given the growing importance that corporate reputation management now has in South African companies, this research provides some perspectives that should guide researchers and practitioners in the study and management of this phenomenon. Overall, therefore, the study contributes to the growing body of knowledge and understanding of corporate reputation management in South Africa.

Secondly, the study also makes an important methodological contribution. Bloomberg and Volpe (2012:19) contend that methodological significance comes from "engaging research methodology in novel, creative, or insightful ways" as well as that "a research project that incorporates methodologically significant approaches may not only lead to theoretical insights and practical usefulness but also contribute to future researchers' practice". While most studies on corporate reputation and financial performance tend to follow singular research methodologies, that is, either qualitative or quantitative, this study adopted a mixed-method research approach – which combines both methods. Corporate reputation is quite a complex phenomenon, which requires it to be studied from different dimensions and perspectives, as well as using different research methods. In turn, this means that, any research on it will be far enriched by the use of more than one methodological approach. This study was able to apply different research methods in a manner that has rarely been done in other studies.

Thirdly, with regard to the practical application, an intended outcome of this research was a simple but practical framework for understanding the concept of corporate reputation and how it contributes to financial performance in companies. Such a framework should go a long way in guiding company executives and researchers alike in understanding how corporate reputations can be proactively managed in ways that improve financial performance. Management executives in particular need to be aware that by understanding the key elements of corporate reputation and focusing their efforts to build reputational capital, the management of corporate reputation can improve financial performance of their companies in the long run. Furthermore, by using their organisational cognitive structures to focus on being more responsive to issues in their internal and external environments, they will be able to anticipate potential reputation-damaging events and be in a better position to effectively manage them before or when they actually happen.

7.10 CONCLUSION

In conclusion, it would appear that the concept of corporate reputation has in a short space of time come a long way in gaining recognition as a key factor in the financial performance and business success of companies. However, its proponents do not have the same head start that proponents of, for instance, marketing and its elements (such as brand and customer equity) have had. In marketing, there are more organisations providing commercial brand valuations, (such as, Brand Finance, Quitrent, Brand Metrics, Brand Economics, Interbred, among others), and there is further progress with the accounting fraternity in the recognition of the brand as an intangible asset on financial statements (Bick, 2006). Given the various challenges that scholars continue to grapple with, especially relating to conceptualisation and measurement, the road ahead towards a full recognition of corporate reputation as an intangible asset appears to be still a long one. Nonetheless, the ranks of the corporate reputation proponents continue to swell as more scholars advocate a focus on it in order to enhance a company's sustainability, competitiveness and financial performance (Fombrun and Van Riel, 2004; Jackson, 2004; Chun, 2005; Hall, 1991, among others).

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APPENDICES

Appendix A: Letter of consent

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA
Faculty of Economic and Management Sciences

Letter of Introduction and Informed Consent

Dept. of Communication Management
The impact of Corporate Reputation on Financial Performance in South African Companies

Research conducted by:
Mr B.M Mpofu (15043739)
Cell: 083 552 2109

Dear Participant

You are invited to participate in an academic research study conducted by **Bheki Mpofu** and Post-Graduate student from the Department Of Communication Management at the University of Pretoria.

The purpose of the study is to examine the link between corporate reputation and financial performance in South African companies listed on the JSE. The title of my study is: *"The impact of Corporate Reputation on Financial Performance in South African Companies"*.

As part of my primary data collection, I will send an electronic survey to reputation stewards at some of SA's leading companies.

This is an anonymous study survey as your name will not appear on the questionnaire. The answers you give will be treated as strictly confidential as you cannot be identified in person based on the answers you give.

- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 15 minutes of your time
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my study leader, Professor Ronel Rensburg, (012) 420 3816, email ronel.rensurb@up.ac.za, if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

_________________________ _________________

Participant's signature **Date**

Appendix B: Survey questionnaire

Q1 Please indicate from the following which industry your company operates in

- Finance, insurance, real estate and business services (1)
- Communication & transport (2)
- Energy and water (3)
- Mining (4)
- Wholesale and retail trade (5)
- Manufacturing (6)
- General government (7)
- Other (please specify) (8) ____________________

Q2 Is your company listed on the Johannesburg Securities Exchange?

- Yes (1)
- No (2)

Q3 Please indicate the level of your position in your organisation

- Board (1)
- Executive Management (2)
- Senior Management i.e level below Executive Management (3)
- Mid-level Management (4)
- Other (Please specify) (5) ____________________

Q4 Please indicate the importance of reputation as a critical success factor in the financial performance of your company:

- It is of no importance (1)
- It is of minor importance (2)
- It is of moderate importance (3)
- It is of great importance (4)
- It is of critical importance (5)
- I do not know (6)

Q5 To what extent do you agree that there is a causal link between reputation and financial performance?

