Chapter for Handbook of Public Relations, 2nd edition

[5605 words plus references and tables]

Reputation models, drivers and measurement

Introduction

Reputation was, is, and always will be of immense importance to organisations, whether commercial, governmental or not-for-profit. To reach their goals, stay competitive and prosper, good reputation paves the organisational path to acceptance and approval by stakeholders. Even organisations operating in difficult ethical environments – perhaps self-created – need to sustain a positive reputation where possible.

Argenti and Druckenmiller argue that "organisations increasingly recognize the importance of corporate reputation to achieve business goals and stay competitive" (2004, p. 368). While there are many recent examples of organisations whose leadership and business practice behaviours have destroyed their reputations, such as Enron, Arthur Andersen, Bear Stearns and Lehman Brothers, the positive case for reputation is that it has fostered continued expansion of old stagers like Johnson & Johnson and Philips, and innovators such as Cisco Systems, who have led rankings of the most respected organisations in the US and Europe.

What is evident is that reputation *does not occur by chance*. It relates to leadership, management and organisational operations; the quality of products and services; and – crucially – relationships with stakeholders. It is also connected to communication activities and feedback mechanisms.

This chapter will consider the definitions and nature of reputation and its management, best practice and evaluation, particularly in relation to organisations in ethically-threatened situations.

What is reputation?

In the corporate world, reputation is seen as a major element of an organisation's provenance alongside and included in financial performance and innovation. It is socially complex and intangible, highly specific to each organisation and part of a process of "social legitimization" of the organisation (Martin de Castro *et al* 2006). There is also an historical aspect (Hall 1992; Yoon *et al* 1993; Murray and White 2004). It is perceptual (Fombrun 1996; Wartick 2002), emotive (Groenland 2002) and comprises affective and cognitive dimensions (Llewellyn 2002; Schwaiger 2004). Dowling (1994) defines corporate reputation as "… the evaluation (respect, esteem, estimation) in which an organisation's image is held by people" (p.8). Argenti and Druckenmiller (2004) refer to it as "The collective representation of multiple constituencies' images of a company built up over time and based on a company's identity programs, its performance and how constituencies have perceived its behaviour" (p.369). Fombrun and Rindova (2005) say that it is a collective representation of an organisation's past behaviour and outcomes that depict its ability to render results to stakeholders in the future. This is also reflected in Coombs' scholarship on crisis communication (Situational Crisis Communication Theory) which argues that past crises form a reputational threat to organisation in varying levels of intensity (Coombs 2004). Llewellyn (2002) expands definitions to include affective and cognitive elements: "Reputation occurs as stakeholders evaluate their knowledge of

or encounters with an organisation [cognitive] vis-à-vis their expectations, which are couched within their individual values (personal identities) or collective norms [affective]" (p.447).

The definitions of Dowling, Argenti and Druckenmiller and of Fombrun and Rindova indicate that reputation is a "collective representation" of images and perceptions, not merely a self-promotional message. It involves relationships with all stakeholders and is gained, maintained, enhanced or detracted from over time. For greater understanding of reputation, these primarily organisational management approaches can be improved with the inclusion of emotional (affective/cognitive) elements, as proposed by Llewellyn (2002) and Schwaiger (2004), which separate the perception of the stakeholder from their behaviour. Two case studies – Ansett Airlines and Rover – discussed later demonstrate the separation of these factors and the outcomes when they occlude negatively.

A factor that has not appeared prominently in public relations and communications literature is 'predictability'. In political science and political economy, it is the key factor. "The fundamental appeal and importance of this concept [reputation] for economists, and political scientists influenced by their writing, is that reputation lets actors predict others' moves during strategic interaction, according to the 'extrapolation principle' " (Sharman 2007, p.20). This principle is "the phenomenon that people extrapolate the behaviour of others from past observations and this extrapolation is self-stabilising because it provides an incentive to live up to these expectations …By observing others' behaviour in the past, one can fairly confidently predict their behaviour in the future without incurring further costs." (von Weizsacker, 1980, p.72).

Fombrun and van Riel (2004) touch on predictability by proposing that reputation involves stakeholder judgements "about a company's ability to fulfil their expectations" but most definitions and descriptions consider that reputation is a collection of images and behaviours (cf Argenti and Druckenmiller 2004, Dowling 1994). In public relations, the extrapolation principle has not been explored widely and the case studies in this chapter will consider its impact in the form of 'predictability'. While the historical aspect of reputation and the ability to deliver future results is noted (Fombrun and Rindova, 2005), it is not explicated as 'predictability'. Coombs (2004) refers to crisis history and crisis type as the basis for planning the communication response, "by accounting for the effects of crisis history, crisis managers can craft messages that more effectively protect the organization's reputational assets" (p.287) but this relevant advice is aimed at communicators and not the responses of stakeholders and so also falls short of "predictability".

