DEFINING AND MANAGING REPUTATIONAL CAPITAL IN GLOBAL MARKETS

Taewon Suh and Lyn S. Amine

This study proposes a contingency view of *reputational capital* (RC), highlighting the importance of global stakeholders and publics in world markets. Based on a review of the literature, we present and discuss two new managerial frameworks. These will help global company managers to plan for more effective strategic RC management. Our overall conclusion is that CEOs of global companies need to envision the synthesis of numerous fields of activity within their companies, if they are to achieve the ambitious types and levels of integration that are desirable for effective RC management.

A superior corporate reputation is both an intangible asset and a source of strategic competitive advantage that enhances a corporation's long-term ability to create value (Caves and Porter 1977). Although company resources, such as technological leadership, may be short lived due to successive generations of innovation, reputations can be extremely long lived. Globally known companies, such as Coca-Cola, Disney, General Electric, and Boeing, have been able, through astute management, to maintain high-quality reputations in global markets over a long period of time, despite periodic setbacks. Conversely, a reputation can be irreparably damaged in a short period of time, as seen in the fall from grace of Enron and Arthur Andersen.

A superior reputation provides advantages that lead to positive results in several domains. These may include pricing concessions by suppliers, improved employee morale, reduced risk for investors, increased strategic flexibility, and, not least, enhanced financial performance (Fombrun 1996; Fombrun and Shanley 1996). Positive reputational advantage invites profitable marketing opportunities and increases market value of the firm (Chauvin and Hirschey 1994; Miles and Covin 2000). It also greatly facilitates relationship marketing by promoting bonding with customers, empathy, trust, loyalty, and positive word-of-mouth recommendations. Clearly, an asset of such great value should be managed to its best advantage from a strategic point of view. This is the goal of *strategic reputation management,* which aims to build and preserve a broad general company asset called reputational capital (RC).

Strategic reputation management draws on theories and constructs from the disciplines of communications, strategic management, and marketing. Not surprisingly, this multisourcing of theories and constructs has resulted in much confusion and ambiguity in the use of terms describing elements of corporate reputation (Gotsi and Wilson 2001). It is the goal of this paper to discuss these ambiguities, offer clarifications, and introduce two new managerial frameworks. These are intended to help managers to understand components of RC and plan for successful strategic reputation management. The discussion is framed with particular reference to companies that are building or conserving global reputations.

In recent years, there has been considerable academic and practitioner interest in the concept of reputation management. Yet little attention has been paid to the additional complexities that come with any effort to manage reputation *on a global scale.* Indeed, strategic reputation management is not yet addressed in leading marketing or international marketing textbooks. At best, there may be a passing reference to corporate image advertising, either as a component of integrated marketing communications (IMC) or as a benefit associated with corporate social responsibility (CSR) practices.

Although the value of a favorable corporate reputation is indisputable, a great deal of ambiguity exists in actually defining the term *corporate reputation,* confusing not only managers but also researchers (see Gotsi and Wilson 2001 for a full discussion of definitional problems). This paper presents two frameworks that offer a coherent and reasoned

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Journal of Marketing Theory and Practice, vol. 15, no. 3 (summer 2007), pp. 205–217.

ISSN 1069-6679 / 2007 $9.50 + 0.00.
DOI 10.2753/MTP1069-6679150302

view of what RC is and how it can be managed. We pay particular attention to exploring managerial implications arising from the two frameworks, and we formulate numerous research questions to provide direction for future research into RC.

CLARIFICATION OF TERMS AND DEVELOPMENT OF A FRAMEWORK DEPICTING COMPONENTS OF RC

Use of Terms

With regard to use of terms, we take the word *public* to denote a group of individuals or organizations who may have a general or passing interest in a company and its operations. In contrast, we use the term *stakeholder* to denote one or more individuals or organizations who have a specific and continuing interest in the company and who may gain or suffer directly from involvement with the company, its products and services, employees, or corporate actions.

Dowling (2001) identified four subgroups of stakeholders: (1) normative groups, such as stockholders, boards of directors, trade associations, regulators, and others; (2) functional groups, such as employees, suppliers, distributors, and others; (3) customer groups; and (4) diffuse groups, such as journalists, community members, and special interest groups. Dowling (2001) established a conceptual link between these stakeholder groups and "corporate reputation" by invoking values, image, and brand marketing: "When there is a good fit between stakeholder values and the corporate image, the organization's good reputation may become a super-brand. The company is now *respected and held in high esteem.* This in turn leads to *high levels of confidence, trust, and support* among stakeholders" (Dowling 2001, p. 23, emphases added). Ironically, these emphasized elements are very close to a marketer's typical working definition of relationship marketing. This overlap further exacerbates the existing confusion about components of "corporate reputation." (See Dowling 2004 for the latest definitions.)

Confusion arises from the overlay of related terms such as *corporate identity, corporate image, personality,* and aspects of *corporate behavior.* Confusion also reigns in the area of definition and measurement of customer response to these constructs, through imprecise use of terms such as *awareness, recall,* and *favorability,* which have specific meanings in the fields of consumer behavior and advertising. Terms are often used interchangeably by authors in the same discipline, further blurring conceptual differences. Finally, some writers theorize that one (or more) construct is a subfactor of another, thereby raising complex questions about directions of causality. These remain as yet unresolved.

In this paper, our focus is managerial rather than theoretical. We use the term *reputational capital* in a managerial sense to summarize all aspects of "corporate associations." Brown and Dacin defined "corporate association" as "a generic label for all the information about a company that *a person* holds" (1997, p. 69, emphasis added). In this paper, we do not address the issue of individual consumers' perceptions or beliefs. Instead we take an *organization-level* approach to the study of RC and discuss *information about the company* among stakeholders and publics around the world (see Brown et al. 2006).