- To no extent (1)

- To a small extent (2)
- To a moderate extent (3)
- To a large extent (4)
- To an extreme extent (5)
- Not sure (6)

Q6 The risk to reputational damage is something that your company takes seriously. Please indicate your level of agreement:

- Strongly agree (1)
- Agree (2)
- Neither agree nor disagree (4)
- Disagree (6)
- Strongly disagree (7)

Q7 Any influence that corporate reputation has on a company's financial performance is largely:

- Direct (1)
- Indirect (2)
- Both direct and indirect (3)
- Not sure (4)

Q8 Financial performance influences your company's reputation. Please indicate your level of agreement:

- Strongly agree (1)
- Agree (2)
- Neither agree nor disagree (4)
- Disagree (6)
- Strongly disagree (7)

Q9 Is the contribution of corporate reputation to financial performance reported in any way as an asset in your company's financial statements?

- Definitely yes (1)
- Probably yes (2)
- Might or might not (3)
- Probably not (4)
- Definitely not (5)

Q10 If you have agreed or strongly agreed in Question 8, what do you consider critically to be the direction of influence?

- A higher (or lower) corporate reputation = a better (or poor) financial performance (1)
- A better (or poor) financial performance = a higher (or lower) corporate reputation (2)
- Both corporate reputation and financial performance influence each other in the long run (3)
- None of the above (4)

Q11 Reputation is an asset whose value can be quantified. Please indicate the level to which you agree with this statement:

- Strongly agree (1)
- Agree (2)
- Neither agree nor disagree (3)
- Disagree (4)
- Strongly disagree (5)

Q12 Please indicate the frequency with which your company measures its corporate reputation:

- Never (1)
- Ad hoc (2)
- Bi-annually (3)
- Annually (4)
- Not sure (5)
- Other (please specify) (6) ____________________

Q13 Is your company aware approximately how much its corporate reputation, measured in monetary terms, is worth:

- Yes (1)
- No (2)
- If yes, what is the approximate R value? (3) ____________________
- Not sure (4)

Q14 Please indicate the importance of brand as a success factor or asset in the financial performance of your company:

- It is of no importance (1)

- It is of minor importance (2)
- It is of moderate importance (3)
- It is of great importance (4)
- It is of critical importance (5)
- Do not know (6)

Q15 Please indicate the importance of people as a success factor or asset in the financial performance of your company:

- They are of no importance (1)
- They are of minor importance (2)
- They are of moderate importance (3)
- They are of great importance (4)
- They are of critical importance (5)
- Do not know (6)

Q16 Please indicate the importance of leadership as a success factor or asset in the financial performance of your company:

- It is of no importance (1)
- It is of minor importance (2)
- It is of moderate importance (3)
- It is of great importance (4)
- It is of critical importance (5)
- Do not know (6)

Q17 Please indicate the importance of technology as a success factor or asset in the financial performance of your company:

- It is of no importance (1)
- It is of minor importance (2)
- It is of moderate importance (3)
- it is of great importance (4)
- It is of critical importance (5)
- Do not know (6)

Q18 Please indicate the level of importance of products and services as a success factor or assets in the financial performance of your company:

- They are of no importance (1)
- They are of minor importance (2)
- They are moderate importance (3)

- They are of great importance (4)
- They are of critical importance (5)
- Do not know (6)

Q19 Please rank the following tangible and intangible assets in order of importance, where 1 indicates highest importance, of contribution to your company's financial performance:

_______ Reputation (1)
_______ Brand (2)
_______ People (3)
_______ Technology (4)
_______ Products & Services (5)

Q20 Who is primarily responsible for the management of corporate reputation in your company?

- The board (1)
- Senior management (2)
- Media Relations/ Public Relations/Communication department (3)
- External consultants (4)
- All of the above (5)
- None of the above (Please specify) (6) ____________________

Q21 In the management of corporate reputation, your company:

- Makes use of external consultants (i.e communication and reputation management) (1)
- Relies on its internal resources (i.e. communication and reputation management) (2)
- Uses both internal resources and external consultants (3)
- Does none of the above (Please specify what it does) (4) ____________________

Q22 Approximately how much (as a % of total invested capital) does your company invest annually in building, enhancing and protecting its reputation. This excludes marketing, advertising and other brand building activities?

- Nothing (1)
- Up to 5% (2)
- More than 5% but less or equal to 15% (3)

- Above 15% (4)
- Not sure (5)

Q23 Approximately how much (as a % of total invested capital) does your company invest annually on marketing, advertising and other brand equity building activities?

- Nothing (1)
- Up to 5% (2)
- More than 5% but less than or equal to 15% (3)
- Above 15% (4)
- Not sure (5)

Q24 How would you consider the contribution of corporate reputation (compared to other assets) to the financial performance of your company?

- To be nothing (1)
- To be minimal (2)
- To be moderate (3)
- To be high (4)
- To be very high (5)

Q25 Of the following factors considered as the key reputation drivers in South Africa (viz. performance, leadership, citizenship, innovation, governance, products & services, workplace and transformation), which top five, in order of importance, would you say your company focuses on the most?

