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A CONCEPTUAL FRAMEWORK AND EMPIRICAL TESTS
OF THE ANTECEDENTS AND CONSEQUENCES
OF CORPORATE REPUTATION:
A STUDY OF CONSUMER MARKETS

DISSERTATION

Presented in Partial Fulfillment of the Requirements
for the Doctor of Philosophy
in the Graduate School of
The Ohio State University

By

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* * * * *

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ABSTRACT

This research introduces and tests a conceptual framework of the construction of corporate reputation to explicate its role in consumer relationships and its value as a source of sustainable competitive advantage. The framework builds on the tenets of sustainable competitive advantage to identify the antecedents and consequences of corporate reputation, with a special emphasis on relational factors. Specifically, this dissertation investigates in depth: 1) the effects of financial, operational, and relational competence on consumers' attitudes toward the company, 2) the relative importance of these antecedents in predicting corporate reputation, and 3) the effect of corporate reputation on the relational and economic benefits that arise from a company's relationships with consumers. Examination of these relationships provides a basis for delineating the process by which corporate reputation potentially generates superior rewards for a company and creates a sustainable competitive advantage.

These issues were explored in three web-based studies by surveying consumers' evaluation of a company with whom they had dealt with on multiple occasions for six months or longer. A traditional attitude measurement model was applied to measure the corporate reputation and its antecedents and consequences. Thus, participants in each study responded to items that measured their beliefs, attitudes, and behavioral intentions about the company. These data were then used to conduct an exploratory and
confirmatory factor analysis to determine the dimensionality and psychometric properties of the antecedents of corporate reputation. Several regression models were then produced to test the relationships between corporate reputation and its antecedents and consequences. A more critical test of the direct and indirect influence of corporate reputation on market rewards was also examined using mediational analysis.

The outcome of these analyses suggests that four factors are the primary antecedents of corporate reputation in consumer relationships. The four factors identified were labeled (1) corporate character, (2) social sensitivity, (3) social utility, and (4) customer contact. Three of these antecedents, corporate character, social sensitivity, and social utility, were predicted to be important dimensions of relational competence and the results indicate that they are positive and significant predictors of corporate reputation. Other findings from this research suggest that corporate reputation had a significant effect on the relational and economic rewards conferred to a company. Relational rewards were also observed to mediate the impact of corporate reputation on economic rewards. It is concluded that relational rather than financial and operational competence is the primary driver of corporate reputation in consumer relationships.

The contribution of these and other findings to the theory and practice of relationship marketing and marketing strategy are discussed and directions for future research are suggested.
DEDICATION

Dedicated to the memory of my father

Charles William Long

and to my mother

Cordia M. Long
ACKNOWLEDGMENTS

I wish to thank my dissertation committee for working closely with me over the past 18 months to complete this project. The chair of my dissertation committee, Bob Leone, has provided unlimited intellectual and financial support over the past three years. I want to recognize him in particular for allowing me the freedom to pursue my research interests and formulate my own ideas. The depth of my gratitude to Leslie Fine is impossible to express in just a few words. Leslie has remained steadfast in her dedication to my intellectual and professional development. Her efforts to help me identify my research interests and the extent of her generosity and friendship are immeasurable. Leslie brings new meaning to the words loyalty and commitment. Neeli Bendapudi has also been a phenomenal resource. She deserves credit for shaping the research ideas presented here.

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I absolutely could not have survived this process without two very special people. I have a very special sister on one side and a loving husband on the other who support me when I am weary and share in my joys as well. My sister Delores has been my soul mate, my best friend, my light in the darkness, my rock, and my personal cheerleader for so long that it is impossible to imagine my life without her. Her boundless love, motherly advice, and loyalty to me has given me the courage to strive, fail, and rise again.

My husband Barry has allowed me to dream, learn, and grow without imposing any conditions or limits on his support. His uncanny ability to quietly rise to life's challenges and adapt to the unreasonable demands of my schedule has amazed me. His patience and love for me surpass any that I have known. He is my hero and the wind beneath my wings. I hope that I am able to fulfill his dreams for me.

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Washington. Finally, lots of love to my friends in the academy, Ellen Pullins, Lenita Davis, Perry Carter, and James Hill, who have walked this road with me.
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CHAPTER 1

Introduction and Objectives

There is hardly any dispute among consumers and corporate executives that corporate reputation, whether good or bad, is important to a company's success. From the company's perspective, corporate reputation is one of the most valuable intangible assets available to the company (Hall 1992, 1993). Accordingly, cultivating relationships with customers to enhance the corporate reputation is an important objective of reputation-building activities for many companies (Fombrun and Rindova 1998). For this reason, the strategic use of corporate reputation to influence consumers' perceptions and evaluations of a company as an exchange partner and create value for customers is a topic drawing attention among both academicians and practitioners.

From the customer's viewpoint, the importance of corporate reputation is obvious. Consider the evidence from consumer markets. In one case, almost 50 percent of consumers rated Coca Cola favorably even after reports of widespread product contamination in Europe that caused illnesses (Alsp, WSJ 1999). In another more notable case, Johnson and Johnson strengthened its favorable reputation and increased customer confidence within a short period of time after multiple cases of product tampering (Fombrun 1996). In both cases, consumers' attitudes and reactions toward the company were key factors in the reported outcomes. A good corporate reputation...
favorably predisposes consumers to a company and its activities and generates a level of
goodwill that sustains a company during a crisis. This is just one of many ways that
corporate reputation is manifested in consumer markets (Geyser 1999; Zyglidopoulos and
Phillips 1999).

While marketing managers tend to concentrate primarily on developing reputations
for selling high quality goods and services, this is only one aspect of a company's
reputation. Corporate reputation arises partly because of a company's products and
services and partly because of its practices (Fombrun 1996). It encompasses the full
breadth of activities undertaken by a company and directed at its stakeholders. In fact,
everything a company does potentially impacts its marketplace success (Hall 1993; Saxton
1998). Customers, whether business-to-business customers or end consumers,\(^1\) form
attitudes about a company based on both its ability to consistently provide quality
products and services as well as acceptance of a company in a more holistic sense.
Customers want to know what a company stands for, not just the nature of its products
and services (Fearnley 1993; Morin 1993). As Gregory (1998) convincingly argues,

"to the extent that a company is seen as a good corporate citizen,
an honorable employer, and an innovator of products and services,
it gains a favorable reputation and has greater intrinsic value to the
customer...customers are not only willing to buy such a company's
products, they are more willing to develop a relationship with the
company and make other investments that facilitate the corporate
mission."

---

\(^1\) Customers, as a group of stakeholders, include business-to-business customers and end consumers. In
this research, the term "business-to-business" customer refers to institutional buyers, whereas the term
"consumer" denotes an end user or non-institutional buyer.
A company's reputation shapes consumers' expectations and influences routine marketplace decisions such as which companies to patronize, what products to buy, when to complain, and when to pursue or terminate relationships with companies. More importantly, corporate reputation impacts consumers' attitudes. The reputation of a company can also generate trust, customer confidence, and psychological bonds between a company and customers that reduce customers' perceived risk and uncertainty in marketing relationships (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994).

The extant literature on relationship marketing has produced a theoretically sound understanding of business-to-business relationships. However, consumer-to-company relationships have received less attention (Gummesson 1994; Peterson 1995; Sheth and Parvatiyar 1995). There are indications that consumers do develop relationships with companies (Iacobucci and Ostrom 1996), develop expectations about them as exchange partners (Gutek, Bhappu, Liao-Troth, and Cherry 1999), and derive various social and psychological benefits from such long-term relationships (Bendapudi and Berry 1997; Gwinner, Gremler, and Bitner 1995). Therefore, it is important to develop a thorough understanding of the factors that influence consumers' evaluation of a company in the context of existing marketing relationships.

In order for consumer relationships to thrive and endure, they must be mutually beneficial. The company and consumers must experience, in some way, both the economic and relational benefits from these relationships. Regrettably, the relational benefits a company derives from consumer relationships have not been extensively examined in the marketing literature. Before attempting to explore this issue, it would
certainly make sense to first examine consumers' evaluation of the company along relational dimensions to assess its fitness as an exchange partner. A better understanding of the specific role of corporate reputation in consumer relationships should help to uncover the types of relational behaviors that shape corporate reputation and generate relational benefits. Specifically, the role of corporate reputation as a driver of such outcomes needs to be investigated.

The purpose of this research is to examine the role of corporate reputation in established consumer relationships. This examination can be achieved by (1) understanding how consumers interpret and evaluate corporate activities, (2) identifying the antecedents and consequences of corporate reputation with a special emphasis on relational factors, and (3) examining the process by which corporate reputation potentially becomes a valuable strategic tool. The marketing literature recognizes the importance of a company's reputation, but takes a narrow perspective by focusing mainly on the impact of marketing activities on consumers' purchase behavior. While the focus on products is understandable, not much is known about how corporate activities, broadly speaking, impact consumers' attitudes towards the company.

**Understanding Corporate Reputation**

Reputation is one of the most critical determinants of social behavior (Bromley 1993), yet its role in marketing relationships is not very well understood. Following an extensive review of the marketing and communications literature, it was apparent that the lack of a clear definition of corporate reputation is an impediment to gaining an understanding of its influence in consumer markets. In this research, "corporate
reputation" is defined as "an overall shared evaluation among a company's customers regarding its past actions and the current and predicted consequences of those actions on customers and other relevant stakeholders." It is simply the consumers' opinions about what a company does — its actual behaviors and peoples' interpretation of those behaviors — which is the focus of this research.

Corporate image and brand equity are two concepts often confused with or treated interchangeably with corporate reputation. Corporate image is a concept with a long and well-documented history in academic research in marketing and communications. Despite what appears to be a clear and concise definition of corporate image, some researchers equate "public image" with corporate reputation (Bromley 1993; Kennedy 1977). "Corporate image" is defined as "the totality of stakeholders' perceptions or impressions of a company based on its public presentation and how it deals with its various stakeholders" (Bernstein 1984; Dichter 1985, Schmitt, Simonson, and Marcus 1995). It is also a mental representation of a company shared among a group of stakeholders or the picture that usually comes to mind when one encounters the company name or logos (Gray and Balmer 1998). Consumers' mental picture of a company is the result of the total experience with and knowledge of a company that he stores in memory (Bernstein 1984; Brown and Dacin 1997; Dowling 1986; Kennedy 1977; Spector 1961). So while separate constructs, both corporate image and corporate reputation are constructed in the minds of consumers and draw on their knowledge and/or experience with a company.

Evidence in the literature speaks definitively about the relationship between corporate reputation and corporate image (e.g., Brown and Dacin 1997; Weiss, Anderson
Spector (1961) argues that research on organizational qualities must clearly distinguish between the determinants of image — those characteristics or experiences that shape consumers' perceptions — and the evaluation of those characteristics and experiences. Bernstein (1984) offers another viewpoint: he describes corporate image as beliefs about what a company is and corporate reputation as the evaluation of what the company actually does. Finally, Brown (1994) concludes "it is one thing to determine how a person perceives a company, the knowledge structure that he possesses with respect to a company; it is another to determine the person's evaluation of the company" (p. 20). Based on the previous discussion, there is sufficient evidence to position corporate image as antecedent to corporate reputation. In other words, corporate reputation is influenced partly by the images that consumers have about a company.

The brand is also closely linked to consumers' evaluation of the company. Corporate reputation and brand reputation both convey different information about consumers' experience with the company or its products, respectively. Brand equity is defined as "the assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service" (Aaker 1991). Generally, brand equity signifies to consumers something extra. It signals others to the status or esteem of the brand in the consumer's mind (Pitta and Katsanis 1995).

The seminal work on brand equity developed by Aaker (1989, 1991) specifies five types of assets that contribute to brand equity. They are: 1) name awareness, 2) brand loyalty, 3) perceived quality, 4) brand associations, and 5) proprietary assets. The two
latter categories of assets, brand associations and proprietary assets, have relevance to a
discussion of corporate reputation because they help explain how corporate reputation
becomes a valuable asset and its impact on brand equity.

First, brand associations are central to the theoretical development of brand equity
as a memory-based concept. "Brand associations" refers to any information linked in
memory to a brand (Keller 1993). Most brand-building activities are typically designed to
foster strong, positive, and unique associations that eventually contribute to the formation
of a set of beliefs and attitudes toward the brand (Keller 1993). The cognitive
interpretation of brand equity as a memory-based concept denotes the differential response
that consumers have for a brand compared to competing or unbranded products (Keller
1993). Strong brands have greater shape and substance as well as a richer and more
extensive set of associations; they are held in higher regard than weaker brands (Biel
1993). Corporate brands in particular are built on a wide range of corporate activities that
produce a greater variety and larger number of associations, which are not necessarily
found with product brands (King 1991). When the brand is the company, brand building
focuses on organizational attributes such as the company's reputation, culture, values, and
people, in addition to its tangible or functional attributes and products (Aaker 1996).

Second, corporate reputation is readily viewed as one of the assets contributing to
the "differential response" that drives brand equity. To be considered "proprietary" and a
determinant of brand equity, an asset must satisfy two criteria. It must: 1) have the
potential to protect the customer base from competition and 2) generate the highest value
when linked to a brand (or its value diminishes if it is transferred or purchased by another
company). Trademarks, patents, channel relationships, and any other assets tied specifically to the brand are considered potential determinants of brand equity (Aaker 1991, 1996). Though discussion of proprietary assets is completely omitted in research on brand equity (e.g., Aaker 1996), a favorable and well-established corporate reputation is another proprietary asset that could meet either of the criteria established by Aaker. Therefore, it should be viewed as a possible determinant of brand equity. A favorable brand reputation is inherent to a successful brand (Herbig and Milewicz 1995). Because corporate reputation enhances the brand's ability to produce the types of associations required to impact future behavioral outcomes and enhance the status of the brand in the marketplace (Herbig and Milewicz 1995; Selnes 1993), it can significantly contribute to brand equity.

Establishing a clear conceptualization of corporate reputation and its relationship to other corporate attributes is critical to this research and serves two purposes. It helps to (a) develop an appropriate measure of corporate reputation distinct from its correlates and (b) clarify how corporate reputation uniquely contributes to the creation of customer value.

Corporate Reputation and Consumer Relationships

There are several gaps in the marketing literature that pose limitations in the study of corporate reputation in consumer markets. First, the exact drivers of corporate reputation and their relative importance to consumers are unclear. Certainly, the types of information and corporate activities that influence a company's reputation vary across stakeholders (Markwick and Fill 1997, Saxton 1998) and might even be different for
different customer segments. Unfortunately, a systematic examination of the drivers of corporate reputation among consumers has not been conducted. Measures of corporate reputation should identify the specific drivers of sustainable competitive advantage that influence consumer evaluations of the company (Dowell, Sastry, Hart, and Bernicke 1997). Developing measures of corporate reputation and its antecedents and consequences that are specific to the needs and interests of current customers and that capture a company's performance as an exchange partner is an appropriate starting point for understanding corporate reputation in consumer markets. From there, a more focused investigation of the role of corporate reputation in consumer relationships can begin.

Second, the thrust of research in marketing and economics examines corporate reputation as a market signal that consumers use to infer product quality and to interpret a company's current actions (Klein and Leffler 1981; Shapiro 1983; Weigelt and Camerer 1988). This perspective tells us about the value of corporate reputation in gaining initial acceptance of a company and its products. Beyond its influence during the pre-purchase stage of the decision-making process, only a few consumer studies have investigated the role of corporate reputation in established relationships where consumers have acquired first-hand experience with the company and are able to form opinions about the company based on personal knowledge. A better understanding of the specific factors that motivate consumers not only to seek but to also maintain relationships with companies is an important issue to relationship building. In this research, we want to draw attention to how corporate reputation improves a company's ability to retain rather than acquire customers.
Third, marketing's reliance on traditional financial measures of performance (e.g., market share and profitability) to assess a company's success impedes an understanding of non-financial measures of performance. Non-financial measures include a company's ability to develop meaningful and mutually beneficial customer relationships. Relationship building is a capability that potentially creates value for customers as well as the company. Thus, it should also be considered when evaluating a company's performance (Bharadwaj 1996). Furthermore, the relational bonds created between a company and its customers are resources that significantly contribute to a company's financial outcomes and its long-term success (Srivastava, Shervani, and Fahey 1998). Because marketplace success depends on both financial and non-financial outcomes (Day 1989; Day and Wensley 1988; Srivastava et al. 1998; Woodside, Sullivan, and Trappey 1999), to disregard the contribution of either aspect of corporate performance creates an incomplete accounting of a company's actual performance. Hence, the importance of relational abilities as a driver of corporate reputation deserves attention.

Research Questions

Following from the brief discussion on the background of corporate reputation, several relevant research questions are posed to uncover the role of corporate reputation in consumer relationships.

1. What shapes corporate reputation in consumer markets? More specifically, what are the specific antecedents that influence current customers' evaluation of the company? For example, it is unclear if consumers are really concerned with
everything a company does or if they pay attention only to a subset of corporate activities.

2. What is the relative importance of relational antecedents in consumers' evaluation of a company? Traditionally, it was believed that factors such as, price, product quality, and customer satisfaction were key determinants of consumers' evaluation of a company. Today, consumers are far more sophisticated and use a wide range of criteria to evaluate a company. They tend to value those companies that value their business or treat them as a valued exchange partner.

3. What are the relational benefits that a company earns for being a competent exchange partner?

4. Do these relational benefits mediate the influence of corporate reputation on a company's financial benefits? It is conceivable that economic benefits are conferred not only when a company has established a favorable reputation but also when it is preferred as an exchange partner. The differential response generated by strong brands suggests that consumers are more favorably disposed to a company and its activities when corporate reputation is positive rather than negative.

A Sustainable Competitive Advantage Approach

To answer these four important questions about corporate reputation, the conceptual framework in Figure 1 is introduced to identify and measure the antecedents and consequences of corporate reputation.
Figure 1: Corporate Reputation as a Source of Sustainable Competitive Advantage
This framework builds on an established model of sustainable competitive advantage applied in business strategy (Rumelt 1984) and marketing strategy (Day and Wensley 1988). The primary elements in this framework are (1) sources of advantage, (2) positional advantage, (3) performance outcomes, and (4) corporate actions. The key constructs developed to study corporate reputation are linked to these elements consistent with the extant literature on sustainable competitive advantage.

The antecedents of corporate reputation are viewed as sources of advantage. Sources of advantage are conceptualized as competencies, the superior skills companies possess that enable them to deliver goods and services to consumers. A company's competence along any number of dimensions is one of the primary factors that instills confidence in consumers and enhances the company's credibility in the marketplace. In this framework, three competencies are proposed to be the key antecedents of corporate reputation. Relational, financial, and operational competence spans a wide range of corporate activities. There is very little research that examines relational competence. In fact, this study is the first attempt in marketing to examine its impact on consumer relationships. Reports about the influence of financial and operational competence on corporate reputation among institutional customers and investor stakeholders (e.g., Fombrun and Shanley 1990) have not been extended to consumer markets or examined in relational exchanges. By examining the three sources of advantage simultaneously, the relative influence of each antecedent on corporate reputation can be assessed.

The consequences of corporate reputation are viewed as the equivalent of performance outcomes in Figure 1. To give full status to corporate reputation as a
strategic tool, companies must know what shapes their reputations as well as the benefits they can expect from their investment in corporate reputation. Research has focused primarily on the financial or "market rewards" that companies earn from their strategic, marketing, and business practices. However, there are "relational rewards" that also contribute to a company's success. For example, consumers tend to draw positive inferences about a company's intentions and are more forgiving of a company's transgressions when corporate reputation is favorable (Campbell 1999). Accordingly, this research examines relational rewards and market rewards to determine how they are impacted by corporate reputation. Additionally, the relationship between relational rewards and market rewards is examined.

Corporate reputation is posited to be a positional advantage in Figure 1 because of its ability to differentiate companies in competitive situations. As differentiation along tangible dimensions of products and services becomes less effective, obtaining a sustainable competitive advantage and enhancing a company's value will come mostly from its intangible assets (Kerin and Sethuraman 1998; Lusch and Harvey 1994; Srivsatava, et al. 1998). The strategic value of corporate reputation as a source of differentiation directly flows from its ability to influence consumer preferences, induce trusting behavior, and generate goodwill (Herbig and Milewicz 1995; Kreps, Milgrom, Roberts and Wilson 1982; Milne and Boza 1998). Clearly these antecedent conditions support the inclusion of relational factors in the framework. It is equally important to consider the contribution of the other antecedents in enhancing the strategic value of corporate reputation.
**Corporate actions** refer to the company's activities, practices, and policies that motivate the process of sustainable competitive advantage. These activities can include any number of behaviors from the company's marketing strategies to its hiring practices to its involvement in social causes. These actions are the basis for consumers' evaluations of the company and are used to identify the antecedents of corporate reputation.

Once the relationships between the key constructs in Figure 1 are determined, a number of interesting questions related to corporate reputation in consumer relationships can be studied. Questions that will help to clarify the extent to which corporate reputation builds strong and productive consumer relationships include: Does the relative importance of the antecedents for corporate reputation vary for different types of consumer offerings? Do consumer relationships with competitors affect their evaluation of a company? Do bad experiences with the company affect consumer evaluations and support of a company? These issues are examined in this research.

**Contributions**

This research has potential to make significant theoretical and practical contributions. From a theoretical perspective, establishing corporate reputation as a conceptually distinct and unique corporate attribute addresses a special problem. The interchangeable and improper use of corporate image and corporate reputation has slowed the development of a theory of corporate reputation (Balmer and Soenen 1998; Grunig 1993; Marwick and Fill 1997; Rindova 1997). This endeavor should help to bring greater clarity to the marketing literature, making it possible to understand the nature of corporate reputation and its role in relationship building. This perspective on corporate reputation is
not typically addressed because of researchers' intuitive grasp of the concept. This research offers a new perspective on corporate reputation based on theoretical arguments and empirical conclusions from the social and behavioral literatures.

Linking relational competence to corporate reputation is a significant contribution in itself. Relational competence is an interpersonal concept that is just beginning to emerge in the marketing literature (Bond 1996; Hutt 1995). Its impact in a consumer setting awaits empirical support. This study is one of a few that takes an in-depth look at a company's relational competence from the consumers' perspective. A measure of relational competence also makes it possible to examine relational performance in conjunction with traditional financial and other non-financial performance measures (e.g., customer satisfaction or service quality). If consumers give considerable attention to relational factors when evaluating a company, this would suggest that they consider how companies behave as an exchange partner in addition to the price and quality of its products and services. This finding might lead us to new theoretical explanations regarding why consumers continue in marketing relationships under less than ideal conditions and a better understanding of the factors that create customer value.

Another important theoretical contribution is that measures of a company's performance are usually incomplete because they are derived from inappropriate conceptual frameworks and are not designed to reveal fundamental relationships between a company's inputs, outcomes, and benefits (Day and Wensley 1988; Fombrun 1998). The research approach adopted here overcomes some of the limitations of previous measures of corporate reputation by simultaneously taking into account both the relational
antecedents and relational consequences. Although many scholars have written about corporate reputation as an important asset that creates a sustainable competitive advantage, this research appears to be the first attempt to measure corporate reputation within the sustainable competitive advantage framework. This approach is advantageous because it facilitates studying the process that leads to a sustainable competitive advantage. It also provides a systematic method to develop a useful measure of corporate reputation. In sum, the findings from this research make important contributions to research on building and maintaining corporate reputation.

From a practical standpoint, this research might help marketing managers to better understand how to align corporate resources to focus on those antecedents most critical to their long-term success. Identifying the antecedents of corporate reputation should increase managers' sensitivity to the pervasive influence of corporate activities on a company's reputation. Such knowledge can be applied in segmentation and positioning decisions. With regard to strategic planning and implementation, adopting internal processes to coordinate corporate activities at all levels of the organization and across business units could improve a company's ability to present a consistent picture of the company as a desirable exchange partner. Such a process might foster supportive relationships with consumers while at the same time strengthen a company's ties to other stakeholders.

With regard to customer relationships, the proposed research strongly suggests that companies think more broadly about strategic alliances to include consumers as important strategic partners. Strong partnerships are critical to a company's survival.
Companies need to find ways that demonstrate their attractiveness and fitness as exchange partners and strengthen their relationships with current customers. When consumers are treated as strategic partners, their willingness to provide relational and market rewards should increase. This research topic is also timely given that companies are seeking new ways to compete in the age of electronic commerce. The corporate brand becomes an even more potent discriminator in competitive situations and another way to bond with consumers, especially when face-to-face interactions with consumers are limited or unnecessary. Factors such as relational competence might be the key for dot.com companies that lack the opportunity to interact directly with consumers.

Overall, the conceptual framework in Figure 1 creates an opportunity for marketing scholars to build a stream of research on corporate reputation derived from theory. Extending the research on corporate reputation in consumer relationships should improve our overall understanding of consumer expectations of the company as an exchange partner. Finally, the empirical results might offer new insights on consumers as a group of stakeholders with interests and concerns inherently different from those of business and prospective customers.

**Summary**

To expand our knowledge of corporate reputation as a valuable corporate asset, a systematic effort to measure the antecedents and consequences of corporate reputation is proposed. The framework that guides this research explores a wide range of marketing, corporate, and business activities that characterize organizational life for companies that
serve consumers. The impact of these activities on consumer evaluations and behavior is given equal consideration.

Corporate reputation is a critically important yet little understood business phenomenon. Its attractiveness as a source of sustainable competitive advantage among customers stems from the fact that it is less susceptible to shifts in customer preferences, provided the company is at least at parity with major competitors in delivering value and cost. The time required to duplicate a company's reputation takes years and requires considerable resources. By the same token, nimble competitors can exploit the misfortunes of those companies unprepared to defend their reputations. Companies should have greater influence on their reputation compared to other corporate assets, if they know what drives corporate reputation and the relative importance of these factors. They have complete authority to pursue whatever actions are necessary to manage their reputation and consumer relationships and to preserve the character of the company during turbulent times.

This paper draws from the literature of marketing, business strategy, organizational behavior, economics, and social psychology to identify the key drivers of corporate reputation. Based on the conceptual framework of corporate reputation as a source of sustainable competitive advantage, a number of testable hypotheses are proposed and tested across three studies. Starting with Chapter 2, the social psychology and nature of corporate reputations in an organizational context is examined. Chapter 3 elaborates on the conceptual framework and provides operationalizations of the key constructs in Figure 1. Next, Chapter 4 outlines the methodology used across three studies to collect data.
from individual consumers. In addition, the results from two preliminary investigations that included several focus groups and a pilot study are reported in that chapter. In Chapter 5, an account of the results from two studies designed to measure the antecedents is provided. Chapter 6 summarizes the relationship between corporate reputation and its consequences. The results from a single study are presented. Finally, Chapter 7 concludes this research with a discussion of the findings, their managerial implications, and directions for future research.
CHAPTER 2

LITERATURE REVIEW

Introduction

The goal of this literature review is to summarize and integrate the findings from the extant literature on corporate reputation across a number of academic areas. Taking an interdisciplinary approach in the study of corporate reputation provides a better understanding of how corporate reputation is constructed and how companies can use it as a strategic tool in consumer relationships. Toward this end, the chapter is divided into five major parts. The first section presents a review of the literature from organizational theory and marketing to establish the feasibility of regarding companies as social entities that possess human-like attributes such as reputation. In the second section, corporate reputation is defined and its conceptual relationship with other marketing concepts is discussed. The third section discusses the relationship between corporate reputation and corporate identity and the role of corporate reputation in defining an company's existence. That discussion provides the theoretical grounding necessary to explicate the mechanism that underlies the construction of reputation in an organizational context. The fourth section describes the construction or formation of corporate reputation. The basic properties of corporate reputation are enumerated based on conclusions and empirical evidence from social psychology and marketing. The fifth section explains the
significance of corporate reputation in marketing relationships to provide a context for the current research. The final section summarizes the literature review.

The Company as a Relational Entity

*Property speaking, a man has as many social selves as there are individuals who recognize him and carry an image of him in their mind. To wound any of these images is to wound him. But as the individuals who carry the images fall naturally into classes, we may practically say that he has as many different social selves as there are distinct groups of persons whose opinions he cares about. He generally shows a different side of himself to each of these groups.* (quote from William James, psychologist, 1890)

Noted psychologist William James (1890), though speaking more than a century ago with regard to public opinions about individuals, aptly describes an important aspect of organizational existence. Any company is inherently a multifaceted social entity that serves multiple audiences or groups. It ultimately survives by simultaneously managing its relationships with multiple and diverse groups of stakeholders in ways that project positive images and create a favorable reputation. In this dissertation, just one of the many faces of organizational life – a company's relationship with its customers – is examined. While other stakeholders and customers form impressions and opinions about a company, the questions that guide this research focus only on the views of current consumers as a unique subset of stakeholders. The central argument advanced here is that a company's relational aptness is an important driver of corporate reputation for existing customers. That is, how a company manages
its relationships with consumers and others impacts consumers' perceptions and
evaluations, their understanding of what the company stands for, and how they come to
regard the company as an exchange partner.

Reputation is a social phenomenon that has been labeled as "one of the most
pervasive and widely discussed concepts in ordinary language" (Bromley 1993).
Generally defined, reputation refers to an overall opinion or attitude that a person has
about some entity or object (Bromley 1993). Given that reputation is an intuitive
concept, it is not unusual to find reputations assigned to a wide range of objects or
entities such as consumer products or brands (e.g. automobiles and detergents), nations
(e.g., South Africa and Columbia), social organizations (e.g., fraternities and non-
profit foundations), and individuals (politicians and athletes). Reputations are
associated most frequently with individuals or organizations perhaps because both are
social entities that vie for the attention and support of others to achieve basic social
goals and obtain desirable social rewards (Fombrun 1996).

Understanding the role of corporate reputation in marketing relationships first
requires a discussion about why it is appropriate to apply a "human concept" such as
reputation to organizations. Companies are complex organizations that engage in
behaviors that in many ways resemble the actions of individuals (Ackerman 1982). It
is certainly not unusual to see companies characterized as human. Anthropomorphism,
the attribution of human qualities to non-human entities, is a universal practice (cf.
Fournier 1998). While the legal system has long recognized companies as legal entities
that have the same rights and obligations afforded to individuals (Blackston 1993;
Goodpaster and Matthews 1982; Kennedy 1977; Lin 1993), companies also recognize that their presence takes on a very personal existence for their stakeholders (Goodpaster and Matthews 1982). Organizational theorists Ashforth and Mael (1996) postulate that "by endowing the organization with human qualities it is made more familiar, concrete, and comprehensible - more 'real' - and thereby easier to 'know' and identify with" (p. 21). They further believe that the meaning ascribed to an organization is crucial to the way stakeholders experience a company. Without such meaning, it becomes almost impossible for others to psychologically connect with a company.

The use of anthropomorphic terms in marketing is not new. Evidence of the use of human attributes appears throughout the marketing literature, but it is most prevalent in research on brand equity and relationship marketing. In the area of brand equity, corporate attributes have been likened to human characteristics (e.g., personality) and demographic factors (e.g., age and gender) for decades (Aaker 1996; Batra, Lehmann, and Singh 1993; Kennedy 1977). Martineau (1960), for instance, suggested the use of personality traits to characterize companies and to make them more endearing to customers and stakeholders. Olins (1989) observed that many companies under increasing pressure to differentiate themselves in commodity markets rely on personality to establish a unique market position and competitive advantage. From the consumers' perspective, it has become apparent that consumers interact with brands/companies as if these entities were human. Consumers are quite comfortable personifying brands and using human personality traits to describe or perceive consumer products (Aaker 1996; Aaker 1997). Aside from personality, demographic
characteristics such as consumers' perceiving a company as being young or old or contemporary or conservative are often the most salient brand attributes and are regularly used by consumers to describe companies (Birdwell 1968).

Strategically, creating strong brands and developing marketing relationships with consumers relies heavily on getting consumers to know and think of a company and its products in the same way they think of people (Small-Weil 1993). Consumers must relate to companies as attractive and likeable entities if they are to eventually bond or develop an emotional attachment (Fournier 1998; King 1991; Martineau 1960). Having a relationship with a company with a strong and distinctive personality can be as personally satisfying as bonding with a group of individuals with similar values (Aaker 1996). More importantly, bringing the company to life enables consumers to perceive companies and products as being active rather than passive partners in marketing relationships (Blackston 1993). According to Fournier (1998), consumers' tendency to animate, humanize, or personalize brands makes it possible to understand the interpersonal and dyadic nature of consumer marketing relationships and how consumers come to develop expectations of companies as exchange partners. This tendency gives the customer-brand relationship texture and depth that might not otherwise develop using abstract concepts and symbols (Aaker 1996). Therefore, the company that exudes human characteristics strengthens its ability to communicate about the corporate brand in terms that foster the type of behavioral and psychological bonds found in relational exchanges. Treating the company as a brand and as a person creates
new possibilities for developing brand-building activities that enhance consumer
relationships (Iaccobucci and Ostrom 1996).

In addition to personality, a company is associated with having other
psychological attributes based on inferences about past behavior. Some of the
psychological attributes studied at the corporate level and linked to corporate reputation
include trust (Dwyer et al. 1987), credibility (Haley 1997; Herbig and Milewicz 1994,
1995), charisma (Smothers 1993), character (Murphy 1999; Easton 1966), a company's "soul" (Berry 1999), and fairness (Bowen, et al. 1998). From a practical standpoint,
these psychological attributes express in a literal way the abstract and general qualities
of human existence (Bromley 1993) and evoke in consumers an emotional and even
spiritual connection found in interpersonal relationships between individuals.

In conclusion, ascribing human status to a company via its reputation seems
well within the bounds of common practices and is supported by theoretical
deviations in marketing. Corporate reputation creates a simple and socially
acceptable method for understanding and communication (Bromley 1993). It plays an
important role in helping companies to understand how customers perceive,
comprehend, and respond to corporate practices and provides a way to determine if
consumers really know and approve of the company in interpersonal ways and as an
exchange partner. The remainder of this chapter builds on the basic idea that any
company has the potential to develop and sustain mutually satisfying marketing
relationships with consumers.
Conceptualizing Corporate Reputation

There is an extensive body of research on corporate reputation appearing in academic journals across a range of disciplines such as psychology, sociology, economics, finance, business strategy, and organizational behavior. Despite its importance, a generally accepted definition of corporate reputation is absent in the academic literature. In some cases, corporate reputation is perceived as such an innate part of business discourse that it often goes undefined in research. For example, very few definitions of "corporate reputation" were offered in the 40 articles included in the premier issue of Corporate Reputation: Review, a publication devoted to the topic.

After an extensive review, prevailing definitions of "corporate reputation" were deemed to be inadequate for conducting a rigorous examination of the antecedents and consequences of a company's reputation from the consumers' perspective. Most definitions are very broad and some include all perceptions, cognitions, feelings, and attitudes about a company, making it difficult to determine the true origin of corporate reputation. In addition, semantic confusion arises from the misuse of terminology on corporate attributes such as the synonymous treatment of reputation, image, and identity (Balmer 1997). This conceptual ambiguity can be resolved by drawing on established theories of attitude change to develop a clear and reasonable definition of corporate reputation that highlights its origin and relationship to other social constructs.

Corporate reputation, broadly considered, refers to the opinions of others about a company as a whole rather than its specific qualities or the social status it holds (Bailey 1971; Dichter 1985; Lin 1993). Fombrun (1996) also posits that corporate
reputation should be thought of as the *overall* estimation in which a company is held across all stakeholder groups, taking into account the company's reputation in totality or globally. In contrast, another definition emphasizes the target audience whose opinions form the basis of a company's reputation, which essentially bounds the scope of corporate reputation. For example, Wartick (1992) prefers to define "corporate reputation" as the aggregation of a single stakeholder group's perceptions of how well a company's behaviors meet the demands and expectations of various stakeholders.

More narrow definitions tend to highlight the underlying basis of corporate reputation rather than focus on the target audience. For example, Levitt (1965) relates corporate reputation to the source of advertised messages and defines it as an audience's "feelings" about the credibility, prestige, or believability of a company. Others have referred to corporate reputation as the "net affective" or emotional reaction of customers, investors, employees, and the general public to a company's name (Fombrun 1996).

This research proposes a conceptualization of corporate reputation that integrates important elements from these existing definitions and delimits the concept in ways that establish its distinction from other related social phenomenon.

"Corporate reputation" is defined as

*the overall evaluation of a company shared among its customers regarding its past actions and the current and predicted consequences of those actions on customers and other relevant organizational stakeholders.*
Defining corporate reputation as an "overall evaluation" draws attention to the fact that consumers' opinions about a company are simply based on the sum of consumers' beliefs or expectations about a set of corporate attributes (Fishbein and Ajzen 1975). While a company may be reputed for delivering innovative products or providing great customer service, for example, the overall evaluation takes into consideration that any or all of these activities can impact how people feel about a company (Caudron 1997). The relative importance of a company's activities is not the same across stakeholders, but identifying the particular antecedents of corporate reputation for consumers is necessary if we are to understand how corporate reputation becomes a valuable asset that fosters and sustains marketing relationships.