Bringing this discussion together, a new definition of organisational (or corporate) reputation is proposed as: "The sum of predictable behaviours, relationships and two-way communication undertaken by an organisation as judged affectively and cognitively by its stakeholders over a period of time." It will be explored in the case studies and subsequent discussion leading to proposals for new applied theory.

Can reputation be managed?

The validity of the term 'reputation management' is also discussed this chapter. In the new field of reputation management, there is academic research and a body of knowledge; a specialist

academic journal, *Corporate Reputation Review*; as well, many public relations consultancies have rebranded as 'reputation managers' (Hutton *et al.*, 2001, pp. 247–248). There is also an assumption that all organisations have a reputation, be it good, neutral or bad. But, how well can this be managed, controlled or directed? Hutton *et al*. (2001, p. 249) describe the dilemma succinctly:

> . . . (US public relations academics) *David Finn, Doug Newsom and others have pointed out that concepts such as 'reputation' and 'image' are not generally something that can be managed directly, but are omnipresent and the global result of a firm's or individual's behaviour. Attempting to manage one's reputation might be likened to trying to manage one's own popularity (a rather awkward, superficial and potentially self-defeating endeavour).*
>
> On the other hand, some advocates see reputation management as a new guiding force or paradigm for the entire field, in keeping with Warren Buffet's admonition that losing reputation is a far greater sin for an organisation than losing money.

So questions about the validity of reputation management are balanced against the reality of the importance of reputation for businesses.

Fombrun (1996) argues a different case: that reputation is built in a planned manner by organisations taking necessary notice of the environment in which they operate.

> *Better regarded companies build their reputations by developing practices which integrate social and economic considerations into their competitive strategies. They not only do things right – they do the right things. In doing so, they act like good citizens. They initiate policies that reflect their core values; that consider the joint welfare of investors, customers and employees; that invoke concern for the development of local communities; and that ensure the quality and environmental soundness of their technologies, products and services.* (Fombrun, 1996, p. 8)

This paradigm of reputation management is that the organisation's reputation is dependent on its behaviour as a corporate citizen, part of the societies in which it operates and not above or apart from these. Reputational considerations are embedded in policy and actions, not just bolted on when convenient. Hutton *et al*. and Fombrun are approaching reputational management from different perspectives – communications management versus organisational policy. This is a theme that is also part of the continuing debate of the nature of reputation management.

Good and bad reputation

The definitions of *reputation* tend to favour the positive, with emphasis placed on 'being well thought of', 'in public esteem' and 'delivering on promises'. But reputation has two sides. In this section of the chapter, two views will be taken on the value of reputation. The first uses a survey method to identify the reputations of organisations in North American and Europe. The second

studies four case studies of large corporate organisations entering severe crises in which their notional reputational value may or may not lead to their survival.

In 2000, Gardberg and Fombrun investigated the reputation of companies at both ends of the reputational spectrum. They sought the views of samples of Americans and Europeans in 11 countries on companies with the best and worst corporate reputations (Gardberg and Fombrun 2002, p. 385). Using a combination of telephone and online polling, they garnered over 10,000 nominations.

Insert Table 1: In the United States, the top five 'best overall reputations' (summarized by authors) were:

Insert Table 2: The worst-reputation nominees were:

On the positive side, Cisco Systems was one of the strong performers in the IT business, while Johnson & Johnson had 'made' its reputation nearly 20 years earlier with its prompt and ethical response to the Tylenol extortion situation. Home Depot was more warmly regarded than Wal-Mart, which dominates US retailing. Ben & Jerry's, a niche ice cream brand owned by Unilever, had captured an immense place in the hearts of corporate America because it wasn't positioned as big and successful but quirky and human. Hewlett-Packard (HP), which was later racked by criticism for its takeover of Compaq, was then seen as part of the engine room of the US IT sector that was soon to be hit by the early-decade 'techwreck' recession.