_______ Performance (1)
_______ Leadership (2)
_______ Citizenship (3)
_______ Innovation (4)
_______ Governance (5)
_______ Products & services (6)
_______ Workplace (7)
_______ Transformation (8)

Q26 Has a good reputation impacted on your company's financial performance over the last 10 years?

- Yes, in a positive way (1)
- Yes, in a negative way (2)

- Not at all (3)
- Never had a good reputation (4)
- Not sure (5)

Q27 Has a bad corporate reputation impacted on your company's financial performance over the last 10 years?

- Yes, in a positive way (1)
- Yes, in a negative way (2)
- Not at all (3)
- Never had a bad reputation (4)
- Not sure (5)

Q28 If your company has suffered from bad reputation in the last 10 years, this has been a result of:

- Accident or disaster (1)
- Product or service failure (2)
- Corrupt or other illicit conduct (3)
- Governance failure (4)
- Has never suffered bad reputation (5)
- Other (please specify) (6) ____________________

Q29 Corporate reputation is something of value that your company should invest resources on:

- Strongly agree (1)
- Agree (2)
- Neither agree nor disagree (4)
- Disagree (6)
- Strongly disagree (7)

Q30 Companies should proactively work towards building good corporate reputations to improve their financial performance?

- Strongly agree (1)
- Agree (2)
- Moderately agree (3)
- Neither agree nor disagree (4)
- Slightly disagree (5)
- Disagree (6)
- Strongly disagree (7)

- Not sure (8)

Q31 Corporate reputation is something South African companies take seriously

- Strongly agree (1)
- Agree (2)
- Moderately agree (3)
- Neither agree nor disagree (4)
- Slightly disagree (5)
- Disagree (6)
- Strongly disagree (7)
- Not sure (8)

Q32 Corporate reputation matters for companies, if they are to improve financial performance

- Strongly agree (1)
- Agree (2)
- Moderately agree (3)
- Neither agree nor disagree (4)
- Slightly disagree (5)
- Disagree (6)
- Strongly disagree (7)
- No Sure (8)

Q33 In South Africa, awareness of the importance of having a good corporate reputation is largely a result of:

- regulation (1)
- acknowledgment by companies that reputation is an important factor in financial performance (2)
- lessons learned from global experience (3)
- All of the above (4)
- None of the above (please explain....) (5) ____________________

Appendix C: List of companies tracked by Reputation House in the years between 2011 and 2016

Name of company	Sector	Nature of Entity
1st for Women	Financial Services	Non-listed
Absa/Barclays Africa	Financial Services	Listed
Anglo American	Mining	Listed
Anglo Platinum	Mining	Listed
AngloGold Ashanti	Mining	Listed
Arcelor Mittal	Industrial	Listed
Auditor General SA	Auditing	Government
Auto & General	Financial Services	Non-listed
Aveng	Industrial	Listed
Barloworld	Industrial	Listed
BHP Billiton	Mining	Listed
Bidvest	Diversified	Listed
BP	Energy	Non-listed
British American Tobacco	Consumer Goods	Non-listed
Budget Insurance	Financial Services	Non-listed
Caltex	Energy	Non-listed
Capitec Bank	Financial Services	Listed
Cell C	Telecommunications	Non-listed
Clicks	Consumer Goods	Listed
Clover	Consumer Goods	
Coca-Cola SA	Beverages	Non-listed
De Beers	Mining	Non-listed
Dial Direct	Financial Services	Non-listed
Discovery	Diversified	Listed
Edcon Group	Consumer Goods	Listed
Engen	Energy	Non-listed
Eskom	Energy	Non-listed parastatal
Exxaro	Mining	Listed
FNB	Financial Services	Listed
FirstRand	Financial Services	Listed

Foschini Group	Consumer Goods	Listed
GoldFields	Mining	Listed
Imperial	Diversified	Listed
IDC	Financial Services	Non-listed
Kumba Iron Ore	Mining	Listed
Liberty Holdings	Financial Services	Listed
Lonmin	Mining	Listed
Massmart Holdings	Consumer Goods	Listed
Mercedes Benz	Motoring	Non-listed
MiWay Insurance	Financial Services	Non-listed
MMI	Financial Services	Listed
Mr Price Group	Consumer Goods	Listed
MTN Group	Telecommunications	Listed
Nedbank	Financial Services	Listed
Nestle	Consumer Goods	Non-listed
Old Mutual	Financial Services	Listed
Outsurance	Financial Services	Non-listed
Pick n Pay	Consumer Goods	Listed
Proctor & Gamble	Consumer Goods	Non-listed
SA Post Office	Communication	Non-listed parastatal
SABC	Media	Non-listed parastatal
SABMiller	Beverages	Listed
Sanlam	Financial Services	Listed
Santam	Financial Services	Listed
SAPPI	Manufacturing	Listed
Sasol	Industrial	Listed
Shell SA	Energy	Non-listed
Shoprite	Consumer Goods	Listed
South African Airways	Transportation	Non-listed parastatal
Spar Group	Consumer Goods	Listed
Standard Bank	Financial Services	Listed
Telkom	Telecommunications	Listed
Foschini Group	Consumer Goods	Listed
Tiger Brands	Consumer Goods	Listed