The current definition of "corporate reputation" underscores its dual nature: it has both behavioral and evaluative connotations. A company's actions induce others to ruminate and then assess its actions to generate an attitude or opinion about the company. When considering a company's behavior, reputation denotes having, being, or doing something based on its past activities (Bromley 1993; Hall 1993). Reputation summarizes the history of a company's activities and existence, while the recurring pattern in behavior gives meaning to current actions and serves as an indicator of future actions (Kreps and Wilson 1982; Milgrom and Roberts 1986). The evaluative dimension of corporate reputation relates to the attitude that consumers construct about a company; it reflects how consumers have interpreted and assessed a company's overall behavior. These evaluations give root and value to corporate reputation.
Corporate reputation is also a collective social phenomenon. It is the shared opinions about a company that count. Though different interpretations of a company's actions can lead to different opinions, some level of agreement is a necessary condition for reputations to develop (Bromley 1993). Without some consensus among a proportion of the members within defined markets or segments, it becomes difficult for a company to stake claim to particular attributes. Corporate reputations arise only when consumers, as a group, are willing to concede to a company certain qualities or attributes or acknowledge that a company possesses certain attributes (Emler and Hopkins 1990).

The distribution of opinions about a company determines the extent to which its reputation becomes widespread or limited (i.e., not well known to others). A reputation that is widespread is where a majority of consumers hold similar attitudes about a company's activities or attributes. In contrast, a limited reputation implies that a company is reputed for having some attribute, but that opinion is held among a relatively smaller group of consumers. But limited consensus about a company's reputation is sometimes adequate to achieve competitive goals for companies that desire to establish a big presence in niche markets (Mitchell 1998). Major companies such as Rolex and Rolls Royce have enjoyed longevity based on the favorable evaluations of a small, well-defined target market. There is seldom unanimous agreement about a company's reputation. The proportion of people required to establish widespread agreement about a company will be less than 100 percent but can also be as low as 30 percent among a defined market or segment (Emler 1990).
Two other important aspects of corporate reputation are incorporated in the current definition to facilitate the study of corporate reputation in consumer markets. First, the definition acknowledges that corporate reputation may vary across stakeholders and specifies the stakeholder group that holds or constructs the evaluation. There is indeed some danger in assuming that a company's reputation in one group generalizes to other groups of stakeholders. For instance, consumers are unlikely to give importance to the same corporate activities as do a company's investors or suppliers. Therefore, a fundamental assumption driving this research is that different stakeholders will have different interests in a company and hence the will vary in their evaluations of a company (Barich and Kotler 1991; Saxton 1998; Yoon, Guffey, and Kijewski 1993).

Second, the current definition does not confine a consumer's evaluation of a company to what it does in the marketplace or only how it deals with other consumers. Consumers are increasingly concerned about how companies treat other stakeholders as well (Fombrun 1996; Grunig 1993; Murphy, Stevens, and McLeod 1997; Wartick 1992; Whetten 1997). A company's interaction and relationship with others informs consumers of general corporate characteristics such as a company's integrity or sensitivity to others. For example, how a company treats its employees often has a spillover effect, affecting customers' evaluations of and reaction to the company (Belch and Belch 1987; Bowen, Gilliland, and Folger 1999; Brown 1998; Dowling 1986; Fombrun 1996; Kennedy 1977). Bowen et al. (1999) believes that how a company treats its employees is especially important in service industries that are labor intensive.
and where employees are a critical factor in service delivery. Relations with distributors and suppliers are also likely to capture the attention of consumers, depending on how much information and media attention these relationships receive (Murphy et al. 1997; Wartick 1992). Therefore, any definition of corporate reputation that explicitly considers the implications of these relationships corporate activities on consumers' evaluation of the company provide a complete measure of corporate reputation.

**Linking Corporate Reputation to Organizational Existence**

Recent theoretical developments in organizational behavior have examined the social process that links a company to its employees and others in the external environment (Ashforth and Mael 1996; Dutton and Dukerich 1991; Elsbach and Glynn 1996; Tsui 1994). These same theories are applied in this research to consider how consumers' evaluation of the company becomes integrated into a company's strategies. Central to discussions of organizational existence is the concept of corporate identity. It is necessarily a primary input to strategic choice (Ackerman 1982). To survive in the long run, a company must first generate an internal definition of itself before it can determine where it is going or what its strategic goals will be. Corporate identity is fundamental to organizational existence and functioning and permeates all facets of organizational life.
Figure 2.1 on the next page describes the process by which a company's identity shapes corporate reputation and the interaction between a company and its customers. Ashforth and Mael (1996) suggest that corporate identity is the collective "sense of self" of a company that derives both from its internal conceptualization of who it is and from its relationships with others external to the company. Albert and Whetten (1985) describe corporate identity as the central, distinctive, and enduring character of the organization that is a shared understanding of the organizational characteristics among a company's stakeholders. This definition reflects the substance rather than imagery evoked by corporate identity and captures its psychological nature. While corporate attributes such as corporate reputation and corporate image are constructed externally, corporate identity is constructed internally and in ways that enable companies to achieve strategic goals and other performance objectives. The relationship among these corporate constructs is complex: corporate identity is internally constructed, corporate image is externally constructed from the impressions of who and what the company is, and corporate reputation is also externally determined by consumers' evaluation of a company's actions.

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2Research in public relations, communications, and related fields defines "corporate identity" differently. Those literatures generally treat corporate identity as "something that symbolizes the whole" through which the organizational nomenclature and graphic design is used to communicate a monolithic and unique identity (van Rekom 1997). Greater emphasis is devoted to the study of visual cues and symbols and their utility in creating images of a company rather than delineating the psychological process of corporate identity (Abratt 1989; Schultz and Ervolder 1998). This conceptualization of corporate identity has limited value to the current research, which is concerned with identifying the link between reputation and other organizational attributes.
The relationship between a company's identity and its strategic choices provides the critical link between a company's internal and external environment. Ashforth and Mael (1996) postulate that a strong organizational identity informs strategic choice, but the two are related reciprocally such that identity is enacted and expressed via strategy, and inferred, modified, or affirmed from strategy. Though they are closely intertwined, corporate identity does not determine strategy, but it affects which strategic choices among finite possibilities is most useful in realizing and expressing the desired corporate identity.
The process depicted in Figure 2.1 is an extension of the strategy-behavior process introduced by Ashforth and Mael (1996). The relationship between corporate identity and strategy proposed by these authors establishes the first linkage in the process that connects a company to its external environment. The two intervening factors in Figure 2.1 are corporate strategy and corporate actions. The corresponding corporate actions that are designed to implement corporate strategies are incorporated in this research to complete the mechanism responsible for linking corporate identity and corporate reputation. Both corporate identity and corporate strategies result from an internal and self-reflective identification process and are sometimes transparent to a company's customers. On the other hand, specific corporate activities are manifested in the external environment and evaluated by a company's stakeholders. This internal and external process of self or social identification comes apparent in a company's reputation through the consumers' evaluative of the company.

An important step in this process that is not accounted for by Ashforth and Mael is the response from consumers regarding a company's activities or its strategic decisions. A company's strategies and actions regularly change in response to conditions in the external environment (cf. Tsui 1994). With regard to consumer markets, creation of the corporate identity can be described as an adaptive consumer process wherein a company establishes some notion of "who" it is and then modifies its self-definition in response to feedback from consumers regarding its activities and practices (Dutton and Dukerich 1991). This evaluation of one's self against an external reference gives a company some level of social legitimacy or confirmation that it meets the social norms, values, and expectations.
assigned to the social roles it has assumed (Handelman and Arnold 1999; Rao 1994). Those aspects of the corporate identity that survive this process are modified to convey and reinforce who the company is, where it has been, and where it is headed (McMillan 1987). In other words, an evolving sense of “who” one is complements a sense of where one is and what is expected.

Following from the previous discussion, the customer feedback loop in Figure 2.1 is added to underscore the interdependence between the internal and external organizational environment. It also captures the dynamic and cyclical process in the definition and redefinition of a company. Whetten (1997) believes that "our models and measures of reputation will be framed quite differently if it is viewed as 'feedback from others' regarding the coherence, or consistency, or 'strength' of an organization's identity versus a quality check on the effectiveness of its image campaign" (p. 29). The idea that corporate reputation should be viewed as the mechanism that connects a company to its stakeholders is based on well-founded principles of social identity theory and organizational behavior. This approach is quite relevant to understanding the social construction of reputation in consumer markets.

Consumer feedback in the form of reputations is perhaps one of the most potent and invaluable sources of information available to a company. Consumer opinions about a company's behaviors that were intended to claim particular identities are an important source of self-esteem for companies. Just as individuals seek self-enhancement and self-improvement (Banaji and Prentice 1994), feedback from stakeholders generates self-relevant information that affirms a company's progression
towards an ideal self and offers guidance on the next strategic move in the fulfillment of that goal (Ashforth and Mael 1989).

Two other important aspects of this process described in Figure 2.1 should be emphasized. First, a company is always in the process of becoming and is perpetually defining and redefining itself (Ashforth and Mael 1996; Sampson 1985). The feedback loop also reflects the idea that a company's pattern of behaviors induces evaluations by others that gradually reinforce or modify the corporate identity and make certain attributes more or less salient over time (Elsbach and Glynn 1996). Second, it is important to understand that identity and reputations are negotiated through an interactive and iterative process between the company and its stakeholders. The collective group confers social identities to companies, suggesting that customer feedback might encourage a company to repeat or abandon activities or practices that prevent the emergence of a desired identity (Emler and Hopkins 1990).

In short, explicating the linkages between corporate identity, strategy, and behavior – between self-definition, choice and action – provides a context for studying those factors that influence consumers' construction of corporate reputation. It further extends our knowledge about how those evaluations are integrated back into the organization. The process in Figure 2.1 broadens the focus of organizational functioning from strictly examining who the company is to considering what the company does as an equally important determinant of corporate reputation and other organizational outcomes. While corporate identity should serve as the blueprint for everything a company does, customer feedback in the form of reputations should be
reflected in the company’s identity. This feedback makes a company aware of its reality and reveals its strengths. Without such feedback from external stakeholders, companies stand to lose touch with reality. The self-reflective process of corporate identification becomes more inwardly focused: the impetus for defining the company and strategic choices becomes less influenced by the opinions of those in the external environment (Ashforth and Mael 1996).

Understanding how corporate reputations come into existence is best understood by examining its social psychological roots. An in-depth investigation of the social psychological process resulting in the creation of corporate reputations follows.

**Defining the Basic Properties of Corporate Reputations**

Social psychologists have long recognized that people have public reputations. These reputations are of interest and consequence to those who possess them and to those who know of them (cf. Emler 1990). Recent investigations of reputation in social psychology focus on understanding the social significance of reputations within established social psychological frameworks and establish social rather than biological explanations for social functioning. As a result of these developments, theories of social identity and self-categorization are very useful in describing the basic properties of reputations as well as the social process involved in their formation. The social psychological perspective of reputations is relied on to provide a theoretical explanation of its role in an organizational setting.
The Social Psychology of Reputations

Social identity theory, broadly defined, refers to the subjective definitions people develop to identify who they are in terms of their group membership (cf. Turner 1987). The theory maintains that people associate with categories to enhance self-esteem (Hogg and Turner 1985). Companies adopt social identities primarily for the purpose of achieving public and social goals: they provide a means of communicating to others and staking claim to particular identities (Emler 1990). More importantly, social identity theory provides a partial answer to the question "Who am I?" and allows the individual to exist as a collection of self-images (Abrams and Hogg 1990; Hogg and McGarty 1990).

Social identity assigns a central role to self-categorization, which is the second major premise of the social psychological view on reputations. Self-categorization theory postulates that people process or partition information about stimuli in ways that exaggerate their similarities to stimuli belonging to the same category and accentuate the dissimilarities among stimuli belonging to different categories (Turner 1985; Turner et al. 1987). From the standpoint of observers, self-categorization facilitates identification and interpretation of behavior in a specific social context. To maximize information available at a particular time, consumers will choose the social category that is most salient in a particular social context and that best accounts for the variance in a company's behavior (Campbell 1999; Hogg and McGarty 1990).

In essence, the social psychological perspective postulates that reputations are no more than an estimate of how well behavior conforms to "who" we claim to be and
is captured by public opinions. Self-categorization then is the cognitive process that
links social identities and reputations. Therefore, the claiming of social identities is the
origin of reputations and is the mechanism that triggers categorization of people and
companies via a social comparative process. Theoretically, the categorizations assigned
to companies by external stakeholders are subsequently assimilated into the corporate
identity. Consistent with the framework presented in Figure 2.1, social identity theory
and self-categorization further establishes the relationship between companies and their
external environment in shaping corporate reputation. Applying these two theories in
this context makes it possible to link reputation to specific and defining attributes and to
better understand the impact of these attributes on consumer evaluations and behavior.

Drawing directly from social identity and self-categorization theories, the basic
properties of corporate reputations are outlined in the next section. Findings from
marketing, organizational behavior, business strategy, and economics are integrated
throughout the discussion to show how these properties are manifested in the
marketplace.

**Four Basic Properties of Corporate Reputation**

Bromely (1993) and Lin (1993) offer comprehensive reviews of the evolutionary
developments of reputations for individuals and organizations, the two entities most
associated with having reputations. Bromley (1993) reviews the use of reputations in
ordinary discourse, but he also considers the social psychological underpinnings of
reputations. It is rare to find works that integrate both the practical and theoretical
aspects of corporate reputation while providing a comprehensive overview of its
evolution as a social concept. The research produced by Lin (1993) is an effort to better understand how changes in social communications and the informational needs of public audiences have shaped reputation as an important social phenomenon. These two contemporary works are relevant to the current research because they successfully capture the social process and social significance of reputations across a range of social relationships.

Four defining properties of reputation can be extracted from Bromely (1993) and Lin (1993). The basic properties were derived partly from everyday usage of the term as it pertains to individuals, but they have been extended to organizations based on observation, deductive reasoning, or logical inferences (Bromley 1993). These properties stated as assertions are (1) reputations are subjective and socially determined, (2) reputations are contrived, (3) reputations vary in valence, depending on whether the evaluation is absolute or comparative, and (4) reputations are built over time and change slowly. Each property reveals something unique about the nature of corporate reputation.

I. Reputations are subjective and socially determined. Reputation lies in the eye of the beholder, including those observers who may or may not have a vested interest in what others do. In an organizational context, both internal and external stakeholders are the creators of a company's reputation. In the marketplace, however, current and potential customers rather than the company, are the true owners of corporate reputation (Bernstein 1984; Caudron 1997; Dowling 1986; Grossman 1994). These customers construct in their minds the beliefs, feelings, and attitudes that affect
their opinions of a company. For them, this information constitutes their reality of what a company is (Barich and Kotler 1991; Martineau 1961). Consequently, corporate reputations are purely subjective and are (1) derived from consumers' personal experiences and knowledge, (2) influenced by indirect sources, and (3) are potentially inaccurate. These three facts about corporate reputation are briefly considered.

First, consumer knowledge about a company has been described as a mosaic to reflect the idea that consumers draw upon all knowledge to construct an opinion about a company (Bernstein 1984). Consumers construct their attitudes about a company from their total experience with that company (Kennedy 1977). Consumers' individual frames of reference predispose them to interpret the same information differently. This situation partly explains why consumers that have similar experiences and knowledge of a company may form very different opinions about its reputation.

Second, consumers' opinions about a company are also influenced by indirect sources that act as cognitive filters for corporate reputation (Fiol and Kovoor-Misra 1997; Fombrun 1996). The two primary sources of indirect knowledge are 1) informal sources such as opinion leaders and family members and 2) institutional sources such as third-party rating agencies, mass media, and government agencies. Research on corporate reputation recognizes the distinction in the types of reputation-based information and speculates about the importance of this distinction in shaping corporate reputation (Fombrun 1996; Lin 1993; Rao 1994; Rindova 1997; Wartick 1992).
Third, even when consumers are thoughtful and deliberate in constructing an evaluation of a company, they frequently form opinions that are erroneous, invalid, or biased, as they rely on their personal frame of reference to interpret information about a company. It is therefore reasonable to expect that consumer attitudes, whether right or wrong, may have little correlation with reality (Bernstein 1984; Bromley 1993). A classic example of consumers holding unfavorable opinions about a company based on misinformation is the rumored belief that Proctor and Gamble’s trademark symbol offered concrete evidence of the company’s affiliation with and financial support of satanic worship (Olins 1989). While a company’s actions are often subject to misinterpretation, research shows that a company’s reputation is also affected by its inaction when ethical issues are involved (Folkes and Kamins 1999). In this case and many others, the adverse and resounding consequences of misinterpreting corporate activities is always a real threat to corporate reputation (Miller and Prentice 1994).

Consumers’ opinions of a company are further influenced by the particular social role which the company is performing. A company is simultaneously observed through different lenses by different stakeholders. Each stakeholder group takes a different view of a company, depending on the needs and interests of its members (Barich and Kotler 1991; Fombrun 1996; Saxton 1998). Different stakeholder groups generally have different expectations and interactions with a company. Quite naturally, they selectively perceive and attend to reputation-based information.

According to social identity theory, all social beings are complex, multifaceted entities who invariably choose and become linked to multiple social identities.
Inevitably, these social entities also have multiple and varied reputations. Stakeholder theories of organizations posit that companies normally have multiple identities and rarely have a single identity (Freeman 1984). Ashforth and Mael (1996) conclude that "complex organizations are necessarily multifaceted, comprised of different subsystems, pursuing multiple and often conflicting goals, accountable to constituents with often contradictory interests and attempting to navigate in the face of ambiguous and dynamic forces" (p. 28). As companies grow and gain public visibility, they assume more social identities (Albert and Whetten 1985). Every company, therefore, has separate reputations among its investors or owners, employees, suppliers, distributors, suppliers, and so forth. By nature, a company functions in various behavioral modes and earns its reputation from these multiple roles and the infinite number of social relationships it maintains with diverse groups of stakeholders. Only the number of audiences or stakeholders who have a vested interest in what a company does limit the number of reputations bestowed upon a company (Bromley 1993). Certainly companies can be simultaneously evaluated in contradictory ways, yet each view of the company could be valid and accurate. For example, a company's reputation among its investors is largely derived from a set of attributes and organizational practices very different from those typically of interest to the company's customers. The various reputations of a given company are interrelated and likely to interact with each other in complex and unpredictable ways (Bowen et al. 1998; Bromley 1993; Wartick 1992).
Reputations are also socially determined. Reputations are built and communicated throughout social networks, where groups of loosely connected members regularly exchange information about others (Bailey 1971; Lin 1993). Social network theories have been applied to explicate the process by which reputations develop. Within this context, people and relationships are at the core of this process, and they play a critical role in the dissemination of reputation information within and across networks. Reputations develop following the mutual exchange of impressions and opinions within in a social network (Aab 1994; Bromley1993; Lin 1993). Therefore, one of the major assumptions about the nature of corporate reputation is that it is built and destroyed by people within networks who regularly gather and share information about the reputations of companies. This statement is especially true when information is socially interesting and relevant to a particular group diffuses quickly and extensively throughout a network (Bromley 1993; Emler 1990).

Occasionally, information about a company is relevant to multiple stakeholders and travels across networks, affecting how others outside of a particular network think of a company. For example, Exxon's response to the 1989 Valdez oil spill generated a fury of controversy among environmentalists regarding the company's commitment to protecting the environment. Information about the oil spill resonated in the financial markets, eventually eroding investors' confidence and long-term financial prospects (Fombrun 1996). Research in marketing shows that a company's business activities, such as how it deals with its employees (Belch and Belch 1987), its labor practices (Folkes and Kamims 1999) and involvement in social activities (Winters 1986, 1988),
affect consumers' product evaluations, attitude toward the company, and purchase intentions.

The last aspect of social identity and categorization theory informs us about the cognitive aspects of reputations. Evaluations of a company are based on a set of beliefs and opinions about various attributes possessed by a company and stored in memory. Beliefs and evaluations might include either a number of unrelated pieces of information or a more coherent set of relevant knowledge. Though the number of attributes actually considered by consumers at any given time varies, a limited number of central attributes (i.e., those generally shared among a large majority of stakeholders) shape corporate reputation (Bromley 1993). The brand equity literature in marketing helps to classify and identify the corporate attributes most relevant to consumers' evaluation of a company and influential in building strong brands and is briefly discussed.

The company name summarizes a large amount of data about a company in a just a few words: the brand name includes the physical attributes, past behaviors, and other characteristics and conveys the reputation of the company behind the name (Fombrun 1996; Tadelis 1999). As a result, the types of social representations that build strong corporate brands include activities that are not necessarily tied to a single brand or product offered by a company (Keller and Aaker 1998). Brown and Dacin (1997), introduced the concept of corporate associations, defined as "all the information about a company that a person holds" (p. 69), to examine the determinants of brand equity for corporate brands. A classification of the antecedents of corporate associations into six broad categories was suggested by Brown (1998) to encourage a systematic way to study
the impact of various corporate attributes and activities on consumer evaluations and behavior. The categories he proposed are: (1) corporate abilities and success or performance, (2) interaction with exchange partners, (3) interactions with employees, (4) social responsibilities and contributions, (5) product considerations, and (6) marketing considerations.

Research shows that corporate associations related to social responsibility affect consumer attitudes toward the company and mediate consumers' product evaluations of a company's products or services (Brown and Dacin 1997; Handelman and Arnold 1999; Keller and Aaker 1998). Corporate associations that fall under the category "corporate abilities and business performance," such as financial success and management quality, were also reported to have direct and indirect effects on consumer attitudes toward a company's products and services (Sheinin and Biehal 1999). Finally, it has been reported that corporate associations defined as "relationship with exchange partners" have direct consequences on consumers' intentions to patronize retailers (Handelman and Arnold 1999).

Results from these studies lead to two conclusions relevant to the current research. First, they confirm that a wide range of associations aside from the marketing mix potentially influences consumers' evaluation of the company. A company's performance along social dimensions is definitely important; consumers want to know that the company behind the brand and where it comes from (Mitchell 1994). Research on topics such as cause-related marketing (Varadarajan and Menon 1988), corporate social responsibility (Drumwright 1996; Menon and Menon 1997; Robin and Reidenbach 1987).
and corporate sponsorship (Javagli, Traylor, Gross, and Lampman 1994) advocate integrating social and economic objectives to create broader corporate associations that convey a company's core values.

Second, corporate reputation mediates other psychological and behavioral outcomes. Consumers' evaluations of a company have a direct effect on other attitudes and behavior. Understanding the dual (i.e., direct and indirect) influence that consumer evaluations play in marketing relationships increases the need to understand what shapes consumer attitudes toward a company.

When identifying the antecedents of corporate reputation, due consideration should be given to all aspects of organizational existence that impact corporate associations. Because it appears that corporate reputation mediates consumers' attitudes and behaviors, assessing its direct and indirect influences is important to determine its total effect on relational and market outcomes.

2. **Reputations are contrived.** An important tenet of social identity theory is that social entities adopt or self-attribute qualities associated with social categories that they desire to incorporate as part of their social identity (Turner et al. 1987). Corporate reputation is rarely a random outcome of spontaneous behaviors, but is the product of self-promotion and self-presentation (Lin 1993). Though reputations can and do evolve naturally, most are generally built around carefully planned activities in an organizational context. Companies deliberately engage in activities or project images that conjure up positive impressions of them as possessing particular attributes. For instance, Wal-Mart has incorporated family-oriented values and patriotism as central
attributes to help shape its reputation among employees and customer stakeholders (Fombrun 1996). In other situations, companies go to great lengths to mask more undesirable attributes (Alvesson 1990; Bailey 1971).

Companies strategically use elements of the marketing — real and imaginary — to foster impressions that build strong brands. A corporate brand’s power emanates from its ability to establish a name and presence for the company that transcends products and to offer consumers assurances of quality and value. Corporate reputation is conveyed to the market and consumers through signaling. Signaling is a way to communicate to consumers the quality or value of a company’s products, credibility, reliability, and technical superiority or parity (Milewicz and Herbig 1995) or to maximize a company’s social status (Fombrun and Shanley 1990). It also imparts information about a company’s motives (Campbell 1999). Theoretical views on market signaling are consistent with social identity theory, where it is suggested that signals from a company reveal the way a company defines itself (Fiol and Kovoor-Misra 1997). Corporate reputation subsequently is the market’s assessment of a company’s willingness and ability to repeatedly perform and fulfill others’ expectations in the roles it has communicated through signaling.

The credibility of the company becomes an important factor in the effective use of signaling in reputation building (Milewicz and Herbig 1995). Sending false signals (i.e., claims that are inconsistent with a company’s past actions and performance) has long-term consequences for corporate reputation. Any company that fails to live up to its signals or fulfill its promises loses credibility and slowly destroys the corporate
reputation. Companies are less inclined to cheat customers because of the negative impact such actions would have on repeat purchases (Klein and Leffler 1981). Subsequent signals from companies that emit false signals or misinform consumers will be viewed suspiciously and given less attention by consumers.

Corporate names are repositories for corporate reputation. Corporate branding strategies utilize the corporate name to bring instant recognition and credibility to new products (Moorthy 1985; Wernerfelt 1988). Strategies such as corporate branding and umbrella branding rely on signals or cues to encourage consumers to transfer their experience with branded products to others. The goal is to have consumers eventually pool these experiences to infer the quality of all products bearing the company name (Wernerfelt 1988). A company's good name creates a “halo effect” where its reputation can be transferable and valuable in another market and across products (Milewicz and Herbig 1995; Moorthy 1985).

Some reputations are not only contrived but also strategically displayed to disclose a company's reputation to target specific audiences (Mishra 1998). Such self-presentation attempts to achieve one of several goals. The most basic motivation for self-presentation is to generate opinions that build favorable reputations (Bromley 1993). Another goal of self-presentation is to present the company itself in ways that increase its influence in formal and informal negotiations and relationships (Lin 1993). This is certainly the sole reason that companies engage in public relations and one of the major objectives of the marketing function within the organization: to persuade others of a company's unique attributes. Sponsorship, social marketing, and cause-
related marketing are common practices that highlight the company's strengths and values. One other goal of self-presentation is to change negative opinions or to simply reinforce prevailing opinions about a company (Olins 1989). Companies invest considerable resources in communications and promotional activities to influence the type of information that consumers have about the company. The purpose is to gain some control over how they think and feel about the company (Boorstin 1980; Dowling 1986).

Research on corporate advertising has examined the impact of other types of signals that communicate corporate reputation or specific aspects of a company's reputation. Corporate advertising communicates information about the company rather than about specific products. Since advertising is increasingly used to enhance the company's reputation, promote its products and services, and communicate good corporate citizenship activities (Schumman, Hathcote, and West 1991), it plays an important role in shaping what consumers think about a company. Research findings support this notion. For example, consumers' acceptance of advertising claims for unfamiliar consumer products may be determined partly by the perceived reputation of the corporate message source (Goldberg and Hartwick 1990; MacKenzie and Lutz 1989). The corporate message source is also found to be more influential than individual endorsers (Lafferty and Goldsmith 1999).

Consumer research on warranties and guarantees suggests the conditions under which corporate reputation is a valuable market signal for consumers. Warranties and guarantees, similar to corporate reputation, serve as a signal or extrinsic cue that might
generate inferences about a company and its products. More importantly, extrinsic cues are often used as a surrogate for product quality and can allay consumers' fears and reduce perceived risks in the purchase of products and service (Olson and Jacoby 1972). Some studies have found corporate reputation to interact with warranty quality and other extrinsic cues to interact and to impact consumer attitudes and purchase intentions. For example, warranty quality was a more important risk reducer in the purchase of new brands introduced by manufacturers without an established reputation (i.e., an unknown company), but less so for well known manufacturers (Innis and Unnava 1991).

In a service context, consumers rely on all information in the service environment to help assess service quality. In this case, signals such as warranties and corporate reputation affect consumers' evaluation of the service experience and the company. In a series of studies conducted by Ostrom (1996), service guarantees were found to enhance consumer evaluations when reputation-based information about the company was negative. Guarantees had less influence when the company's reputation was favorable or when information about the company was unavailable. In most of these studies guarantees and warranties are useful when other valuable signals such as corporate reputation are not available to help consumers make judgments about product or service quality.

Two robust findings emerge from research on signaling and corporate reputation in consumer markets. The first observation is that brand or company name is a more powerful risk reducer than warranty information (Innis and Unnava 1991; Olsen and Jacoby 1972). The other observation is that a favorable rather than an unfavorable
reputation enhances consumer attitudes and behavior. In fact, having an unfavorable reputation has more deleterious consequences than having no reputation at all. Generally, a favorable reputation produces more positive and desirable outcomes than having no reputation. However, companies with a neutral or no reputation have an advantage over those with a negative reputation (LaBarbera 1982; Folkes and Kamins 1999; Wansink 1989). For a company with an unfavorable reputation, current and potential customers are not only vulnerable to companies with more favorable reputations — they are also easy prey to newcomers. This conclusion has direct implications for relationship marketing. Depending on its favorability, corporate reputation might be equally as important in retaining customers as it is in acquiring customers and inducing product trial.

3. Reputations vary in valence, especially depending on whether the evaluation is in absolute or comparison terms. The value of corporate reputation derives from the favorableness of opinions. Reputations vary in valence and range on a continuum from positive to neutral to negative. Consumers and other observers weigh both the pros and cons of a company's actions to form a net assessment of its performance (Fombrun 1996). Hence, it is the net effect of consumer opinions that determines the favorableness of a company's reputation.

The favorability of corporate reputation is applied in two ways. It is used to answer two fundamental questions: How well is this company performing? and How much better does this company perform relative than other companies? The first question is addressed whenever consumers form opinions about a company's behavior
in its own right. They are able to construct an attitude about a company based on its individual merits without any reference or knowledge of its competitors or use of other external references. For instance, when asked whether a company cares about its customers, consumers can formulate an opinion based solely on its interactions with that company. This is the question that is likely to arise most frequently in monopolistic situations, where a company's reputation is an absolute evaluation about its past activities.

The second question addresses a more natural inclination: to think about a company in terms of it being better or worse or more or less than other companies. In competitive situations, consumers typically consider how well a company compares with respect to viable alternatives. According to Fombrun (1996), corporate reputations are the product and by-products of competition. Implicit to these evaluations is a relative assessment of how well companies fare with respect to rivals. The interaction between reputations of independent companies is further evidence of the comparative nature of reputation. For example, widely published rankings of admired companies like those published annually by Fortune are based on ratings of companies in comparison to others in its industry. Ratings of companies by third parties such as Consumer Reports or Fortune automatically place a company in a status hierarchy with other companies (Rao 1994). Additionally, a change in the evaluations of one company alters the ranking of other competitors in a market. Thus, any changes in a company's reputation are earned at the expense of other companies.
4. **Reputations are built over time and change slowly.** The foundation of any reputation is the retrospective opinions about a company's behavior and performance. A company's history or past actions is a build-up of images that establishes a pattern of behavior that consumers can observe and react to via their evaluations of a company (Bromley 1993; Gray and Balmer 1997; Rosenthal and Landua 1979; Wilson 1995b). Corporate reputation arises from a company's day-to-day activities and becomes a distillation of behavior (Lin 1993). Consistency in observed behavior is suggestive of a company's capacity for having specific qualities that allow it to repeatedly perform in a certain way. Delivering on promises and repeated follow through over time and across situations informs others of a company's behavioral tendencies and strengthens the corporate reputation (Herbig and Milewicz 1995; Milewicz and Herbig 1994). Quite often consumers interpret a company's motives and current activities to be congruent with its past actions. For example, consumers make fewer inferences of negative intent with regard to the fairness of a company's pricing strategies when a company's prior reputation is favorable rather than unfavorable (Campbell 1999).

Reputations are bound to change over time, albeit slowly (Herbig and Milewicz 1995). Reputations are comprised of a system of changing beliefs that responds to changes in the social environment. By nature, however, the underlying attributes or the substance of a company's reputation are relatively stable (Grunig 1993; Lin 1993). It has been suggested that widespread reputations generally remain relatively more stable than limited reputations because of the stability and interdependence among the many attributes ascribed to a well-known company (Bromley 1993). Therefore, it is difficult to
quickly abandon or shed an established reputation quickly due to the stability of the public's memory and the time required to build consensus among members within a network regarding new or modified attributes. For example, United States auto manufacturers continue to struggle with the negative public opinions people have about the quality of automobiles produced in America. Despite many years of renewed innovation, quality improvements, and competitive pricing strategies, the lingering effects of reputation on the industry's and companies' performance has been observed (Nichols and Fournier 1999). In contrast, limited corporate reputations fade more quickly because they are built on a minor consensus that can be easily overshadowed by any single event. Thus, they usually have more devastating consequences for companies.

All corporate activities convey new information or reinforce existing attitudes about a company. How consumers assimilate this information into their existing beliefs and attitudes determines the extent to which corporate reputation changes or is modified (Nichols and Fournier 1999). Research has found various factors to affect consumers' opinions. The amount, tone, and recent media attention given to corporate activities tends to affect a company's reputation. The reputation of a company that has received unfavorable media attention over an extended period of time becomes less favorable in the public's eyes (Wartick 1992). But this outcome also varies depending what a company's reputation was beforehand. The fact that the reputations of some companies remain intact when faced with unexpected events and crises, while other companies are destroyed by singular events underscores the need to understand the role of reputation in consumer relationships.
Consistency in behavior is indeed a critical factor in building corporate reputation. But it alone is not enough. Continuity in membership within a network further contributes to the development and durability of reputation (Emler 1990). Changes in a network's membership alter the flow and influence of corporate reputation. The high interconnectedness among members in a social network also impacts the rate at which consumers modify their opinions about a company (Bromley 1993). These changes have consequences for the content and structure of reputations. For example, a company's reputation is likely to become unstable when it has a steady and high turnover in its business relationships with channel members. Anderson and Weitz (1989) observed that current customers perceive and evaluate a company less favorably when they believe its past actions suggest that it is not trustworthy or deals unfairly with its business partners. Similar turnover in customer segments could naturally occur as innovations diffuse or customer needs dramatically change. For example, the aging of the baby boomers shifted the primary target market for autos, vacations, and insurance in the mid-80s. Companies such as Chrysler Corporation and Sears and Roebuck lost their market advantage partly due to fact that their reputations had little relevance to important market segments.

Despite the relative stability of corporate reputation, it would be shortsighted to assume that it is fixed or immune to situational factors. Some reputations survive, while others thrive and expand. Yet, the most favorable and well-established reputations are susceptible to unpredictable or uncontrollable changes in the external
environment. According to Bromley (1993), corporate reputation is likely to shift when:

(a) There is a change in the company itself or one of its important attributes (e.g., the company gets a new president or experiences financial difficulty).

For example, the future of *George Magazine* remains uncertain following the death of its founder, John F. Kennedy, Jr. The death of Andy Warhol left his estate with no one to carry on and sustain the reputation of the estate. The result was a devaluation of Warhol's art collection, which at one time was overvalued (Fombrun 1996).

(b) The company aligns itself with another company whose reputation is more or less favorable along some dimension or attribute (e.g., the merger of Ford and Jaguar serves to enhance the reputation of either company, with Jaguar benefiting from the mechanical capabilities or strong financial position of Ford, while Ford improves its reputation for producing expensive luxury automobiles).

(c) Reputation fades due to the passage of time, limited exposure or visibility of a company, or social inertia (e.g., lack of media exposure is disastrous in the fashion industry where designers rely heavily on the trade press to review and promote the prestige and status of their line and endorse the latest collection).

(d) The reputations of separate entities become confused or indistinguishable in the mind of consumers, a situation that is highly likely to occur in very
competitive situations or when there is little product differentiation (e.g.,
cable companies or dry cleaning services).

The four basic properties of reputation outlined help to crystallize the nature of
the corporate attribute and examine its impact in market exchanges in a very general
way. However, the need to learn more about the role of corporate reputation in
marketing relationships remains.

**Linking Corporate Reputation and Relationship Marketing**

Up to this point, it has been assumed that corporate reputation plays some role,
albeit undefined, in building and maintaining consumer relationships. Before proceeding
with an empirical investigation of corporate reputation, it is worthwhile to establish *a
priori* the role it assumes in current consumer relationships and why. Corporate
reputation is posited to serve a different or less important function for potential or new
customers and for a company's current customers. The basis for this proposition is
examined.

Three factors that might enlighten us on the role of corporate reputation are: (1)
the multiple roles of variables in attitude change, (2) the impact of direct experience,
and (3) the stage of relationship. First, the changing role of variables is an issue that
continues to surface in research on relationship marketing. Trust has been suggested to
serve different purposes as customers acquire more experience (Ganesan 1994; Grayson
and Ambler 1999; Moorman, Zaltman, and Desphande 1992; Smith and Barclay 1997).
Similar reasoning can be applied to determine the role of corporate reputation in
consumer relationships. Differences in the effectiveness of corporate reputation as a
cue or signal in consumer judgments are likely to vary because of the changing nature of consumers' familiarity and interactions with the company. In attitude research, any variable potentially serves multiple roles in different contexts and differentially influences attitude change (see Petty and Wegener 1996 for a complete discussion of this issue).