On the negative side, Firestone was suffering (as was Ford) from catastrophic tyre failures on the Explorer SUV. ExxonMobil had become a long-term target for environmental groups after the Exxon Valdez pollution disaster in Alaska, while Philip Morris (now Altria) was constantly in the spotlight for its production and marketing of cigarettes, which also affected the reputation of non-tobacco brands and subsidiaries. Nike, once the darling of sports brands, was under attack from public interest groups for sourcing productions from low-cost economies with abysmal labour practices, while K-Mart was suffering from poor financial performance and being seen as an also-ran compared with Wal-Mart and Home Depot.

Insert Table 3: In Europe, the nominations for best corporate reputation (summarized by authors) were:

Insert Table 4: The worst-reputation nominees in Europe were:
(Tables adapted from Gardberg and Fombrun, 2002, pp. 387–390)

In Europe, three motor vehicle makers were ranked in the top five in a list headed by a discount retailer, equivalent to Wal-Mart, and a long-established electrical and electronics manufacturer. Ironically, while Ford was being hammered in the US for the failings of its Explorer SUV, it was simultaneously being lauded in Europe. Since 2000, Daimler Chrysler's star has been falling as the transatlantic motor manufacturing merger has failed to deliver value and was broken up.

The negative picture contains two US-owned corporations, McDonald's and Microsoft, and two European oil groups (TotalFinaElf and Shell), along with Deutsche Bank. Yet all continue to be

successful despite this negative reputation.

The conclusions drawn by Gardberg and Fombrun (2002, p. 391) were:

- Positive nominations are given to companies with strong corporate brands that have identifiable subsidiary brands often of the same name. The gaining of favourable 'top-of-mind' visibility speaks to the historical associations created in the minds of the public through strategic communications.
- Negative associations with some equally strong mega-brands whose names have become synonymous with crisis speak to the inability these companies have in adjusting public perception.

Reputation's value in a crisis

'Good' reputation can, some argue, accumulate like assets in a bank (Alsop 2004) and help balance out rainy days when the organisation runs into problems. Research, using case studies from Australia and the UK (Watson 2007), found that the reputational equation is loaded with caveats and conditions for this outcome to be predicted. The four case studies were a national airline, a grain exporter, a building materials manufacturer and a vehicle manufacturer. They were chosen for the national impact of their behaviours and subsequent plight, prominence in media coverage, use of corporate communication strategy and tactics and similar types of unethical behaviour or what was perceived by stakeholders to be so. Their analysis has led to new propositions on applied theory on the role of reputation is managing crises.

Ansett Airlines: national airline

After operating since 1937, the long-established Australian airline Ansett collapsed in 2001 after aircraft maintenance crises eroded public confidence. After the third of these crises, travellers' intentions to travel by Ansett had fallen to 25%. In response, the airline placed its chief executive before the media in order to apologise to customers and assure them of improvements in the quality of service. It followed this with a $A20 million advertising campaign, entitled using the chief executive and high-profile sports and entertainment stars (Easdown and Wilms 2002) but this campaign had a boomerang effect on customers. Facing insolvency, Ansett shut down its operations on September 15, 2001.

McDonald (2005) applied attribution theory to Ansett's problems and found the dominant customer attitude to the airline had been anger and distrust in the senior executive staff to manage effectively and tell the truth. Even using the CEO as chief spokesperson, normally best practice, was a failure because it reinforced the image of an airline that did not care for the safety of its customers and crews but put its effort into image development.

> "Additionally, when crisis messages, such as that delivered by the Ansett CEO, were perceived as lies, anger resulted and negative character attributions were made about company management. Such dispositional attributions revealed strong negative attitudes to those companies caught lying and contribute to the public's lack of trust in the integrity of organisations" (McDonald 2005, p.10).

AWB International: Grain exporter

Australia has been a major export of agricultural produce since the mid-19th century and wheat has always ranked highly in importance in volume and value. Australia's (then) sole licenced wheat exporter AWB International (the privatised Australian Wheat Board), provided sales to the post-Gulf War I Iraqi market of 10 million tonnes of wheat for more than a decade. This was notionally supplied at market price through a United Nations-approved process but the Volcker report into the Oil-for-Food program, however, found there was "a sink of corruption" (The Australian 2005) and that AWB was one of traders with Iraq which engaged in practices that inflated the price of imports and provided income to the Sadaam Hussein regime.

This revelation led to the appointment by the Federal Government of a Commission to enquire into the behaviour of AWB. It recommended that 11 former AWB executives and an oil businessman face criminal charges for allegedly deceiving the United Nations and Australian government over the scandal. Subsequently, the Government took the sole export right for away and handed it to a grower group from 2008 onwards, with an important judgement being that AWB's ethical behaviour was no longer defendable or predictable. AWB has since produced poor financial performance (a 71 per cent fall in half year after tax profits to end of March 2007) (ABC Radio National 2007) and suffered the loss of its business reputation (a continuing decline in share price). Because it had national commercial interests in that were separate from international trading, AWB has survived as a much-reduced business but had lost its international reputation and its freedom of operation.