Total SA	Energy	Non-listed
Transnet	Transportation	Non-listed parastatal
Transnet Port Terminals	Transportation	Non-listed parastatal
Truworths	Consumer Goods	Listed
Unilever SA	Consumer Goods	Non-listed
Vodacom	Telecommunications	Listed
Woolworths	Consumer Goods	Listed
Xstrata	Mining	Non-listed

Appendix D: Reputation Institute RepTrak "Most Reputable Companies in South Africa" rankings 2008 – 2016 – Actual rankings

Name	RepTrak2008	RepTrak2009	RepTrak2010	RepTrak2011	RepTrak2012	RepTrak2013	RepTrak2014	RepTrak2015	RepTrak2016
Column search				5	4	5	4	5	4
	Reputation Institute - Actual company rankings								
Company name	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
1st for Women	0	0	0	0	0	0	0	0	37
Absa	0	0	0	2	3	9	8	13	34
Anglo American	0	0	0	8	16	16	18	0	0
Anglo Platinum	0	0	0	0	0	0	16	0	0
AngloGold Ashanti	0	0	0	0	0	17	19	0	0
Arcelor Mittal	0	0	0	0	0	0	21	0	0
Auditor General SA	0	0	0	0	0	0	0	0	0
Auto & General	0	0	0	0	0	0	0	0	40
Aveng	0	0	0	0	0	0	24	0	0
Barloworld	0	0	0	0	0	14	0	0	25
BHP Billiton	0	0	0	0	20	18	22	0	0
Bidvest	0	0	0	0	0	13	0	0	19
BP	0	0	0	0	0	0	0	25	31
British American Tobacco	0	0	0	0	0	19	0	0	0
Budget Insurance	0	0	0	0	0	0	0	0	38
Caltex	0	0	0	0	0	0	0	21	23
Capitec Bank	0	0	0	0	0	0	0	10	17
Cell C	0	0	0	0	0	0	0	26	47
Clicks	0	0	0	0	6	0	0	0	0
Clover	0	0	0	0	0	0	0	0	1
Coca Cola SA	0	0	0	0	0	0	0	0	2
De Beers	0	0	0	0	0	0	0	0	0
Dial Direct	0	0	0	0	0	0	0	0	42
Discovery	0	0	0	0	0	0	0	0	15
Edcon Group	0	0	0	0	0	0	0	11	0
Engen	0	0	0	0	0	0	0	18	24
Eskom	0	0	0	0	0	0	0	29	50
Exxaro	0	0	0	0	0	0	0	0	0
FNB	0	0	0	0	0	0	0	0	0
FirstRand	0	0	0	0	0	0	0	6	7
Foschini Group	0	0	0	0	0	0	0	15	14
GoldFields	0	0	0	0	0	21	20	0	0
Imperial	0	0	0	0	0	15	0	0	0
IDC	0	0	0	0	0	0	0	0	0
Kumba Iron Ore	0	0	0	0	0	0	23	0	0
Liberty Holdings	0	0	0	0	19	0	15	23	13
Lonmin	0	0	0	0	0	0	0	0	0

Massmart Holdings	0	0	0	0	0	20	0	24	5
Mercedes Benz	0	0	0	0	0	0	0	0	0
MiWay Insurance	0	0	0	0	0	0	0	0	41
MMI	0	0	0	0	0	0	0	0	36
Mr Price Group	0	0	0	0	0	0	0	5	12
MTN Group	0	0	0	1	2	6	5	4	45
Nedbank	0	0	0	6	8	10	11	14	27
Nestle	0	0	0	0	0	0	0	0	8
Old Mutual	0	0	0	3	7	2	10	20	10
Outsurance	0	0	0	0	0	0	0	0	39
Pick n Pay	0	0	0	0	10	4	4	2	6
Proctor & Gamble	0	0	0	0	0	0	0	0	30
SA Post Office	0	0	0	0	0	0	0	0	49
SABC	0	0	0	0	0	0	0	0	48
SABMIller	0	0	0	10	15	12	14	19	29
Sanlam	0	0	0	7	14	7	12	27	9
Santam	0	0	0	0	18	0	0	30	26
SAPPI	0	0	0	0	0	0	17	0	0
Sasol	0	0	0	5	11	5	7	22	20
Shell SA	0	0	0	0	0	0	0	16	22
Shoprite	0	0	0	0	12	11	9	3	28
South African Airways	0	0	0	0	0	0	0	0	43
Spar Group	0	0	0	0	9	0	3	8	4
Standard Bank	0	0	0	4	4	8	2	9	21
Telkom	0	0	0	9	17	0	13	17	46
Foschini Group	0	0	0	0	0	0	0	15	14
Tiger Brands	0	0	0	0	13	0	0	0	11
Total SA	0	0	0	0	0	0	0	28	35
Transnet	0	0	0	0	0	0	0	0	44
Transnet Port Terminals	0	0	0	0	0	0	0	0	0
Truworths	0	0	0	0	0	0	0	12	16
Unilever SA	0	0	0	0	0	0	0	0	18
Vodacom	0	0	0	0	5	1	6	7	32
Woolworths	0	0	0	0	1	3	1	1	3
Xstrata	0	0	0	0	0	0	0	0	0