When corporate reputation is considered only as a market signal, it serves primarily to reduce consumers' perceived risk in conditions of incomplete information and uncertainty. It is most critical during the pre-purchase stage of the consumer decision-making process and when the partner is unknown to the consumer (Wilson 1995a). Whenever there is any element of risk in making purchase decisions, then corporate reputation is likely to factor into the decision-making process. In situations where consumers do not have direct information about a product's quality, they rely on market signals or other cues such as price to infer product quality (Nelson 1974). Exchange of information becomes especially critical when it is difficult to have complete knowledge or insights about a company's behavior or activities. This situation tends to occur when it is difficult to formulate objective criteria against which to assess one's beliefs about a company (Bromley 1993; Fombrun 1996). Therefore, at higher levels of perceived risk and when the evaluative criteria is ambiguous, corporate reputation serves as an implicit warranty about expected outcomes based on a company's past behaviors (Innis and Unnava 1991). In these situations, its major function is to act as a warranty that commits a company and its products to certain
levels of performance. In the short term, corporate reputation shapes consumers' immediate expectations about the outcomes of marketing transactions.

In the context of consumer relationships, a favorable corporate reputation is believed to serve as a trust-building mechanism that is established over a longer horizon (Anderson and Weitz 1989; Doney and Cannon 1997; Smith and Barclay 1997). It has relevance both in the development and maintenance of marketing relationships (Dwyer et al. 1987). In building strong relationships, transactions influence consumers' impressions about a company's specific attributes, but the final determinants of reputation are the consistency in behavior and outcomes (Herbig and Milecwich 1995). Looking at a company's activities in totality rather than as isolated instances informational cues is the basis for judging consistency in relationships. Adopting a longer time horizon or future perspective appears to have significance in shaping corporate.

In sum, corporate reputation is likened to a market signal for consumers who are unfamiliar with a company's past actions. In contrast, it is viewed as a trust-building tool that establishes and enhances consumers' attitudes about the company when there is direct experience to draw upon. This tentative interpretation of the varied roles that corporate reputation might assume enables us to look more critically at its role in current relationships.

The development of corporate reputation is directly affected by consumers' interactions with a company. While indirect information may play a role in customers' evaluation of a company, idiosyncratic opinions are shaped more heavily by interactions with the company and their own unique needs (Bromley 1993). This notion raises
questions about the extent of influence that third parties and other sources of reputation-based information have on current customers' evaluation of a company. It also suggests that corporate reputation serves as a reminder of what attracted the customer to the company and may operate in the background as consumers rely more on their own interpretation of a company's activities. According to Posner (1990), corporate reputation feeds off itself. Perhaps direct experience with a company's activities fuels this self-perpetuating tendency. Once it is established, customers may find it unnecessary to make an effort to learn more about the inherent qualities of a company. Empirical evidence confirms that a company's actual behavior counts more than subjective opinions or inferences about its behavior in current relationships (Doney and Cannon 1997; Ganesen 1994). Furthermore, relational factors such as trust in the company generally increase, and predictions about future behavior are based on outcomes of previous transactions or exchanges rather than what others think about the company (Anderson and Weitz 1989).

Extensive research reports that attitudes formed as a result of direct experience with a company are more strongly held, more accessible, and more predictive of behavior than attitudes acquired through second-hand information (Fazio and Zanna 1981). Therefore, it is plausible that current customers rely more on what they know to be true rather than on what others think about a company. The breadth of experience with a company also increases the amount of information that consumers have stored in memory about a company (Anderson et al. 1979). Again, consumers have less motivation to rely on outside information in forming attitudes toward a company.
Lastly, the stage of development of consumer relationships is also believed to influence the importance of corporate reputation in consumer relationships. Each stage is characterized by where the two parties are in the relationship development process and how they are likely to interact with each other. Andersen and Sorensen (1999) describe the changing role of corporate reputation across the five stages of relationship development proposed by Dwyer et al. (1987). These five stages of relationship development are (1) awareness, (2) exploration, (3) expansion, (4) commitment, and (5) dissolution. Figure 2.2 depicts the relationship between corporate reputation and relational experience. The role of corporate reputation at each stage of the relationships is briefly described.

In the awareness stage, people seek input from valued others to help customers choose exchange partners. Thus, reputation information is actively sought and valued early on in the relationship. In the exploration stage, the level of perceived risks and uncertainty remains high and the relationship is fragile. As exchange partners work to become more informed about each other's commitment to the relationship, they are likely to use corporate reputation as another piece of evidence with which to assess a company's performance and intentions. In the expansion phase, the relationship evolves based on increased interaction and a mutual trust and satisfaction. Exchange partners engage in less monitoring of each other's behavior. The commitment stage that follows ideally characterizes a as relationship that is closer and in which the benevolence and credibility of the parties has been tried and tested. At this stage, social and psychological bonds diminish the importance of outsiders' assessments of a
company. Finally, in the dissolution stage neither direct experience or information from other sources materially changes the fate of a relationship that does not satisfy the needs of both partners.

Figure 2.2: The Influence of Reputational Information Across Stages of Relationship

Source: Andersen and Sorensen (1999), "Reputational Information: Its Role in Inter-Organizational Collaboration," Corporate Reputation Review, 2

The main conclusion drawn from research on corporate reputation and relationship marketing is that continuous assessment of an exchange partners' performance is an important aspect of relationship maintenance. Reputation for performance and trustworthiness are important measures of competence in consumer relationships across all
stages of the relationship. However, corporate reputation may play a less important role as relationships grow. As consumers acquire more personal experience with a company, the opinions of other consumers perhaps lose value. While a favorable corporate reputation reduces consumers' perceived risk and puts consumers at ease, this does not imply that these relationships are easy to sustain. What it does suggest is that even companies in good stead with current customers must continue to invest in building strong relationships.

Summary

Reputation is inherently a complex social phenomenon. In an organizational context, it is far more difficult to understand than our intuitive grasp of the concept might lead us to believe. However, drawing from theoretical arguments and empirical evidence, it is possible to develop a deeper and more comprehensive understanding of corporate reputation. Though the marketing literature lacks a well-developed stream of research on corporate reputation, research in related areas such as source credibility, service guarantees, and branding give some indication of the factors that influence consumers' evaluation of the company.

Ultimately, what companies do and what consumers think about what they do is critical information in managing marketing relationships. The importance of understanding how reputations are constructed and what shapes a company's reputation within a specific stakeholder was examined by invoking more theoretical frameworks that capture the essence of corporate reputation and its significance in consumer
relationships. This permits a more rigorous examination of the antecedents and consequences of corporate reputation.

Even among customers, the factors that define corporate reputation vary for business customers and end users (potential and current customers). Because social representations tend to be overgeneralizations based on simple ideas or superficial common attributes that occasionally bear little correspondence to a company's actual behavior, building a favorable corporate reputation for particular customers depends on which corporate activities are relevant to this group. The next chapter follows this lead to develop a conceptual framework for measuring corporate reputation and is antecedents and consequences specifically for current customers.
CHAPTER 3

A Conceptual Framework of the
Antecedents and Consequences
of Corporate Reputation

Introduction

In this chapter, the goal is accomplish several importance objectives. The thrust of the chapter focuses on introducing a conceptual framework developed to identify the antecedents and consequences of corporate reputation. Before doing so, a brief update on current state of research on the drivers of corporate reputation is reviewed. Following this discussion, each construct within the conceptual framework is defined and a number of hypotheses regarding their relationship to corporate reputation are proposed. The chapter concludes with a summary of issues relevant to measuring corporate reputation in consumer relationships.

Drivers of Corporate Reputation

There is an ongoing debate about what factors shape corporate reputation and the relative importance of these factors to a company's customers. By far, the impact of financial performance on corporate reputation (e.g., Fombrun and Shanley 1990; Hammond and Slocum 1996; McGuire et al. 1988) has received the greatest attention in academic research. Increasingly, doubt is being raised about the relative influence of
financial performance on corporate reputation (e.g., Carporo and Srivastava 1997; Fryzell and Wang 1994) in light of mounting social pressures on companies to do more than generate wealth for owners or stockholders. On one hand, many of the studies in this area tend to concentrate primarily on financial factors, ignoring the potential contribution of relational factors in building the corporate reputation. On the other hand, when predictive models of corporate reputation include non-financial factors, they typically include a measure to assess a company's social responsibility. A company's socially responsible behavior alone is not necessarily a good measure of its interpersonal relations with stakeholders. For the reasons stated, there is insufficient knowledge to determine the influence of relational factors in shaping corporate reputation. Invariably, the instruments used to assess a company's reputation will vary but it is reasonable to assume there is a core of common factors that transcends industries and that consumers generally consider when constructing opinions about a company.

The appeal of non-financial factors such as relational performance stems from a very simple fact: they can create a competitive advantage that is difficult to imitate (Donlon 1998; Harvey and Lusch 1997). Channel partnerships, business alliances, and customer relationships are intangible assets that have emerged as important sources of differentiation for many companies. These factors will eventually become another way to assess a company's performance. Examples of companies that have successfully capitalized on their strong customer relationships to build a favorable corporate reputation in consumer markets abound. For instance, Harley Davidson has created an intense loyalty and special sense of "group belonging" among its customers through the company-sponsored owners club (Fombrun 1996). Saturn bonds with its customers and
creates a sense of family by sponsoring annual homecomings at its manufacturing plant, do-it-yourself clinics, barbeques at local dealerships, and a member newsletter. FUBU (For Us By Us) established a unique market presence and connection with consumers in urban/hip-hop apparel when it promoted themes of racial pride and encouraged minority consumers to buy clothes designed specifically for them by people like them. These examples illustrate how a company's ability to develop strong and supportive relationships with customers can generate superior outcomes, both financial and non-financial, that significantly enhance its reputation. Thus the impact of relational performance on corporate reputation should be measured and strategically used in marketing relationships.

The objective of this research is to test relationships among the relational antecedents, relational consequences, and corporate reputation. The list of antecedents identified here is unique to customer stakeholders and includes rarely examined relational factors, along with the more widely examined financial and operational factors. While measures of financial and operational competence are developed and identified along with the other constructs, an in-depth examination of their role in building corporate reputation is beyond the scope of this research. Consequently, those measures are addressed to the extent that they inform us of the nature or importance of the relational constructs in the model.

**Sustainable Competitive Advantage**

Sustainable competitive advantage refers to a company's ability to achieve and sustain a marketplace advantage over time relative to competitors (Barney 1991; Peteraf
A company's ability to achieve an advantage is determined partly by the nature and structure of competitive markets (Rumelt 1984; Day and Wensley 1988). However, there are other factors that reside within a company that enable it to outperform competitors in the long run. Identifying the internal factors and understanding the process that leads to a sustainable competitive advantage is readily accomplished within a framework that portrays competitive advantage as a system of inputs and outcomes or antecedents and consequences of business activities. More critical though is that this framework makes it possible to explicate the antecedents and consequences of corporate reputation, as well as the interrelationships among these factors.

Figure 3.1: Elements of Sustainable Competitive Advantage

Source: Day and Wensley (1988)
Figure 3.1 presents a framework of sustainable competitive advantage based on the resource-based view of the firm (Rumelt 1984). It identifies the path and critical components of sustainable competitive advantage, as introduced to the marketing literature by Day and Wensley (1988). According to the resource-based view, superior performance outcomes stem from a company's accumulation and strategic use of its internal sources. The sources of advantages include superior intangible skills (e.g., reputation, customer relations, and intellectual knowledge) and superior resources (e.g., physical assets, patents, trademarks). The superior skills are appropriately labeled as competencies because the ability to acquire and cultivate these sources of advantage is what drives differences in organizational performance. By sustaining and leveraging the sources of advantage, companies can achieve a positional advantage that delivers either superior value to customers (differentiation) or they can achieve a lower relative cost of production for goods and services, or "efficiency" (Barney 1991; Conner 1991; Peteraf 1993). In return, companies can reap financial (e.g., market share) and non-financial (e.g., customer satisfaction and loyalty) benefits for outstanding performance.

While having a favorable corporate reputation positively impacts corporate performance, a sound understanding of the relationships between the critical paths and key constructs of sustainable competitive advantage is necessary if companies are to manage corporate reputation as a valuable asset. Many scholars agree that a favorable corporate reputation could serve as a potent source of sustainable competitive advantage (Barney 1991; Dierickx and Cool 1989; Fearnley 1993; Hall 1992, 1993; Rao 1994;
Roberts and Dowling 1997; Rumelt 1984). However, most discussions on sustainable competitive advantage generally fail to explicate the process by which corporate reputation leads to superior outcomes and achieves a sustainable competitive advantage. One of the goals of this research is to specify the sources of advantage and performance outcomes of corporate reputation in consumer markets and provide an empirical analysis of this process.

McMillan and Joshi (1997) conducted one of the few studies that attempts to capture the process as well as the relationship among sources of advantage, performance outcomes, and corporate reputation. The results from that research, which are based on secondary data, show a positive relationship between the drivers of corporate reputation, corporate reputation, and financial performance. Unfortunately, the findings from this study and others in business strategy (e.g., Fombrun and Shanely 1990; Fryzell and Wang 1994; Hammond and Slocum 1996) have common limitations. Their results are based on measures of corporate reputation that are tailored to managerial audiences and investor stakeholders. As a result, the sources of advantage or key drivers of corporate reputation examined are heavily skewed towards issues that are likely of lesser importance to consumers.

Despite the burgeoning literature on sustainable competitive advantage, what is known about the strategic relevance of corporate reputation in consumer markets remains speculative. The literature awaits tangible evidence that corporate reputation can create a sustainable competitive advantage. Current issues related to marketing strategy have been examined within the sustainable competitive advantage framework. For example, the sustainable competitive advantage framework was used to propose a process for
obtaining a balanced assessment of a company’s competitive strengths (Day and Wensley 1988) and to examine the moderating factors of sustainable competitive advantage in a services context (Bharadwaj, Varadarajan, and Fahy 1993). Because these few studies in marketing strategy lack empirical support, they provide only limited insights into the factors that drive sustainable competitive advantage.

The sustainable competitive advantage approach to understanding corporate reputation presupposes that a company understands what shapes its corporate reputation and appropriately invests in these activities. However, companies are challenged in their efforts not only to identify the antecedents of corporate reputation but also to formulate strategies that allow them to deliver value (for less if possible), while reaping superior financial returns for doing so (Conner 1991; Day 1989). To accomplish this strategic goal, their actions must align with the needs and interests of consumers and foster the conditions for supportive and mutually beneficial relationships. It thus follows that identifying the antecedents of corporate reputation is a critical first step to learning how corporate reputation becomes a valuable strategic tool. Only then can we turn our attention to an investigation of the consequences of corporate reputation in consumer markets. At that point, a discussion of the appropriate relationship-building strategies companies can use to influence consumers' evaluation of a company can proceed.

In the remainder of this chapter, Figure 3.2 elaborates on the sustainable competitive advantage framework to identify the antecedents and consequences of corporate reputation in consumer markets. A synthesis of the business strategy and marketing literature provides theoretical justification for the inclusion of the primary constructs in the conceptual framework. Additionally, the conceptual framework is used
to delineate the process underlying sustainable competitive advantage. Special emphasis is devoted to studying relational antecedents and consequences of corporate reputation and analyzing their role in achieving a sustainable competitive advantage. In pursuing this objective, the process underlying the creation of a sustainable competitive advantage might be revealed.
Figure 3.2: Corporate Reputation as a Source of Sustainable Competitive Advantage -- A Test of Critical Relationships
Corporate Actions

In Figure 3.2, corporate actions are defined as any activities undertaken by a company, whether intentionally or unintentionally. Of course, only those actions that consumers have knowledge of can affect the company's reputation. Corporate actions are products of strategic decisions intended to gain or sustain a competitive advantage (Peteraf 1993). They are the most tangible measure of a company's reputation and are used to communicate the quality of a company's products (Shapiro 1983), its future prospects (Fombrun 1996; Sutton and Calhoun 1987), who it is (Tsui 1994), and how it is likely to act in the future (Weigelt and Camerer 1988).

As extensively discussed in the previous chapter, corporate reputation is a form of feedback provided to a company about the extent to which consumers approve of its actions and other corporate attributes. Astute companies that truly understand what shapes their reputation and creates customer value appropriately allocate resources and develop actions and practices that positively reinforce the desired corporate identity and help to sustain their competitive positions over time.

Three broad categories have been developed in this research to reflect the range of corporate activities that potentially affect a company's competitive position. First, most corporate activities are the result of calculated strategic decisions that fulfill important corporate goals. Proctor and Gamble, for example, developed a more tailored communication strategy that included direct mail and the Internet rather than mass media to reach young women with information about its new hair care product line, Physique. Second, business practices and policies refer to those activities which companies typically develop as a formal edict to guide its business conduct with stakeholders. In
consumer markets, this might include policies that deal with service complaints, refunds, store hours, or delivery schedules. For instance, the emphasis that UPS gives to the cleanliness and courtesy of its drivers is one of its defining and most salient attributes. Other practices that might have implications for consumers include labor practices, recruitment policies, or vendor selection. Third, there are undoubtedly other factors in any competitive situation that force a company to respond to unanticipated events. Unplanned activities that require corporate responses to press reports or public concerns, such as catastrophes, financial problems, and scandals, are events that are certain to draw reactions from a company's stakeholders (Zyglidopoulos and Phillips 1999). In the end, the goal in pursuing specific corporate actions is to transform a company's strategic decisions into activities that influence consumers' evaluations and to help the company achieve a sustainable competitive advantage.

**Antecedents of Corporate Reputation:**

**Sources of Advantage**

Three primary sources of advantage are identified in Figure 3.2 as antecedents of corporate reputation. Relational, financial, and operational competencies are the sources of advantage believed to be most instrumental in shaping the company's reputation affecting its performance in the marketplace. In this research, superior skills refer to distinctive capabilities (e.g., organizational knowledge, relationships, training and expertise), whereas superior resources are more tangible assets (e.g., plants, manufacturing equipment, or distribution channels) that enable a company to produce and
deliver goods and services to the market. We focus on superior skills that shape a company's reputation.

According to Stalk, Evans and Shulman (1992), "the essence of strategy is not the structure of a company's products and markets but the dynamics of its behavior...and the goal is to identify and develop hard-to-imitate capabilities that distinguish a company from its competitors in the eyes of customers" (p. 62). Therefore, a company's proficiency in acquiring, combining, and deploying its resources lies at the core of superior financial performance (Conner 1991). It has been suggested that luck might play a central role in a company's success (Barney 1991; Woodside, Sullivan, and Trappey 1999). However, the development of core competencies occurs not by chance but rather because of a company's ability to formulate and implement strategies that develop into well-honed routines that leverage valuable resources (Fombrun 1996; Thomas and Pollack 1999). In this research, the term "core competence" is used to describe the inherent strengths of a company and those capabilities that are most critical to its survival.

A core competence is merely the knowledge base or set of skills that has general application across a wide range of situations and delivers a valued customer benefit (Thomas and Pollack 1999). It might also be viewed as the unique configuration of skills, resources, technology, and people that enables a company to achieve its goals and gives it an advantage over its rivals (Harvey and Lusch 1997; Sanchez, Heene, and Thomas 1996). However, building core competencies involves more than understanding what skills and resources companies have at their disposal. It should also include an understanding of how companies do what they do to achieve a sustainable competitive advantage.
advantage. Achieving a sustainable competitive advantage results from the strategic decision to commit to a certain way of doing things (Ghemawat 1986). Additionally, companies that achieve a sustainable advantage do so when they assess and appropriately match internal resources with external opportunities (Barney 1986) and allocate resources to critical strengths that establish and reinforce a distinct identity (Ackerman 1982; Grant 1991).

The list of core competencies that contribute to a company’s competitive advantage and success is likely to be long, complex, and unique to each organization. This fact is indeed borne out in the diverse lists of competencies appearing in the extant literature. Each list reflects variance in the relative importance of a core competence across industries, companies, and stakeholders. A comprehensive review of the literature did not uncover a single list or existing scale to measure core competencies that can be universally applied across stakeholders or markets. Nevertheless, insights gained from research in business strategy and marketing help to establish a list of core competencies that are most relevant in consumer markets and influential in shaping corporate reputation.

In the business strategy literature, Snow and Hrebiniak (1980) identified nine distinctive competencies that were generally linked to four different strategic orientations. Depending on the industry and strategic type, companies were found to develop some but not all of the following competencies: (1) financial management, (2) marketing, (3) market research, (4) research and development, (5) engineering, (6) production, (7) distribution, (8) legal affairs, and (9) personnel. Omitted from this list of competencies is any reference to a company’s relational abilities as a distinct
competence. Hamel (1994) provides a more contemporary perspective on the topic and proposes a broader classification of core competencies. The three types of core competencies he defined are market access (e.g., brand management, sales and marketing), functionality related (e.g., unique core attributes), and integrity related (e.g., quality, just-in-time delivery). It might be inferred that relational abilities, such as initiating regular customer contact and maintaining detailed customer profiles, fall within the domain of market access and integrity-related competencies, though Hamel does not make explicit reference to these competencies as relational activities.

In the marketing strategy literature, several scholars advocate including relational abilities as a core competence and potential source of advantage due to their importance in building relationships with partners throughout the supply chain (e.g., Day and Wensley 1988; Hunt and Morgan 1995; Srivastava et al. 1998). Other lists of distinctive marketing competencies include factors that indirectly relate to a company's relational abilities and performance (e.g., Conant, Mokaw, and Varadarajan 1990; Woodside et al. 1999). For example, Woodside et al. (1999) identified distinctive marketing competencies in order of importance as: (1) skills, (2) service, (3) superior image, (4) knowledge, and (5) managing funds. The results from that research suggest that the service dimension, which implicates a company's relational abilities, is the primary factor that links the five competencies. In another study, Conant et al. (1990) identified only one item from among a list of 20 distinctive marketing competencies that was remotely related to building relationships with partners (i.e., knowledge of customers).

Elsewhere in the marketing literature, brief references to the importance of relational abilities can be found. Srivastava et al. (1998) describes relational market-
based assets as the product of the relationships between a company and its stakeholders. They explore the idea that customer relationships enable a company to leverage its investments in relationship building to improve market performance, lower financial risks, and increase operating efficiencies. Day and Wensley (1988) allude to the importance of a company's relational abilities when they claim that a company's tactical style or how it implements strategic decisions is a major determinant of differentiation. Bharadwaj (1996) finds empirical evidence to suggest that relationship-building abilities enhance the value of a company. These studies collectively present compelling reasons to investigate the importance of a company's relational skills on its performance. The purpose of this research though is not to merely examine the impact of relationship-building activities on financial outcomes. A major objective is to also understand the type of relational outcomes that companies might expect in return for being a good exchange partner.

Evidence from the popular press offers some indication of the importance of relational abilities in creating a favorable corporate reputation. For example, the publication of the "100 Best Companies to Work for in America" cited openness and fairness and camaraderie and friendliness as two of the six criteria used to rank companies in that survey (cf. Fombrun 1998). On the other hand, the most widely published commercial survey on corporate reputation, "America's Most Admired Companies" published by Fortune, includes only a single item (i.e., social responsibility) that might be construed as a measure of a company's interpersonal relations with its constituents. The other seven items that comprise the Fortune index measure a company's financial and operational capabilities. Even the most renowned measure of
corporate reputation excludes measures of interpersonal attributes such as honesty and integrity because these are qualities that all companies are assumed to possess (Davies and Miles 1998).

In conclusion, the absence of a well-developed perspective on the importance of a company's relational abilities as a key driver of corporate reputation is a major gap in our understanding of what really drives a company's performance. Every company is laden with social, ethical, and relational duties to stakeholders, in addition to the obligation to create wealth and financial stability for shareholders. More importantly, consumers evaluate companies based on non-economic activities and how companies deal with stakeholders (Fombrun and Shanely 1990; Drumwright 1996). For that reason, research on corporate reputation that does not consider relational factors as an important antecedent fails to adequately account for those corporate activities that drive a company's reputation. Measuring corporate reputation across a range of appropriate activities that include relational factors is important because consumers' evaluation of the company is ultimately affected by their feelings about the company as an exchange partner and their relationship with the company.

While a company's relational abilities as an antecedent of corporate reputation are of primary interest in this research, other competencies should be considered on the basis that they too influence consumer evaluations. Though most studies on corporate reputation do not purport to measure a company's core competencies per se, they do assess the impact of particular corporate activities as determinants of corporate reputation. A number of studies related to Fortune's corporate reputation index examine the relationship between corporate reputation and several other business factors (e.g.,
Fryzell and Wang 1994; McGuire et al. 1988). For example, advertising intensity, accounting profitability, market performance, media coverage, and social responsiveness are reported to significantly impact a company's reputation (Fombrun and Shanely 1990). Empirical findings such as these complement the theoretical arguments advanced for focusing on the three sources of advantage presented in the conceptual framework.

In the next section, the three sources of advantage listed in Figure 3.2 are reviewed. These sources of advantage were selected because they are believed to be the antecedents having the greatest potential to shape a company's positional advantage and performance outcomes.

**Relational Competence**

Corporate reputation derives from a company's ability to build strong relationships with stakeholders (Fombrun 1996). Conducting business is essentially about relationships among individuals and between individuals and a company. The manner in which a company develops and manages these relationships is a strong measure of its commitment to creating mutually beneficial relationships and to being a valued exchange partner. It further demonstrates that the company understands that relationships with consumers not only support any distinctive customer advantage it has but also are the essential building blocks of every form of competence (cf. Srivastava et al. 1998). Those companies that are more adept than their competitors at building and managing consumer relationships increase their probabilities of long-term survival, especially in high-risk situations and turbulent times.

Carpenter (1993) posits that an individual's competence as an exchange partner refers to those attributes that reflect his skills and interpersonal aptitude. He defines
"relational competence" as a multidimensional construct having two distinct factors. The two factors describe a person's ability to (1) initiate and control social exchanges and (2) enhance relationships by making them more satisfying, accessible, and enduring. Carpenter proposed this definition to reflect more than a person's social skills; it is intended to capture specific yet universal attributes of an individual rather than his behavior in isolated exchanges or interactions. It is an interpersonal construct developed to understand relationships between individuals.

This research deals exclusively with understanding how companies manage relationships with current customers. As a result, Carpenter's first factor - initiating and controlling social exchanges - is not as important. Instead, this research concentrates on development of the second factor - a company's ability to enhance and sustain relationships. The attributes that comprise the enhancement component of relational competence are (1) intimacy, (2) trust, (3) interpersonal sensitivity, (4) altruism, and (5) perspective taking. When these five attributes are considered in an organizational setting, it is obvious why such skills might be beneficial in marketing relationships.

Extending the notion of relational competence to understand the relationship between a company and consumers is completely acceptable given that these relationships are also interpersonal in nature (Gutek et al. 1999; Iacobucci and Ostrom 1996). A basic premise of relationship marketing is that companies benefit from developing satisfying relationships and bonding with consumers (Berry 1995; Berry and Parasuraman 1991; Sheth and Parvatiyar 1995; Srivastava et al. 1998). Additionally, a company's distinctive qualities (e.g., warmth, friendliness, and reliability) are conveyed through its relational identity and are used to determine its competence as an exchange
partner (Elbsbach and Glynn 1996). Therefore, companies that aspire to become more adept at developing and sustaining marketing relationships should certainly benefit from the development of a set of attributes comparable to those that Carpenter found to be valuable in personal relations.

According to a classification of corporate competencies proposed by Day (1994), relational competence is an “outside-in” process that links the company to the external environment and enables the company to compete and create long-term relationships with customers and others. Murphy, Stevens and McLeod (1997) espouse a similar view to develop a stakeholder relationship audit that measures a company's relational performance across multiple stakeholders using a single scale. They believe that identifying gaps in a company's relational performance can improve organizational performance. The results from that audit have not been extended to examine the impact of relational performance on other performance outcomes such as corporate reputation. Aside from this study, there have been very few attempts to empirically test for the impact of relational competence on consumers' attitudes and their behavior toward a company.

There is a small group of studies that focus upon the importance of relational competence in business-to-business relationships. For example, relational competence in marketing relationships has been discussed in research on company relationships with multiple stakeholder groups (Murphy et al. 1997) and cross-functional relationships in marketing (Bond 1996; Hutt 1995). Smith and Barclay (1997) conducted research on role competence, a variant of relational competence, among dyads of sales professionals. They reported that a selling partner of good character had a significant and positive effect
on satisfaction with the relationship, relationship investments, and information exchange. It is reasonable to speculate that much like business customers and marketing managers, consumers' experience with a company is affected by their impressions of a company's performance along relational and more intangible dimensions.

Based on the theoretical underpinnings of relational competence, developing a strong fitness as an exchange partner in marketing relationships should be an important determinant of corporate reputation. The measure of relational competence proposed in this research represents a company's ability to enhance and sustain relationships in general and captures universal rather than task- or relationship-specific attributes. It is a more inclusive construct than the role competence measure developed by Smith and Barclay. Nonetheless, both concepts build on the same tenet: customers' beliefs about a company's relational competence have direct bearing on relational outcomes such as an exchange partner's satisfaction with the relationship and the amount of social support a partner is willing to provide.

Drawing primarily from the literature on corporate reputation and relationship marketing, the primary dimensions of relational competence examined in this research are (1) corporate character, (2) social sensitivity, and (3) social utility. These dimensions capture the interpersonal and social aspects of organizational functioning. They can serve as useful indicators of how a company deals with its stakeholders, including current customers. A description of each of dimension follows.
Dimensions of Relational Competence

From a psychological standpoint, character is comprised of the latent psychological qualities associated with that person who consistently behaves a certain way (Emler 1990). One's character reflects recurrent, identifiable, stable patterns of functioning. These patterns may include behavior, thoughts, attitudes, and speech (Arlow 1990; Baudry 1991) that differentiates that individual from another (Josephs 1992). Examples of the use of the term “character” in ordinary discourse, such as “having a strong character,” “being of good character,” or “acting out of character” supports the idea that individuals are recognized for having performed consistently in some capacity or along some dimension.

Character and personality are used interchangeably to denote the enduring central psychological qualities of a person. But character and personality are conceptually distinct concepts (Bromley 1993; Sullivan 1950). Drawing from several different theoretical paradigms, the difference between personality and character is an issue of nature (biological) versus nurture (social). First, the trait concept is quite indispensable to any discussion of character or personality. According to trait theory, traits are approximate measures of a person's disposition and denote a readiness to respond (Kamler 1994). Personality addresses the traits derived from a biological basis, whereas character deals with traits derived from social experience and interaction. Personality traits have been linked to instinctual drives, while character traits are treated as residues of past experiences that become more stylized dispositions (cf. Abrams 1990). Character traits are also a mechanism for evoking specific desirable responses in others (Sandler 1991). Character traits are aspects of one's identity that are valued. An important idea
that underscores the distinction of character is that character traits are voluntarily chosen, more flexible, and more amenable to change than personality traits in the long run (Abrams 1990).

Kamler (1994) invokes social identity theory to develop the idea of two dimensions of identity to clarify the distinction between personality and character. He labels the first dimension the *causal identity*. It emerges during the early years of psychological development and is based the development of biological traits. The causal identity is depicted as a cluster of deeply entrenched personality dispositions related to each other in law-like ways. Causal traits serve as conditioning forces which create habitual automatic choices. These choices are both behavioral and cognitive and become engrained in a person’s identity.

The other dimension identified by Kamler, *character identity*, develops as a person accumulates life experiences and becomes a more discerning individual. The adult character structure is described as a self-maintaining, self-perpetuating, and self-regulating entity that functions independently of the unconscious influences or experiences that shaped personality during the early stages of development (Shapiro 1965). Character identity reflects who a person is with respect to deeply entrenched traits that are voluntarily chosen and incorporated into that person’s personality (Kamler 1994). In this sense, traits are general ways of being, selected over an infinite number of other possibilities. They are valued ways of “how to be.” Personality develops primarily in response to biological influences, enabling people to live alongside others within a social system, whereas character typifies the interpersonal style a person *chooses*.
to adapt to social roles and integrate himself into a specific social setting (Sullivan 1950).

There is also a moral aspect to the character concept. Schlesinger (1978) described the moral perspective on character as the extent of one’s personal integrity. In the study of character, a system of values encroaches upon any assessment of behavior. It becomes an issue of responsibility (Abrams 1990). One of the defining acts of moral integrity includes the ability to be true to a value or purpose when it is no longer self-serving to fulfill one's promises. For example, having character indicates a person's moral dependability, his capacity to delay gratification and empathize with others, and his ability or willingness to consider the consequences of refraining from certain behaviors toward himself or others. Character value principles must be treated as social obligations to live by. These social obligations are based on shared value standards (Schlesinger 1992) and each individual’s sense of “oughtness”. It is a matter of doing what an individual believes is “right.” Though these internal standards are no guarantee for “correct” behavior, they function as conscious reminders of conflicting interests and moral risk. Thus, a dependable moral disposition requires both a sense of self and a mutually satisfying interdependency with others. The choosing of character traits is the equivalent of choosing to live according to values embraced by social groups (Kamler 1994). People want to be in good moral standing with others and seek acknowledgment from and acceptance into groups of like-minded people.

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3 Character traits reflect the virtuous qualities that are socially valued and need not have a moral connotation. Companies recognize an obligation but they also have a positive motivation to do what is just in social exchanges (cf. Meara, Schmidt, and Day 1996). See Murphy (1999) and Shaw (1996) for a discussion of the theoretical distinction between virtue ethics (the stream of research from which the concept of corporate character originates) and moral ethics.
Based on the previous discussion, corporate character is defined as the virtuous qualities of a company that are socially desirable and contribute to social harmony in organizational relationships (Solomon 1992). It also refers to a company's overall style of reacting to situations or coping with social experiences (Baudry 1991). Broadly speaking, corporate character reflects those organizational attributes strategically chosen by companies that reflect how they behave rather than what they do (Meara et al. 1996). Undoubtedly, how a company behaves in exchange relationships has implications for its perceived desirability and fitness as an exchange partner.

Bestowing character upon any organization is merely another vehicle for comprehending a company's business activities and understanding what it represents. The notion of corporate character presented here is similar to the "soul" of a company. Berry (1999) suggests that the "soul" of service organizations, as a stable value system, underlies all strategic decisions and tactics. It is a critical element in the delivery of value to customers and the building of long-term relationships. The core values that define the essence of a company's soul permeate all aspects of organizational life and benefit all stakeholders.

As previously suggested regarding corporate reputation, any group of individuals (e.g., organizations) that adopts the roles and behaviors of people in some way (such as setting goals or claiming identities) inevitably will behave like a person in other ways. Similar to corporate reputation, corporate character resides in the minds of observers. It is socially constructed and is never self-evident (Ashforth and Mael 1996). Corporate character develops around a set of traits, which generate inferences about what people are really like "inside" based on observation of their social behaviors (Park 1986). The traits
that form the basis of a company's character are heavily influenced by a company's motivations, moral system (honest, cheat, liar), instinctual makeup (impulsive, inhibited), ego functions (perceptive, humorous), and basic attitudes (trustful, kind, sensitive).

According to Hogan (1985), character traits serve multiple functions in social relationships. The three functions most frequently discussed are:

1) predictive utility — uses act-frequency dispositions to estimate the likelihood that one will act in a certain way,

2) interpretive utility — uses inferences about psychological structures such as motives, needs and interests and goals to give meaning to behavior, and

3) evaluative utility — makes judgments about traits such as honest or dependable to assess one's value as a future resource.

What is the critical link between corporate reputation and corporate character? The interpretive function is the critical link between corporate character and corporate reputation. Consumers interpret corporate activities to infer a company's motivations or character (Kaptein 1998). Companies are not simply passive responders to causal events or merely acting out of obligation. Rather, they choose character traits to strategically project "how to act" as a social entity or how it wants to respond to the social world (Kamler 1994). A company with a well-developed character possesses a vision of ideals, a well-defined identity, and an understanding of the impact of its actions on a larger community. This type of information about a company provides valuable insights that help consumers comprehend and make sense of corporate activities (Meara et al. 1996).
Ultimately, information about the company's character impinges on consumers' expectations and evaluation of the company.

The proposed relationship between corporate character and corporate reputation is based partly on theoretical perspectives. However, traditional theories in attitude research also help to determine the precise relationship between character and reputation. One's beliefs, cognitions, and feelings are antecedent to one's attitudes about some object or person (Fishbein and Ajzen 1975). Given that corporate reputation is essentially the collective attitude of a group of stakeholders about a company, then beliefs about its activities are suggestive of its character and other competencies. Hence, beliefs about a company's character, as inferred from its actions, influence consumers' evaluation of a company as a competent exchange partner and its overall reputation.

There is virtually no empirical evidence of the relationship between corporate character and corporate reputation. Anecdotal information gives some indication of the relationship between the two constructs. Preece, Fleisher and Toccacelli (1995), for instance, equate the company's image to its personality but link character to a company's reputation. Fearnley (1993) claims that corporate reputation develops from the consistent communication of a company's ethics, values, and mission to all stakeholders. The study by Smith and Barclay (1997) conducted with sales dyads reported that exchange partners' perceived character was negatively influenced by differences in professional reputations. Differences in professional reputations enable partners to assess each other's skills and behavior and appear to directly affect the level of trust and mutual satisfaction in sales relationships. These varied interpretations of corporate character lead to the conclusion that it should be viewed as antecedent to corporate reputation.
Social sensitivity. The notion of good corporate citizenship and moral and ethical responsibility are socially desirable corporate attributes that solidify a company's status as a capable exchange partner. The emergence of the proactive organization indicates that many companies accept their obligation to advance the common good of society while pursuing superior financial rewards (Shepard, Betz, and O'Connel 1997). A number of research studies confirm the positive effects of social responsibility on a company's reputation (Keller and Aaker 1998; Brown and Dacin 1997; Saxton 1998), consumer goodwill (Varadarajan and Menon 1988), and financial performance (Hammond and Slocum 1996; McGuire et al. 1988; Pava and Krausz 1997).