James Hardie Industries: Building materials manufacturer

From the early 20th century onward, asbestos was mined in Australia and processed into building materials, principally for internal and external wallboards. In the latter part of the 20th century, it became apparent that many thousands of miners and building workers were suffering from the lung diseases mesothelioma and asbestosis caused by exposure to asbestos fibres. One of the major producers of these asbestos products (from 1917 to 1987) was James Hardie Industries which was faced with increasingly large compensation demands.

In a defensive move, the company moved its ownership offshore to Holland in 2001 and created a body called the Medical Research and Compensation Foundation which took over the rump of its Australian interests and was to handle compensation claims. At this time, Hardie issued a news release stating that adequate funds had been set aside for compensation claims. Actuarial assessments later estimated the liability over the next 40 years as five times higher than the company had allowed for (SMH.com 2007). Three years later, the state government in New South Wales convened a Special Committee of Enquiry into the Foundation. It found that senior management were deliberately dishonest and "prepared to be deceitful" about the extent of asbestos claims. It also reported that the corporate communications activity in 2001 had been deliberately misleading and had been planned as such (Howell *et al* 2005)

The outcomes of this period of organisational behaviour and subsequent investigations were that both criminal and civil court cases against the company and its senior executives took place. The former chief executive has been heavily fined and banned from directing a company. Smaller

fines and bans were imposed on two other Hardie executives and seven non-executive directors. Hardie has extended its compensation package and reduced legal restrictions on claimants. The company has not failed, nor has it lost its place in the world-wide market for building products but it has lost the trust of many as an ethical and responsible business. Many building contractors are reluctant to order Hardie products, a doubt that will take many years to eradicate. The company's share price has remained solid, compared with the benchmark ASX200.

Hardie's attempt to manage reputation in 2001 signally failed because of the deceptive behaviour of senior executives and the failure of the organisation to correct them quickly. Subsequently, its ability to operate freely has been severely limited by vastly increased government oversight, community antipathy, and increased costs for compensation and legal services. It can also be argued that the degraded reputational situation had engendered a loss of predictability in relationships with many key stakeholders, including government which has instituted the major enquiry.

Rover – mass market vehicle manufacturer

The case of Rover (and its antecedents) can be accurately described as a saga because of the longevity of its problems. From the early 1970s, large-scale vehicle production in the United Kingdom was in doubt because of competition from non-UK manufacturers and a range of factors that made profitable production problematic (quality, industrial issues, marketing). By the early 1990s, the Rover group (formerly British Leyland and BL) was again foundering. Its then owner British Aerospace sold the business to the German BMW car business. By the late 1990s, BMW which had invested heavily in Rover was losing £2,000 on every car that was made and sold (Brady and Lorenz 2005),

The decline and fall of Rover is well documented, but its reputation was severely damaged by corporate behaviour at two crucial points. In 2000, when BMW's exasperation with Rover's performance was reaching a terminal stage, as its market share had slumped from 11.3 per cent to 4.6 per cent, it undertook "what amounted to a disinformation programme throughout the first quarter …" (ibid, p.165) and told staff and car dealers that it was proceeding with a reorganisation and had no intentions of selling Rover. It also made assuring comments to the then Industry Secretary and sought his support for an EU aid package worth £152 million. In the meantime, BMW was secretly seeking to sell Rover to competitors and in negotiations with a private equity firm to break up the business. When the news of the potential sale broke in March 2000, Rover's reputation amongst all stakeholders sank to a new low. One newspaper headline, "It's all over Rover" (ibid, p. 171), summed up the sentiment. BMW did not complete the deal with the private equity firm and sold it for a notional £10 to a group of former Rover managers. BMW had destroyed what was left of Rover's reputation with British stakeholders by its action in the "disinformation" activity in the first half of 2000.

Phoenix's ownership of Rover was disastrous and the car maker shut down in 2005. The expected benefit of a return to British ownership stimulating national sales did not eventuate. While British buyers were sympathetic to Rover (the affective element), they had known about the problems of the marque and its products for 30 years (the cognitive element) and because of the long-term decline in both product and corporate reputation chose not to purchase them. In the Phoenix

period, the new management was unsuccessful in turning the business around or engaging the support of key stakeholders, especially the Government which had long ceased to be supportive of Rover. Although there was a long history of political and financial support for Rover, one of the factors in its demise was surely that its behaviour was demonstrably no longer predictable or apparently ethical. In 2005, after being misled by BMW and then Phoenix, it decided to not intervene again in the West Midlands motor industry. That was the end of Rover, which had no beneficial reputation left.