Appendix E: Financial performance (ROIC)

Name Column search	Returns	Returns	Returns 2	Returns 3	Returns 4	Returns 5	Returns 6	Returns 7
	Financial performance - ROIC							
Company name	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Anglo American	0	0	13.04	-4.99	-1.59	-5.12	-13.71	0
Anglo Platinum	0	0	6.06	-10.43	-1.48	1.65	-18.87	0
AngloGold Ashanti	0	0	19.82	10.72	-24.44	1.44	0.94	0
Arcelor Mittal	0	0	0	0	0	0	0	0
Auditor General SA	0	0	0	0	0	0	0	0
Auto & General	0	0	0	0	0	0	0	0
Aveng	0	0	0	0	0	0	0	0
Barloworld	0	0	8.26	7.72	9.43	10.74	8.31	8.73
BHP Billiton	0	0	34.65	18.74	11.30	12.93	2.04	-6.19
Bidvest	0	0	14.64	14.33	13.01	10.30	12.69	205.6
BP	0	0	17.66	6.99	14.21	2.36	-4.00	0
British American Tobacco	0	0	18.10	20.98	23.56	19.25	23.72	0
Budget Insurance	0	0	0	0	0	0	0	0
Caltex	0	0	0	0	0	0	0	0
Capitec Bank	0	0	0	0	0	0	0	0
Cell C	0	0	0	0	0	0	0	0
Clicks	0	0	51.66	49.75	45.76	54.38	55.63	50.71
Clover	0	0	0	0	0	0	0	0
Coca Cola SA	0	0	14.87	14.27	12.58	9.86	10.63	0
De Beers	0	0	0	0	0	0	0	0
Dial Direct	0	0	0	0	0	0	0	0
Discovery	0	0	0	0	0	0	0	0
Edcon Group	0	0	0	0	0	0	0	0
Engen	0	0	0	0	0	0	0	0
Eskom	0	0	0	0	0	0	0	0
Exxaro	0	0	32.64	33.30	17.67	-2.43	1.57	0
FNB	0	0	0	0	0	0	0	0
FirstRand	0	0	0	0	0	0	0	0
Foschini Group	0	0	19.55	23.60	19.10	19.20	14.65	12.97
GoldFields	0	0	11.70	8.56	-2.82	0.48	-6.04	0
Imperial	0	0	12.92	13.40	12.72	12.01	11.16	11.81
IDC	0	0	0	0	0	0	0	0
Kumba Iron Ore	0	0	101.8	62.09	69.40	39.46	4.34	0
Liberty Holdings	0	0	0	0	0	0	0	0
Lonmin	0	0	7.49	-13.62	5.31	-5.85	-60.64	-18.23
Massmart Holdings	0	0	20.46	24.53	16.45	13.62	12.97	0
Mercedes Benz	0	0	0	0	0	0	0	0

MiWay Insurance	0	0	0	0	0	0	0	0
MMI	0	0	0	0	0	0	0	0
Mr Price Group	0	0	40.06	36.85	41.67	48.56	48.71	46.62
MTN Group	0	0	12.80	19.13	18.64	18.75	10.53	0
Nedbank	0	0	0	0	0	0	0	0
Nestle	0	0	12.19	13.10	11.91	16.79	10.71	0
Old Mutual	0	0	0	0	0	0	0	0
Outsurance	0	0	0	0	0	0	0	0
Pick n Pay	0	0	26.61	33.22	12.29	11.96	18.59	25.24
Proctor & Gamble	0	0	12.98	11.62	12.09	11.75	7.31	11.82
SA Post Office	0	0	0	0	0	0	0	0
SABC	0	0	0	0	0	0	0	0
SABMIller	0	0	9.58	12.86	8.55	8.72	8.99	8.43
Sanlam	0	0	0	0	0	0	0	0
Santam	0	0	0	0	0	0	0	0
SAPPI	0	0	1.91	7.77	-0.61	3.72	7.59	11.63
Sasol	0	0	17.38	18.41	17.21	16.17	14.06	5.16
Shell SA	0	0	0	0	0	0	0	0
Shoprite	0	0	30.00	24.10	18.76	17.32	18.83	17.67
South African Airways	0	0	0	0	0	0	0	0
Spar Group	0	0	40.93	37.79	38.17	24.26	24.27	21.61
Standard Bank	0	0	0	0	0	0	0	0
Telkom	0	0	4.74	0.91	-35.88	14.88	12.81	7.25
Foschini Group	0	0	19.55	23.60	19.10	19.20	14.65	12.97
Tiger Brands	0	0	27.37	22.13	16.56	11.18	10.98	19
Total SA	0	0	12.99	10.83	8.52	3.03	3.87	0
Transnet	0	0	0	0	0	0	0	0
Transnet Port Terminals	0	0	0	0	0	0	0	0
Truworths	0	0	31.79	30.92	29.75	27.06	23.97	19.42
Unilever SA	0	0	31.86	32.38	23.09	36.94	33.75	0
Vodacom	0	0	32.98	37.75	41.95	37.94	32.59	27.27
Woolworths	0	0	19.71	15.95	19.16	18.79	15.40	-7.63
Xstrata	0	0	0	0	0	0	0	0