Social responsibility deals primarily with how a company deals with increasing pressures to balance economic objectives and social needs of the larger community. In some situations, social rather than business conduct is a more important determinant of consumer attitudes toward the company (Handelman and Arnold 1999; Winters 1986). In marketing, forms of socially responsible behavior are found in environmental and cause-related marketing. A company's environmental marketing programs and overall environmental record affect its reputation (Fearnely 1993). Cause-related marketing is a special form of social responsiveness in which the company engages in activities that balance corporate and individual objectives (Menon and Menon 1997; Varadarajan and Menon 1988). Each of these variants of charitable and altruistic behavior comes under the rubric of social responsibility because they are rooted in a company's moral and ethical obligations to protect and contribute to the community and society. However, companies are not only judged by the extent to which they fulfill moral and ethical rights and responsibilities. They are also evaluated according to the degree to which they are
attuned to the needs of others and act, not out of obligation, but out of compassion and sensitivity to the plight of others. Socially responsibility is built on the premise that a company should care about the society at large. It should care about those groups with whom it shares mutual interests as well as support those groups that do not have a vested interest in a company's performance but that would benefit from its altruistic behaviors (Freeman and Liedtka 1991).

In this research, social sensitivity rather social responsibility is the term used to represent a company's socially responsible activities and caring practices. It is intended to capture a company's commitment to and relational performance across diverse audiences and a wide range of issues (Hammond and Slocum 1996). Implicit in this concept is that the well being of all audiences — regardless of their vested interest in the company — should matter to a company. Therefore, if a sense of community is genuine then the company should be concerned with and sensitive to the needs of a larger audience that extends beyond its stakeholders (Mau and Dennis 1994). The sensitivity that a company shows is not limited to the needs and interest of its shareholders or customers. Instead, sensitivity to issues affecting society in general make good stock for relational competence. Socially responsible corporate activities are just one way a company demonstrates its sensitivity toward others and is suggestive of whether the company is motivated by purely economic interest versus altruistic considerations.

Many companies have determined that social sensitivity is an investment that enhances their competitive advantage and long-term success (cf. Varadarajan and Menon 1988). While the bottom line impact of acting in socially responsible ways is equivocal, companies regularly combine economic and social objectives when marketing to
consumers. Specifically, advertising that contains a social issue is standard practice for many companies. Consumers tend to respond favorably to advertising that includes a social dimension (Drumwright 1996). Caring and benevolent gestures aimed at stakeholders, the general public, and the environment are corporate activities and practices that should garner favor with consumers. For this reason, the inclusion of a measure to assess consumer beliefs about the impact of a company’s social sensitivity towards all others, the environment, and important social causes seems appropriate.

**Social utility.** The final dimension of relational competence included in this research is social utility. It is defined as a company's ability to help customers fulfill important life goals and enhance their overall quality of life. This conceptualization of social utility fits well with a stream of research developed by Sirgy and colleagues that has addressed quality of life issues in marketing.

The value contributed to consumers’ quality of life and self-esteem is a factor that enhances marketing relationships and creates an attachment to companies. King (1991) suggests that consumers seek meaning in their relationships with companies and have little interest in purchasing goods and services that do not uphold their personal values. Consumers look to companies to affirm their personal or human worth. The consumer’s relationships with companies are an important aspect of social support (Adelman, Ahuvia, and Goodwin 1994; Sheaves and Barnes 1996). Berry (1995) sums up the importance of social value as an important factor in relational exchanges when he states that “corporate practices that rob customers of self-esteem or justice may be legal, but they destroy trust and relationship building” (p. 243).
The literature on branding also raises the idea that brands can evoke soft associations (i.e., feelings) as well as hard associations (i.e., product attributes) (Biel 1993). When dealing with corporate brands, companies tend to overlook these soft feelings and the personal(ized) aspects of performance in their quest to forge close relationships with customers (Fournier, Dobscha and Mick 1998; Sirgy 1991; Sirgy and Lee 1994). The corporate brand has the potential to forge emotional connections with consumers and become an intimate part of a consumer’s lifestyle. Furthermore, the companies who are able to reach consumers emotionally will be those that reflect the consumers' core values (Berry 1999). Hence, the emotions and feelings that companies elicit from current customers create unique ties that significantly influence how consumers view the company.

In the final analysis, consumers’ subjective perceptions of corporate character, social sensitivity, and social utility determine what they believe about a company's commitment and ability to enhance marketing relationships. These aspects of relational competence are expected to influence the consumers' evaluation of a company. The following hypotheses are introduced to assess the merits of the preceding discussion regarding the importance of relational factors as important antecedents of corporate reputation.

H1a: The influence of corporate character on corporate reputation is significant and positive.

H1b: The influence of social sensitivity on corporate reputation is significant and positive.

H1c: The influence of social utility on corporate reputation is significant and positive.
Discrediting events that challenge consumers' understanding of who the company is and what it stands for has deleterious consequences for corporate reputation (Fiol and Kovoor-Misra 1997). “Acting out of character” creates conditions less conducive to maintaining productive and trusting relationships. Corporate character represents the fundamental and enduring nature of a company and is based on latent qualities that should remain fairly stable in spite of turbulence or dramatic changes in a company’s external environment. Recall that one of the functions of corporate character is its value in predicting future behavior (Emler 1990). In contrast, social sensitivity and social utility are perceived to be more likely to vary due to changes in environmental factors such as a company’s financial health, increased competition, or public opinions. Unexpected changes in the environment can abruptly alter a company's ability and/or willingness to support social initiatives and to deliver the same level of social value to customers. Therefore, social sensitivity and social utility might be relatively less reliable predictors of future behavior and less influential in maintaining customer relationships compared to corporate character. The following hypotheses are intended to test this line of reasoning and establish the relative importance of corporate character as an aspect of relational competence.

H2a: The influence of corporate character on corporate reputation is greater than the influence of social sensitivity.

H2b: The influence of corporate character on corporate reputation is greater than the influence of social utility.

In Figure 3.2, two other core competencies are identified as antecedents of corporate reputation for consumers. Financial and operational competence have been
Financial Competence

Financial competence denotes a company's ability to manage its financial resources to enhance operations, maintain financial stability, and enhance the company's future prospects for continued success (Fombrun 1996). *Fortune*'s index of corporate reputation is widely used to estimate the impact of financial performance on an outsider's evaluation of the company. Results generated from the survey consistently indicate that a company's performance with regard to investment decisions and management of financial assets is an important factor in shaping corporate reputation for investor stakeholders (Fryzell and Wang 1994; McGuire, et al. 1988; Fombrun and Shanley 1990). There is very little information in the literature that documents the impact of financial performance on consumers' evaluation of a company. This research addresses this limitation and draws on the marketing literature to justify the inclusion of financial competence as a primary antecedent of corporate reputation in consumer markets. First, strong sales and profitability offers consumers reassurance that other customers have chosen a particular company and it has considerable support for its products and services (Aaker 1996). Second, strong financial performance also is indicative of a company's reliability and its ability to manage business and financial
affairs. Consumers want to know that they are dealing with a company that has a strong business acumen and is financially stable. Third, financial performance also forecasts a company's potential longevity and future prospects (Sutton and Callahan 1987). It is important for consumers to believe that the company will be around when they need them, especially if the products frequently need replacement parts or services require continuous membership.

**Operational Competence**

There is strong evidence that operational competence is an important antecedent of corporate reputation (Capraro and Srivastava 1997; Fryxell and Wang 1994; Hammond and Slocum 1996). Operational competence refers to a strategic approach that draws upon internal skills which enable efficient, flexible production and delivery of goods and services (Fryzell and Wang 1994; Treacy and Wiersema 1993). It also reflects a company's ability to do things right (Berry 1999).

The strategic goals enable a company to deliver products and services in a reliable and efficient manner depends heavily on the human resource or people factor. Through several cases studies, Treacy and Wiersema (1993) illustrate that a strong operational competence develops from designing processes that direct management systems and employee training to support organizational goals. Therefore, activities related to management quality, employee recruitment, employee expertise, and employee training are operational activities that impact a company's ability to deliver products and services.

Product quality as a primary driver of corporate reputation has been extensively researched from both a marketing and economic perspective. A company's ability (or inability) to sell high quality products shapes corporate reputation (Fryxell and Wang
It has been shown that consumers' attitudes toward a company are influenced by their beliefs about the quality of a company's products (Caproro and Srivastava 1997; Winters 1988).

In addition to marketing and human resource activities, other operational activities frequently linked to a company's reputation include technological abilities, technical superiority (Varadarajan 1992), and innovativeness (Day 1994; Murphy et al. 1997). Technological innovation has been shown to drive investors' evaluations of a company (Fryxell and Wang 1994) and overall corporate performance (Berry 1999). Closely related to innovativeness is product leadership, which is considered as another measure of a company's ability to continuously deliver cutting edge products and services (Day 1994; Tracey and Wiersema 1993).

Many of the research findings that link operational factors to corporate reputation are scattered throughout the marketing and business strategy literature. There are few studies which have studied the impact of multiple operational factors. It is clear that operational abilities have some significance to consumers, though their relative impact on corporate reputation has not been closely examined for current customers.

Before moving on to examine the other key constructs in Figure 3.2, there are two issues that the reader should understand. One is that the differential influence of core competencies as antecedents of corporate reputation will help to establish the role of corporate reputation in consumer markets. For a company's current customers, relational factors are of great importance (Anderson and Weitz 1989). In ongoing relationships, it is assumed that a company has met some minimum threshold for satisfaction and performance and thus the basis for continuing the relationship is justified. However, as
consumer attention shifts away from functional attributes or tangible outcomes such as product quality or financial performance, relational attributes should become more prominent. To test this premise, the next set of hypotheses is developed to empirically assess the relative influence of relational, financial and operational competence as predictors of corporate reputation for a company's current customers.

H3a: For current customers, the influence of relational competence on corporate reputation is greater than the influence of financial competence.

H3b: For current customers, the influence of relational competence on corporate reputation is greater than the influence of operational competence.

Depending on the type of consumer offering, relational competence might also assume greater importance than financial and operational competence in shaping corporate reputation. The extent to which consumers consider functional rather than intangible attributes in their evaluation of the company will vary. All consumer offerings include some combination of tangible and intangible attributes that make purchases more or less difficult (Nelson 1970; Shostack 1977; Zeithaml 1983). Zeithaml (1983) describes market offerings along a continuum based on the type of core attribute. Products that are primarily comprised of search attributes and that can be evaluated prior to purchase (e.g., autos) are positioned at one end of the continuum. Products and services that include experience attributes that can be evaluated only after purchase or consumption (e.g., restaurants) form the middle of the continuum. At the other extreme are services containing primarily credence attributes, which are usually impossible to evaluate even after service is rendered (e.g. medical surgery). For these services, pre-purchase uncertainty is magnified and corporate attributes such as a company's relational...
performance — especially how it deals with others — becomes more salient in marketing relationships (Bharadwaj and Menon 1993; Weigelt and Camerer 1988).

Whenever performance is difficult to evaluate, the consumers' sensitivity to intangible corporate attributes such as fairness, integrity, and respect, is heightened (Berry 1999). This tendency is exacerbated for service organizations when there are few tangible attributes to evaluate a company's performance. Since service companies are in the business of selling promises and building trust (Bitner 1995; Berry 1999), their performance along relational dimensions is more likely to be critical. The moderating influence of the type of consumer offerings is tested by the hypotheses that follow.

H4a: For consumer offerings that contain primarily experience or credence rather than search attributes, the influence of relational competence on corporate reputation is greater than the influence financial competence.

H4b: For consumer offerings that contain primarily experience or credence rather than search attributes, the influence of relational competence on corporate reputation is greater than the influence operational competence.

In conclusion, three core competencies cover the range of "sources of advantage" that are manifested in the marketplace and commonly observed by consumers. Individually and collectively, these core competencies could contribute to a favorable corporate reputation by creating value for customers. Therefore, their impact on consumer attitudes and behaviors should be measurable.
Consequences of Corporate Reputation: 
Relational and Market Outcomes

Obtaining a positional advantage through corporate reputation is believed to uniquely differentiate the company from others in a competitive environment. An intriguing but unanswered question about corporate reputation is: What impact does a favorable corporate reputation have on the consumer's relational orientation toward the company in marketing relationships?

Past discussions of relational behaviors in the marketing literature have concentrated on how a company should act in marketing relationships (e.g., commitment, trustworthy, and credible). In this research, it is most relevant to understand what benefits a company might expect from those consumers with whom it has been successful in developing strong and rewarding relationships. Only recently has research in relationship marketing begun to focus on a wider range of behaviors or behavioral intentions of consumers in ongoing marketing relationships. For example, Zeithaml, Berry, and Parasuraman (1996) looked specifically at the behavioral consequences of service quality, such as consumers' intentions to pay premium prices for services, spend more money with the company, or say negative things about the company.

There is also a high correlation between customer loyalty and corporate reputation. Results from a commercial study conducted on corporate reputation reveal that loyalty among current customers is significantly related to corporate reputation for consumers and business customers (Saxton 1998). However, the picture is far more complex than understanding loyalty and repeat purchase behavior. From a purely relational standpoint, the greatest benefit of having a favorable corporate reputation is
that consumers are favorably predisposed to a company. Consumers have a latent readiness to respond to a company's products, services, and communications (Kapferer 1998). Other relational outcomes that sustain a company's standing and relationship with consumers have not been empirically determined. The ensuing discussion focuses on the behavioral outcomes of corporate reputation. This narrow focus does not negate the importance of many psychological factors (e.g., customer satisfaction) that precede behavior or behavioral intentions (Gruen 1995).

The types of rewards accruing to firms can be classified as either relational or market rewards. Relational rewards are non-financial benefits afforded to companies that effectively develop strong and supportive relationships with consumers. Market rewards refer to traditional measures of performance used by marketing and finance (e.g., market share, sales growth, profitability). We know that the impact of corporate reputation in generating market rewards is direct and immediate. However, evidence is scarce regarding the impact of corporate reputation on relational rewards. To examine the influence of corporate reputation on the relational and financial consequences, the two hypotheses below are developed.

H5a: The influence of corporate reputation on relational rewards is significant and positive.

H5b: The influence of corporate reputation on market rewards is significant and positive.

Interest in the types of relational rewards that permit companies to fulfill corporate goals is a topic of growing interest in the marketing literature. Companies, much like consumers, seek more than tangible or economic rewards from marketing relationships (Sheaves and Barnes 1996; Wilson 1995). For example, Zeithaml, Berry
and Parasuraman (1996) examine the behavioral consequences of service quality to better understand the intermediate link between service quality and profit. In that research it was suggested that certain behaviors imply that consumers have bonded with the company and signal the probability that those current customers will stay or leave. When service quality is favorable, consumers are likely to remain in relationships with a company, increase their spending, and refer others to the company (Zeithaml et al. 1996). Can the same result be expected when the company has consistently performed in ways that generate favorable attitudes toward the company and what it does?

Other consumer behaviors may be suggestive of consumer attitudes toward a company. Singh (1988) examines complaint behaviors and draws a conceptual distinction between behavioral and non-behavioral responses. That research considered non-behavioral responses as potential warning signs of consumer relationships that are in jeopardy. For example, failure to take action or complain to the company was viewed as a valid behavioral response (Singh 1988). Failure to voice dissatisfaction or lack of action conveys consumer feelings, either positive or negative, toward the company (Hirschmann 1970). Other behavioral responses such as complaining to third parties or private responses (negative word-of-mouth communication) were also believed to have adverse consequences for a company's reputation (Singh 1988). Consumers that actively participate in marketing relationships may do so because they value the relationship and are willing to contribute to its development and maintenance. Companies that are motivated to maintain customer relationships should possess abilities and adopt strategies that initiate and encourage customer feedback (Hart, Haskett, and Sasser 1990).
Customer bonding is another relational outcome that relates specifically to what customers do and how they act in marketing relationships (Butz and Goodstein 1996). Supportive behaviors, such as volunteering feedback, may be viewed as public demonstrations of consumers' psychological commitment to marketing relationships. Certain consumer behaviors are the direct consequence of psychological or ideological bonds that consumers have with companies. Liljander and Strandvik (1995) describe psychological bonds as those that create an attachment to a company because customers believe a company to be superior to all others, whereas ideological bonds arise out of shared values or character traits that customers admire. Both types of bonds are influenced by corporate actions; bonds between consumers and company are likely to form when they believe a company consistently delivers value that meets or exceeds their expectations (Butz and Goodstein 1996). In sum, the recurring theme about how consumers interpret a company's actions seems to have great implications for what they will do in marketing relationships.

Through the process of bonding with customers, marketing relationships become more interactive and the mutual exchange of benefits increases (Cross and Smith 1995). This research examines supportive behaviors that are theoretically relevant to understanding how relational bonds with a company motivate consumers to engage in behaviors that deliver relational rewards to companies. The relational rewards of significance in established consumer relationships include:

(I) **Relational trust.** Relational trust emerges from repeated interactions over time between two parties (Lewicki, Allister, and Bies 1998; Rousseau, Sitkin, Burt, and Camerer 1998) and is an important concept in relationship
marketing (Morgan and Hunt 1994). This type of trust promotes risk taking and increases the willingness of exchange partners to rely on each other and make additional investments in a relationship (Rousseau et al. 1998), believing that each party will act in the best interest of the relationship (Anderson and Narus 1990; Sheth and Parvatiyar 1995). A high level of relational trust is a benefit that companies earn when they act in consistently and predictably favorable ways that reinforce consumer decisions to engage in relational exchanges (Sheth and Parvatiyar 1995; Smith and Barclay 1997).

(2) *Esteem enhancement.* The idea that marketing relationships enhance the social status and esteem of consumers has been explored (Sheaves and Barnes 1996). Companies with favorable reputations receive a boost in social esteem that enhances their public status and facilitates achieving marketplace goals (Bromley 1993; Fombrun 1996; King 1991). However, the social support provided to companies has not been considered. When customers take actions to defend companies, refuse to participate in boycotts, or join membership clubs (e.g., the Saturn Family or Harley Davidson Club) that create a sense of community and customer loyalty, they contribute to a company’s self-esteem.

(3) *Customer willingness to form structural bonds.* An increased commitment to a relationship is evident when consumers are willing to make relationship-specific investments to receive the added value of service offerings (Bendapudi and Berry 1997). Additional commitments that bind two parties,
create exit barriers, and reduce switching behavior are referred to as structural bonds (Berry and Parasuraman 1991). Customers may be more inclined to make further commitments to those companies that have behaved consistently in the past and developed favorable reputations. Additional investments in relationships reflect consumers' commitment to the relationship, which implies that consumers trust companies (Saxton 1997; Smith and Barclay 1997).

(4) *Customer willingness to extend privileges.* Additional rights may be conferred to companies over time as a demonstration of consumers' commitment and the perceived value of the relationship. For example, customer referrals and recommendations give companies access to others in a consumer's social network (e.g., MCI Friends and Family, insurance sales). Yielding to additional influence or company requests suggests that consumers are willing to modify their behaviors to accommodate the desires of others (cf. Smith and Barclay 1997). Energy conservation that give a company control over consumers' consumption patterns are one example of the voluntary actions that customers engage in to support a company. This behavior is certainly more beneficial to the company than to customers in the short run. These rewards are most likely bestowed only on companies that have created strong bonds with consumers.

(5) *Customer willingness to collaborate with company.* Without customer support, a company's ability to perform certain marketing activities essential to its success, such as new product development and speed to market, is
hindered (Day 1994). Von Hippel (1988) noted that a considerable number of product innovations are linked to customer suggestions and involvement in product development. Sharing information such as one's demographics conveys that consumers trust a company as an exchange partner and have little concern about its intent to respect customer privacy (Milne and Boza 1998).

Relational and market rewards are closely intertwined, though their causal relationship is debated in the literature. One school of thought suggests that relational rewards lead to market rewards. Srivastava et al. (1998) reported that corporate actions directed at managing and leveraging assets such as customer relationships enhance and accelerate cash flows. These benefits affect financial performance and increase shareholder wealth. Day and Wensley (1988) also describe relational rewards as antecedents of market rewards, such as market share and sales growth. Many corporate activities draw upon a company's relational competencies and convey its intentions. Without them, many financial rewards would be difficult to achieve and sustain over the long run (Klein and Leffler 1981).

Hunt and Morgan (1995) and Hunt (1999) offer an opposing viewpoint. They suggest that superior long-term financial performance is the primary objective of companies operating in a market-based economy. It is further argued that secondary objectives like being a good corporate citizen and developing strong customer relationships are enabled only when companies realize superior financial performance. Because achieving superior short-term financial or economic rewards has become a less
reliable indicator of competitive advantage (Hall 1993), it seems quite conceivable that secondary corporate objectives such as developing a favorable corporate reputation and building close customer relationships enable financial rewards rather than the inverse relationship. Customer responsiveness, willingness to recommend brands, and acceptance of new products reflect outcomes arising largely from a company’s ability to develop enduring relationships with customers (Srivastava et al. 1998). The debate about the relationship between relational and market rewards is an empirical issue that leads to a test of the next hypothesis.

H6: The influence of corporate reputation on market rewards is mediated by relational rewards.

Positional Advantage:

Corporate Reputation as a Source of Sustainable Competitive Advantage

Corporate reputation is situated centrally in Figure 3.2 as a positional advantage and source of sustainable competitive advantage. It is quickly emerging as one of the most valuable intangible assets available to companies. Its prominent status as an intangible asset stems partly from its potential to generate superior financial outcomes in the long term and partly from its hidden power as a strategic tool. Despite the lure of corporate reputation, it is an understudied and undervalued corporate asset primarily because its value escapes the balance sheet (Harvey and Lusch 1997; Srivastava et al. 1998). By the same token, those scholars who recognize the value of intangible assets such as corporate reputation in creating shareholder wealth and customer value continue
to find new ways to quantify the impact on a company's financial performance (e.g., Aaker and Jacobsen 1994; Srivastava, et al. 1998). In this research, the placement of corporate reputation at the core of a sustainable competitive advantage framework is yet another attempt to illustrate how an intangible asset enhances a company's performance.

Labeling corporate reputation as a positional advantage is theoretically supported on two fronts. First, corporate reputation upholds the two assumptions upon which sustainable competitive advantage is based. According to the resource-based view of competition, differences in corporate performance occur and persist due to (1) heterogeneity in resources across competing companies and (2) the immobility of resources (Peteraf 1993; Rumelt 1984). Corporate reputation has the ability to preserve heterogeneity across competing companies and create differences in the rewards that accrue to companies. Corporate reputation also creates entry barriers that limit competitors' motivation to pursue particular activities, thereby making a competitive position enduring and defensible (Rumelt 1984). In the absence of market turbulence or unexpected events, the uncertainty of the benefits available to imitators discourages duplication by other companies. Peteraf (1993) also suggests that tradeable but company-specific resources can diminish in value when purchased by others. The inseparability of corporate reputation and the accumulated equity from the corporate name could diminish in value when purchased by others (Berry and Parasuraman 1991; Grant 1991). In many instances, the strategic value and effectiveness of corporate reputation is attributable to the context and other attributes specific to a company. For example, the inherent value of corporate reputation might lie in the spirit of employees, a company's culture, or values (Barney and Hansen 1994; Barney 1986; Dierickx and Cool
1989). Consequently, the opportunity cost of acquiring or sustaining the corporate reputation may exceed the benefits enjoyed by subsequent owners (Peteraf 1993). A favorable reputation thus might be strategically valuable because it is immobile.

Second, corporate reputation is believed to account for differences in corporate success only under very strict conditions. Any asset that yields a sustainable competitive advantage must possess four properties (Barney 1991; Peteraf 1993). A brief discussion of these is offered to support its central position in Figure 3.2.

(a) *It must be valuable.* Corporate reputation is valuable because it enhances a company’s ability to become a low cost leader or uniquely differentiates the company in the minds of consumers. A favorable corporate reputation develops a strong preference for a company’s products among consumers (Fombrun 1996), increases a company’s access to consumers (Ghemawat 1986), and creates equity for a company, thereby increasing its value in excess of its market value. The value of corporate reputation may be most evident in the value of the corporate name and the goodwill it creates in the marketplace.

(b) *It must be rare.* Corporate reputation remains unique and a source of sustainable competitive advantage as long as only a limited number of companies have similarly favorable reputations and competitors cannot readily achieve a comparable position (Barney 1991). For example, the market dominance of Hertz’s Car Rental and its favorable reputation forced Avis to concede that they too had a favorable reputation, but one that was only second best in its industry.
It must be imperfectly inimitable. A reputation for "being" or "doing" is historical, path dependent, and socially complex, which makes exact duplication extremely difficult. Access to resources and the skills to convert resources is partly attributed to a company's heritage, making it impossible to replicate a corporate reputation as time transpires (Barney 1991). The path through history that a company has followed has potential to confer significant advantages that are unique and forever gone. ServiceMaster is one example of a company that created a sustainable competitive advantage by using its accumulated experience and customer database to proactively address solutions to customer needs (cf. Bharadawaj et al. 1993). The social complexity of corporate reputation relates to the pattern and nature of interactions that occur between exchange partners over the course of a relationship (Rumelt 1984; Barney 1991). The psychological, social, and relational bonds established between companies and their customers are company-specific assets that develop partly due to unique experiences between a company and consumers that may be impossible to replicate. Imitation is made even more difficult due to the temporal aspect of corporate reputation. The impact of a company's current activities on corporate reputation and consumer behavior is the result of a lagged or carryover effect (Fombrun 1996; McMillan and Joshi 1997; Roberts 1997). Another relevant fact is that time makes it difficult for rivals to match the resources invested in building the corporate reputation (Hall 1993; Rao 1994). Barring any abrupt or unforeseen changes in the competitive situation, the company that has done
the right things at the right time is customarily bestowed with a high level of customer goodwill that protects its competitive advantage. While there is no information on the length of time it takes to establish a corporate reputation that is a valuable asset, research says that it takes at least 14 years to rebuild a favorable reputation (Harvey and Lusch 1997).

(d) *It must be imperfectly substitutable.* Corporate reputation should lack a perfect substitute. Research suggests that guarantees such as those frequently used in the service industry are substitutes for corporate reputation (Klein, Crawford, and Alchian 1981; Ostrom 1996). In the short term, guarantees and governance mechanisms serve as useful tools to reduce perceived risk and threats of opportunistic behavior (Barney and Hansen 1994). However, they are imperfect substitutes for corporate reputation. Unlike a favorable corporate reputation, guarantees raise doubt about the ability of a company to deliver on promises (Hart, Schlesinger, and Dasher 1992). Moreover, guarantees are limited in their ability to generate the psychological and relational bonds that are essential to building long-term relationships. Thus they are imperfect substitutes for a favorable corporate reputation.

If any of these properties is lacking, corporate reputation loses its potential to become a source of sustainable competitive advantage or positional advantage. Any advantage it confers to a company is specious and short-lived.

Corporate reputation most readily creates a source of sustainable competitive advantage when resources can be used to exploit external opportunities or negate competitive threats. While a favorable corporate reputation might eventually enable a
company to become a low cost producer (Day 1989), it is most likely to emerge as a position of differentiation by positively influencing consumer evaluations of the company and delivering superior value to customers (Grant 1991).

Summary

Exactly how the company delivers value is the foremost issue on the agendas of marketers and is of considerable debate. In this research, we hope to show that a company's unique set of competencies, especially its relational competence, can deliver important rewards for the company and consumers. Companies are also beholden to consumers to create a reputation that gives it a competitive edge in the marketplace. In building this reputation, a company should also cultivate strong relationships with customers who will recognize and value its strengths and provide support to further the corporate agenda. A current and complete understanding of what drives corporate reputation from the consumers' perspective is thus fundamental to the company's success. Even more consequential for the company is to understand what it should expect in return for its efforts. The antecedents and consequences discussed earlier should help to narrow the list of factors that drive the corporate reputation in a very specific context. Toward that end, Table 3.1 summarizes the hypotheses developed to determine the influence of these factors in predicting corporate reputation in consumer relationships.

Corporate reputation is undoubtedly an important corporate attribute with great potential to change the fate of many companies. The sustainable competitive advantage framework makes it quite clear that there are no shortcuts to obtaining a favorable corporate reputation. It is highly unlikely that a company's reputation achieves a
sustainable competitive advantage overnight. Consequently, building corporate reputation calls for a tremendous investment of resources. Companies must be able to assess how their strategic decisions and corporate practices facilitate organizational goals. They should also monitor the effectiveness of their strategies at the micro- and macro levels. The framework presented in this research is a reasonable starting point for assessing a company's reputation at the micro-level. Then issues of relevance at the macro-level, such as how sustainable competitive advantage is achieved in a relational context, might be revealed.
<table>
<thead>
<tr>
<th>Antecedents</th>
<th>Chapter 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a: The influence of corporate character on corporate reputation is significant and positive.</td>
<td></td>
</tr>
<tr>
<td>H1b: The influence of social sensitivity on corporate reputation is significant and positive.</td>
<td></td>
</tr>
<tr>
<td>H1c: The influence of social utility on corporate reputation is significant and positive.</td>
<td></td>
</tr>
<tr>
<td>H2a: The influence of corporate character on corporate reputation is greater than the influence of social sensitivity.</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>H2b: The influence of corporate character on corporate reputation is greater than the influence of social utility.</td>
<td></td>
</tr>
<tr>
<td>H3a: For current customers, the influence of relational competence on corporate reputation is greater than the influence of financial competence.</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>H3b: For current customers, the influence of relational competence on corporate reputation is greater than the influence of operational competence.</td>
<td></td>
</tr>
<tr>
<td>H4a: For consumer offerings that contain primarily experience or credence rather than search attributes, the influence of relational competence on corporate reputation is greater than the influence financial competence.</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>H4b: For consumer offerings that contain primarily experience or credence rather than search attributes, the influence of relational competence on corporate reputation is greater than the influence operational competence.</td>
<td></td>
</tr>
<tr>
<td>Consequences</td>
<td>Chapter 6</td>
</tr>
<tr>
<td>H5a: The influence of corporate reputation on relational rewards is significant and positive.</td>
<td></td>
</tr>
<tr>
<td>H5b: The influence of corporate reputation on market rewards is significant and positive.</td>
<td></td>
</tr>
<tr>
<td>H6: The influence of corporate reputation on market rewards is mediated by relational rewards.</td>
<td></td>
</tr>
<tr>
<td>Positional Advantage</td>
<td>Chapter 6</td>
</tr>
<tr>
<td>H7: The influence of corporate reputation on market rewards is mediated by relational rewards.</td>
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Table 3.1: Summary of Hypotheses Testing Critical Relationships
CHAPTER 4

RESEARCH METHODOLOGY

Introduction

The empirical objectives of this research are to (1) identify and evaluate the antecedents and consequences of corporate reputation and (2) examine the strength of the relationships among these constructs and corporate reputation. To accomplish these objectives, various aspects of the conceptual framework in Figure 3.2 are subjected to empirical tests and reported in the next three chapters. This chapter introduces the measures of corporate reputation and its antecedents upon which subsequent scale development efforts build and presents results from two preliminary studies. Chapter 5 presents the results from Study 1 and Study 2, which focus on refinement and purification of the scale developed to measure the antecedents of corporate reputation. The hypotheses developed to test the relationships between corporate reputation and its antecedents are also presented in this chapter. Further investigation of the conceptual framework continues in Chapter 6 where Study 3 examines the consequences of corporate reputation and a test of their relationship to corporate reputation is conducted. That chapter concludes with a discussion of the mediating role of relational rewards in consumer relationships.
In the remainder of this chapter, the methods and research design used to conduct the three separate investigations is outlined. The chapter starts with an overview of the research plan for each study, its research objectives, and the analytic tools applied in data analyses. Next, the measurement approach used throughout the research is presented. This discussion is followed by a detailed description of the operationalization of corporate reputation and its antecedents. The next section describes the overall research design and the procedures used to collect data in this investigation. Lastly, the results from two preliminary investigations undertaken to facilitate the development of scales for corporate reputation and its antecedents are presented.

Overview of Studies

An empirical test of the conceptual framework is conducted in stages and across three studies. Measures of each of the corporate constructs are developed in accordance with accepted academic practices and adhere to a process that has proven useful in the development of marketing constructs (Bearden and Netemeyer 1998; Churchill 1979; Churchill and Peter 1984; Nunnally and Bernstein 1994; Peter and Churchill, 1986). Churchill (1979) advocates using a multi-stage process that includes the following sequential steps of inquiry: (1) explicate the domain of the construct, (2) purify the measure, (3) assess its reliability, and (4) assess its validity. This process is built on concepts such as reliability and validity (Churchill 1979; Peter and Churchill 1986). Thus, procedures are incorporated in each study to enhance the reliability and generalizability of the resulting measures. In addition, the analytical procedures deemed most appropriate at each stage of scale development are applied to the data (Churchill
The extant literature therefore provides clear guidance of both a process and the tools necessary to complete the process. Table 4.1 summarizes the research plan and outlines the goals at each stage of the research.

<table>
<thead>
<tr>
<th>Preliminary Investigations</th>
<th>Research Objective</th>
<th>Analysis</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Qualitative Research</td>
<td>Identify the types of activities consumers consider when evaluating a company's reputation</td>
<td>• Exploratory Factor Analysis</td>
<td>Undergraduate students</td>
</tr>
<tr>
<td>• Pilot Study</td>
<td>Test initial pool of items to measure the antecedents of corporate reputation</td>
<td>• Exploratory Factor Analysis</td>
<td>Undergraduate students</td>
</tr>
<tr>
<td>• Study 1</td>
<td>Reduce the pool of items obtained from preliminary results to identify the antecedents of corporate reputation</td>
<td>• Exploratory Factor Analysis</td>
<td>Undergraduate students</td>
</tr>
<tr>
<td>• Study 2</td>
<td>Purify the scale for the antecedents of corporate reputation and assess its dimensionality</td>
<td>• Confirmatory Factor Analysis</td>
<td>Undergraduate students</td>
</tr>
<tr>
<td></td>
<td>Tests several hypotheses about the relationship between corporate reputation and its antecedents</td>
<td>• Regression Analysis</td>
<td></td>
</tr>
<tr>
<td>• Study 3</td>
<td>Test the relationship between corporate reputation and relational and market rewards. Examine the role of relational rewards as a mediator of market rewards</td>
<td>• Regression Analysis</td>
<td>MBA students</td>
</tr>
<tr>
<td></td>
<td>• Mediational Analysis</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.1: Overview of Research Plan
The qualitative research and preliminary investigations are exploratory endeavors conducted to establish the initial pool of items of the antecedents to be tested in the official scale development process. Prior to conducting these investigations, an extensive review of the theories and empirical findings from consumer behavior, relationship marketing, and corporate performance was conducted to develop a pool of items most appropriate for consumers who currently have a relationship with a company.

Study 1 focuses on refining the scale items and is the most fundamental stage in the scale development process. When the goal is to determine and describe the properties of a company's reputation or to determine what attitude a group has of a company, both exploratory and confirmatory factor analysis are useful techniques to apply (Dowling 1988). Based on the conceptualization of the antecedents of corporate reputation and the results from the preliminary investigations, a model of the antecedents is fitted using exploratory factor analysis. Exploratory factor analysis reduces the pool of scale items to those attributes suggestive of the unique antecedents that influence consumers' evaluations of a company.

Study 2 further purifies the scale of the antecedents of corporate reputation and assesses its dimensionality. The results from the pilot study and Study 1 are used to reduce the number of scale items and modify the survey instrument accordingly. Confirmatory factor analysis provides a more rigorous test and interpretation of the underlying data structure and is performed to verify the dimensionality of the antecedents of corporate reputation. During this stage of the research, indices are constructed for the
empirically derived factors and subjected to traditional reliability and statistical tests such as coefficient alpha and item-to-total correlation, respectively. Measures of corporate reputation are also obtained from undergraduate and MBA students and are used to test several relationships between the antecedents and corporate reputation. As specified by H1a-H1c, H2a and H2b, and H3a and H3b, the relative importance of the antecedents of corporate reputation is tested using multiple regression analysis.

In Study 3, one objective is to obtain reliable measures of the consequences of corporate reputation to assess the relationship between relational rewards and market rewards and to evaluate their impact on corporate reputation. Regression analysis is used again to test H5a, H5b, and H6. These hypotheses are intended to empirically establish the relationship between corporate reputation and its consequences and between relational rewards and market rewards. The other objective is to test the mediating role of relational rewards within the proposed conceptual framework in Figure 3.2.

Overview of Measurement Approach

The first and most important step in this investigation of corporate reputation is to empirically determine the antecedents of corporate reputation. The two integral components in the measurement of corporate reputation and its antecedents and consequences are consumer beliefs, attitudes, and behavioral intentions about a company. Customers' evaluations of a company's current and past actions reflect the impressions that a company's actions have made on its public (Schmitt et al. 1995). These evaluations or attitudes toward the company are ultimately shaped by what consumers think about the company. Consequently, understanding what contributes to a company's reputation calls
for an assessment of consumers' thoughts and feelings about a company. To obtain reliable measures of consumers' thoughts and feelings, conventional practices from attitude research are applied to measure corporate reputation and its antecedents and consequences. The belief-attitude-behavior model is entrenched in behavioral research in social psychology and marketing (Fishbein and Azjen 1975). Though some studies apply variants of this model to the measurement of corporate image (e.g., Winters 1986, 1988), there are few studies on corporate reputation that systematically apply attitude theories to link consumer beliefs and behaviors to their attitudes about a company.