Applied theory proposals

In all case studies, poor management, unethical practices, a lack of engagement with customers and other stakeholders, indifferent or aggressive performances by CEOs, misleading corporate communication and lack of preparedness for crisis communication severely or terminally affected these companies. They also failed the test of "predictability".

Reputation has affective and cognitive elements in its make-up (Llewellyn 2002; Schwaiger 2004). Having one element, such as sympathy (affective) does not –as exemplified by Ansett and Rover – sustain an organisation's existence if the cognitive (experience of the organisation) is not balanced with it. The loss of predictability in Ansett and Rover's cases was one of main reasons that led to withdrawal of government and political support because of the erosion or elimination of their reputation. AWB's ethical and operational performance has resulted in the removal of its valued "single desk status" with predictability also one of the factors because government could no longer support its operations on international markets as being ethical and representative of the country's normal business behaviour.

James Hardie is a partial exception to the cognitive/affective and predictability analyses. Its reputation and operations have suffered within Australia, as evidenced by union boycotts and government regulations, but it has returned to profit from operations in other countries where the asbestos disease issue has little impact. So any claim to universality of these factors may be tempered by the physical situation of the crisis/behaviour (despite the reach of the Internet).

Two proposals for new applied theory are made:

Proposition 1:

Reputation is an asset in a crisis when it has these characteristics:

- Affective and cognitive elements are in an organisationally-beneficial alignment;
- The organisation operates in an historically predictable manner with a set of ethical and organisational behaviours that are acceptable to governmental and other key regulatory stakeholders;
- There is ethical leadership by the CEO and management (dominant coalition) that is supported by two-way communication and engagement with stakeholders;
- The ability to manage the immediate crisis is less important if the organisation satisfies the characteristics of affective-cognitive alignment, predictability and ethical leadership. Without these characteristics, crisis management is likely to be unsuccessful in creating

strong recovery conditions and lead to a prolonged struggle for survival.

Proposition 2:

- Failure is the most likely outcome for organisations with weak cognitive/affective balance and predictability than survival, especially if they are dependent on goodwill from government and regulators.

The implication of the propositions are that the consideration of reputation as a determinant of post-crisis response and an influence on survival or failure of an organisation should include consideration of two aspects of reputation and whether the notion of reputation as a source of defensive "capital" (Alsop 2004) is a false one. Predictability of organisational behaviour offers defensive value that is potentially greater than the immediate crisis response which is so often the focus of public relations and organisational communication research. It is a factor that deserves greater consideration because of its linkage with a wider range of stakeholders than is offered by current crisis communication theory and best practice.

Best practice in reputation management

In an eight-country study, Kitchen and Laurence (2003) explored corporate reputation management practice, with an emphasis on the role of the CEO and the management of reputation across cultures and national borders. They also identified the critically important role of clear and ethical leadership by organisation CEOs and dominant coalitions. Table 13.5 shows that corporate reputation is of the greatest importance in achieving corporate objectives, with the highest ranking in the anglophone (US, Canada and the UK) world.

Insert Table 13.5: The importance of company reputation in achieving corporate objectives

As for measurement of this element, Kitchen and Laurence comment that "despite the apparent importance devoted to corporate reputation, sustained increase in systematized formal measurement procedure was not in marked evidence in the countries concerned" (2003, p. 108) More than half the respondents in Netherlands and Canada undertook formal measurement, but there was little or no progress in other countries.

Insert Table 13.6: Formal systems to measure a company's reputation

Corporate reputation measurement

Where evaluation took place, the majority of companies in the eight countries nominated 'custom research' as both their main method of monitoring and measuring reputation and the one metric that is 'most meaningful'. Kitchen and Laurence comment that 'custom research' is a category that covers a wide range of quantitative and qualitative research techniques that can be undertaken by in-house facilities and external suppliers (2003, p. 110). The relevant factor identified was that

‘media coverage’ was much less important than ‘custom research’ and ‘informal feedback’ in most countries and was lowly ranked as a ‘most meaningful’ metric in only three out of eight countries (Netherlands 7 per cent, USA and UK 5 per cent each). As media relations is the main activity in most corporate communications programs, it is revealing that it appears to have so little importance in the measurement of (and thus contribution to) corporate reputation.