Appendix F: Financial performance (ROE)

Name Column search	Returns	Returns	Returns	Returns 8	Returns 9	Returns 10	Returns 11	Returns 12	Returns 13
	Financial performance - ROE								
Company name	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
1st for Women	0	0	0	0	0	0	0	0	0
Absa	0	0	0	15.55	12.99	16.62	16.52	16.67	0
Anglo American	0	0	0	16.83	-3.89	-2.77	-8.65	-26.17	0
Anglo Platinum	0	0	0	6.47	-12.58	-2.75	1.24	-26.60	0
AngloGold Ashanti	0	0	0	28.94	14.79	-50.08	-1.96	-3.22	0
Arcelor Mittal	0	0	0	0	0	0	0	0	0
Auditor General SA	0	0	0	0	0	0	0	0	0
Auto & General	0	0	0	0	0	0	0	0	0
Aveng	0	0	0	0	0	0	0	0	0
Barloworld	0	0	0	8.85	12.34	11.98	13.29	9.44	9.82
BHP Billiton	0	0	0	44.92	25.15	15.93	18.47	2.65	-10.73
Bidvest	0	0	0	20.57	22.61	19.88	15.83	17.31	297.28
BP	0	0	0	24.90	10.08	18.93	3.14	-6.22	0
British American Tobacco	0	0	0	35.63	49.12	55.35	51.30	82.47	0
Budget Insurance	0	0	0	0	0	0	0	0	0
Caltex	0	0	0	0	0	0	0	0	0
Capitec Bank	0	0	0	27.54	26.96	24.35	22.44	24.32	25.87
Cell C	0	0	0	0	0	0	0	0	0
Clicks	0	0	0	61.84	59.55	55.14	58.76	53.33	0
Clover	0	0	0	0	0	0	0	0	0
Coca Cola SA	0	0	0	27.37	28	26.03	22.36	26.31	0
De Beers	0	0	0	0	0	0	0	0	0
Dial Direct	0	0	0	0	0	0	0	0	0
Discovery	0	0	0	26.96	26.55	23.55	21.80	21.10	0
Edcon Group	0	0	0	0	0	0	0	0	0
Engen	0	0	0	0	0	0	0	0	0
Eskom	0	0	0	0	0	0	0	0	0
Exxaro	0	0	0	37.31	36.95	19.10	-2.50	0.85	0
FNB	0	0	0	0	0	0	0	0	0
FirstRand	0	0	0	37.69	22.61	22.03	24.15	25.61	23.69
Foschini Group	0	0	0	24.75	26.92	26.87	26.06	24.19	23.91
GoldFields	0	0	0	15.24	11.19	-5.00	-0.72	-11.22	0
Imperial	0	0	0	22.17	22.37	21.20	19.27	16.78	15.6
IDC	0	0	0	0	0	0	0	0	0
Kumba Iron Ore	0	0	0	112.97	79.31	86.30	51.56	2.34	0
Liberty Holdings	0	0	0	20.85	26.41	23.64	21.09	20.80	0
Lonmin	0	0	0	9.68	-15.13	5.63	-5.66	-68.33	20.74