Figure 4.1 depicts the traditional beliefs-attitude-behavior model (lower half) couched within the sustainable competitive advantage framework (upper half). This measurement model directs the scale development for each of the corporate constructs and examination of their interrelationships. According to this model, consumers' beliefs form the basis for consumers' overall attitudes about a company, which in turn affects their behavioral intentions. Beliefs reflect what consumers know about a company based on their knowledge and observation of its activities. The overall attitude is an assessment of consumers' attitudes toward the company based on their beliefs. The consequences or rewards are viewed as behavioral intentions and are an indication of how consumers are likely to respond to the company in the future and are a precursor to actual behavior. In the absence of any tangible measures of actual behavior, behavioral intentions can be reliably predicted from consumers' attitudes and are thus a convenient surrogate for actual behavior (Azjen and Fishbein 1980). In sum, the appeal in applying attitude theories in this context is that it makes it possible to identify and measure both the antecedents and consequences of corporate reputation within a single framework. This approach is
straightforward and an improvement over the many different and sometimes atheoretical approaches used to measure corporate reputation. Furthermore, while the sustainable competitive advantage framework has never been viewed within the same context of the belief-attitude-behavior paradigm, operationalizing the core competencies and performance outcomes of corporate reputation in this way is theoretically sound and practical.

Figure 4.1: Measurement Model of the Antecedents and Consequences of Corporate Reputation

Fishbein and Azjen (1975) distinguishes the three kinds of beliefs that influence consumers' evaluation of attitude objects as descriptive, informational, and inferential. They are constructed in different ways and differentially influence consumers' attitudes.
Descriptive beliefs (derived from direct experience) and informational beliefs (based on information from external sources) are the types of cognitions and perceptions believed to be most instrumental in shaping corporate reputation among a company's customers compared. Descriptive and informational beliefs are fundamental determinants of consumers' evaluations of a company and how they ultimately interact with the company. Furthermore, inferential beliefs may play a more limited role in the construction of corporate reputation for consumers who have direct experience with a company. Consequently, the scale items developed to measure the antecedents of corporate reputation refer mostly to actual corporate activities and practices that reflect descriptive beliefs that link the company to certain social categories, for example, a company that is sensitive (Weiss et al. 1999). This measurement approach should minimize the impact of inferential beliefs in the construction of corporate reputation.

In the sections to follow, the measurement of corporate reputation and its antecedents are described and sample scale items presented. After identifying and confirming the antecedents of corporate reputation in Chapter 5, Chapter 6 addresses the measurement of the consequences of corporate reputation.

**Operationalizing Corporate Reputation**

Corporate reputation was defined in Chapter 2 as "the overall evaluation of a company shared among its customers regarding its past actions and the current and predicted consequences of those actions on customers and other relevant organizational stakeholders." Implicit in this definition is the idea that corporate reputation is a unidimensional construct that simply conveys consumers' feelings or attitudes toward a company in totality. Although the debate about the dimensionality of corporate
reputation is ongoing (e.g., Fryzell and Wang 1994; Yoon et al. 1993), equivocal findings from a large volume of research on corporate reputation are attributed to wide variation in both the conceptualization and measurement of the construct. The current conceptualization and operationalization of corporate reputation is consistent with the unidimensional perspective (Weiss et al 1999).

As an overall evaluation or attitude towards a company, developing a useful scale that establishes the favorability of consumers' attitudes is straightforward. Five semantic differential scales create an index of consumers' overall evaluation toward the company. The items are taken directly from contemporary studies in attitude research and are measured on a 5-point semantic differential scale that includes a neutral response for the scale midpoint. The measure of corporate reputation consists of the following items:

1. very favorable / very unfavorable
2. very positive / very negative
3. very good / very bad
4. very superior / very inferior
5. very desirable / very undesirable

Operationalizing the Antecedents of Corporate Reputation

Measuring the antecedents of corporate reputation is more complicated than measuring corporate reputation itself due to the extensive set of activities companies routinely engage in when conducting business and serving customers. The types of corporate activities that potentially shape consumer beliefs are infinite. Kennedy (1977), for example, compiled a list of 24 items that she believes impact consumers' evaluation of
a company's reputation, whereas Panitz (1988) developed a separate list of 22 items that affect a company's reputation among industrial customers. Similar lists from research in business strategy that adopt a managerial perspective (e.g., Fombrun and Shanely 1990; Sharma, Netemeyer, and Mahajan 1990) and organizational studies that adopt an employee viewpoint (e.g., Tsui 1994) produce yet other lists of activities that might impact how others perceive and evaluate the company. The stark contrast in these lists is indicative of the relevance that the social context and target audience play in defining the antecedents of corporate reputation. Since there is no existing scale appropriate for measuring the antecedents of corporate reputation in consumer markets, these various works provide valuable information to draw upon in delineating the attributes that current customers might consider when constructing corporate reputation.

**Relational Competence**

Relational competence refers to consumer' beliefs about a company's ability to enhance and sustain relationships once the beliefs have been developed. An adequate measure of relational competence in an organizational setting should tap the wide range of corporate activities that influence how consumers think and feel about the company as an exchange partner. Interest in relational competence has grown only recently and as such there is no existing measure that can be used in an organizational context. Merely adapting the interpersonal measure developed by Carpenter (1993) to an organizational context is not likely to produce meaningful results. That scale tends to focus more on identifying classes of behaviors rather than the underlying psychological traits that contribute to those behaviors. However, marketing studies that have studied various aspects of relational performance offer some guidance on the type of items appropriate
for assessing a company's performance in marketing relationships. For instance, measures have been developed to assess relational selling behavior (Crosby et al. 1990), trust in buyer-seller relationships (Doney and Cannon 1997) or long-term orientation (Ganesan 1994). While none of these scales alone is capable of capturing a psychologically complex construct such as relational competence, they do help to identify the types of psychological traits that underlie relational competence.

The three dimensions of relational competence proposed in this research are (1) corporate character, (2) social sensitivity, and (3) social utility as delineated in Figure 3.2. Due to the limited available empirical evidence of relational competence in an organizational context, measurement of the underlying factors is purely exploratory. However, the results might be compared to observations from interpersonal relations as a check of face validity. Each aspect of relational competence is discussed in the next few pages.

**Corporate Character.** Corporate character refers to the qualities of a company that are socially desirable and that contribute to social harmony in organizational relationships (Solomon 1992). To measure corporate character, the current investigation included only those character traits that have been linked to corporate reputation or identified as important factors in relationship building. For instance, Fombrun (1996) proposed that trustworthiness, responsibility, credibility, and reliability as the underlying traits of corporate reputation. Emler (1990) added honesty to the list. Murphy (1999) added empathy, fairness, and respect to the list of generally valued character traits in social exchanges. Empirical evidence further suggests that reliability, motives, dependability, and honesty are related to a common character dimension in selling
relationships (Smith and Barclay 1997). It has also been proposed that credibility, trust, openness, reciprocity, legitimacy, mutual understanding, and mutual satisfaction are important character traits to consider when assessing the relationship between a company and its stakeholders (Grunig 1993). The collective impact of traits such as credibility, trust, and responsibility on corporate entities is highly influential in building strong relationships than any of these underlying dimensions alone (Arnold 1994).

The bundle of character traits measured here consists of five factors believed to be essential to the creation of a strong psychological sense of interpersonal style and development of harmonious and trusting marketing relationships. These traits are trustworthiness, responsiveness, credibility, reliability, and respect. The traits were selected because they are universal qualities that transcend stakeholders (Murphy 1999) and inform others of a company's aptness as an exchange partner. The operationalization of each character trait is briefly described below.

(1) **Trustworthiness.** Trustworthiness in this context refers to a company's perceived benevolence and honesty or the extent to which it acts in the best interests of others. With regard to specific character traits, the moral trustworthiness of a company has been related to the intention behind a company's behavior and activities rather than an evaluation of its behavior (Kaptein 1998). Companies that are perceived to be trustworthy are expected to deliver on promises in service encounters and deliver products that meet consumers' performance expectations. Keeping promises and fulfilling obligations are the essence of mutually beneficial relationships (Bitner 1995; Bowen et al. 1999).
Trust has also been identified as key to long-term marketing relationships (Morgan and Hunt 1994), a fundamental factor in developing service relationships with consumers (Bendapudi and Berry 1997), and an important consideration in an exchange partner’s decision to adopt a long-term orientation in marketing relationships (Ganesen 1994). Therefore, trust and its correlates, such as honesty and benevolence, as inferred from a company’s activities, influence how others perceive the company as an exchange partner. Trustworthiness, as a character trait, is measured by items such as (a) this company keeps its promises to customers and (b) this company openly communicates with its customers.

(2) **Responsiveness.** The company's attentiveness to legitimate issues and concerns raised by its customers is essential to reputation building (Caudron 1997). The rate at which a company responds to issues and unexpected events also impacts how others feel about the company. The items developed to measure responsiveness in this study are meant to determine how willing and able the company appears to be in meeting consumers' needs. Responses indicating this willingness include statements such as (a) this company listens to its customers, (b) this company has little tolerance for customers with special needs (reverse scored), and (c) this company provides timely feedback to customer complaints.

(3) **Credibility.** A company's credibility relates to whether it can be relied on to do what it says — it reflects its intentions at a particular moment (Milewicz and Herbig 1994). Credibility is also associated with expertise and
believability. The measure developed here deals specifically with those beliefs that others have about a company's expertise or ability to live up to its commitments (Aaker 1996; Fombrun 1996). A credible corporate brand or company serves as a major endorsement for everything else a company does. It directly affects a company's believability and determines whether consumers trust the claims a company makes. It is an indication of whether a company's claims and promises reflect an objective reality of what the company is capable of doing and is an important factor in shaping the corporate image (Gregory 1998). Perceived expertise suggests that information from a company is accurate and can be accepted at face value. For that reason, credibility is a major predictor of an exchange partner's willingness to commit to marketing relationships (Ganesan 1994) and is frequently used to garner the support, respect and trust required to fulfill important marketing goals (Keller and Aaker 1998). Statements such as this company (a) provides inaccurate information about its business practices, (b) provides believable explanations for its business practices, and (c) sets unrealistic goals about what it can deliver to customers' (reverse scored) should be reliable measures of a company's credibility among consumers who have first-hand knowledge of its expertise.

(4) **Reliability.** Reliability in a marketing context indicates the extent to which a company's behaviors are predictable and consistent over time (Ganesan 1994). Consistent performance in terms of quality and responsiveness reduces unpredictable and undesirable outcomes for consumers. A company's past
performance is the best indicator of its future performance and is also suggestive of its commitment to meeting customer expectations. Statements such as (a) this company's practices have negative consequences for customers (reverse scored) and (b) this company's actions produce unpredictable outcomes for consumers (reverse scored) are the type of items that should reflect consumers' beliefs about a company's reliability.

(5) **Respectful.** Respectful refers to the extent to which a company treats others well or recognizes and reacts to people as if they are valued. Respect is conveyed in every aspect of the customer relationship — from a company's advertising messages to service delivery to hiring practices. It is a concept that is frequently alluded to in discussions in relationship marketing, but that has not been empirically examined. Treating customers with respect — like a valued friend — provides a foundation for relationship building (Aaker 1996). Treating all customers respectfully or well also implies some sense of fairness. A company's perceived fairness in its relationships with others is proposed to be important in its own right when judging a company's relational performance (Bowen et al. 1999; Campbell 1999; Ganesen 1994). The degree to which a company possesses the character trait of respectfulness could be measured by asking consumers if this company (a) respects laws intended to protect consumers, (b) engages in practices that are offensive to some customers (reverse scored), and (c) treats customers with dignity.
**Social sensitivity.** Social sensitivity was conceptualized earlier in Chapter 3 as a construct that exemplifies a company's socially responsible activities and caring practices directed toward stakeholders, the general public, and the environment. It is related to concepts such as corporate citizenship, reflecting a company's performance as an economic, social, and moral agent. Not only do socially responsible companies concern themselves with contributing on a national level, they also extend their involvement in the social fabric at the local and regional levels. Good corporate citizens are also interested in giving back what has been extracted from society and the environment (Fombrun 1996; Menon and Menon 1997). Irrespective of the presence of a social obligation, companies that balance both economic and social concerns tend to be evaluated more favorably (Drumwright 1996; Keller and Aaker 1998) and are perceived to be more caring and compassionate than their counterparts (Fombrun 1996; Solomon 1992). Drawing on these ideas of social responsibility, several items that imply a company's caring and compassion for people, society, and the environment are added to the antecedents of corporate reputation. Examples of such items include (a) this company takes actions to enhance the well-being of the community in which it operates, (b) this company encourages others to support environmental causes, and (c) this company financially supports social causes.

**Social utility.** The final determinant of relational competence proposed in this research refers to the extent to which a company's activities contribute to the fulfillment of personal life goals and higher-order needs that enhance the overall quality of life for consumers. This concept of social utility deals specifically with a quality-of-life concept based on promoting consumers' well-being (Sirgy 1982; Sirgy and Lee 1994). Caring for
customers' well-being is different from social responsibility in that it focuses on going beyond satisfying more tangible and expressed needs to uncover and anticipate how to enhance customers' current state. The quality-of-life concept should be integral to developing marketing relationships because it is fundamental to establishing mutually satisfying relationships and is one way to certainly delight rather than just satisfy customers. To measure social utility, several items are included to assess whether consumers perceive a company's activities to be directed towards enhancing their experiences with the company and with their own life. Items such as this company (a) provides benefits that enhance customers’ social status, (b) protects the privacy of its customers, and (c) rewards customers for their support in special ways. Similar items can be found in the empathy dimension of SERVQUAL scale (Parasuraman et al. 1986) that is intended to assess how well a company’s service activities and practices convey concern for consumers' well-being in individual service encounters. These qualities should also have relevance to consumers in relational exchanges.

As the current definition of “corporate reputation” explicitly states, consumers construct their evaluation of the company based not only on how the company treats consumers but also on how it manages its relationship with other stakeholders. For instance, investors and employees are considered to be primary stakeholders whose relationship with the company is visible to current and potential consumers. To capture this idea, the scale ultimately developed to measure relational competence assesses not only consumers' beliefs about how a company treats consumers but also its treatment and relationship with its investors and employees. Specific relational items that are applicable to consumers, investors, and employees include: this company (1) treats
employees (investors) with dignity and (2) openly communicates with employees (investors).

Financial Competence

Financial competence was previously defined as a company's ability to manage its financial resources to enhance business operations, maintain financial stability, and enhance the company’s future prospects for success. Studies of corporate reputation conducted among investor stakeholders produce a list of empirically tested items that can be used to assess a company's financial health and status. These measures were originally intended for investors and the business community. They are used in this research because they have consistently generated reliable results across a range of studies (e.g., Fombrun and Shanley 1990; Sobol and Farrelly 1988). They have also been identified as relevant to the construction of corporate reputation for consumers (Saxton 1998). Select items are used in this research to measure consumers' evaluation of the company along these same dimensions.

Financial position. The statements this company (a) has strong future prospects and (b) has a strong financial position are the items incorporated in the scale to assess consumers' beliefs about a company’s financial status.

Use of corporate assets. The two items developed to capture the attention consumer give to a company's use of its assets are (a) this company manages its financial affairs well and (b) this company makes good use of its resources.

Investment value. A single item, this company offers investors a good return, is used to tap a company's investment value.
Operational Competence

The degree to which a company successfully manages those activities that enable the production and delivery of goods and services to consumers signals a company’s operational competence. The items used to construct the current scale of operational competence are borrowed directly from a number of different studies that examined factors that influence corporate reputation (e.g., Fearnley 1993; Sobol and Farrelly 1988) or a company’s financial performance (e.g., Conant, Mokwa, and Varadarajan 1990).

Research on service quality, product performance, and organizational excellence examines issues different from corporate reputation, but they provide useful items as well. For example, Sharma, Netemeyer, and Mahajan (1990) developed a scale to measure a company’s business excellence. It includes items that assess a company’s managerial practices and that lead to sustained performance. Studies related to corporate image also produced a long list of corporate activities that highlights the type of operational factors related to a company’s activities (Kennedy 1977; Panitz 1988). In this research, four categories of operational factors are developed and are believed to encompass the wide array of activities of interest to a company's customers. Examples of the measurement items used to assess the various aspects of operational competence follow.

Management quality. For manufacturers, product quality is one of the most important factors in long-term success (Fearnely 1993). The following items were intended to determine if this finding generalizes to consumer markets: the management of this company (a) operates an efficient and productive business and (b) applies poor judgment in business decisions (reverse scored).
Product and service quality. The items developed to measure consumers' beliefs about the quality of a company's output are found scattered throughout the marketing literature. Examples of these items should adequately capture this aspect of operational competence such as this company (a) provides prompt customer service, (b) employs too few people to provide excellent service to customers (reverse scored), (c) provides poor customer service (reverse scored), and (d) sells a limited variety of products and services.

Employee talent and training. This company (a) trains employees how to professionally serve customers, (b) recruits talented people, and (c) motivates and rewards its employees are used as indicators of a company's commitment to recruiting, training, and rewarding its employees.

Innovativeness. The rate at which companies introduce new products, find new ways to conduct business, and serve customers are different indications of the ability to exploit technological developments and commitment to product development. The following items might capture this dimension: this company (a) quickly responds to technological changes, (b) does not explore new ways to do business (reverse scored), and (c) regularly introduces new products or services.

Appendix A contains the initial list of 91 items used to measure the antecedents of corporate reputation and the five attitude measures adopted to measure corporate reputation. Consumer beliefs or the antecedents of corporate reputation are measured using 5-point Likert scales labeled strongly disagree (1) through strongly agree (5), with neither strongly agree or strongly disagree as the neutral midpoint (3).

Several observations about the list of antecedents are noteworthy. First, the set of beliefs used to describe a company's activities and practices are tailored to the relevant
consumer stakeholders. This means that for consumers some aspects of a company's business activities such as its financial performance might have less importance than activities such as corporate sponsorship and advertising. Despite this belief, it is necessary to measure a wide range of activities to arrive as the "true" drivers of corporate reputation for existing customers. Second, each item describes a belief about a company's actual behaviors stated in an active or present tense. This approach is appropriate in this context since participants are evaluating a company that they have and continue to patronize. Third, the initial pool of belief statements is measured at a very general level so that the resulting scales have relevance across industries, markets, and consumer segments. For example, an item developed to measure product quality might read as "this company develops high quality products and services" rather than a more restricted statement such as "this company develops high quality athletic apparel." Olsen and Jacoby (1972) suggest developing constructs at an abstract level to compensate and overcome conflicting or confusing patterns in empirical results. At greater levels of specificity, only limited generalizations about the antecedents of corporate reputation across product categories can be made. Fourth, multiple items are developed to measure each construct whenever possible. The use of multiple items increases the reliability and accuracy of theoretical constructs (Churchill 1979; DeVellis 1991; Nunnally and Bernstein 1994). Multiple items also tend to be a better predictor of behavior than single items (Fishbein and Ajzen 1975).

In the next section, the procedures employed during data collection of the measures for corporate reputation and its antecedents and consequences are presented.
Overview of Research Design

The measurement model and the research questions it is intended to address lend themselves to a survey-based approach. Non-experimental approaches, such as consumer surveys, are appropriate tools in research when the primary objective is to describe relationships among variables that are theoretically related. While various antecedents of corporate reputation and corporate reputation itself have been successfully manipulated in the laboratory (e.g., Goldberg and Hartwick 1990; Keller and Aaker 1998), a better understanding of their role in established relationships and creating a sustainable competitive advantage might be obtained in uncontrolled conditions. A survey-based approach is also a more practical approach to studying the construction of corporate reputation because the descriptive nature of survey data might confirm or offer new insights into its nature in an organizational setting. This type of empirical evidence would strengthen the theoretical and empirical findings presented in Chapter 2.

Participants

In each of the three studies, a different sample of participants is solicited from a student population. In Study 1, undergraduate students are used to develop the scale for the antecedents of corporate reputation. In Study 2, undergraduate students again are used to purify and validate the antecedents of corporate reputation and examine their link to corporate reputation. In Study 3, MBA students serve as participants in the investigation of the consequences of corporate reputation.
Stimuli

The survey designed to collect data across the three studies is a self-report of consumer beliefs, attitudes, and behavioral intentions. Self-report questionnaires are widely used in consumer behavior research. They provide the most direct way to uncover how customers feel about a company.

The survey is administered via the Internet. Thus, its design is tailored to suit the requirements of the medium. This mode of data collection is ideal for the current research. The Internet makes the survey accessible to a wide audience and makes participation easy. Participants can complete the study at a time convenient for them, a feature which should allow them to complete the task when they are able to focus on it, not when completion is convenient to the researcher. Furthermore, using web-based surveys increases the control researchers have over the order in which data is collected, an issue of importance in attitude research. For instance, programming features make it impossible for participants to return to a previous page once statements on that page have been completed. Once participants report their attitudes about a company, there is no opportunity to change that evaluation. The quick response time from participants, ability to collect data 24 hours a day, and automatic transmission of data are other advantages of the web-based approach (Mehta and Sivadas 1995). Perhaps the most attractive feature of the procedure developed here is that it overcomes the problem of missing data due to non-response, an issue that can have serious implications for analysis (Krosnick 1991). In this research, only those surveys that have all required fields completed are accepted for electronic submission.
The questionnaire developed for the survey is structured into three major sections to cover the major constructs in Figure 3.2. After answering several general questions about the target company, the participants complete the sections in the following order: (1) attitudes toward company (corporate reputation), (2) beliefs about a company's activities (antecedents of corporate reputation), and (3) behavioral intentions (consequences of corporate reputation). Because scale development efforts span three studies, question format and the survey structure remain consistent throughout this research, with only minor modifications occurring in the research design and procedure at each stage to enhance the generalizability of the results. As might be expected, the primary change in the stimulus materials results from the decrease in the number of scale items used to measure the antecedents of corporate reputation. Appendix B contains a copy of the master survey used in the pilot test, Study 1, Study 2, and Study 3. Changes in the items used to measure the antecedents of corporate reputation at each stage of data collection are clearly noted.

Procedure

In each study, data on each of the three major corporate constructs in Figure 3.2 is collected but the analysis of data for scale development and hypotheses testing is conducted and reported at different stages.

When using a web-based approach to collect data, virtually all communications with participants must occur in writing either via e-mail or a public web site. Since there is little or no direct interaction between the participants and the researcher, information about the survey and instructions must be provided in sufficient detail to guide participants through the study. Therefore, the research objective and the participants' role...
are clearly stated up front so that there is a clear understanding of the task that follows.

The purpose of the research is described to all participants as a consumer research survey to understand the nature of competition across various industries. A procedure that is consistent with this objective is developed and applied across the three studies.

First, participants are notified of the survey and are encouraged to visit the designated website via an e-mail message from the principal researcher. In most cases, the e-mail notification includes an incentive such as a raffle drawing for free gift certificates and extra credit for undergraduate marketing courses. When participants visit the dedicated URL web address, information about the incentive along with instructions for participating in the study appear prominently at the very top of the web page. The survey is housed on a public server where participants can access the survey 24 hours a day during a pre-specified period. In most cases, the survey is available anywhere between 2 and 10 days. A longer response window is provided to overcome unanticipated glitches related to software problems or server downtime that can occur in an electronic medium and negatively affect response rates (Sackmary 1998).

Second, participants are asked to choose a single company that they currently have a relationship with and that they feel comfortable evaluating. They are further instructed to choose a company that they have patronized (a) for at least six months or longer and (b) on multiple occasions. The contact with the company could have occurred in person, in writing, or via conventional mail, electronic mail, telephone, or any other mode. Rather than evaluate a fictitious company for which they are unfamiliar, participants provide data based on their actual experiences with a real company. Direct experience with a company enhances the accessibility of consumers' attitudes toward the
company, making these attitudes more influential than attitudes based on indirect experience (Fazio and Zanna 1981). Also, evaluating a company that is familiar should increase the number of descriptive rather than inferential beliefs consumers use when assessing a company and its activities. Therefore, the true antecedents and consequences of corporate reputation might emerge by prompting consumers to draw on their personal experiences and construct their assessment of a company based primarily on descriptive beliefs.

The type of company participants can choose for this exercise is restricted to particular categories. In all three studies, participants must select a company from among four options that include two manufacturers of consumer goods and two providers of consumer services.

Third, after participants have chosen a company to evaluate, they are told that the remainder of the survey questions pertains specifically to that company. They are explicitly instructed to focus on the "company" rather than on specific employees when answering the questions. The first series of questions they are required to answer deal with general information about the company and consumer. Questions such as (1) the length of the relationship with the company, (2) the number of dissatisfying experiences with the company, and (3) level of industry knowledge possessed by participants are incorporated in this study to examine the questions' potential impact as covariates in the final analysis. These questions are presented to participants at this stage to stimulate their thoughts about the company and increase the accessibility of company-related attitudes.

Before completing the remaining sections of the survey as previously described, participants are given a general definition of corporate reputation immediately following
the section that contains the background information. The next three sections of the web survey contain all measures of the corporate constructs appearing in Figure 3.2. At this point in the research, consumers should be clear that it is their opinions about the company and its activities that are of primary interest.

Finally, participants in Study 2 and Study 3 are encouraged but not required to answer additional demographic questions. Once the survey is completed, all participants are instructed to electronically submit the survey to complete the process. To do so, they must have completed all required fields. After the survey is successfully submitted, participants are thanked for their participation and given a confirmation number that serves as proof of their participation and raffle ticket. The entire procedure takes approximately 25 to 35 minutes to complete.

Before proceeding with the development of scales to measure the antecedents of corporate reputation, additional research efforts are undertaken to ensure that the procedures and stimuli described in this chapter are suitably designed to achieve the research objectives. The next section describes two initial investigations that directly influenced the research methods and data collection in subsequent studies.
Preliminary Investigations:

Measuring the Antecedents of Corporate Reputation

A two-stage preliminary investigation was designed to narrow the domain of the antecedents of corporate reputation and to make adjustments to the research design before starting actual data collection to test the hypotheses. The first preliminary investigation is qualitative and the second one is a pilot test of the actual stimulus materials under natural conditions. This stage in the research process is exploratory. However, the findings from these two investigations should enhance the reliability and validity of the results. A review of these studies is presented in the next section.

Qualitative Research

Focus groups are a useful means of collecting data during the early stages of research and prior to conducting quantitative research (DeVellis 1991). The primary purpose for conducting focus groups is to generate a list of items that consumers believe to be important when constructing corporate reputation. The list of items generated from this exercise should reflect the constructs' domain and produce items that are appropriate for consumer audiences. A secondary goal at this stage is to gain a better understanding of how consumers think about and use information about a company’s reputation. A complete description and discussion of the results from the focus groups follows.

Participants

Forty-two undergraduate students enrolled in a core marketing course participated in one of three focus groups in return for extra credit. Each focus group consisted of 8 to 14 students, with a fairly equal representation and participation for male and female students.
Procedure

Each session was conducted in a roundtable format. At the beginning of the focus group, students were informed about the purpose of the focus group and were encouraged to speak openly and honestly about their opinions as consumers. They were told that the meeting would be spent discussing how they evaluate companies that they have dealt with repeatedly. Next, corporate reputation was defined for the participants. The idea that companies have both a favorable or unfavorable reputation was reinforced and examples of each case were presented. Finally, students were made aware of a camera being used to videotape their participation. They were told that only the facilitator would view the tape at a later time for the purposes of transcribing the conversation. With the context for the discussion established, the moderator proceeded to elicit comments from participants. Each session lasted anywhere from 35 to 50 minutes.

To facilitate the semi-structured discussion, three open-ended questions were developed to ensure that the discussions produced a list of beliefs related to the antecedents of corporate reputation. These questions are:

1. What factors influence your opinions about a company and affect your evaluation of its reputation?

2. Please name a company that you believe has a very favorable (unfavorable) reputation. What is the basis for choosing this company? Be as specific as possible.

3. Discuss how you obtain information to construct your opinion about a company's reputation.

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Results

In Appendix A, a list of the corporate attributes or activities that were mentioned by participants is provided. These items are aligned as closely as possible with the antecedents of corporate reputation as defined in Figure 3.2. Any corporate activity that was mentioned multiple times and by multiple participants was considered important in constructing corporate reputation and is reflected on this list. Several conclusions directly follow from the subjective interpretation of participant answers to the discussion questions.

The initial observation concerns the level of interest participants displayed during the discussion about how companies treat customers and others based on the number of times relational attributes were mentioned and the lengthy and emotional discussions about how companies treat others. Some of the comments from participants such as "the company treats customers as valued partners" or "it is important for the company to show that it cares about its customers" convey consumer interest in this aspect of a company's behavior. Specific comments that could be interpreted as aspects of social utility, as defined in this research, typically emerged during discussions of customer value and employee interaction with customers.

In addition to the relational aspects of corporate activities, participants were equally concerned with operational factors such as employee training and product performance. Comments such as "a company's products must do the job — they must meet customer expectations" was echoed in many different ways in all three focus groups. In contrast, only a very small number of participants mentioned a company's financial performance. Among the few participants who mentioned financial activities,
comments such as "companies that make money are to be admired" and "financial success is key to a company's longevity" are consistent with findings from research with business customers (Fearnley 1993; Saxton 1998). Limited interest in a company's financial status might be attributed to the lack of vested interest that undergraduate students have in the financial health of a company compared to older and more experienced consumers. Thus, these observations may or may not be characteristic of consumers in general.

Next, participants' ability and reasons for choosing a company they perceived to have a favorable or unfavorable reputation appeared to come quite naturally. Interestingly, the reasons given for selecting a company as having a favorable or unfavorable reputation varied widely across the three sessions. For example, Microsoft was rated unfavorably because of its insensitivity to consumers' needs, whereas Hyundai earned a negative reputation because it was believed to produce inferior products. Companies identified as having favorable reputations were chosen for still other reasons. Participants admired Johnson and Johnson simply for its longevity, which they equated to success. Another noteworthy observation is that similar corporate attributes were important in constructing corporate reputation for manufacturers and service providers. For example, quality of customer service and employee training or expertise was associated with producers of consumer goods (e.g., Nike and Sony) and providers of consumer services (e.g., Burger King and the U.S. Postal Service). There is tentative evidence that the antecedents of corporate reputation transcend industries and product classes.
The last observation deals with the importance of direct experience in consumer relationships. Respondents stated unequivocally that they rely most on their direct experience to construct their opinions about a company. For example, one participant firmly stated "my experience with the product overrides anything the company might do." However, they do consider information provided by other customers and financial investors. This revelation gives credence to the proposition that the evaluation of a company's activities by current rather than prospective customers will vary as a result of their personal experience with the company.

Discussion

The findings from the focus groups help to identify the list of potential scale items important to current customers. Participants' comments also make it clear that relational factors are an important antecedent of corporate reputation. The results build confidence that the three primary antecedents of corporate reputation included in this research adequately capture the wide range of corporate activities that consumers consider when constructing corporate reputation. There were very few instances where participant comments did not align with the primary core competencies included in Figure 3.2. Despite the subjective nature of qualitative research and the inherent limitations of using student subjects, the insights gained from the preliminary investigation yield valuable findings that supplement the theories and empirical findings from research conducted with non-consumer groups.
Pilot Study

The second stage of the preliminary investigation is designed to accomplish two objectives. The primary goal is to test all measures, but especially the initial pool of 91 belief statements, derived from theory and the qualitative results. Second, a preliminary test of the web-based survey is required to uncover any issues with the electronic administration of the survey. Low response rates to web-based surveys have been attributed to problems with programming, participant access, and submission that could be avoided through careful debugging and pretesting. This study is a direct effort to anticipate and correct any problems that might arise prior to soliciting participation from a large group of consumers via the Internet.

Participants

Approximately 185 undergraduate students enrolled in an introductory marketing course participated in the study. In return for their participation, students received extra credit toward their final grade or a chance to win a $25 certificate from the university bookstore. Approximately 45 percent of all participants chose to enter the raffle rather than receive extra credit.

Procedure

The general procedures previously described for the web-based study were followed. Students were first notified by e-mail to expect an e-mail message with details about a consumer research study. A few days later, all participants received a second e-mail that included the web address for the study. This two-step procedure was chosen to increase the participation rate and to reduce the perceived intrusion of unsolicited e-mails (Sackmary 1998). Participants were given 48 hours to visit the web site and complete
the survey. They were given 24-hour access to the survey during this period. Second, the four categories from which participants could select a company were (1) mass merchandisers, (2) supermarket, (3) auto manufacturer, or (4) athletic shoe manufacturer. Comments from the qualitative research indicated that these consumer offerings had high appeal and interest among undergraduate students. Finally, gender was the only demographic data collected from this sample since the group was assumed to be fairly homogeneous on other demographic measures such as education and income level.

Results

The e-mail notification generated approximately a 28 percent response rate. This level of response is comparable to other extra-credit activities conducted with students enrolled in the introductory marketing course. It appears that concerns about low response rates from web-based surveys is not a major problem when there is a captive audience and incentives to participate are offered.