Insert Table 13.7: Corporate reputation influencers

Kitchen and Laurence comment (2003, p. 113) that, apart from the third-ranked role of CEO reputation, it was notable that print media has a higher ranking (3.24) than broadcast media (2.29). Internet (2.90) also ranks higher than broadcast media, despite its often unmediated and unchecked content. Another observation was ‘the very low ranking awarded to labour union leaders’, which may indicate that the power and importance of unions is well on the wane, a trend very noticeable throughout Europe.

A theme of this study is the weight given to the CEO’s reputation in determining corporate reputation. Citing van Riel (1999) that there is a close inter-relationship between corporate reputation and the reputation of the CEO, Kitchen and Laurence found that it is “most important in Italy, closely followed by Canada, then the USA’. On the reverse, it ‘is . . . least likely to impact on corporate reputation in Belgium, the UK and France” (2003, p. 113).

Insert Table 13.8: What percentage of your company’s corporate reputation is based on the CEO’s reputation?

“The CEO’s reputation becomes more important when choosing a successor to move the company on to new and better heights”, with the USA (64 per cent), Germany (55 per cent) and Italy (52 per cent) placing greatest weight, and Canada (38 per cent) and France (34 per cent) placing least emphasis on this factor (Kitchen and Laurence, 2003, pp.113–114).

Summarizing the eight-country study, Kitchen and Laurence offer six conclusions (2003, pp. 115–116):

1) Corporate reputation has increased and is increasing in importance.
2) The need to systematize measurement is growing in importance.
3) The key influencers on reputation are – despite some caveats – customers, employees and then the CEO.
4) A good corporate reputation precedes and helps business grow internationally and in preparing the ground in new markets among key constituencies.
5) CEO reputation and corporate reputation are increasingly intertwined. The CEO is inevitably cast in the role of chief communicator.
6) The responsibility for managing reputation is a key management responsibility and – led by the CEO – it must be managed in an integrated manner.

> It is clear that if the organisation or its CEO cannot communicate its mission, brands or values, some other organisation, stakeholder or irate public with communication capabilities can or will . . . corporate communication must be mastered by the corporation and those duly

appointed to speak on its behalf; or it will master the corporation. (p. 116)

Measuring reputation

Although Kitchen and Laurence's eight-country study found that the majority of organisations do not measure reputation well, there is a wide range of literature that propose reputational measurement. One of the most prominently discussed by practitioners is Fombrun's Reputation Quotient model. From a study of data collected by Harris Interactive and analysis of focus groups, Fombrun (2000) proposed a taxonomy for perception of companies. Based on respondents' comments on companies they liked and disliked, he has nominated six categories of factors:

Emotional appeal	How much the company is liked, admired and respected
Products and services	Perceptions of the quality, innovation, value and reliability of the company's products and services
Financial performance	Perceptions of the company's profitability, prospects and risk
Vision and leadership	How much the company demonstrates a clear vision and strong leadership
Workplace environment	Perceptions of how well the company is managed, how good it is to work for and the quality of its employees
Social responsibility	Perceptions of the company as a good citizen in its dealings with communities, employees and the environment

From these factors, he has developed a 'reputation quotient' (RQ) to "benchmark the reputations of companies as seen by different stakeholder segments" (Fombrun, 2000, p.2). This, he claimed, was a valid instrument for measuring corporate reputations. Fombrun argues that corporate reputation has economic value, but "unfortunately, efforts to document this value have run up against the fact that a company's reputation is only one of many intangibles to which investors ascribe value" (ibid, p.2). Three factors – crisis effects, supportive behaviours and financial analyses – confirm "reputations have bottom-line financial value" (ibid, p.2).

For *crisis effects*, he points to the recovery that corporations such as Johnson & Johnson (Tylenol), ExxonMobil (Exxon Valdez) and Motorola (brain tumours and mobile phones) have had after crises. This has varied in financial and reputational terms, with research by Gardberg and Fombrun (2002) identifying Johnson & Johnson as one of the most respected companies and ExxonMobil as one of the least respected companies in other research published in 2002.

Supportive behaviour is evidenced by the attitude of resource-holders (banks, suppliers, regulators and staff). Most companies are not in a crisis state and thus their reputation remains stable if not improving. That, says Fombrun (1996), creates a value cycle when perceptions and performance "[demonstrate] approval of the company's strategic initiatives and [are] made possible by more attractive financial valuations" (p.42).