Massmart Holdings	0	0	0	22.56	28.20	24.80	20.55	20.29	0
Mercedes Benz	0	0	0	0	0	0	0	0	0
MiWay Insurance	0	0	0	0	0	0	0	0	0
MMI	0	0	0	7.06	9.82	10.89	13.26	11.59	0
Mr Price Group	0	0	0	45.25	40.28	44.14	51.62	51.23	49.62
MTN Group	0	0	0	25.82	23.29	25.84	26.41	14.70	0
Nedbank	0	0	0	13.31	14.53	15.08	15.35	15.12	0
Nestle	0	0	0	15.99	18.02	16.22	21.79	13.69	0
Old Mutual	0	0	0	7.65	15.01	9.34	7.93	8.72	0
Outsurance	0	0	0	0	0	0	0	0	0
Pick n Pay	0	0	0	36.48	48.81	22.85	22.81	29.55	30.32
Proctor & Gamble	0	0	0	18.32	16.32	17.14	16.87	10.47	17.43
SA Post Office	0	0	0	0	0	0	0	0	0
SABC	0	0	0	0	0	0	0	0	0
SABMIller	0	0	0	11.49	17.93	12.73	12.83	13.33	11.72
Sanlam	0	0	0	15.75	15.99	20.88	20.07	18.85	0
Santam	0	0	0	24.66	17.79	19.24	24.03	31.12	0
SAPPI	0	0	0	-13.75	6.93	-12.06	12.34	16.22	26.66
Sasol	0	0	0	19.56	20.25	19.12	18.45	16.39	6.64
Shell SA	0	0	0	0	0	0	0	0	0
Shoprite	0	0	0	38.64	30.53	25.76	23.02	22.72	23.95
South African Airways	0	0	0	0	0	0	0	0	0
Spar Group	0	0	0	40.74	39.76	39.58	43.36	44.72	40.46
Standard Bank	0	0	0	14.21	15.45	13.54	13.47	16.49	0
Telkom	0	0	0	4.10	-0.73	-48.88	18.82	13.01	8.67
Foschini Group	0	0	0	24.75	26.92	26.87	26.06	24.19	23.91
Tiger Brands	0	0	0	28.43	25.69	21.25	15.51	12.79	22.5
Total SA	0	0	0	18.88	15.32	11.85	4.45	5.56	0
Transnet	0	0	0	0	0	0	0	0	0
Transnet Port Terminals	0	0	0	0	0	0	0	0	0
Truworths	0	0	0	41.27	40.36	39.48	37.42	34.78	34.77
Unilever SA	0	0	0	29.55	30.42	32.82	36.94	33.75	0
Vodacom	0	0	0	56.16	59.48	66.06	60.39	56.17	55.89
Woolworths	0	0	0	28.01	23.02	26.25	25.43	20.35	-12.79
Xstrata	0	0	0	0	0	0	0	0	0

Appendix G: Financial performance (ROA)

Name Column search	Returns	Returns	Returns	Returns 14	Returns 15	Returns 16	Returns 17	Returns 18	Returns 19
	Financial performance - ROA								
Company name	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
1st for Women	0	0	0	0	0	0	0	0	0
Absa	0	0	0	1.29	1.05	1.36	1.35	1.34	0
Anglo American	0	0	0	8.87	-1.97	-1.28	-3.66	-9.53	0
Anglo Platinum	0	0	0	4.20	-7.71	-1.57	0.70	14.79	0
AngloGold Ashanti	0	0	0	13.21	6.83	-19.58	-0.62	-1.04	0
Arcelor Mittal	0	0	0	0	0	0	0	0	0
Auditor General SA	0	0	0	0	0	0	0	0	0
Auto & General	0	0	0	0	0	0	0	0	0
Aveng	0	0	0	0	0	0	0	0	0
Barloworld	0	0	0	3.59	4.67	4.42	5.06	3.72	4
BHP Billiton	0	0	0	24.67	13.28	8.14	9.56	1.38	-5.24
Bidvest	0	0	0	7.76	8.57	7.79	6.24	6.91	120.81
BP	0	0	0	9.09	3.90	7.74	1.28	-2.37	0
British American Tobacco	0	0	0	11.26	14.11	14.40	11.74	14.87	0
Budget Insurance	0	0	0	0	0	0	0	0	0
Caltex	0	0	0	0	0	0	0	0	0
Capitec Bank	0	0	0	5.48	5.75	5.18	4.77	5.12	5.50
Cell C	0	0	0	0	0	0	0	0	0
Clicks	0	0	0	15.56	15.25	14.69	14.85	13.89	13.75
Clover	0	0	0	0	0	0	0	0	0
Coca Cola SA	0	0	0	0	0	0	0	0	0§
De Beers	0	0	0	0	0	0	0	0	0
Dial Direct	0	0	0	0	0	0	0	0	0
Discovery	0	0	0	3.40	3.22	3.04	2.79	2.64	0
Edcon Group	0	0	0	0	0	0	0	0	0
Engen	0	0	0	0	0	0	0	0	0
Eskom	0	0	0	0	0	0	0	0	0
Exxaro	0	0	0	23.36	24.39	13.53	-1.82	0.59	0
FNB	0	0	0	0	0	0	0	0	0
FirstRand	0	0	0	2.64	1.84	1.81	2.03	2.19	2.04
Foschini Group	0	0	0	13.06	13.43	12.69	11.45	10.43	10.61
GoldFields	0	0	0	8.75	6.31	-2.77	-0.39	-5.63	0
Imperial	0	0	0	7.24	7.25	6.77	5.91	4.90	4.5
IDC	0	0	0	0	0	0	0	0	0
Kumba Iron Ore	0	0	0	54.72	34.42	38.10	22.47	0.94	0
Liberty Holdings	0	0	0	1.06	1.38	1.21	1.08	1.08	0
Lonmin	0	0	0	5.64	-8.65	3.59	-4.19	-48.90	-15.38