Before presenting the factor analytic results, a brief discussion of the descriptive statistics is provided. The descriptive statistics for the 91 items included in the original scale appear in Table 4.2. Of the 91 items, 33 items were deleted from the exploratory analysis for one of two reasons. Twenty of these items were deleted from the analysis because the high percentage of responses on the "neutral" category (i.e., the scale midpoint) would have rendered any structural model unstable and the interpretation unreliable (Krosnick 1991). These items were initially included to measure consumer beliefs about how a company treats other stakeholders (i.e., employees and investors) and were mostly related to relational competence. For example, this company "treats
investors or employees with dignity" or "this company's practices have negative consequences for its investors/employees" are representative of such statements. It appears that participants' knowledge of these dimensions is very limited. An additional 13 items were discarded from the analysis for computational reasons. Those items were deleted from this analysis and excluded from subsequent versions of the survey are clearly noted in Table 4.2.
## Table 4.2: Pilot Study -- Descriptive Statistics

<table>
<thead>
<tr>
<th>Item #</th>
<th>Scale Item *</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recruits talented people</td>
<td>3.15</td>
<td>1.07</td>
</tr>
<tr>
<td>2</td>
<td>Does not listen to its customers (*)</td>
<td>2.27</td>
<td>1.10</td>
</tr>
<tr>
<td>3</td>
<td>Openly communicates with customers</td>
<td>3.66</td>
<td>1.01</td>
</tr>
<tr>
<td>4</td>
<td>Sells poor quality products and services (*)</td>
<td>1.73</td>
<td>.96</td>
</tr>
<tr>
<td>5</td>
<td>Makes good use of its resources</td>
<td>3.79</td>
<td>1.01</td>
</tr>
<tr>
<td>6</td>
<td>Takes actions to resolve problems that affect its employees (+)</td>
<td>3.37</td>
<td>.77</td>
</tr>
<tr>
<td>7</td>
<td>Takes actions that enhance the well-being of the communities in which it operates</td>
<td>3.73</td>
<td>.96</td>
</tr>
<tr>
<td>8</td>
<td>Keeps promises to employees (+)</td>
<td>3.28</td>
<td>.67</td>
</tr>
<tr>
<td>9</td>
<td>Is slow to adapt to changes in customer needs (*)</td>
<td>2.30</td>
<td>1.13</td>
</tr>
<tr>
<td>10</td>
<td>Motivates and rewards its employees (+)</td>
<td>3.29</td>
<td>.65</td>
</tr>
<tr>
<td>11</td>
<td>Encourages employees to make customers a priority</td>
<td>3.75</td>
<td>1.04</td>
</tr>
<tr>
<td>12</td>
<td>Shows little tolerance for customers with special needs (*)</td>
<td>2.14</td>
<td>.95</td>
</tr>
<tr>
<td>13</td>
<td>Sells a limited variety of products and services (*)</td>
<td>1.86</td>
<td>1.15</td>
</tr>
<tr>
<td>14</td>
<td>Manages its financial affairs well</td>
<td>3.45</td>
<td>.99</td>
</tr>
<tr>
<td>15</td>
<td>Regularly collects feedback from customers</td>
<td>3.56</td>
<td>1.10</td>
</tr>
<tr>
<td>16</td>
<td>Management of this company applies poor judgment in business decisions (*)</td>
<td>2.35</td>
<td>1.03</td>
</tr>
<tr>
<td>17</td>
<td>Quickly responds to technological changes</td>
<td>3.84</td>
<td>.90</td>
</tr>
<tr>
<td>18</td>
<td>Adopts practices that help conserve scarce resources</td>
<td>3.31</td>
<td>.77</td>
</tr>
<tr>
<td>19</td>
<td>Creates good feelings among its customers when compared to competitors</td>
<td>3.77</td>
<td>.99</td>
</tr>
<tr>
<td>20</td>
<td>Shows no flexibility when dealing with customers (*)</td>
<td>2.20</td>
<td>1.03</td>
</tr>
<tr>
<td>21</td>
<td>Keeps employees informed of its practices, policies, and management decisions (+)</td>
<td>3.27</td>
<td>.73</td>
</tr>
</tbody>
</table>

(continued)
Table 4.2 (continued)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Practices have negative consequences for its employees (*) (+)</td>
<td>2.63</td>
<td>.80</td>
</tr>
<tr>
<td>23</td>
<td>Company sells products and services that meet customer needs</td>
<td>4.35</td>
<td>.86</td>
</tr>
<tr>
<td>24</td>
<td>Openly communicates with employees (+)</td>
<td>3.41</td>
<td>.70</td>
</tr>
<tr>
<td>25</td>
<td>Encourages investors to support social causes (+)</td>
<td>3.21</td>
<td>.58</td>
</tr>
<tr>
<td>26</td>
<td>Management clearly communicates the values and vision of the company</td>
<td>3.67</td>
<td>.92</td>
</tr>
<tr>
<td>27</td>
<td>Company neglects its customers (*)</td>
<td>1.88</td>
<td>1.01</td>
</tr>
<tr>
<td>28</td>
<td>Encourages others to support environmental causes</td>
<td>3.27</td>
<td>.83</td>
</tr>
<tr>
<td>29</td>
<td>Keeps its promises to investors (+)</td>
<td>3.22</td>
<td>.63</td>
</tr>
<tr>
<td>30</td>
<td>Adopts practices that are insensitive to customer needs and issues (*)</td>
<td>2.37</td>
<td>1.10</td>
</tr>
<tr>
<td>31</td>
<td>Trains employees to serve customers in a professional manner</td>
<td>3.72</td>
<td>.88</td>
</tr>
<tr>
<td>32</td>
<td>Practices have negative consequences for its investors (+)</td>
<td>2.57</td>
<td>.97</td>
</tr>
<tr>
<td>33</td>
<td>Gives poor customer service (*)</td>
<td>2.13</td>
<td>1.17</td>
</tr>
<tr>
<td>34</td>
<td>Openly communicates with the general public</td>
<td>3.80</td>
<td>.88</td>
</tr>
<tr>
<td>35</td>
<td>Takes actions to resolve problems that affect its customers</td>
<td>3.82</td>
<td>.90</td>
</tr>
<tr>
<td>36</td>
<td>Charges customers unfair prices for its products and services (*)</td>
<td>2.11</td>
<td>1.12</td>
</tr>
<tr>
<td>37</td>
<td>Neglects its employees (*) (+)</td>
<td>2.48</td>
<td>.80</td>
</tr>
<tr>
<td>38</td>
<td>Shows a lack of concern for the environment (*)</td>
<td>2.37</td>
<td>.89</td>
</tr>
<tr>
<td>39</td>
<td>Company's practices reduce negative outcomes for customers</td>
<td>3.42</td>
<td>1.02</td>
</tr>
<tr>
<td>40</td>
<td>Recognizes that customers have different needs</td>
<td>4.10</td>
<td>.92</td>
</tr>
<tr>
<td>41</td>
<td>Employs too few people to provide excellent service to customers</td>
<td>2.40</td>
<td>1.15</td>
</tr>
<tr>
<td>42</td>
<td>Practices have negative consequences for the general public (*)</td>
<td>2.14</td>
<td>.90</td>
</tr>
<tr>
<td>43</td>
<td>Treats customers with dignity</td>
<td>3.73</td>
<td>.95</td>
</tr>
<tr>
<td>44</td>
<td>Shows a lack of concern for the well-being of its customers (*)</td>
<td>2.03</td>
<td>1.03</td>
</tr>
<tr>
<td>45</td>
<td>Involves customers in its business decisions</td>
<td>3.18</td>
<td>.96</td>
</tr>
<tr>
<td>46</td>
<td>Provides timely feedback to customer complaints</td>
<td>3.41</td>
<td>.85</td>
</tr>
</tbody>
</table>

(continued)
Table 4.2 (continued)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>47</td>
<td>Neglects its investors (*) (+)</td>
<td></td>
<td>2.65</td>
</tr>
<tr>
<td>48</td>
<td>Does not contribute to the communities in which it operates (*)</td>
<td></td>
<td>2.22</td>
</tr>
<tr>
<td>49</td>
<td>Practices increase customer confidence</td>
<td></td>
<td>3.63</td>
</tr>
<tr>
<td>50</td>
<td>Company rewards customers for their support in special ways</td>
<td></td>
<td>4.10</td>
</tr>
<tr>
<td>51</td>
<td>Encourages employees to support social causes (+)</td>
<td></td>
<td>3.24</td>
</tr>
<tr>
<td>52</td>
<td>Provides courteous service</td>
<td></td>
<td>3.89</td>
</tr>
<tr>
<td>53</td>
<td>Shows a lack of concern for the well-being of its employees (*) (+)</td>
<td></td>
<td>3.24</td>
</tr>
<tr>
<td>54</td>
<td>Practices produce unpredictable outcomes for customers (*)</td>
<td></td>
<td>2.42</td>
</tr>
<tr>
<td>55</td>
<td>Takes actions to resolve problems that affect its investors (+)</td>
<td></td>
<td>3.70</td>
</tr>
<tr>
<td>56</td>
<td>Treats all customers equally</td>
<td></td>
<td>3.56</td>
</tr>
<tr>
<td>57</td>
<td>Financially supports social causes</td>
<td></td>
<td>3.79</td>
</tr>
<tr>
<td>58</td>
<td>Builds customer confidence through its practices and policies</td>
<td></td>
<td>3.54</td>
</tr>
<tr>
<td>59</td>
<td>Encourages employees to understand customers as individuals with different needs</td>
<td></td>
<td>2.41</td>
</tr>
<tr>
<td>60</td>
<td>Sets unrealistic goals about what it can deliver to customers (*)</td>
<td></td>
<td>3.33</td>
</tr>
<tr>
<td>61</td>
<td>Encourages customers to support social causes</td>
<td></td>
<td>2.40</td>
</tr>
<tr>
<td>62</td>
<td>Develops service policies and procedures that are difficult for customers to understand (*)</td>
<td></td>
<td>2.46</td>
</tr>
<tr>
<td>63</td>
<td>Shows a lack of concern for the well-being of its employees (*) (+)</td>
<td></td>
<td>2.24</td>
</tr>
<tr>
<td>64</td>
<td>Does not provide personal attention to customers (*)</td>
<td></td>
<td>3.60</td>
</tr>
<tr>
<td>65</td>
<td>Abides by laws to protect customers</td>
<td></td>
<td>3.33</td>
</tr>
<tr>
<td>66</td>
<td>Treats all employees equally</td>
<td></td>
<td>3.04</td>
</tr>
<tr>
<td>67</td>
<td>Treats customers like business partners</td>
<td></td>
<td>3.30</td>
</tr>
<tr>
<td>68</td>
<td>Pays fair wages to its employees (+)</td>
<td></td>
<td>2.54</td>
</tr>
<tr>
<td>69</td>
<td>Does not use its resources to improve its business operations (*)</td>
<td></td>
<td>(continued)</td>
</tr>
<tr>
<td></td>
<td>Provides benefits that enhance the customer's social status</td>
<td>3.26</td>
<td>.90</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------------------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>71</td>
<td>Openly communicates with investors (+)</td>
<td>3.18</td>
<td>.63</td>
</tr>
<tr>
<td>72</td>
<td>Treats employees with dignity</td>
<td>3.48</td>
<td>.75</td>
</tr>
<tr>
<td>73</td>
<td>Practices are offensive to some customers (*)</td>
<td>2.37</td>
<td>1.08</td>
</tr>
<tr>
<td>74</td>
<td>Regularly initiates contact with its customers</td>
<td>3.33</td>
<td>1.13</td>
</tr>
<tr>
<td>75</td>
<td>Offers the best value for the money compared to its competitors</td>
<td>3.54</td>
<td>1.14</td>
</tr>
<tr>
<td>76</td>
<td>Treats all investors equally (+)</td>
<td>3.18</td>
<td>.53</td>
</tr>
<tr>
<td>77</td>
<td>Does not explore new ways of doing business (*)</td>
<td>2.35</td>
<td>.98</td>
</tr>
<tr>
<td>78</td>
<td>Gives prompt customer service</td>
<td>3.72</td>
<td>1.09</td>
</tr>
<tr>
<td>79</td>
<td>Practices have negative consequences for its customers (*)</td>
<td>2.30</td>
<td>1.03</td>
</tr>
<tr>
<td>80</td>
<td>Abides by laws intended to protect employees (+)</td>
<td>3.50</td>
<td>.88</td>
</tr>
<tr>
<td>81</td>
<td>Company violates the privacy of its customers (*)</td>
<td>1.93</td>
<td>.91</td>
</tr>
<tr>
<td>82</td>
<td>Management operates an efficient and productive business</td>
<td>3.73</td>
<td>1.01</td>
</tr>
<tr>
<td>83</td>
<td>Keeps its promises to customers</td>
<td>3.74</td>
<td>.89</td>
</tr>
<tr>
<td>84</td>
<td>Practices enhance the quality of life for customers</td>
<td>3.57</td>
<td>.91</td>
</tr>
<tr>
<td>85</td>
<td>Makes it difficult for others to do business with it (*)</td>
<td>2.36</td>
<td>1.00</td>
</tr>
</tbody>
</table>

(*) indicates that item is reverse scored
(+ ) indicates that item is deleted during the preliminary stage of scale development and are not included in subsequent studies
An exploratory factor analysis was conducted to examine the underlying structure of the data. The factor solution was obtained by using maximum likelihood estimation and oblique rotation with SPSS 9.0. This process was followed to generate solutions for a 3-, 4-, 5-, and 6-factor model. The decision on how many factors to retain should be determined based on practical, theoretical, and statistical grounds. From a practical standpoint, the scree plot would suggest retaining at least two but no more than three factors. This non-theoretical approach favors parsimony and as such is only useful in conjunction with a more theoretical criterion. A common statistical guideline used in factor analysis is to keep those factors with eigenvalues greater than 1 to determine the number of factors that best describe the data structure. The number of eigenvalues greater than one in this study is 14. However, the amount of incremental variance explained beyond the seventh factor is less than two percent per factor. In fact, there is a diminishing return in retaining more than five factors when parsimony and eigenvalues are considered.

The statistical measures of fit are not reported here in this investigation. The relatively small sample and low ratio of items to observations would make reporting of such statistics inappropriate and misleading. Therefore, greater emphasis is given to the interpretation of the alternative solutions rather than to model fit and statistical significance. Other statistics customarily reported in research on scale development, such as coefficient alpha, would not prove meaningful at this point and are reserved for subsequent studies in this research. Nonetheless, new insights about the dimensions of
corporate reputation in consumer markets are gained from the subjective interpretation of the results.

A comparison of the various n-factor solutions highly favors the 5-factor solution. Table 4.3 on the next page lists the items and the factor loadings for the five factors. Compared to the alternatives, the five-factor solution was easily interpreted whereas the 3-, 4-, and 6-factor solutions produced dimensions that were difficult to reconcile with the conceptual framework and underlying theories of the key constructs. Factor loadings greater than or equal to .400 were reported due to the exploratory nature of this study. The results are based on a model in which the rotated solution allows for correlated factors. The correlation among the factors ranged from .32 to .54. The modest correlation among factors might be expected since corporate activities emanating from a single entity and linked to a company's strategies might naturally be perceived as being related. It is worth noting that a similar pattern of factor loadings emerged when an orthogonal rotation was performed (rotation of uncorrelated factors). However, the 5-factor model with correlated factors produces a much simpler solution with fewer high cross-loadings on any single item.

The dimensions of the 5-factor model display a pattern of factor loadings that have good face validity and support the inclusion of relational antecedents in the conceptual framework. The contents of the items appearing in Table 4.3 correspond to the list of items in Table 4.2. A brief description of each factor follows.

1. **Factor 1**: items that load on this factor include those intended to represent the various aspects of *corporate character* such as trust, responsiveness, and reliability. The scale items for respect did not load on this dimension.
2. **Factor 2**: items loading on this factor represent what is hypothesized to be *social sensitivity*. The items deal exclusively with a company's concern for other people, social issues, and the environment.

3. **Factor 3**: this factor includes those items that describe a company’s specific efforts to serve and please customers, which might be interpreted as a *social utility* dimension. The items included in this dimension cut across the operational competence and relational competence.

4. **Factor 4**: this factor is a hybrid of financial and operational competence. The items that load on this factor appear to reflect consumers' interest in how a company runs its business, financial or otherwise. Thus *business acumen* might be an appropriate descriptor of this factor.

5. **Factor 5**: items loading on this factor highly favor a dimension of *responsiveness*, as it was originally specified as one of the primary aspects of corporate character.
<table>
<thead>
<tr>
<th>Item Number**</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
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<td>.778</td>
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<td></td>
<td></td>
</tr>
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<tr>
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<td></td>
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<td>16</td>
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<td>.554</td>
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<td></td>
<td>-.406</td>
<td></td>
</tr>
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<td>69</td>
<td></td>
<td></td>
<td>.366</td>
<td>.401</td>
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</table>

Table 4.3: Pilot Study Results of Exploratory Factor Analysis 5-Factor Model of the Antecedents of Corporate Reputation

(continued)
Table 4.3 (continued)

<table>
<thead>
<tr>
<th>Item Number **</th>
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<th>3</th>
<th>4</th>
<th>5</th>
</tr>
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<tbody>
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<td>.411</td>
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<tr>
<td>27</td>
<td>-.395</td>
<td></td>
<td>.376</td>
<td></td>
<td>.402</td>
</tr>
</tbody>
</table>

* Items with factor loadings less than .200 are omitted.
** Refer to Table 4.2 for a description of each item.

Additional Findings. Two key observations made during the pilot study resulted in two major adjustments to the research design and data collection procedures. The first addresses the heightened concerns about the high percentage of responses to the "neutral" category or the scale midpoint. Aside from the elimination of those items that pertained to a company's dealings with investor and employee stakeholders, several other items generated a high level of neutral responses. While a conscientious effort was made to create a scale based on theory and practice, it is quite possible that some items tap beliefs that relate to obscure or remote corporate activities that consumers typically do not consider when dealing with a specific type of company. It is also possible that some items simply lacked clarity (e.g., follow-up conversations with participants in the pilot study offer anecdotal evidence that some participants felt forced to respond to statements
about a company's activities based on little or no knowledge about a company's practices in certain areas). Examples of relevant items that unexpectedly generated a high percentage of neutral responses include:

1. The management of this company applies poor judgment in business decisions (37 percent)
2. This company manages its financial affairs well (45 percent)
3. This company provides benefits that enhance the customers' social status (46 percent)
4. This company provides timely feedback to customer complaints (49 percent)
5. This company adopts practices that conserve scarce resources (57 percent)

As these five examples suggest, consumers' neutral responses might be motivated by something other than the nature or obscurity of the item. Several explanations could account for the unexpected number of neutral responses to some items. One possibility is that some participants adopted response strategies that enabled them to adapt to the cognitive demands of the somewhat lengthy survey. Instead of generating optimal responses in surveys that require a lot of mental energy, consumers might compromise their standards and respond to the status quo or settle for the neutral category (Krosnick 1991). In other words, the neutral category might be an easy out for some participants. Other possibilities are that participants are actually ambivalent or unable to access the underlying attitude structure that contains the beliefs (Fazio and Williams 1986; Gilljam and Granberg 1993). Unfortunately, the data does not provide a clear answer on this issue.
Customarily, 20 to 30 percent of participants in attitude or public opinion research are expected to report "no response" to attitude-related items (Gilljam and Granberg 1993). This phenomenon also has relevance to marketing and how consumers report their beliefs and feelings about brands (Lastovicka and Bonfield 1982). Though the addition of a "don't know" response might foster response biases or satisficing (Krosnick 1991), it will help to distinguish between those who believe they have no response versus those who have valid neutral responses to a statement. This discrimination should also reduce the error variance in the factor solution. To remedy this situation and reduce the error generated by forcing consumers to respond, the scale used in Study 1 and Study 2 will be modified to include a "don't know" response. Equally important is the notion that participants should be provided a "don't know" response when they have no knowledge of or opinion about a statement. In this context, answering "don't know" is the appropriate response (Narayan and Krosnick 1996).

The 5-point Likert scale used in the pilot study appearing in the top half of Figure 4.2 below was revised to include "don't know" as an additional response category outside of the 5-point scale. The new scale used to measure the antecedents of corporate reputation in future studies appears in the lower half of Figure 4.2. The inclusion of "don't know" does not change the scale values when the data is treated as missing values.
A. 5-point scale without a "don't know" option

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Slightly disagree</td>
<td>Neither agree nor disagree</td>
<td>Slightly agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

B. 5-point scale with a "don't know" option

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Slightly disagree</td>
<td>Neither agree nor disagree</td>
<td>Slightly Agree</td>
<td>Strongly agree</td>
<td>Don't Know</td>
</tr>
</tbody>
</table>

Figure 4.2: Changes in Response Scale for the Antecedents of Corporate Reputation

It was also noticed that participants tended to submit incomplete surveys. To avoid an unmanageable missing data problem, the survey is subsequently reprogrammed to electronically accept only those questionnaires that have all required fields completed.

Discussion

Based on the interpretation of the current results, relational factors appear to be important factors in constructing corporate reputation for this group of consumers. Four of these five dimensions (Factors 1, 2, 3, and 5) were originally hypothesized to be dimensions of relational competence. These dimensions are very similar to those factors such as trust, interpersonal sensitivity, altruism, perspective taking, and intimacy that Carpenter (1993) empirically determined to be in the enhancement of interpersonal relationships. The fifth factor in Table 4.2, termed responsiveness, was hypothesized to
be a dimension of corporate character. Its importance as a separate factor suggests that consumers are interested in those companies that convey a commitment to understanding and meeting customer needs.

The fourth factor appears to be a financial and managerial dimension that characterizes how a company manages its business in a very general sense. Thus, a label of business acumen seems appropriate. Perhaps this factor rather than separate measures of financial and operational competence more adequately covers consumers' general interest on how a company does its job. This interpretation of the factor is not very different from views expressed by participants in the qualitative study.

The fact that participants in this study do not give much importance to a company's activities involving other stakeholders is informative. It is possible that students have very limited knowledge of or very little interest in a company's broader business activities or that these activities have little relevance in constructing corporate reputation for the types of companies evaluated in this study.

Summary

Although consumers seem to have fewer opinions about certain corporate activities, they definitely have opinions about how a company deals with them and other customers. Drawing from the relevant literature and empirical findings from the extant literature, a final pool of 54 items were determined to comprise a set of corporate activities that capture the antecedents of corporate reputation among current consumers. This number of items is sufficiently large to cover the relevant content and allow for the use of multiple items to tap the domain for the constructs specified in Figure 3.2. These
efforts should enhance the reliability of the corporate constructs that emerge from subsequent empirical investigations.

The web-based procedure developed for this research appears to be an appropriate vehicle for collecting data. It allows participants to complete the survey, which is lengthy, at their leisure. The disadvantages of using web-based surveys, such as low response rates, are less problematic in this context. Using a two-step solicitation process to target participants from a captive audience and offering incentives seem effective in overcoming lower than usual participation rates.
CHAPTER 5

Measuring the Antecedents of Corporate Reputation:
Scale Refinement and Purification

Introduction

The next steps in the scale development process are to conduct formal tests to identify the antecedents of corporate reputation. This will allow for examination of their relative influence in shaping corporate reputation. Additional investigations are conducted to further shorten the list of items that describe the antecedents of corporate reputation and to generate constructs that have good psychometric properties. Toward this end, the major objective of this chapter is to present results from two studies focused on scale refinement and purification. Study 1 is designed to produce reliable and valid measures of the antecedents of corporate reputation using exploratory factor analysis. Study 2 is conducted to purify the scale and further assess the dimensionality and reliability of the factors obtained in Study 1 using the more restrictive confirmatory factor analysis. The final measures obtained in these empirical investigations form the basis for examining the relationship between corporate reputation and the antecedents.
latter part of Chapter 5 is devoted to hypotheses testing and a check of predictive validity. The chapter concludes with a discussion of the outcomes of the scale development process and results from testing the hypotheses.

Study 1:

Exploratory Factor Analysis

Exploratory factor analysis is an analytical technique used in the early stage of scale development to reduce a large pool of items to a more manageable set that reflects a construct's domain (Gerbing and Anderson 1988). The scale development process in this chapter begins with a set of 54 items retained from the pilot study.

Research Design

The research design outlined and used in the pilot study is administered to a second student population. The initial questionnaire and web-based procedure are slightly modified to improve data collection and administration of the survey.

Participants

Three hundred undergraduate students enrolled in an introductory marketing course completed the revised survey. (Refer to Appendix B for those items included in Study 1.) This group of students was also given the option to earn extra credit or a chance to win a raffle prize valued between $25 and $75.
Procedure

Participants completed the questionnaire for a company they freely chose from the same four categories of consumer offerings presented in the pilot study (i.e., athletic shoe manufacturers, automobile manufacturers, mass merchandisers, and grocery stores). The entire survey was administered online and that task lasted about 25 minutes.

Participants were invited to participate in the study via a two-step e-mail notification process. In the first e-mail, students were alerted to the upcoming consumer research study and were told to expect a second e-mail with more information about the study. Two days later, all students automatically received the second message containing the URL address for the survey and general instructions about completing the survey. Participants had 10 days from the date of the second message to complete the survey. This window is considerably longer than the two-day period used in the pilot study. The increase in the number of days that the survey was available on the web was provided to obtain the highest participation rate possible.

The web-based approach to data collection tested in the pilot study proved to be fast, efficient, and cost effective. Web-based surveys supposedly generate higher completion rates per item than paper surveys (Schaefer and Dillman 1998). However, the experience from the pilot study raised concerns about the submission of partially completed surveys. Therefore, a modified procedure required participants to complete all required fields in order to electronically submit their survey. Any survey missing required information was rejected and participants were directed back to the specific items that remained unanswered. As result of this change, there were no cases of missing data due to nonresponse.
Measures

The same measures of corporate reputation and its antecedents and consequences included in the pilot study were used in this study. However, several modifications were made to the section that contained the items measuring the antecedents to reflect the reduction in the number of items. Another change made to this section pertains to the addition of the 'don't know' response to the 5-point Likert scale. Finally, the 54 items included in this section were randomly reordered to reduce the possibility of an order effect. The overall order and content of the remaining sections of the questionnaire remained unchanged.

Study 1 Results

The data reduction tool in SPSS 9.0 for Windows was used to conduct an exploratory factor analysis. A maximum likelihood estimation procedure was performed on the 54-item correlation matrix. An oblique was applied due to the inherent correlation among the antecedents of corporate reputation. An oblique rotation will provide a realistic description of the underlying data structure of the common factor model for this data.

A systematic procedure was followed to determine how many factors to extract. First, 3-, 4-, 5-, and 6-factor rotated solutions were generated and their structure compared for statistical fit, theoretical interpretation, and comprehensibility. Second, the scree plot and eigenvalues were examined to obtain a general idea of the number of factors to retain. Third, the pattern matrix for each model was inspected to determine the distribution of factor loadings within and across factors. Items with factor loadings greater than .400 were retained. In exploratory factor analysis, a threshold of this size
indicates that items with lower loadings have at least some practical significance in accounting for the variance in the common factor (Hair, Anderson, Tatham, and Black 1995). Thus, the .400 cutoff is an appropriate criterion upon which to establish a scale at this stage of the development process. However, any item that produced high cross loadings across more than two factors was eliminated from the model regardless of the magnitude of the factor loading.

The analysis of the data that follows is based on participants responses to the 5-point Likert scale with don't know (DK) responses treated as missing data. Including DK as a response option in attitude research is a common practice. Participants tend to use DK as a coping strategy for dealing with cognitively demanding tasks (Krosnick 1991) or when they simply do not have beliefs or attitudes about low involvement or obscure topics (Lastovicka and Bonfield 1982). In this study, the DK responses for the 54 items ranged between 0.003 and 0.38 of total responses per item. As reported in Table 5.2, only 4 items slightly exceeded the typical 0.30 DK response rate documented in attitude research (Gillam and Granberg 1993). The pattern of DK responses appears to be completely random with no more than 5 of the 300 cases sharing the same pattern.

The outcome of the exploratory procedure strongly favored a 4-factor model, which produced both a compelling theoretical interpretation of the data and a reasonable statistical fit. The scree plot suggests retaining at most only three factors, while the number of eigenvalues greater than 1 suggest keeping 11 factors. The 4-factor model is a reasonable compromise between these two extremes.

---

4 Treating DK responses as missing data is a more conservative approach than mean imputation and mean substitution. Consequently, the results from the exploratory and confirmatory factor analysis for most items are based on sample sizes smaller than the total sample size due to the exclusion of the DKs.
Table 5.1 reports the results of the 4-factor solution. The corresponding
descriptive statistics appear in Table 5.2. The interpretation of the four factors is highly
consistent with the proposed model and extant literature on relationship marketing. The
three dimensions of relational competence, corporate character, social sensitivity, and
social utility are represented in this solution. The emergence of an unexpected factor,
called "customer contact", strengthens the face validity of the results and increases our
confidence that these factors are the major antecedents of corporate reputation for current
customers. A brief description of each factor follows.

1. **Corporate Character** (CorpChar): nine item load on this factor and their
content describes how a company deals with its customers. Several items that
were included to capture important character traits such as respect (#81 and
#73), responsiveness (#9 and #20), reliability (#91 and #73), and credibility (#
60) load highly on this factor. Surprisingly, items believed to tap a company's
operational competence such as "this company develops policies and
procedures that are difficult for customers to understand" (#62) and "this
company sells poor quality products and services" (#4) also load on this
factor. Another item related to a company's concern for customers' well-being
(#44) was initially intended to capture an aspect of social sensitivity
specifically regarding customer stakeholders. However, it appears that this
item is more aligned with the character dimension for responsiveness.

2. **Customer Contact** (CustCont): consists of four items that convey the extent
and quality of a company's contact or interaction with its customers.
Collectively, the items denote a company's approach to serving customers and
managing customer relationships. Items such as regularly initiates contact with customers (#74), collects feedback from customers (#15), and openly communicates with customers is suggestive of a company's willingness to be proactive in engaging and learning more about its customers.

3. **Social Sensitivity** (SocSens): the high factor loadings on five items produce a factor that is undisputedly a measure of consumers' perceptions of a company's concern for society, larger social issues, and the environment.

4. **Social Utility** (SocUtil): this factor includes items that were intended to reflect the intangible value customers perceive the company to provide (#84, #75, and #58). Another item mapping on to this construct such as 'this company keeps its promises to customers' (#83) was included to measure the character trait trustworthiness. Two additional items that are related to a company's financial competence (#5) and operational competence (#82) are also strongly correlated with this factor.

These four factors account for approximately 47.20 percent of the total variance in the data. This amount of variance seems reasonable given the cross section of companies evaluated by participants. The eigenvalues for the four factors in the order that they are presented above are 17.89, 3.85, 2.19, and 1.59. The incremental variance accounted for by the remaining seven eigenvalues that were greater than 1 was less than two percent per factor. The correlations among the four factors ranged from .21 to .56, which suggest that the common factor model produces four related yet distinct factors. SocUtil is most highly correlated ion with the other three factors.
The model fit also indicates that the four factors provide a tenable description of the data structure for this sample ($\chi^2 = 1215.6, df=1221, p=.54$). Another measure for evaluating model fit is the root mean square error of approximation (RMSEA). The RMSEA for this model is .08, which indicates that the model is a reasonably close fit (Browne and Cudeck 1993).

The reliability analysis lends additional support for the 4-factor model. The coefficient alpha computed for each factor appears in Table 5.1. The 0.70 cutoff point commonly used as an indication of internal consistency was satisfied for all four factors in Table 5.1. The coefficient estimates are based on the inclusion of only those items with factor loadings greater than 0.50. When items with factor loadings between 0.40 and 0.50 were included in the analysis, comparable coefficient values were obtained. Thus, the four antecedents have good reliability and a good interpretation even when factor loadings as low as 0.40 are included. Using scales with fewer items produces a more parsimonious scale without sacrificing reliability. Therefore, subsequent discussions about the factors are based on measures that include fewest items possible using items with loadings of 0.50 or higher.
<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>This company…</td>
<td></td>
</tr>
<tr>
<td>• Violates the privacy of its customers (81)*</td>
<td>0.77</td>
</tr>
<tr>
<td>• Practices are offensive to some customers (73)*</td>
<td>-0.68</td>
</tr>
<tr>
<td>• Practices produce unpredictable outcomes for customers (54)*</td>
<td>-0.67</td>
</tr>
<tr>
<td>• Sets unrealistic goals about what it can deliver to customers (60)*</td>
<td>-0.66</td>
</tr>
<tr>
<td>• Doesn't use its knowledge and skills to help customers meet their needs (91)*</td>
<td>-0.65</td>
</tr>
<tr>
<td>• Practices have negative consequences for its customers (79)*</td>
<td>-0.66</td>
</tr>
<tr>
<td>• Shows a lack of concern for the well-being of its customers (44)*</td>
<td>-0.64</td>
</tr>
<tr>
<td>• Show little tolerance for customers with special needs (12)*</td>
<td>-0.63</td>
</tr>
<tr>
<td>• Practices have negative consequences for the general public (42)*</td>
<td>-0.61</td>
</tr>
<tr>
<td>• Adopts practices that are insensitive to the customer's needs (30)*</td>
<td>-0.58</td>
</tr>
<tr>
<td>• Makes it difficult for others to do business with it (85)*</td>
<td>-0.054</td>
</tr>
<tr>
<td>• Develops service policies and procedures that are difficult for customers to understand (62)*</td>
<td>-0.55</td>
</tr>
<tr>
<td>• Is slow to adapt to changes in customers needs (9)*</td>
<td>-0.51</td>
</tr>
<tr>
<td>• Shows no flexibility when dealing with customers (20)*</td>
<td>-0.49 0.21</td>
</tr>
<tr>
<td>• Charges customers unfair prices for its products and services (36)*</td>
<td>-0.45 -0.29</td>
</tr>
<tr>
<td>• Sells poor quality products and services (4)*</td>
<td>-0.43</td>
</tr>
<tr>
<td>• Sells a limited variety of products and services (13)*</td>
<td>-0.43</td>
</tr>
<tr>
<td>• Doesn't listen to its customers (2)*</td>
<td></td>
</tr>
</tbody>
</table>

*Coefficient alpha for 13 items** = 0.76

Table 5.1 Results from Reputation Exploratory Factor Analysis: A 4-Factor Solution of the Antecedents of Corporate
Table 5.1 (continued)

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporate</td>
</tr>
<tr>
<td>This company...</td>
<td>Character 1</td>
</tr>
<tr>
<td>• Trains employees to serve customers in a professional manner (31)</td>
<td>0.55</td>
</tr>
<tr>
<td>• Regularly initiates contact with customers (74)</td>
<td>0.47</td>
</tr>
<tr>
<td>• Regularly collects feedback from customers (15)</td>
<td>0.41 0.21</td>
</tr>
<tr>
<td>• Openly communicates with customers (3)</td>
<td>0.40</td>
</tr>
<tr>
<td><strong>Coefficient alpha for 4 items = 0.78</strong></td>
<td></td>
</tr>
<tr>
<td>• Financially supports social causes (57)</td>
<td>0.71</td>
</tr>
<tr>
<td>• Encourages customers to support social causes (61)</td>
<td>0.71</td>
</tr>
<tr>
<td>• Encourages others to support environmental causes (11)</td>
<td>0.54</td>
</tr>
<tr>
<td>• Takes actions to enhance the well-being of the communities in which it operates (7)</td>
<td>0.52</td>
</tr>
<tr>
<td><strong>Coefficient alpha for 5 items = 0.82</strong></td>
<td></td>
</tr>
<tr>
<td>• Practices enhance the quality of life for customers (84)</td>
<td>0.78</td>
</tr>
<tr>
<td>• Keeps its promises to customers (83)</td>
<td>0.67</td>
</tr>
<tr>
<td>• Practices increase customer confidence (49)</td>
<td>0.67</td>
</tr>
<tr>
<td>• Makes good use of its resources (5)</td>
<td>0.57</td>
</tr>
<tr>
<td>• Practices and policies build customer's confidence (58)</td>
<td>0.55</td>
</tr>
<tr>
<td>• Management operates an efficient and productive business (82)</td>
<td>0.54</td>
</tr>
<tr>
<td>• Offers the best value for the money compared to its competitors (75)</td>
<td>0.52</td>
</tr>
<tr>
<td>• Creates good feelings among its customers (19)</td>
<td>0.27 0.43</td>
</tr>
<tr>
<td><strong>Coefficient alpha for 7 items = 0.87</strong></td>
<td></td>
</tr>
</tbody>
</table>

(*) Items were reversed scored

---

176
<table>
<thead>
<tr>
<th>Item Numbers</th>
<th>Mean</th>
<th>SD</th>
<th>Percentage of DKs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Corporate Character</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(81)</td>
<td>1.88</td>
<td>0.98</td>
<td>0.16</td>
</tr>
<tr>
<td>(73)</td>
<td>2.11</td>
<td>0.99</td>
<td>0.18</td>
</tr>
<tr>
<td>(54)</td>
<td>2.36</td>
<td>1.01</td>
<td>0.18</td>
</tr>
<tr>
<td>(60)</td>
<td>2.24</td>
<td>1.09</td>
<td>0.28</td>
</tr>
<tr>
<td>(91)</td>
<td>2.17</td>
<td>1.07</td>
<td>0.12</td>
</tr>
<tr>
<td>(79)</td>
<td>2.02</td>
<td>0.98</td>
<td>0.19</td>
</tr>
<tr>
<td>(44)</td>
<td>3.78</td>
<td>1.11</td>
<td>0.04</td>
</tr>
<tr>
<td>(12)</td>
<td>3.95</td>
<td>1.00</td>
<td>0.14</td>
</tr>
<tr>
<td>(42)</td>
<td>1.98</td>
<td>1.00</td>
<td>0.15</td>
</tr>
<tr>
<td>(30)</td>
<td>2.33</td>
<td>1.18</td>
<td>0.11</td>
</tr>
<tr>
<td>(85)</td>
<td>2.13</td>
<td>1.03</td>
<td>0.25</td>
</tr>
<tr>
<td>(62)</td>
<td>2.25</td>
<td>0.98</td>
<td>0.16</td>
</tr>
<tr>
<td>(9)</td>
<td>2.37</td>
<td>1.07</td>
<td>0.09</td>
</tr>
<tr>
<td>(20)</td>
<td>3.82</td>
<td>1.12</td>
<td>0.06</td>
</tr>
<tr>
<td>(36)</td>
<td>2.21</td>
<td>1.16</td>
<td>0.02</td>
</tr>
<tr>
<td>(4)</td>
<td>4.30</td>
<td>0.92</td>
<td>0.003</td>
</tr>
<tr>
<td>(13)</td>
<td>1.84</td>
<td>1.68</td>
<td>0.003</td>
</tr>
<tr>
<td>(2)</td>
<td>3.66</td>
<td>1.12</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td><strong>Customer Contact</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(74)</td>
<td>3.45</td>
<td>1.13</td>
<td>0.13</td>
</tr>
<tr>
<td>(31)</td>
<td>2.15</td>
<td>1.07</td>
<td>0.16</td>
</tr>
<tr>
<td>(15)</td>
<td>2.52</td>
<td>1.13</td>
<td>0.23</td>
</tr>
<tr>
<td>(3)</td>
<td>3.78</td>
<td>1.09</td>
<td>0.06</td>
</tr>
<tr>
<td></td>
<td><strong>Social Sensitivity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(51)</td>
<td>3.64</td>
<td>0.99</td>
<td>0.38</td>
</tr>
<tr>
<td>(57)</td>
<td>3.93</td>
<td>0.85</td>
<td>0.37</td>
</tr>
<tr>
<td>(61)</td>
<td>3.62</td>
<td>0.98</td>
<td>0.34</td>
</tr>
<tr>
<td>(11)</td>
<td>3.56</td>
<td>0.88</td>
<td>0.35</td>
</tr>
<tr>
<td>(7)</td>
<td>3.96</td>
<td>0.98</td>
<td>0.14</td>
</tr>
<tr>
<td></td>
<td><strong>Social Utility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(83)</td>
<td>3.97</td>
<td>0.84</td>
<td>0.09</td>
</tr>
<tr>
<td>(49)</td>
<td>3.86</td>
<td>0.86</td>
<td>0.11</td>
</tr>
<tr>
<td>(5)</td>
<td>4.05</td>
<td>0.98</td>
<td>0.11</td>
</tr>
<tr>
<td>(58)</td>
<td>3.97</td>
<td>0.85</td>
<td>0.10</td>
</tr>
<tr>
<td>(82)</td>
<td>4.04</td>
<td>0.87</td>
<td>0.13</td>
</tr>
<tr>
<td>(75)</td>
<td>3.72</td>
<td>1.15</td>
<td>0.04</td>
</tr>
<tr>
<td>(19)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.2  Study 1 Descriptive Statistics
Study 1 Discussion

The goal in exploratory factor analysis is obtain an adequate measure of a construct based on the selection of sample items from a larger pool that adequately represents a construct's domain. At the beginning of this endeavor, the initial pool of items was considerably reduced from 91 to 54 items. The outcome of the current analysis resulted in a further reduction the number of items to 29. Moreover, this group explains almost 50 percent of the variance in the data, with a reasonably good fit of the sample data. Reliable and interpretable measures of the antecedents of corporate reputation for a company's current customers is support of the.