Financial analyses can also support the value of corporate reputation with measurement of intangible assets such as patents and goodwill (reputational capital). Other technical devices, such as notional licensing of a corporate name, can demonstrate value. Fombrun points to research by Srivastava *et al.* (1997), who compared companies with similar risk and return but different average reputation scores in 1990. This study found that a 60 per cent difference in reputation score was associated with a 7 per cent difference in market value. Since this average capitalization was $3bn, 'a point difference in reputation score from 6 to 7 on a 10-point scale would be worth an additional $52m in market value' (Srivastava *et al.*, 1997, p.6). Later studies of Fortune 500 corporations between 1983 and 1997 indicated that one point difference on the scale was worth $500m in market value (Black *et al*., 2000).

A challenge to Fombrun's analysis and methodology has been mounted from public relations academics. Hutton *et al*. (2001, p. 258) argue that there is a confusion between correlation and causality: '. . . reputation researchers have claimed significant correlations between reputation and financial performance; unfortunately such studies are largely meaningless and circular in their logic, given that *Fortune* and other reputation measures they are studying are largely *defined* by financial performance'.

The relationship between reputation and spending on corporate communication activities has been studied by Hutton *et al*. They did not find a smooth, consistent relationship between corporate communication spending and reputation, with the overall correlation being just 0.24. They also found that the correlation between company size and reputation was 0.23. 'In other words, there was a modest correlation between reputation and spending on communication activities, but most of that was accounted for by the fact that larger companies – which presumably benefit from greater visibility – tend to have better reputations' (Hutton *et al*., 2001, p. 249). The significant correlation between corporate activity and reputation was 'foundation funding' (charitable donations), which was 0.69. High levels of expenditure for investor relations, executive outreach and media relations were other activities that correlated highly with positive reputation. Acidly, they noted that social responsibility, corporate advertising and industry relations have negative correlations. (Hutton *et al*., 2001, pp. 252–253).

Thus, there is a mixed picture in the academic debate over valuation of corporate reputation. Simple verities that good behaviour and practices equals good reputation are challenged by the correlation between sheer size of a company and its expenditure in some areas of communication.

References

ABC Radio National, The World Today, (2007). *AWB records massive profit slump*, May 23, 12:21:00.

Alsop, R.J., (2004). *The 18 immutable laws of corporate reputation: creating, protecting, and repairing your most valuable asset*. New York, NY: The Free Press.

Argenti, P.A., & Druckenmiller, B., (2004). Reputation and the corporate brand. *Corporate reputation review*, *7*(4), 368-374.

Black, E., Carnes, T., & Richardson, V., (2000). The market value of corporate reputation. *Corporate Reputation Review*, *3*(1), 31-42.

Brady, C. & Lorenz, A., (2005). *End of the road: The true story of the downfall of Rover*. (2nd Ed). Harlow: Pearson Prentice Hall.

Coombs, W.T., (2004). Impact of past crises on current crisis communication. *Journal of Business communication*. *41*(3), 265-289.

Coombs, W.T., (2007). Attribution theory as a guide for post-crisis communication research. *Public Relations Review*, *33*(2), 135-139

Dowling, G., (1994). *Corporate reputations*. Melbourne: Longman Professional

Easdown, G. & Wilms, P., (2002). Crash landing. *Herald-Sun*. 27 July, 19

Fombrun, C.J., (1996). *Reputation: realising value from corporate image*. Cambridge, Mass: Harvard Business School Press.

Fombrun, C. J., (2000). The value to be found in corporate reputation. *Financial Times*, December 4, p.2.

Fombrun, C.J. & Rindova, V., (2005). Fanning the flame: Corporate reputations as a social construction of performance. In J. Porac & M. Ventresca (Eds), *Constructing Markets and Industries*. New York: Oxford University Press.

Fombrun, C.J. & van Riel, C.B.M., (2004). *Fame and fortune: how successful companies build winning reputations*. New Jersey: FT Prentice Hall.

Gardberg, N.A. & Fombrun, C.J., (2002). For better or worse – the most visible American corporate reputations. *Corporate Reputation Review*, *4*(4), 385-391

Groenland, E., (2002). Qualitative research to validate the RQ dimensions. *Corporate Reputation Review*, *4*(4), 308-315.

Hall, R., (1992). The strategic analysis of intangible resources. *Strategic Management Journal*, *13*, 135-144.