Massmart Holdings	0	0	0	5.32	6.44	4.91	3.92	3.73	0
Mercedes Benz	0	0	0	0	0	0	0	0	0
MiWay Insurance	0	0	0	0	0	0	0	0	0
MMI	0	0	0	0.55	0.77	0.80	0.84	0.66	0
Mr Price Group	0	0	0	27.04	29.84	33.44	32.60	31.78	33.21
MTN Group	0	0	0	12.35	11.41	12.88	13.35	7.12	0
Nedbank	0	0	0	0.99	1.12	1.21	1.26	1.24	0
Nestle	0	0	0	8.41	8.83	8.12	11.39	7.04	0
Old Mutual	0	0	0	0.37	0.77	0.50	0.41	0.44	0
Outsurance	0	0	0	0	0	0	0	0	0
Pick n Pay	0	0	0	7.04	9.72	4.43	4.3	5.98	6.81
Proctor & Gamble	0	0	0	8.68	7.76	8.15	8.03	4.95	7.99
SA Post Office	0	0	0	0	0	0	0	0	0
SABC	0	0	0	0	0	0	0	0	0
SABMIller	0	0	0	6.29	8.91	5.85	6.14	6.69	6.10
Sanlam	0	0	0	1.39	1.37	1.62	1.49	1.46	0
Santam	0	0	0	7.56	5.35	5.29	6.61	8.85	0
SAPPI	0	0	0	-3.44	1.67	-2.71	2.41	3.22	6.32
Sasol	0	0	0	11.84	12.36	11.60	11.17	9.84	3.70
Shell SA	0	0	0	0	0	0	0	0	0
Shoprite	0	0	0	12.97	11.73	11.17	10.08	9.77	10.5
South African Airways	0	0	0	0	0	0	0	0	0
Spar Group	0	0	0	12.04	11.64	12.10	10.06	7.83	7.78
Standard Bank	0	0	0	0.94	1.06	1.00	1.00	1.22	0
Telkom	0	0	0	2.20	-0.40	-24.68	9.43	7.74	5.06
Foschini Group	0	0	0	13.06	13.43	12.69	11.45	10.43	10.61
Tiger Brands	0	0	0	17.71	15.97	11.93	8.07	6.95	13.39
Total SA	0	0	0	7.88	6.43	4.99	1.81	2.24	0
Transnet	0	0	0	0	0	0	0	0	0
Transnet Port Terminals	0	0	0	0	0	0	0	0	0
Truworths	0	0	0	33.41	33.86	33.94	31.35	28.55	21.39
Unilever SA	0	0	0	9.59	9.56	10.56	11.06	9.79	0
Vodacom	0	0	0	19.84	22.65	25.03	22.77	19.19	17.22
Woolworths	0	0	0	10.73	8.51	10.31	10.56	8.66	-5.06
Xstrata	0	0	0	0	0	0	0	0	0

Appendix G: Semi-structured questionnaire

Level of understanding of reputation and relationship to financial performance

1. Please tell me what your understanding of corporate reputation or the reputation of a company is?
2. In your view, is this important for companies to be concerned about and can corporate reputation be measured? Please explain
3. Do you think that reputation is an important factor in a company's financial performance and overall business success? Please explain your response
4. Do you think a company's financial performance influences its reputation? If yes, how do you think it might do so?

Understanding of The Bank's reputation

5. How would you rate The Bank's corporate reputation, (on a scale of 1-10, with one being the weakest and 10 being the strongest)? Explain the basis of your response.

6. If you did not indicate No.10 as your choice, what do you think are some of the reasons keeping The Bank from the top spot?
7. What would you say are the Top 5 issues or challenges that The Bank has faced and which have affected its reputation, whether in a positive or negative way, in the past five years? Explain.
8. Do you think these have had an impact on The Bank's financial performance?
9. What do you think are some of the key drivers of The Bank's reputation? Please explain (that is, what are the four or five things that The Bank should focus on that would raise the company's reputational standing?)

Understanding of how seriously reputation is considered by The Bank management

10. In your view, is corporate reputation something that is taken seriously by management at The Bank, i.e. do you think executives at The Bank pay as much attention to reputation as they do other assets of the company? Explain.
11. How do you explain the gap between what executives think about reputation and what they do in practice? Why do they almost pay lip service when it comes to reputation?
12. What do you think are some of the challenges or difficulties that executives at The Bank have when it comes to considering reputation as an important asset that can contribute to the company's financial performance?
13. Does The Bank do enough to build and protect its reputation? If yes, please provide some examples of how it does this, if no, please explain.

Appendix H: Interviewee participants by level of management

Level of Management	No of Participants
Board	2
Executive	5
Managing Principal	5
Principal	7
Vice Principal	5
Total	**25**