The four factors produced by the exploratory factor analysis are closely aligned with the model presented Figure 3.2. Three of the four factors, CorpChar, SocSens, and SocUtil, reported in Table 5.1 and Table 5.2 were predicted to be dimensions of relational competence and important in constructing corporate reputation. Consistent with the conceptualization of corporate character offered in Chapter 3, the items loading on the corporate character dimension speak directly to specific character traits that reflect how a company treats its customers. Traits such as respect, responsiveness, reliability, and credibility are represented in this factor. The factor labeled SocSens deals exclusively with a company's concern and commitment to non-economic objectives. While marketing managers have recognized the importance of balancing both economic and non-economic goals (Drumwright 1996; Winters 1986), this analysis offers empirical support that a company's non-economic or social agenda is salient to its customers. The SocUtil dimension is fairly consistent with the conceptualization presented earlier.
chapters. In addition to the items intended to tap this aspect of a company's activities, items related to the character trait trust loaded on this dimension. Keeping promises (#83) and increasing customer confidence (#49 and #58) are trust-related activities that also reduce consumers' psychological risks and thus enhance consumer confidence in the company as an exchange partner (Gwinner et al. 1998; Morgan and Hunt 1994). On the other hand, operating an efficient and productive business (#82) and making good use of resources (#5) can reduce consumers' physical or performance risks (Jacoby and Kaplan 1972). Therefore, the set of items that constitute SocUtil reflects corporate activities that potentially reduce psychological and performance risks and creates value both personal and functional ways.

The fourth factor to emerge from the analysis, CustCont, was not initially predicted to be a primary antecedent of corporate reputation. This factor could be interpreted as either a relational or operational dimension. On the one hand, the nature of customer contact captured by the four items could be directly related to a company's responsiveness to customers, which might us to conclude that this is a relational factor. This interpretation would be consistent with the fifth factor reported in the pilot study. On the other hand, customer contact could be perceived from a service or process perspective and interpreted as a measure of the efficiency and effectiveness of the delivery system rather than how a company manages its relationships with consumers. In either of these cases, the frequency of contact or the manner in which a company develops and maintains contact with customers is a unique antecedent of corporate reputation. For now, customer contact is labeled to be a hybrid of relational and operational activities.
Together the content validity and reliability of the four factors provides reasonable evidence that the conceptual framework in Figure 3.2 is theoretically and statistically sound. The factors are adopted as the primary antecedents of corporate reputation from the perspective of a company's current customers. Before the relationship between these antecedents and corporate reputation are examined, another test of the dimensionality and validity of the factors as discrete constructs is warranted.
Study 2:

Confirmatory Factor Analysis

Recall that the scale development process followed in this study started with a pilot study that focused on developing a scale of the antecedents of corporate reputation that incorporated relational, financial and operational items. That study was followed by an exploratory factor analysis to identify the number of items most important to current consumers. The next step in the scale development process is to conduct a confirmatory factor analysis based on the 29 remaining items. In this study, confirmatory factor analysis allows for a more rigorous test of the dimensionality of the 4-factor solution and is an appropriate technique to use at later stages in the scale development process (Anderson and Gerbing 1988). Following the confirmatory investigation, tests of several critical hypotheses are conducted to determine the strength and direction of the relationship between corporate reputation and the four antecedents.

Research Design

Participants

Another 252 undergraduate students enrolled in an introductory marketing course completed the study on line. Participants again received either extra course credit or a chance to win one of several raffle prizes valued this time at $25.

Procedure

The same procedure and questionnaire from Study 1 was used to collect data for the 29 scale items. As a result, the section of the questionnaire containing the antecedents was shorter and therefore the time required to complete the study was also reduced. Appendix B clearly denotes the 29 items retained in this analysis.
Measures

The same measures for corporate reputation and its antecedents and the consequences were collected once more and in the same manner previously discussed. Additional attitude measures of relational competence were included to test the relationship between attitudinal measures of relational competence, the four antecedents and corporate reputation. Description of the measure developed for relational competence is provided later in this chapter.

Study 2 Results

A 4-factor confirmatory factor analysis was conducted using AMOS 4.0. AMOS provides a facility that computes full information maximum likelihood (FIML) estimates that are efficient and consistent even in the presence of missing data (Arbuckle and Wothke 1996). Other strategies for dealing with missing data, such as listwise deletion or mean substitution would produce extremely biased maximum likelihood estimates.

The confirmatory factor analysis replicates the underlying structure of the factor pattern reported in Study 1. The primary outputs of the confirmatory factor analysis are an assessment of factor loadings and model fit. The results are based on an analysis where “DKs” are treated as missing data. As in Study 1, the factor structure of the sample data produces four factors with very high loadings for the pre-specified factors. Tables 5.3, 5.4, 5.5 and 5.6 show the results for each of the four constructs identified in Study 1 and Study 2. Factor loadings and reliability coefficients from both studies are reported for comparison purposes. Only one of the 29 items obtained a factor loading less than 0.50 in the confirmatory model. Factor correlations were slightly higher in this study, ranging
from 0.49 to 0.89. Again, SocUtil was most highly correlated with the other three factors ($r = .89$ for CorpChar; $r = .82$ for CusCont; and $r = .73$ for SocSens).

The traditional chi-square fit test indicates that the model is a poor fit and it should be rejected ($\chi^2 = 1188.27, df = 372, p = .00$). RMSEA is also a more reliable and realistic measure of fit for assessing model fit with larger samples. According to Browne and Cudeck (1993), RMSEA is not affected by sample size. Therefore, its significance does not improve as sample size increases. The confirmatory results yield a RMSEA of 0.08, which suggest that the model is a reasonable fit of the observed data.

The structure of the model and RMSEA are consistent with the findings from Study 1. Each factor in both models also have good internal consistency. Given the consistent findings across two studies, it is concluded that consumers' beliefs about a company across a range of activities are represented by at least four unique antecedents.
<table>
<thead>
<tr>
<th>Items</th>
<th>Study 1 (N=300)</th>
<th>Study 2 (N=252)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor Loadings</td>
<td>Item-to-Total Correlation</td>
</tr>
<tr>
<td>This company...</td>
<td>α = .81**</td>
<td>α = .74</td>
</tr>
<tr>
<td>• Violates the privacy of its customers (81)*</td>
<td>0.77</td>
<td>0.71</td>
</tr>
<tr>
<td>• Practices are offensive to some customers (73)*</td>
<td>0.68</td>
<td>0.70</td>
</tr>
<tr>
<td>• Practices produce unpredictable outcomes for customers (54)*</td>
<td>0.67</td>
<td>0.74</td>
</tr>
<tr>
<td>• Sets unrealistic goals about what it can deliver to customers (60)*</td>
<td>0.66</td>
<td>0.64</td>
</tr>
<tr>
<td>• Doesn't use its knowledge and skills to help customers meet their needs (91)*</td>
<td>0.65</td>
<td>0.71</td>
</tr>
<tr>
<td>• Practices have negative consequences for its customers (79)*</td>
<td>0.65</td>
<td>0.71</td>
</tr>
<tr>
<td>• Shows a lack of concern for the well-being of its customers (44)*</td>
<td>0.64</td>
<td>0.54</td>
</tr>
<tr>
<td>• Show little tolerance for customers with special needs (12)*</td>
<td>0.63</td>
<td>0.55</td>
</tr>
<tr>
<td>• Practices have negative consequences for the general public (42)*</td>
<td>0.61</td>
<td>0.72</td>
</tr>
<tr>
<td>• Adopts practices that are insensitive to the customer's needs (30)*</td>
<td>0.58</td>
<td>0.53</td>
</tr>
<tr>
<td>• Makes it difficult for others to do business with it (85)*</td>
<td>0.54</td>
<td>0.61</td>
</tr>
<tr>
<td>• Develops service policies and procedures that are difficult for customers to understand (62)*</td>
<td>0.54</td>
<td>0.71</td>
</tr>
<tr>
<td>• Is slow to adapt to changes in customers needs (9)*</td>
<td>0.51</td>
<td>0.41</td>
</tr>
</tbody>
</table>

(*) Items are reversed scored
(**) Only items with loadings greater than 0.50 included in reliability analysis

Table 5.3 Corporate Character Scale
### Table 5.4 Customer Contact Scale

<table>
<thead>
<tr>
<th>Items</th>
<th>Study 1 (N=300)</th>
<th>Study 2 (N=252)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor Loadings</td>
<td>Item-to-Total Correlation α = .78**</td>
</tr>
<tr>
<td>This company...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Trains employees to serve customers in a professional manner (31)</td>
<td>0.55</td>
<td>0.62</td>
</tr>
<tr>
<td>• Regularly initiates contact with customers (74)</td>
<td>0.47</td>
<td>0.50</td>
</tr>
<tr>
<td>• Regularly collects feedback from customers (15)</td>
<td>0.41</td>
<td>0.58</td>
</tr>
<tr>
<td>• Openly communicates with customers (3)</td>
<td>0.40</td>
<td>0.65</td>
</tr>
</tbody>
</table>

(***) Items with loadings greater than 0.50 included in reliability analysis

### Table 5.5 Social Sensitivity Scale

<table>
<thead>
<tr>
<th>Items</th>
<th>Study 1 (N=300)</th>
<th>Study 2 (N=252)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor Loadings</td>
<td>Item-to-Total Correlation α = .82**</td>
</tr>
<tr>
<td>This company...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Encourages others to support social causes (51)</td>
<td>0.80</td>
<td>0.64</td>
</tr>
<tr>
<td>• Financially supports social causes (57)</td>
<td>0.71</td>
<td>0.63</td>
</tr>
<tr>
<td>• Encourages customers to support social causes (61)</td>
<td>0.71</td>
<td>0.64</td>
</tr>
<tr>
<td>• Encourages others to support environmental causes (11)</td>
<td>0.54</td>
<td>0.52</td>
</tr>
<tr>
<td>• Takes actions to enhance the well-being of the communities in which it operates (7)</td>
<td>0.52</td>
<td>0.64</td>
</tr>
</tbody>
</table>

(*** Items with loadings greater than 0.50 included in reliability analysis

185
Factor Loading Estimates

<table>
<thead>
<tr>
<th>Items</th>
<th>Study 1 (N=300)</th>
<th>Study 2 (N=252)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor Loadings</td>
<td>Item-to-Total Correlation α = .77**</td>
</tr>
<tr>
<td>This company...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Practices enhance the quality of life for customers (84)</td>
<td>0.78</td>
<td>0.56</td>
</tr>
<tr>
<td>• Keeps its promises to customers (83)</td>
<td>0.67</td>
<td>0.55</td>
</tr>
<tr>
<td>• Practices increase customer confidence (49)</td>
<td>0.67</td>
<td>0.51</td>
</tr>
<tr>
<td>• Makes good use of its resources (5)</td>
<td>0.57</td>
<td>0.35</td>
</tr>
<tr>
<td>• Practices and policies build customer's confidence (58)</td>
<td>0.55</td>
<td>0.57</td>
</tr>
<tr>
<td>• Management operates an efficient and productive business (82)</td>
<td>0.54</td>
<td>0.54</td>
</tr>
<tr>
<td>• Offers the best value for the money compared to its competitors (75)</td>
<td>0.52</td>
<td>0.56</td>
</tr>
</tbody>
</table>

(**) Items with loadings greater than 0.50 included in reliability analysis

Figure 5.6 Social Utility Scale

Hypotheses Testing

The results from the scale development process lead us directly to the test of several critical hypotheses. The next step in this investigation is to determine the strength of the relationship between corporate reputation and the antecedents. To accomplish this goal, several regression models are estimated to formally test H1a, H1b, H1c, H2a, and H2b as indicated in Table 3.1. The dependent variable, corporate reputation, and measures of the antecedents derived from the scale development process are the basis for the hypothesis tests that follow.
Between Study 1 and Study 2, a total of 553 participants completed dependent measures for corporate reputation in addition to the measures for the antecedents of corporate reputation.

Corporate reputation was measured using 5-point semantic differential scales. The corporate reputation index is comprised of responses to the statement, "the overall reputation of this company is": (1) very unfavorable / very favorable, (2) very negative / very positive, (3) very bad / very good, (4) very inferior / very superior, and (5) very undesirable / very desirable. Coefficient alpha for this measure is 0.84.

The following hypotheses and equation were developed to examine the influence of the antecedents as predictors of corporate reputation. Although the customer contact factor was not included in the original hypotheses, it is specified in the regression model so that its impact on corporate reputation is considered along with the other antecedents. The following regression model is used to test the first two sets of hypotheses.

\[
\text{EQ1: } \text{CorpRep}_i = \alpha_i + \beta_1 \text{CorpChar}_i + \beta_2 \text{SocSens}_i + \beta_3 \text{SocUtil}_i + \beta_4 \text{CustCont}_i + \varepsilon_i
\]

H1a: The influence of corporate character on corporate reputation is significant and positive.

H1b: The influence of social sensitivity on corporate reputation is significant and positive.

H1c: The influence of social utility on corporate reputation is significant and positive.

The next two hypotheses deal specifically with examining the relative importance or strength of the antecedents as predictors of corporate reputation.
H2a: The influence of corporate character on corporate reputation is greater than the influence of social sensitivity.

H2b: The influence of corporate character on corporate reputation is greater than the influence of social utility.

The next set of hypotheses is restated here but is not included in this analysis. Since the outcome of the scale development process failed to produce dimensions of financial and operational competence, H3a and H3b are not testable and will not be discussed any further.

H3a: For current customers, the influence of relational competence on corporate reputation is greater than the influence of financial competence.

H3b: For current customers, the influence of relational competence on corporate reputation is greater than the influence of operational competence.

where,

CorpRep = 6-item measure of corporate reputation

CorpChar = 13-item corporate character measure

SocSens = 5-item social sensitivity measure

SocUtil = 7-item social utility measure

CustCont = 4-item customer contact measure

Results from the regression analysis are reported in Table 5.7. Averaged-item scores for each of the measures reported in Table 5.3, 5.4, 5.5, and 5.6 were used to test H1a, H1b, H1c, H2a and H2b. Corporate reputation was regressed on all four of its antecedents. Once the negative items were reverse scored, the three dimensions of
relational competence were positive predictors of corporate reputation and their influence significant. Therefore H1a, H1b, and H1c are supported.

<table>
<thead>
<tr>
<th>Dependent Measure</th>
<th>Independent Measures</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>Corporate Reputation</td>
<td>Intercept</td>
<td>3.03</td>
<td>0.258</td>
</tr>
<tr>
<td></td>
<td>CorpChar</td>
<td>0.219</td>
<td>0.050</td>
</tr>
<tr>
<td></td>
<td>SocSens</td>
<td>0.007</td>
<td>0.030</td>
</tr>
<tr>
<td></td>
<td>SocUtil</td>
<td>0.411</td>
<td>0.039</td>
</tr>
<tr>
<td></td>
<td>CustCont</td>
<td>0.005</td>
<td>0.034</td>
</tr>
</tbody>
</table>

Adjusted $R^2 = 0.391$
F = 81.57
Sig. $p < 0.00$
N = 553

Table 5.7 The Relationship Between Corporate Reputation and Its Antecedents (H1a, H1b, H1c, H2a, H2b)

H2a predicted that corporate character would be a more influential determinant of corporate reputation compared to social sensitivity, whereas H2b made similar predictions about the impact of social utility on corporate reputation. The standardized regression for CorpChar ($\beta = 0.18, p = 0.00$) is significant and its influence is twice as large of that of SocSens ($\beta = 0.09, p = 0.01$). Thus, H2a is supported. In contrast, the coefficient for SocUtil ($\beta = 0.47, p = 0.00$) is much larger than that of CorpRep. In fact,
SocUtil has the greatest effect on corporate reputation out of the four antecedents. Thus H2b is not supported. The influence of CustCont on corporate reputation ($\beta = 0.05, p = 0.0$) is small and insignificant. Since this factor was unexpected there is no formal hypothesis to test. However, the magnitude of its influence on corporate reputation raises further questions about its nature. At first glance, it might be concluded that its nature must be something other than relational. This issue is addressed further in the discussion section.

Based on the adjusted R Square, 39 percent of the variance in corporate reputation is explained by the four antecedents. Given the complexity of corporate reputation as a social phenomenon this is a sizeable amount of variance accounted for in a model with so few predictors. There are other factors, however, such as the relationship or type of consumer offering, that may account for additional variance in corporate reputation. These factors will be explored in the next section.

**Additional Findings**

Corporate reputation is suggested to be an important signal in the purchase of consumer products that have experience or credence rather than search attributes (Klein and Leffler 1981; Nelson 1974). H4a and H4b below were developed to test the relative importance of relational competence compared to financial and operational competence across different types of consumer offerings.

**H4a:** For consumer offerings that contain primarily experience or credence rather than search attributes, the influence of relational competence on corporate reputation is greater than the influence financial competence.
For consumer offerings that contain primarily experience or credence rather than search attributes, the influence of relational competence on corporate reputation is greater than the influence of operational competence.

Unfortunately, these hypotheses are not testable since the antecedents did emerge as unique factors anticipated. Nonetheless, examining the relative importance of the relational dimensions across types of consumer offerings might be fruitful. The results from that analysis are discussed.

To determine whether or not the relationship between the antecedents of corporate reputation and corporate reputation differed by type of consumer offering, moderated regressions were conducted. A separate regression model was performed for each of the four antecedents. In each model, corporate reputation was regressed on a single antecedent, the type of consumer offering (dummy coded for search versus experience), and the interaction between these two predictors. In each case, the standardized coefficient for the interaction term informs us of the moderating effect of type of offering on corporate reputation (Cohen and Cohen 1983).

For each regression analysis, the model fitted was of the form:

\[ \text{CorpRep}_i = \alpha_i + \beta_1 \text{CorpChar}_i + \beta_2 \text{TypeOffer}_i + \beta_3 (\text{CorpChar} \times \text{TypeOffer}) + \epsilon_i \]

In this model, \(\beta_1\) is the coefficient of the antecedent for the type of consumer offering. The coefficient for the cross-product \(\beta_3\), represents the difference in the coefficient for the antecedent between offerings with "search" versus "experience" attributes. If this coefficient is positive, the coefficient of the antecedent is greater for offerings with "experience" attributes than for those with "search" attributes. The model using
standardized variables, the one that is examined here, is of the same form as the model given above, except that the regression constant equals zero in all cases.

<table>
<thead>
<tr>
<th>Interaction Term</th>
<th>Standardized Coefficient</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CorpChrc X TypeOffer</td>
<td>-0.026</td>
<td>-0.135</td>
<td>0.89</td>
</tr>
<tr>
<td>2. SocSens X TypeOffer</td>
<td>0.38</td>
<td>1.67</td>
<td>0.09</td>
</tr>
<tr>
<td>3. SocUtil X TypeOffer</td>
<td>0.38</td>
<td>1.77</td>
<td>0.08</td>
</tr>
<tr>
<td>4. CustCont X TypeOffer</td>
<td>-0.08</td>
<td>-0.35</td>
<td>0.73</td>
</tr>
</tbody>
</table>

Table 5.8  Moderating Effects of Type of Offering on Corporate Reputation

The standardized regression coefficients for the four antecedents of corporate reputation are reported in the Table 5.8. As can be seen, the coefficients for SocSens and SocUtil are marginally significant. This indicates that type of offering tends to influence the relationship between corporate reputation for each of these antecedents. Both antecedents are positively related to corporate reputation, as suggested by the respective regression coefficients (standardized $\beta = 0.176$ for SocSens and $\beta = 0.441$ for SocUtil). For consumer offerings that possess primarily "experience" attributes, this coefficient for the antecedent SocSens increases by 0.38 as indicated by the standardized coefficient for the interaction term. The magnitude of the moderating effect of SocUtil on corporate reputation is also 0.38. Thus, social sensitivity and social utility exert a greater positive
influence on corporate reputation than when the offer contains mostly “experience” attributes.

Additional analysis was conducted to examine the influence of other relationship characteristics on corporate reputation. For this analysis, hierarchical regression was used. In hierarchical regression, variables are entered in a pre-specified order. Choice of order can be driven by any of several concerns, including the (a) statistical control of extraneous variables and (b) theoretical importance of variables. The purpose of the present analyses is to examine the relationship between the nature of an individual’s interactions with a company and the company’s reputation. Hierarchical analysis also permits an assessment of the influence of antecedents on corporate reputation, after any individual differences in interaction with the company are statistically controlled for or held constant.

Participants in Study 1 and Study 2 completed a number of background questions regarding the nature of their relationship with the company. Section A of the survey contained in Appendix B contains additional measures that describe the nature of consumers' relationship with the company they evaluated. The following statements were examined to determine if these individual characteristics are strong indicators of corporate reputation and they are:

1. How frequently do you interact with this company, either in person, by phone, mail, e-mail, web, etc? (A5)
2. How many disappointing or dissatisfying experiences have you had with this company or its products or services? (A6)
(3) If you deal with this company's competitors, how often have you done business with this company's competitors? (A8)

Before conducting the hierarchical regression, the description statistics for the data were examined. First, almost 50 percent of the participants reported dealing with the company at least twice a week, while another 35 percent interacted with the company only monthly. Thus participants have enough direct experience with the company to form attitudes or responses to the above statements. Second, 47 percent of all participants experienced at least one dissatisfying experience with the company while another 37 percent reported never having a bad experience with the company. Finally, 92 percent of all respondents reported dealing with competitors within the past 6 months; almost 73 percent of this group did so more than twice during the same period. This high number of consumers simultaneously shopping with multiple retailers or manufacturers vendors is directly related to the types of companies evaluated in this study.

In this hierarchical regression model, the three relationship factors from above were first entered simultaneously into the equation as control variables. Next, the four antecedents of corporate reputation were entered into the equation to assess their incremental contribution to the prediction of corporate reputation. The results indicate that the number of dissatisfying experiences (A6) and frequency of interaction with competitors (A8) on corporate reputation is negative and significant. These two variables, therefore, can explain some of the variation that cannot be explained by the antecedents.
In the next step, the four antecedents of corporate reputation were added to the model. The reported change in R Square was relatively small but significant. Thus, the relationship factors explain a trivial amount of variation in corporate reputation that cannot be explained by the antecedents. When the relationship factors are included in the model and their influence on corporate reputation controlled, the magnitude and significance of the standardized coefficients for all antecedents remained relatively unchanged from outcomes appearing in Table 5.7. Thus, the differences in background relationship factors do not alter the basic nature of the influence of antecedents on corporate reputation.

**Study 2 Discussion**

The basic structure of the 4-factor model was reproduced using only 29 items that describe a range of corporate activities. Consistent with results from the exploratory factor analysis, a reasonably close fit to the data and the internal consistency of the scale measures was obtained. The results from the confirmatory analysis offer strong empirical support for the inclusion of a relational dimension as a major dimension of corporate reputation. Consistent with results from the exploratory factor analysis, a reasonably close fit to the data and the internal consistency of the scale measures was obtained.

As hypothesized, three of the four factors identified as antecedents of corporate reputation are clearly relational in nature. The relative influence of these dimensions on corporate reputation is different from what was expected. Corporate character exerts significant influence on corporate reputation, though it is not the most important factor in explaining variance in EQ 1 above. Surprisingly, SocUtil is the more dominant
dimension of relational competence. A relationship that results in a loss of self-esteem (Bromley 1993) or that does not contribute to consumers' life in other ways has limited value to consumers (Sheth and Parvatiyar 1995). Thus, the overall value delivered to consumers might outweigh how a company acts, as long as the consequences do not detract from consumers' self-esteem and other life goals. As predicted, there is a distinct factor for social sensitivity. Social sensitivity was initially defined more broadly than the empirical factor that emerged in the analysis. The SocSens factor appears to describe more generally with how a company responds to noneconomic issues. There was no evidence to support the idea that a company's commitment and concern for consumers was associated with social sensitivity as previously suggested.

An additional factor, CustCont was identified as one of the primary determinants of corporate reputation. Given that the influence of this factor on corporate reputation was insignificant and its correlation to the other three antecedents was low, we conclude that the factor draws more on a company's operational rather than relational abilities.

Aside from the speculation about the nature of this factor, there is no other evidence of the influence of financial competence and operational competence on corporate reputation in the context of current consumer relationships. Operational competence, especially product and service quality and training front-line employees, are important in creating customer value (Bowen, et al. 1999; Treacy and Wiersema 1993). However, the items included in this research to capture those dimensions did not share any common variance and thus did not load on a single dimension. Other items incorporated in the scale to measure financial competence and operational competence also disappeared during the pilot study or a few of them ultimately loaded on one of the
three relational factors. Since operational performance is positively correlated with relational performance (Stank, Goldsby, and Vickery 1999), it is not surprising to find an item such as "this company sells poor quality products and services" might be interpreted as a company's responsiveness to customers or some other aspect of relational competence. Based on the results from the exploratory and confirmatory factor analysis, financial and operational antecedents are not important drivers of corporate reputation when customers have direct experience with a company. Consequently, the data collected across the pilot test and the two studies reported in this chapter provide only partial support of the major hypotheses about the types of antecedents that shape corporate reputation.

Although the data did not permit the testing of H3a, H3b, H4a, and H4b as specified, ancillary analysis was conducted to examine the influence of the antecedents of corporate reputation taking into consideration other situational and individual differences. The results from that analysis increased our confidence that the relational factors are important antecedents of corporate reputation.

Summary

A systematic procedure was used to develop a prior a pool of measurement items believed to map on to the primary antecedents of corporate reputation in consumer markets. Building on the findings from two preliminary investigations, this chapter presented the results from two studies that adhered to widely accepted practices in scale development.

The four primary constructs that were theoretically and empirically determined to be antecedents of corporate reputation are highly consistent with the conceptual
framework in Figure 3.2. The high level of reliability exhibited for the four constructs is evident across two studies. Though the 4-factor model differs from the 5-factor model reported in the pilot study (Table 4.3), we are confident that a four factor model is a good fit and interpretation of the antecedents of corporate reputation. Some might argue that certainly there are many other factors that shape a company's reputation, and we would agree. However, this research examines corporate reputation in a very specific context where some corporate activities might become less influential in shaping consumer attitudes about the company. It is also speculated that in current consumer relationships where the company has satisfied consumers' basic expectations on important dimensions, such as providing product and services that meet customers' needs, consumers begin to focus more on other intangible criteria.

We conclude this chapter with a clear idea of the role that relational factors play in shaping corporate reputation in consumer relationships. When consumers' observe a company's aptness as an exchange partner, it seems that they would feel compelled to act accordingly. In other words, a company must reap some type of relational benefits for all its efforts to build strong and rewarding relationships with consumers. In the next chapter, we turn our attention to understanding both the financial and relational consequences conferred to a company based on its reputation.

Recall that participants in this research evaluated a company that manufactured athletic apparel (9 percent) or automobiles (7 percent) or provided retail services such as a grocery store (45 percent) or mass merchandiser (37 percent). The two categories of consumer offerings, manufacturers versus service providers, each have different attribute
characteristics. Automobiles and athletic clothing manufactures definitely possess search attributes while, retailers or mass merchandisers and grocery stores have more experience than search attributes.
CHAPTER 6

Measuring the Consequences of Corporate Reputation:
Study 3

Introduction

In this chapter, we turn our attention to measuring the consequences of corporate reputation. One of the primary factors motivating this research was a desire to better understand the role and value of corporate reputation in marketing relationships. To move toward this goal, it was necessary to identify the relational factors that precede and shape corporate reputation. However, it is equally as important to recognize that just as there are relational factors that influence corporate reputation there are also relational benefits bestowed upon the company. The benefits a company derives from having a favorable reputation may in fact be relational and economic.

The objective of this chapter is to examine both of the outcomes and determine how they are influenced by corporate reputation. A brief recap of the relationship between relational rewards and market rewards is provided. Then a discussion of the results from a single study in which the consequences of corporate reputation were measured and analyzed are presented. The chapter ends with a brief summary.
Understanding Relational and Market Rewards

The economic rewards bestowed on companies are by far the driving motivation for investing in reputation-building activities. There is an incredible amount of evidence to conclude that a favorable reputation contributes to a company's value. Economic rewards conferred to companies with favorable reputations are well documented. Though the economic rewards are by no means trivial, there are social factors that also give corporate reputation significance in the marketplace and consumer relationships. In any given relationship, each party must derive desired benefits if the relationship is to flourish. Therefore, identifying and measuring the relational and economic rewards that companies receive as a result of having established a favorable reputation is important in extending our knowledge of the true advantages of marketing relationships.

The previous chapters focused on why it is important to have consumers positively evaluate a company. However, it is not only desirable to have customers to think favorably of the company, but they should also be willing to behave in ways that support the company's strategic goals (Gaines-Ross 1997). Customers should be willing to take actions that demonstrate their competence as exchange partners; both parties in the exchange have an implied obligation to support the other party's needs. To the extent that customers oblige the company with their support and cooperation, they can be classified as a mixed blessing, supportive, marginal, and nonsupportive (Savage, Nix, Whitehead and Blair 1991).

Recall that relational rewards were defined as the nonfinancial or interpersonal benefits conferred to companies that effectively develop strong and mutually beneficial relationships with consumers. These rewards may emerge in a behavioral or
psychological form. In this research, the behavioral outcomes are of particular interest but we also consider two types of psychological outcomes because of their importance as a source of relational rewards and their influence on behavioral outcomes (Grunig 1993).

Market rewards are the financial or economic benefits that give a company more immediate feedback about its performance and standing with consumers. Rewards such as higher prices, increased market share, and profitability are traditional yardsticks that company's use to evaluate their performance. A company with a favorable reputation will generally have a more stable customer base and a high rate of customer loyalty. In this situation, a company not only enjoys higher sales but it also gains some marketing efficiency and increases its cash flow (Srivastava et al. 1998).

While corporate reputation has been highly regarded for its ability to generate significant financial outcomes, superior financial performance is not generated solely from the impact of corporate reputation on market rewards. It has been observed that for companies with highly favorable reputations, such as the Body Shop, financial success is not guaranteed. It was proposed earlier in this research that relational rewards further enhance a company's market rewards. This link between relational rewards and market rewards is implicit in the sustainable competitive advantage framework (e.g., Day and Wensley 1988; Hunt and Morgan 1995). Empirical support for the relationship is scarce.

Several hypotheses are developed to examine the relationships among corporate reputation, relational rewards, and market rewards. The hypotheses and regression equations below are taken directly from the conceptual framework previously discussed and presented in Figure 3.2.
H5a: The influence of corporate reputation on relational rewards is significant and positive.
EQ2: \[ \text{RelRewards}_i = \alpha_i + \beta_1 \text{CorpChar}_i + \varepsilon_i \]

H5b: The influence of corporate reputation on market rewards is significant and positive.
EQ3: \[ \text{MktRewards}_i = \alpha_i + \beta_1 \text{CorpChar}_i + \varepsilon_i \]

H6: The influence of corporate reputation on market rewards is mediated by relational rewards.
EQ4: \[ \text{MktRewards}_i = \alpha_i + \beta_1 \text{CorpChar}_i + \beta_2 \text{CRelRewards}_i + \varepsilon_i \]

\[ \text{MktRewards}_i = \alpha_i + \beta_2 \text{CRelRewards}_i + \varepsilon_i \]

\[ \text{MktRewards}_i = \alpha_i + \beta_1 \text{CorpChar}_i + \beta_2 \text{CRelRewards}_i + \varepsilon_i \]

In the next section, a description of a study in which measures of relational and market rewards were gathered to empirically assess the relationship between corporate reputation and its consequences is provided.

Research Design

The same questionnaire used to investigate the antecedents of corporate reputation in Study 1 and Study 2 was used in this study. The master questionnaire contained in Appendix B includes measures not only for corporate reputation and its antecedents, but it also contains measures of the consequences of corporate reputation. To test the hypotheses in this study, we focus only on the data collected for corporate reputation, relational rewards, and market rewards.

Participants

207 first- and second-year MBA students participated in the study. All participants received a nominal incentive for completing the questionnaire.
Procedure

Participants completed the questionnaire using pen and paper. The type of consumer offerings from which participants could choose a company to evaluate was changed. The new categories were 1) cellular phone service, 2) personal computer manufacturer, 3) automobile or homeowner insurance, or 4) major or minor appliance manufacturer. These product categories were selected because they were thought to be more appropriate and relevant to an older and more experienced student population. A 30-minute time limit was imposed since the questionnaire was completed during class time.

Given that the study was not conducted online, surveys were inspected for completeness. Of the 207 surveys returned, 201 were included in the final analysis subsequently reported.

Measures

This study concerns itself with the measurement of corporate reputation and its consequences. The same five items used to measure corporate reputation previously are used again in this research. These items include consumers' overall evaluation of a company based response to the following semantic differential scales: 1) very unfavorable/very favorable, 2) very negative/very positive, 3) very bad/very good, 4) very inferior/very superior, and 5) very undesirable/very desirable.

The five relational behaviors included in Figure 3.2 and described in Chapter 3 are: 1) relational trust, 2) esteem enhancement, 3) willingness to form structural bonds, 4) willingness to extend privileges, and 5) willingness to collaborate. Seven different measures taken from research on switching behavior (Keaveny 1995), behavioral
outcomes in service exchanges (Liljander and Strandvik 1995; Sheaves and Barnes 1996; Zeithaml et al. 1996), and complaining behavior (Singh 1988) map onto three of these five categories and are used to measure relational rewards. Two additional items were included to explore the extent to which corporate reputation enhances psychological bonding between a company and its customers. The items developed to create an index for relational rewards are listed below. (Items with an asterisk were reversed scored in the analysis.)

1. I would recommend this company. (willingness to extend privileges)
2. If the desired product or service was unavailable for another week, rather than buy from another company I would wait to make the purchase from this company. (switching behavior)
3. If this company moved to another location that was further away from my home, school, work, I would switch to a competitor that was more conveniently located.* (switching behavior)
4. If this company required me to make an additional financial commitment up front to purchase, a new product / service, I will would make such an investment without hesitation. (structural bond)
5. If I had a dissatisfying experience with this company, I would switch to a competitor. (switching behavior)
6. If the person who is most familiar with my needs no longer worked for the company, I would continue to do business with this company. (personal bond)
7. If this company went out of business, it would be easy to find another company that delivers the same quality of products and services.* (corporate bond)

8. If my expectations in a specific transaction were not met, I would not complain to this company's managers.* (complaint behavior)

9. I would have reservations about participating in a boycott against this company under any circumstances. (esteem enhancement)

The single item, "I would pay higher prices to remain a customer of this company even though its competitors offer lower prices," used to measure market rewards was believed to be an appropriate measure in the context of current consumer relationships. This measure should successfully capture market rewards because it specifically deals with the issue of price. By dealing with price up front, any potential confounds in measuring market rewards might be eliminated. For example, asking consumers about their intention to increase their spending with a company would be open to multiple interpretations, especially if price is an important consideration in their final decision. The following item should reduce the possibility that participants' intentions to engage in behaviors that influence market rewards would be determined by price rather than corporate reputation.

Relational rewards and market rewards are measured on a 5-point Likert scale where 1 = strongly disagree, 5 = strongly agree, and 3 = neither strongly agree nor disagree.
Results

Before presenting the results from the regression analysis, the descriptive statistics reported in Table 6.1 are briefly summarized to highlight some of the more interesting findings based on the mean responses to the nine relational rewards.

<table>
<thead>
<tr>
<th>Relational Behavior</th>
<th>Mean*</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recommends company</td>
<td>4.18</td>
<td>1.13</td>
</tr>
<tr>
<td>2. Wait for unavailable product / service</td>
<td>2.96</td>
<td>1.53</td>
</tr>
<tr>
<td>3. Switch companies for convenience</td>
<td>2.98</td>
<td>1.45</td>
</tr>
<tr>
<td>4. Financial bond</td>
<td>2.62</td>
<td>1.17</td>
</tr>
<tr>
<td>5. Switch to competitor due to dissatisfaction</td>
<td>3.36</td>
<td>1.73</td>
</tr>
<tr>
<td>6. Employee bond</td>
<td>2.68</td>
<td>1.25</td>
</tr>
<tr>
<td>7. Corporate bond</td>
<td>3.36</td>
<td>1.73</td>
</tr>
<tr>
<td>8. Complaint behavior</td>
<td>3.17</td>
<td>1.30</td>
</tr>
<tr>
<td>9. Boycott participation</td>
<td>2.97</td>
<td>1.21</td>
</tr>
</tbody>
</table>

* 1 = very unlikely, 5 = very likely

Table 6.1 Descriptive Statistics for Relational Rewards

First, participants seem to be most willing to engage in esteem enhancement. They are very likely to recommend the company to others (#1) (µ = 4.18). Second, they
appear to have developed an attachment to the target company (#7) ($\mu = 3.36$). This might also explain why the company was chosen for this exercise in the first place. Third, the data further indicates that participants are most likely to develop an attachment to the company rather than employees, $\mu = 4.18$ versus $\mu = 2.68$. This result might have emerged due to participants' limited interaction with the employees of an appliance or computer manufacturer. Finally, participants seem less likely to make any additional monetary investments in the relationship (#4).