Howell, G., Miller, R. & Bridges, N., (2005). Cardinal rule of the media release – get your facts right. *Asia Pacific Public Relations Journal*, *6*(2), available at http://www.deakin.edu.au/arts/apprj/currenti.php#7

Hutton, J. G., Goodman, M.B., Alexander, J.B., & Genest, C.M., (2001). Reputation management: The new face of corporate public relations. *Public Relations Review, 27*, 249.

Llewellyn, P.G., (2002). Corporate reputation: Focusing on the zeitgeist. *Business and Society*, *41*(4), 446-455.

Martin de Castro, G., Navas Lopez, J.E., & Lopez Suez, P., (2006). Business and social reputation: Exploring the concept and main dimensions of corporate reputation. *Journal of Business Ethics*, *63*, 361-370.

McDonald, L., (2006). Perceiving is believing: How consumers' attributions about the cause of Ansett Airlines' safety crisis impacted outcomes. *Asia Pacific Public Relations Journal*, *6*(2). Available from http://www.deakin.edu.au/arts/apprj/currenti.php#7

Schwaiger, M., (2004). Components and parameters of corporate reputation – An empirical study. *Schmalenbach business review*, *56*(1), 46-71.

Sharman, J.C., (2007). Rationalist and constructivist perspectives on reputation. *Political Studies*, *55*, 20-37.

SMH.COM, (2007). James Hardie profit up, asbestos liability estimate down. 28 May. Accessed on 29 May, 2007 at http://www.smh.com.au/news/business/james-hardie-profit-up-asbestos-liability-estimate-down/2007/05/28/1180205161229.html

Srivastava, R. K., McInish, T.K., Woods, R.A., & Capraro, A.J., (1997). The value of corporate reputation: Evidence from equity markets. *Corporate Reputation Review*, *1*(1), 1-8.

The Australian, (2005). *Feeding a dictator*, 29 October, 18.

Wartick, S., (2002). Measuring corporate reputation: Definition and data. *Business and Society*, *41*(4), 371-392.

van Riel, C. B. M., (1999). *Corporate communications*. New Jersey: Prentice Hall

Von Weizsacker, C., (1980). *Barriers to entry*. New York: Springer-Verlag

Watson, T., (2007). Reputation and ethical behaviour in a crisis: Predicting survival. *Journal of Communication Management*, *11*(4), 371-384.

Yoon, E., Guffey, H.J., & Kijewski, V., (1993). The effects of information and company reputation on intentions to buy a service. *Journal of Business Research*, *27*, 215-228.

Tables for Watson chapter

Table 1: In the United States the top five "best overall reputations" were:

Rank	Company
1	Cisco Systems
2	Johnson & Johnson
3	Home Depot
4	Ben&Jerrys
5	HP (Hewlett Packard)

Table 2: The worst reputation nominees were

Rank	Company
1	Firestone
2	ExxonMobil
3	Phillip Morris (now Altria)
4	Nike
5	K-Mart

Table 3: In Europe, the nominations for best corporate reputation were:

Rank	Company
1	Carrefour
2	Philips
3	Daimler Chrysler
4	Ford
5	Volkswagen

Table 4: The worst reputation nominees in Europe were:

Rank	Company
1	McDonald's
2	Total Fina Elf
3	Shell
4	Deutsche Bank
5	Microsoft

(Tables adapted from Gardberg & Fombrun 2002, pp 387-390)

Table 5: The Importance of Company Reputation in achieving corporate objectives

Country	Very Important (%)	Somewhat important (%)
United States	94	6
Canada	90	8
UK	89	10
Belgium	86	14
France	86	14
Italy	83	17
Netherlands	76	24
Germany	71	29

Table 6: Formal systems to measure a company's reputation

Country	Yes	No
Netherlands	62	36
Canada	52	48
USA	42	57
France	50	56
Belgium	37	63
UK	37	63
Germany	33	67
Italy	29	71

("Not sure" data omitted)

Table 7: Corporate reputation influencers (mean rank order)

5 = extremely influential; 1 = does not influence at all

Rank/influence	Mean
Customers	4.58
Employees	3.92
CEO reputation	3.70
Print media	3.24
Shareholders	3.05
The Internet	2.90
Industry analysts	2.87
Financial analysts	2.78
Regulators/Gov't	2.64
Broadcast media	2.29
Labour union leaders	2.29
Plaintiff's lawyers	2.03

Table 8: What percentage of your company's corporate reputation is based on the CEO's reputation?

Country	50% to 100%
Italy	83
Canada	66
USA	54
Netherlands	44
Germany	42
France	36
UK	33
Belgium	26