The mean value for MarkRewards was 2.53 (1.60). This suggests that participants are not very willing to pay premium prices or make a financial sacrifice to remain in the relationship with the target company.

After creating an index for relational rewards (coefficient alpha = 0.70), the next step in the analysis of the consequences of corporate reputation was to test for both the direct and indirect effects of corporate reputation on market rewards. This is essentially a test of the mediating effect of relational rewards on market rewards. This hypothesis was tested using path analysis procedure outlined by Cohen and Cohen (1983) and Baron and Kenny (1986). Baron and Kenny (1986) suggested a general procedure for testing mediating relationships. The results from the 3-step procedure are reported along with a description of each procedure.

1. The first step is to regress MarkRewards on CorpRep. The outcome of this procedure is reported in the first column of Table 6.2. The effect of corporate reputation on market rewards is positive and significant ($\beta = 0.38, p = 0.00$). Thus H5b is supported.
2. The next step is to regress RelRewards on CorpRep. The result appears in the middle column of Table 6.2. The standardized coefficient is positive and significant ($\beta = 0.47, p = 0.00$). Support for H5a is obtained.

3. The final step in the analysis is to assess the effect of RelRewards on MarkRewards. It is also necessary to include CorpRep as a predictor of MarkRewards to adjust for any direct effect of CorpRep on MarkRewards. This result appears in the last column of Table 6.2. The standardized coefficients obtained are positive and significant for RelRewards ($\beta = 0.56, p = 0.00$) and CorpRep ($\beta = 0.12, p = 0.01$).

<table>
<thead>
<tr>
<th>Variable</th>
<th>MarkRewards</th>
<th>RelRewards</th>
<th>MarkRewards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\beta$</td>
<td>$t$-value</td>
<td>$p$</td>
</tr>
<tr>
<td>Intercept</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CorpRep</td>
<td>0.380</td>
<td>7.99</td>
<td>0.000</td>
</tr>
<tr>
<td>RelRewards</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Standardized coefficients reported.

**Table 6.2** Study 3: Mediational Analysis Model Estimates
As you can see, the effect of RelRewards on MarRewards is much greater than effect of CorpRep on MarRewards. The coefficients for the corresponding path model are reflected in the diagram in Figure 6.1. The direct effect and indirect effect of CorpRep are significant.

To test for the mediating effect of RelRewards on MarRewards, the two coefficients along the direct and indirect paths are multiplied. This indirect effect is 0.263. Note that the indirect effect of CorpRep on MarRewards is twice as large as the direct effect. Thus, H6 is supported. These results are summarized in Table 6.3 below.
Discussion

By all accounts, having a favorable reputation pays off in multiple ways. First, corporate reputation has a direct positive effect on relational rewards and market rewards. In addition, relational rewards also have a direct positive effect on market rewards. Therefore, a company that has established a favorable reputation can potentially reap the benefits of its investment in corporate reputation in two possible ways.

Partial mediation of the effects of corporate reputation on market rewards tells us that the direct relationship between corporate reputation and relational rewards is important. The direct impact of corporate reputation on market rewards is reduced, but still significant, when relational rewards are considered. Consequently, market rewards might still be forthcoming when consumers are less supportive of a company. We might predict that these financial rewards would be lower if customer support is lacking.
because the company is incapable of establishing strong and supportive relationships with consumers.

While the outcome of H5b confirms what we already knew regarding the economic rewards that flow from corporate reputation, the outcome of H5a gives us a new perspective on corporate reputation. Relational rewards are an important and desirable benefit but whose influence might not be obvious or immediate. In the long run, it would behoove companies to allocate resources to the antecedents of corporate reputation that are most likely to induce the voluntary relational behaviors that contribute to relational rewards.

The findings from the research also inform us of the type of relational behaviors that consumers are more likely to engage in. Both behavioral and psychology benefits were measured. It is interesting to note that esteem enhancement and bonding with the company are the relational behaviors that consumers in this study feel most likely to perform. Even those behaviors are enough to give a company an advantage over its rivals. Although the relational rewards examined here are fairly general, they offer compelling support for one of the major premises of this research. That is, corporate reputation is an important relationship-building tool that serves a trust-building function in current customer relationships.

Summary

The consequences of corporate reputation were conceptualized to have two separate dimensions, relational rewards and market rewards. Both measures capture the potential outcomes for companies with a favorable reputation. There is now empirical evidence to refute the argument that relational performance should be treated as
secondary goals in achieving a sustainable competitive advantage. A company's failure to identify the relational behaviors that drive a company's profitability will ultimately result in its failure to build and capitalize on its relationships with consumers.

Based on the strong relationships between corporate reputation and its consequences, we conclude that having a favorable reputation not only enhances a company's profitability but it also encircles the company with a group of supportive exchange partners. Both of these consequences are the ingredients for a company's long-term success.
CHAPTER 7

Discussion

Introduction

This chapter provides a synopsis of the research project and its contribution to marketing theory and practice. First, the chapter starts with a summary of the research objectives and the findings from three investigations that examined the antecedents and consequences of corporate reputation and its role in consumer relationships. In the next section, these findings are interpreted. The research implications, from a theoretical and practical perspective, are then considered. That discussion is followed by a review of the inherent limitations of the research design, procedure, and sample. Finally, directions for future research are suggested. The chapter concludes with a brief summary of this research effort.

Summary of the Research

The primary objective of this research was to determine the antecedents of corporate reputation, looking specifically at its role in current consumer relationships. As outlined in Chapter 2, corporate reputation is a socially determined concept that might serve an important role in shaping consumers' behavior in marketing relationships. However, it was determined that the role of corporate reputation in current marketing relationships could not be adequately examined without first ascertaining its antecedents.
The first phase of this research was devoted to identifying those corporate activities that were most important to a company's current customers and determining their relative importance as antecedents of corporate reputation.

Another goal of this research was to examine the type of benefits that companies derived from having developed a favorable reputation among its current customers. The economic rewards that arise from having established a favorable reputation are clearly established in the extant literature on corporate reputation. Unfortunately, very little was known about the relational rewards that well-regarded companies might expect from their current customers. Moreover, the relationship between these relational and economic rewards had not been empirically established.

The sustainable competitive advantage framework provided a theoretical and practical way to identify the antecedents of corporate reputation. Consistent with sustainable competitive advantage, the three primary sources of advantage identified as antecedents of corporate reputation were relational competence, financial competence, and operational competence. While this research was designed to assess the relative importance of these antecedents in shaping corporate reputation, relational competence was of special interest given that this research focused on understanding corporate reputation in existing marketing relationships.

Following a traditional attitude measurement model, measuring consumers' beliefs, attitudes and behavioral intentions provided measures of the antecedents of corporate reputation, corporate reputation, and its consequences, respectively. A web-based survey was then developed and administered to convenience samples to collect
measures for each of these critical constructs. A set of hypotheses was developed to test the relationship between corporate reputation and the other constructs.

Identifying the antecedents and consequences of corporate reputation was believed to be important because of corporate reputation's alleged value as a source of sustainable competitive advantage and ability to generate superior performance outcomes for a company in the long run. The results obtained from a pilot test and three studies offer evidence of four unique and related antecedents of corporate reputation. It was also determined that corporate reputation positively and significantly influences the relational and economic benefits accrued to a company.

At the beginning of this endeavor, we believed that a company's reputation in consumer markets would be influenced by consumers' knowledge of any and all corporate activities. It was thus hypothesized that relational, financial, and operational competence would be critical antecedents of corporate reputation. Contrary to this belief, the results from the scale development process considerably narrowed the domain of corporate activities to four antecedents that were primarily relational in nature. There is no doubt that three of the four factors that emerged from the scale development process are dimensions of relational competence. The three dimensions of relational competence developed for this research were found to be significant predictors of corporate reputation.

Social utility was the most important predictor of corporate reputation. Social utility refers to a company's ability to help consumers fulfill important life goals and enhance their overall quality of life. Surprisingly, it was significantly and considerably more influential in predicting corporate reputation than corporate character (i.e., those
traits that describe how a company deals with consumers) or social sensitivity (i.e., a company's concern and commitment to social and environmental issues). On the other hand, corporate character had a far greater influence on corporate reputation than social sensitivity.

In addition to these three dimensions, customer contact was the fourth factor that emerged from the exploratory and confirmatory studies. Its nature is slightly ambiguous and its impact on corporate reputation was small and marginally significant. Various explanations were explored to try to understand the nature of this factor. Based on its low correlation to the other relational factors and its weak predictive value, it is finally concluded that customer contact, as described by the items loading on this dimension, is more characteristic of an operational rather relational dimension. Although two of its four items that loaded on this factor were initially intended to measure aspects of corporate character, the factor appears to have more of a process rather than interpersonal focus. The only other evidence of the influence of financial competence or operational competence on corporate reputation appeared during the pilot study. One of the factors that emerged at that stage of the scale development process was interpreted to be a hybrid of financial competence and operational competence. However, that factor did not materialize in subsequent studies. Despite the relatively strong evidence from the extant literature to support their inclusion in the conceptual framework, financial competence and operational competence are not influential in shaping corporate reputation for the companies evaluated in this research.

In the process of identifying these antecedents, several other findings inform us about the factors that shape corporate reputation in consumer markets. First, the scale
development process revealed that consumers in this study tended to have limited knowledge about a company's dealings with employee and investor stakeholders. Second, the evidence also indicates that the affect of social utility and social sensitivity on corporate reputation tends to be moderated by the type of consumer offering or type of company being evaluated. Their importance seems to be greater for consumer offerings that contain more experience rather than search attributes or for consumer services versus consumer products. Third, other aspects of a consumer's relationship with the company can help to predict a company's reputation. The number of bad experiences and the frequency of interaction with competitors had a negative and significant impact on corporate reputation. These additional insights on the factors that shape corporate reputation help to explain the importance of certain corporate activities in current consumer relationships.

After confirming the antecedents of corporate reputation and their impact on corporate reputation, an investigation was conducted to examine the extent of the benefits conferred to companies based on the favorability of their reputations. Several types of relational behaviors and relational bonds were used to estimate relational rewards. In addition, a single item was used to assess economic or market rewards. The results from the third study revealed that corporate reputation has a direct and positive impact on both relational rewards and market rewards. More importantly, it was determined that relational rewards mediated the influence of corporate reputation on market rewards. This indirect influence was significant and twice as great as the direct influence of corporate reputation on market rewards.
Interpretation of Results

It is perhaps best to start with the finding that was most unexpected and is most likely to generate more questions. The lack of support for the hypotheses regarding the importance of financial competence and operational competence as important antecedents of corporate reputation is inconsistent with the literature on corporate reputation and other research on corporate performance. Many of the studies on corporate reputation that have included measures of operational factors in predicting corporate reputation were conducted with business customers (e.g., Fearnley 1993) or other stakeholders such as a company's investors and competitors (e.g., Fombrun and Shanley 1990). As previously suggested, different stakeholders use different criteria when evaluating a company and this notion is reinforced by the results reported here. Even potential customers compared to a company's current customers might be expected to differ in their evaluations of a company. For example, potential customers might focus on evaluating a company's ability to deliver products and services in the short term rather than its potential as a long-term exchange partner. Therefore, corporate activities such as product quality, service quality, delivery systems, and other operational factors would naturally attract more attention from potential customers. Based on the findings from this research, financial and operational factors appear to have little importance for a company's current customers for the companies evaluated in this research. We speculate that for current customers a company's ability to perform basic and expected services is at least satisfactory or otherwise consumers would be less likely to continue the relationship. This explanation lends credence to one of the major arguments driving this research: the antecedents of corporate reputation should be different for current customers. There is
certainly some merit to believing that consumers' direct experience with a company naturally leads to an evaluation of the company as an exchange partner.

The fact that social utility is a relatively stronger predictor of corporate reputation than corporate character is enlightening in a number of ways. The value that a company delivers to consumers stems not only from what it contributes to the immediate relationship but also what it contributes to other aspects of consumers' life beyond the marketing relationship itself. In essence, marketing relationships are only a means to an end for current consumers. Consumers are primarily motivated to find ways to cope with the daily pressures of life and devote time to more personally rewarding goals. The company that is able to deliver value to consumers and whose activities enhance consumers' social esteem and fulfillment of these life goals might be perceived more favorably compared to its rivals and viewed as a desirable exchange partner.

Increasingly, consumers are engaging in marketing relationships to simplify their choices and build their confidence (Sheth and Parvatiyar 1995). They often view a company's relationship marketing efforts negatively and take steps to reduce or eliminate the adverse consequences that a company's practices have on their quality of life (Fournier et al. 1998). This might also suggest that how a company treats customers (corporate character) may not be detrimental to maintaining consumer relationships as long as its actions do not erode consumer confidence or distract consumers from satisfying other higher order goals. By adopting this interpretation of the results, it would also make sense that social sensitivity would be less important in constructing corporate reputation for consumers. While a company's commitment and caring for the general
public and environment is admirable, frequently these activities may have little bearing on current customers' life strivings or quality of life.

The relationship between relational rewards, market rewards, and corporate reputation is an important finding that extends our understanding of the real advantages of having a favorable corporate reputation. The mediating role of relational rewards in consumer relationships tells us that consumers are willing to do more than just spend their money with a company. Consumer willingness to work in concert with the company, to freely promote the company and publicly extol its virtues, and to show tolerance during difficult times facilitates achievement of long-term corporate goals. However, the impact of these relational rewards on a company's survival is not always immediate or evident in traditional measures of performance that are inherently short-term in nature. In the end, measuring only the impact of corporate reputation on market rewards distorts our understanding of the real advantages generated by corporate reputation and underestimates a company's future prospects.

In sum, creating value and helping consumers achieve life goals is paramount to building supportive marketing relationships. A company is supported and compensated in relational and monetary ways when it has successfully communicated to consumers its ability and willingness to build and sustain relationships that are mutually beneficial. Based on the extant literature and the findings from this research, corporate reputation derives in part from having strong relational capabilities. Its role in consumer relationships is certainly more complex than we understood at the onset of this research.
Implications to Marketing Theory

Several significant implications for marketing theory can be extracted from the results from the three studies. In terms of relationship marketing, corporate reputation is a strategic tool that can be used to develop and sustain consumer relationships toward creating a sustainable competitive advantage. Given the importance of corporate reputation, it is surprising that it has not been more widely integrated into research in relationship marketing. Only a limited number of studies have linked relationship marketing to a corporate reputation (e.g., Aab 1994; Palmer 1996). None of these studies have focused on consumers as a separate stakeholder group. While a favorable corporate reputation has been widely touted for its ability to attract new customers and sustain a company during a time of crisis, it is also a valuable tool that can be used to retain customers and manage consumer relationships. The idea that relationship marketing is a process for attracting, developing, and maintaining customer relationships seems lost in research and practice. As such, considerable time and resources are devoted to attracting customers when a company's efforts should be devoted to developing and maintaining customers. Quite often corporate reputation is the basis for consumers' initial attraction to a company. But, their evaluation and support of the company derives from their experiences with the company (Berry and Parasuraman 1991; Grunig 1993). It seems paradoxical that corporate reputation is used primarily as a market signal to attract new customers, especially when it is current customers that really sell the company and promote its reputation to others. Reputation-building strategies for existing customers is an area of research that is underdeveloped. Given that consumers have grown distrusting and weary of companies and their practices (Fournier et al 1998), identifying defensive
marketing strategies that could be used to establish and reinforce corporate reputation to motivate current customers to behave in relational ways would be an important contribution to research on consumer relationships.

Research in relationship marketing should examine how corporate reputation, as an intangible asset, can foster the type of relationships that bond consumers to the company. Research in consumer marketing has narrowly concentrated on the relational activities of the company, without fully considering the extent and nature of consumers' participation in marketing relationships. Relational behaviors on both sides of this dyad must be considered in order to expand our understanding of the mutually beneficial aspects of consumer relationships. As knowledge of consumer relationships continues to build, the value of consumers as strategic partners might become more apparent.

The findings of this research also suggest that corporate reputation, like many other variables examined in attitude research, serve different roles at various times. In this study, we have examined the influence of corporate reputation in only one marketing context. To fully understand how to maximize a favorable corporate reputation, its role across different contexts should be studied more extensively. As depicted in Figure 2.2, there may be situations when a favorable reputation does not add value to marketing interactions. For example, it has been shown that a favorable corporate reputation gives a company's sales people access to prospective clients but it cannot close the deal when the salesperson is perceived as incapable (Levitt 1965).

Understanding the antecedents and consequences of corporate reputation has direct implications for research on corporate branding, an area of research that is still in its infancy. Because corporate reputation is perhaps the most salient association that
consumers have for corporate brands, its influence in creating brand or corporate equity deserves investigation. However, there are few studies that explicate the nuances of corporate brands and how they differ from product brands in shaping consumer attitudes and behavior. Consequently, issues related to corporate brands are typically examined by borrowing directly from the literature on product branding. This research offers at least one compelling reason to further examine how and when corporate brands contribute to brand equity.

**Implications to Marketing Practice**

Corporate reputation builds from a company's day-to-day activities and consumers' interpretation of those activities. However, who or what department should "own" or manage corporate reputation is an ongoing debate in research and practice. Due to the potentially devastating consequences that corporate missteps can have on a company's reputation in consumer markets, corporate activities should be developed and managed at all levels of the organization. Over the past 20 years, marketing's role in the development of corporate strategy has been severely reduced (Varadarajan 1992). Though corporate reputation is socially constructed, a company's strategic focus is integral to shaping consumers' evaluations of a company. If corporate reputation is expected to deliver value to a company and its customers, marketing's input in strategy development and implementation must evolve.

Marketing managers might benefit from increasing their efforts to regularly monitor corporate reputation and relational competence. Most commercial measures of reputation do not include the relational or interpersonal measures such as character and honesty (Davies and Miles 1998). This means that companies are missing important
insights on how its customers view the company. Integrating new measures of performance into customer satisfaction and service quality research might provide more meaningful insights on a company's true performance. This would give a company a more complete picture of its performance in specific transactions and in consumer relationships.

Limitations

This research project has some limitations regarding the conclusions and generalizations that can be made. The generalizability of the findings is limited by the use of convenience samples and the choice of consumer companies chosen by the researcher for this investigation. Student participants might have less knowledge or fewer well-formed opinions about some of the issues of relevance to this investigation. A different set of consumer companies might also be evaluated differently than the companies used in this study. Conceivably, a different set of antecedents might emerge.

The type of relational rewards evaluated in this research may or may not be relevant across all types of consumer companies or consumer relationships. For example, an item that used to measure supportive behavior, "if this company moved away to another location that was further away from my home, school, or work, I would switch to a competitor", has limited importance in relationships that are managed completely through the mail, by phone or online. A more specific set of relational behaviors tailored to a well-defined marketing context should be examined in future research.

Several methodological issues must be addressed. First, lack of clear direction on how to deal with don't know responses in exploratory factor analysis resulted in the use
of a very conservative approach to eliminate items during the scale development process. The final scale of 29 items is considerably smaller than the initial list of items. However, some of the items that were deleted during the scale development process might have been more significant in the factor models had there been a way to estimate a reliable model. Second, when developing a scale of this size, large sample sizes are necessary to obtain stable parameter estimates and to test for model fit. The sample size in Study 1 and Study 2 falls short of the average 8-10 observations per item often recommended for factor analysis (Hair et al. 1995). Finally, the questionnaire used in the scale development process was administered on the Internet. It has not been validated using other methods, which is an important step in determining the scale’s psychometric properties. The extent to which using a web-based procedure might have affected the results is unclear.

**Future Research**

To extend the findings reported in this research, a study that uses a different research design will be developed to collect data to simultaneously examine all paths in the conceptual framework presented in Figure 3.2. The objective would be to determine if corporate reputation is a mediator of the relational antecedents and relational consequences. There is ample evidence already to suggest that there are situations where the relational antecedents of corporate reputation directly impact relational rewards. If this is true, then there are circumstances in which corporate reputation does not always mediate the influence of relational antecedents on relational consequences. The
complexity of the relationships in the conceptual framework can best be understood by testing the full model using structural equation modeling.

Studying the relationship between corporate reputation and corporate image is one area of research that can immediately bring greater clarity to our understanding of corporate reputation's role in consumer relationships. A company's reputation can remain unchanged even while its image undergoes radical changes (Campbell 1999). This phenomenon might explain why consumers' evaluation of the company is often unaffected by some corporate activities. A study will be developed to examine the differential influence of corporate and corporate image on customers' reaction toward a company.

Also related to understanding how corporate reputation changes, is the issue regarding the types of beliefs that form the basis of corporate reputation. It was suggested earlier in this research that a company's current customers use descriptive rather than informational or inferential beliefs to construct corporate reputation. However, there has been no research that specifically measures the cognitive process involved in constructing corporate reputation. Identifying the types of beliefs that shape corporate reputation will permit an investigation of issues such as when and how consumers update their beliefs and evaluations about a company. Use of verbal protocols and other cognitive process measures can be used to obtain greater insights into the underlying basis for corporate reputation.

Despite its staying power, bad press can have pronounced effects on consumer relationships. Because a consumer's attachment or psychological bond to a company is likely to guide his reaction to a company when bad things happen, it is also likely to
influence how they interpret events. To establish the amount of leverage a company has in consumer relationships, a study will be developed to examine how different types of psychological bonds affect consumers' evaluation of a company. The type of customer (e.g., loyal versus shared customers) could also differentially influence how consumers perceive and evaluate a company's business practices. We might expect loyal consumers to be tolerant of a company's behavior because of their psychological attachment to the company. In contrast, consumers that simultaneously maintain relationships with multiple companies might think differently about when and how to support a company that is facing difficult times.

Finally, a longitudinal study is desperately needed to understand the temporal nature of corporate reputation. This is a research problem that would benefit most from data collected from the customers for a single company. The findings from such a study could be very informative especially if it is linked to behavioral and profitability information for individual customers.
APPENDIX A

Results from
Preliminary Research
### Findings from Qualitative Research

<table>
<thead>
<tr>
<th>RELATIONAL</th>
<th>Corporate character</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• fair treatment of all customers</td>
</tr>
<tr>
<td></td>
<td>• shows respect for employees, environment, and community</td>
</tr>
<tr>
<td></td>
<td>• genuine concern for customers / concern for business partners</td>
</tr>
<tr>
<td></td>
<td>• honest with consumers / keeps promises / fosters trust</td>
</tr>
<tr>
<td>Social responsibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• high business standards / ethical business practices</td>
</tr>
<tr>
<td></td>
<td>• concern for the environment</td>
</tr>
<tr>
<td></td>
<td>• ethical employment practices</td>
</tr>
<tr>
<td></td>
<td>• support for community and general public / proactive involvement in local programs</td>
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</table>

<table>
<thead>
<tr>
<th>Social utility</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• makes products that improve efficient and cuts costs (???)</td>
</tr>
<tr>
<td></td>
<td>• treats all customers fairly</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCIAL</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• promotes and protects stockholder interests</td>
</tr>
<tr>
<td></td>
<td>• profitable companies have greater longevity</td>
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</table>

<table>
<thead>
<tr>
<th>OPERATIONAL</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• makes good products / consistent quality / high performance</td>
</tr>
<tr>
<td></td>
<td>• products meet customer needs / products are useful</td>
</tr>
<tr>
<td></td>
<td>• has strong brands that are widely recognized / good image</td>
</tr>
<tr>
<td></td>
<td>• innovative and cutting-edge products</td>
</tr>
<tr>
<td></td>
<td>• convenient / accessible</td>
</tr>
<tr>
<td></td>
<td>• good / bad prices</td>
</tr>
<tr>
<td></td>
<td>• limited product selection</td>
</tr>
<tr>
<td></td>
<td>• products are safe or have warranty</td>
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<table>
<thead>
<tr>
<th>Employee quality</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• attracts better employees</td>
</tr>
<tr>
<td></td>
<td>• knowledgeable, well-trained employees</td>
</tr>
<tr>
<td></td>
<td>• employee treatment of customers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Managerial talent / leadership</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• shows good business judgment</td>
</tr>
<tr>
<td></td>
<td>• credible / strong expertise in field</td>
</tr>
<tr>
<td></td>
<td>• helps other employees and companies to do their jobs well</td>
</tr>
</tbody>
</table>
APPENDIX B

Master Questionnaire
Welcome MKTG 650 students to this consumer research website operated by S. Long-Tolbert at the Ohio State University.

Here's your chance to earn extra credit or win 1 of 4 $50 OSU Bookstore gift certificates.

Please read on to learn more.

All MKTG 650 students can receive extra credit and have their name entered in a raffle drawing for a $50 OSU Bookstore gift certificate just by completing the consumer research study below. The entire study takes 20-25 minutes to complete. Once you have completed the study, hit the SUBMIT button and you are done. It's that simple.

At the end of the survey, please check the box for extra credit and your name will be automatically entered into the raffle. You must also provide your name and email address so that your participation in this study can be reported to the MKTG 650 professor or you can be contacted if you are one of the lucky winners.

The winners of the raffle will be announced via email by February 5, 2000.

Important Note: Your participation in this study is completely voluntary. If you decide at any time during this study not to complete the survey, you can end
you p articipation without penalty. However, you will not receive the extra
credit. If you still want to earn extra credit, see the MKTG 650 professor and
he will instruct you of other ways to do so. All responses to this survey will be
kept confidential. Only your participation will be reported to the professor.

You may now begin the survey.

INSTRUCTIONS:

In this experiment, we are interested in your evaluation of a specific company
that you have done business with more than once over the past six months or
longer, either in person or by phone, mail, or web, etc. Please take a minute to
select a company that you have experience with and feel comfortable
evaluating from one of the four categories listed below. The categories include:

• Mass merchandiser (e.g., Target, K-Mart, WalMart, etc.)
• Grocery store (e.g., Krogers, Big Bear, Meijers, etc.)
• Athletic shoes (Nike, Adidas, Reebok, etc.)
• Automobiles (Honda, Ford, Chrysler, etc.)

Specific questions about the company you have chosen are the focus of this
survey. You can now begin the survey by typing in the information for the
company you have chosen. Please be sure to answer all questions.

PART A

Answer the following questions for the company that you have
chosen from one of the above categories. (When you are finished
typing, hit "Tab" or use your mouse to go to the next question).

1. Name of Company

2. Type of Business

3. How did you first learn about this Company?

   Company advertisement (e.g., TV, magazines, billboards, web page, mail,
etc.)
   Local newspapers

234
1. Special promotions (coupons, sale announcements, etc.)
2. Referral by family or friends
3. Other (Please specify):

4. How long have you been a customer of this Company?
   - less than a year
   - between 1-2 years
   - between 3-4 years
   - more than 5 years

5. How frequently do you interact with this Company?
   - Daily
   - Weekly
   - Monthly
   - Once a year
   - 2-3 times a year
   - 4-6 times a year

6. During the time you have dealt with this company (in the past 6 months or longer), how many disappointing or dissatisfying experiences have you had with the company, its products, or services?
   - None
   - 1-2
   - 3-4
   - 5-6
   - more than 6

7. Have you been a customer of any of this company’s competitors (i.e., other companies that offer the same products or services) during the same period (in the past six months or longer)?
   - Yes
   - No

8. If you answered yes to Question 7, how often have you done business with competitors during the same period?
   - Rarely (only once)
   - Occasionally (two or three times)
   - Frequently (more than three times)

[ Go to next section ]

PART B
All questions from this point on refer only to the company you have chosen. When answering the questions in this survey, keep in mind that we want to know how you feel about the "company" rather than any specific employee or product, unless a question specifically asks about this.

In this section, we would like you to answer the following questions based on your overall evaluation of the company you selected. In this research, think about the company's reputation as its overall public standing, given all its activities over time, relative to other companies.

**The overall reputation of this Company is . . .**

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<td>2</td>
<td>Very negative</td>
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<td>3</td>
<td>Very bad</td>
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<td>4</td>
<td>Very untrustworthy</td>
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<td>5</td>
<td>Very inferior</td>
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<td>6</td>
<td>Very undesirable</td>
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236
PART C

Next, we would like for you to tell us how you feel about the company along dimensions related to specific business activities.

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<tbody>
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<td>1. This company recruits talented people</td>
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<td>2. This company does not listen to its customers</td>
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<td>3. This company openly communicates with customers</td>
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<td>4. This company sells poor quality products and services</td>
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<td>5. This company makes good use of its resources</td>
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<td>6. This company takes actions to resolve problems that affect its employees</td>
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<tr>
<td>7. This company takes actions that enhance the well-being of the communities in which it operates</td>
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<td>8. This company keeps its promises to employees</td>
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<td>9. This company is slow to adapt to changes in</td>
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<td>10. This company motivates and rewards its employees</td>
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<td>11. This company encourages others to support environmental causes</td>
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<td>15. This company regularly collects feedback from customers</td>
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<td>17. This company quickly responds to technological changes</td>
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<td>18. This company adopts practices that help to conserve scarce resources</td>
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238
19. This company creates good feelings among its customers when compared to competitors

20. This company shows no flexibility when dealing with customers

21. This company keeps employees informed of its practices, policies and management decisions

22. This company adopts practices that have negative consequences for its employees

23. This company sells products and services that meet customer needs

24. This company openly communicates with employees

25. This company encourages investors to support social causes

26. The management of this company clearly communicates the values or vision of the company

27. This company neglects its customers
28. This company encourages others to support environmental causes *
29. This company keeps its promises to investors *
30. This company adopts practices that are insensitive to the customer's needs and issues 1, 2
31. This company trains employees to serve customers in a professional manner 1, 2
32. This company's practices have negative consequences for its investors *
33. This company gives poor customer service 1
34. This company openly communicates with the general public 1
35. This company takes actions to resolve problems that affect its customers 1
36. This company charges customers unfair prices for its products and services 1
37. This company neglects its
38. This company shows a lack of concern for the environment.

39. This company's practices reduce negative outcomes for consumers.

40. This company recognizes that customers have different needs.

41. This company employs too few people to provide excellent service to customers.

42. This company's practices have negative consequences for the general public.

43. This company treats customers with dignity.

44. This company shows a lack of concern for the well-being of its customers.

45. This company involves customers in its business decisions.

46. This company provides timely responses to customer feedback or complaints.

47. This company neglects its
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<td>49. This company's practices increase customer confidence</td>
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<td>50. This company rewards customers for their support in special ways</td>
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<td>51. This company encourages others to support social causes</td>
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<td>52. This company provides courteous service</td>
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<td>53. This company shows a lack of concern for the well-being of its employees</td>
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<td>54. The practices of this company produces unpredictable outcomes for customers</td>
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<td>55. This company takes actions to resolve problems that affect its investors</td>
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<td>56. This company treats all customers equally</td>
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242
57. This company financially supports social causes 1,2

58. This company builds customer confidence through its practices and policies 1,2

59. This company encourages employees to understand customers as individuals with different needs *

60. This company sets unrealistic goals about what it can deliver to customers 1,2

61. This company encourages customers to support social causes 1,2

62. This company develops service policies and procedures that are difficult for customers to understand 1,2

63. This company shows a lack of concern for the well-being of its employees *

64. This company does not provide personal attention to customers 1

65. This company abides by laws intended to protect customers 1

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<td>67. This company treats customers like business partners *</td>
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<td>68. This company pays fair wages to its employees *</td>
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<td>69. This company does not use its resources to improve its business operations *</td>
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<td>70. This company provides benefits that enhance the customer's social status *</td>
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<td>71. This company openly communicates with investors *</td>
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<td>72. This company treats employees with dignity *</td>
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<td>73. The company's practices are offensive to some customers *</td>
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<td>76. This company treats all investors equally *</td>
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<td>77. This company does not explore new ways of doing business *</td>
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<td>78. This company gives prompt customer service 1</td>
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<tr>
<td>79. This company's practices have negative consequences for its customers 1,2</td>
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<tr>
<td>80. This company abides by laws intended to protect employees *</td>
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<tr>
<td>81. This company violates the privacy of its customers 1,2</td>
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<td>82. The management of this company operates an efficient and productive business 1,2</td>
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<td>83. This company keeps its promises to customers 1,2</td>
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<td>84. This company's practices enhance the quality of life for customers 1,2</td>
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<td>85. This company makes it difficult for others to do business with it 1,2</td>
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<td>86. This company provides inaccurate information about its business practices.</td>
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<td>87. This company retains the knowledge and skills necessary to deliver quality products and services to customers.</td>
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<td>88. This company presents an image that is inconsistent with its behavior or actions.</td>
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<td>89. This company provides accurate information to the general public and customers about its products and services.</td>
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<td>90. This company provides believable explanations for its business practices.</td>
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<td>91. This company does not use its knowledge and skills to help customers meet their needs.</td>
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[Go to next section]
**PART D**

In this section, we want to know just a little more about your evaluation of the company.

**Overall, this company is...**

1) **Very dishonest** in all its dealings   **Somewhat dishonest** in all its dealings   **Neither honest nor dishonest** in all its dealings   **Somewhat honest in all its dealings**   **Very honest in all its dealings**  

2) **Very concerned about providing exceptional service**   **Somewhat concerned about providing exceptional service**   **Neither indifferent nor concerned** about providing exceptional service   **Somewhat indifferent about providing exceptional service**   **Very indifferent about providing exceptional service**  

3) **A very bad place to work**   **A somewhat bad place to work**   **Neither good nor bad place to work**   **A somewhat good place to work**   **A very good place to work**  

4) **Very sincere** in all its dealings   **Somewhat sincere in all its dealings**   **Neither insincere nor sincere** in all its dealings   **Somewhat insincere in all its dealings**   **Very insincere in all its dealings**  

5) **Very undependable in all its dealings**   **Somewhat undependable in all its dealings**   **Neither dependable nor undependable** in all its dealings   **Somewhat dependable in all its dealings**   **Very dependable in all its dealings**  

6) **Very uncommitted to its obligation to serve society**   **Somewhat uncommitted to its obligation to serve society**   **Neither committed nor uncommitted to its obligation to serve society**   **Somewhat committed to its obligation to serve society**   **Very committed to its obligation to serve society**  

7) **A very believable source of**   **A somewhat believable source of**   **Neither unbelievable nor believable source of**   **A somewhat unbelievable source of**   **A very unbelievable source of**
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<th>Somewhat strong at developing unique product and service ideas</th>
<th>Neither weak nor strong</th>
<th>Somewhat weak at developing unique product and service ideas</th>
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<th>Neither valuable nor useless</th>
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<tr>
<td>23</td>
<td>Very bad at understanding the needs of others</td>
<td>Somewhat bad at understanding the needs of others</td>
<td>Neither good nor bad</td>
<td>Somewhat good at understanding the needs of others</td>
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<td>24</td>
<td>Very socially irresponsible</td>
<td>Somewhat socially irresponsible</td>
<td>Neither socially responsible nor irresponsible</td>
<td>Somewhat socially responsible</td>
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<tr>
<td>25</td>
<td>Very bad at creating greater value for customers compared to its competitors</td>
<td>Somewhat bad at creating greater value for customers compared to its competitors</td>
<td>Neither good nor bad</td>
<td>Somewhat good at creating greater value for customers compared to competitors</td>
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<tr>
<td>26</td>
<td>Very stable financially</td>
<td>Somewhat stable financially</td>
<td>Neither unstable nor stable</td>
<td>Somewhat unstable financially</td>
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<tr>
<td>27</td>
<td>Very inconsiderate of others</td>
<td>Somewhat inconsiderate of others</td>
<td>Neither considerate nor inconsiderate</td>
<td>Somewhat considerate of others</td>
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<tr>
<td>28</td>
<td>Very uninterested in helping others meet their needs</td>
<td>Somewhat uninterested in helping others meet their needs</td>
<td>Neither interested nor uninterested</td>
<td>Somewhat interested in helping others meet their needs</td>
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<tr>
<td>29</td>
<td>Very weak market leader for products and services</td>
<td>Somewhat weak market leader for products and services</td>
<td>Neither strong nor weak</td>
<td>Somewhat strong market leader for products and services</td>
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[Go to next section]
Only 4 more questions left...

PART E

The final information we would like you to tell us about relates to your relationship with the company. Overall, tell us how you feel about your relationship with the company based on the statements below. Please read each statement very carefully.

1) Very negative  Somewhat negative  Neither positive nor negative  Somewhat positive  Very positive

2) Very bad  Somewhat bad  Neither good nor bad  Somewhat good  Very good

3) Very unrewarding  Somewhat unrewarding  Neither rewarding nor unrewarding  Somewhat rewarding  A very rewarding

4) Very difficult to maintain  Somewhat difficult to maintain  Neither easy nor difficult  Somewhat easy to maintain  Very easy to maintain

[ Go to next section ]

Personal Information

This is the final section of the survey. Please answer the following questions about yourself. Your name and e-mail address will be used for reporting purposes only.

1) Last Name

2) First Name
3) Email address

4) Gender

   ○ Male
   ○ Female

5) Time of Marketing Class

   ○ 2:30
   ○ 5:30

6) Credit Option

   ○ Extra Credit Points
   ○ Raffle

This is the end of the survey.
Thank you for your participation.

If you have any questions about this study, please contact S. Long-Tolbert at Long-Tolbert.l@osu.edu

Click "SUBMIT" below to save your answers. Please do not click submit more than once.

Section B Footnotes:

* Items deleted during pilot study.
1 Items included in Study 1, N=300
2 Items included in Study 2, N=252

252
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