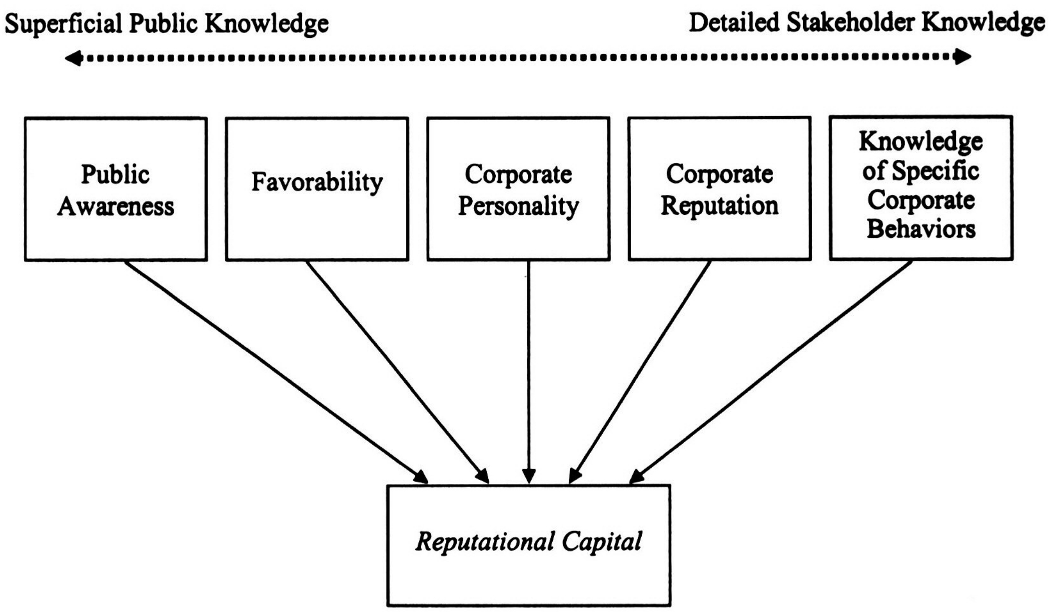
RC is a principal source of competitive advantage because it exerts a "halo" effect over other intangible assets, such as customer and brand equity. For example, advertising campaigns serve to establish deliberate links between a brand name and the parent company's name in order to expand target consumers' knowledge (as seen in Nabisco's family brand advertising). This type of generalized brand enhancement might be difficult to achieve if companies had to rely only on individual brand advertising, without being able to draw positive reinforcement from associations with the company name (see Keller 2003b). In contrast to these brand-level effects, RC designates a much larger intangible asset that exists in the minds of many stakeholders, not just direct customers. In contrast to brand advertising, corporate image advertising enhances *overall* company reputation among many publics.

From this brief review of definitions available in the literature, we conclude that conceptual dimensionality of RC has not yet been sufficiently explored for this term to be designated as a new construct. For our part, we define RC by reference to five essential components. In Figure 1, these components are represented graphically to convey a sense of *increasing knowledge* on the part of stakeholders and publics (moving from the left to the right of the model). Each of the five components is discussed further below where our goals are twofold—to elucidate the meaning and importance of each component and to present our reasons for including these components in Figure 1.

Reputational Capital

RC is a useful term that captures and combines several concepts previously identified by others, such as "corporate personality" and "corporate reputation." Note that we do not include *image* in our framework. This is because the term *image* is usually understood in the field of social psychology to denote an *individual's* ideological experience that is

Figure 1
A Managerial Framework Depicting Components of Reputational Capital



recalled without a sensory stimulus. Thus, use of the term in this *organization-level* study would only add to the confusion, due to conceptual differences in frame of reference. For our part, we consider image to be largely an artifact or a product of company efforts employing the brand advertising and corporate image advertising methods mentioned earlier. (See Kennedy 1977 and Worcester 1972 for early contributions to the discussion of corporate image.)

To illustrate other definitional problems with use of the term *image*, we cite Dowling, who argued that "an organization has many images and reputations. Different types of stakeholders will form their own distinct evaluations of an organization" (2001, p. 24). Dowling also argued that components of corporate "identity" (such as company name, logo, slogan, etc.) drive "image," which, in turn, drives corporate "reputation" (see Dowling 2001, p. 20, figure 1.1). This is one of few direct propositions in the literature about possible causal relations between these three constructs.

Public Awareness

We take *public awareness* to mean the degree to which a company is known to a particular public. At a basic level, awareness is most often a result of simple exposure rather than a cognitive artifact based on judgment. It cannot therefore be deemed equivalent to "awareness" as defined in the fields of psychology and consumer behavior, which includes attitudinal components as well as knowledge held in memory. Again, definitional contradictions appear in the literature; for example, Levitt (1996) did not distinguish "public awareness" from "reputation," whereas Avenarius (1993) considered "awareness" to be a subfactor of "corporate image."

Measurement of public awareness should be a basic element in any program to track RC because it provides valuable inputs for reputation planning and management. Actual measures of public awareness vary widely, from simple recognition tests to more elaborate measures of top-of-the-mind accessibility in memory, to different degrees of familiarity with the company in a variety of contexts.

Any assessment of public awareness must be specifically linked to a clear definition of the "public" in question. This is consistent with Dowling's (2001) assertion that different stakeholders (or publics) should be expected to have different images of the same company. Variations in image are a logical outcome of these groups being exposed to different types of targeted ad campaigns, having different types of experience with the company, or even having no experience with the company. Below, we will advocate use of a contingency approach to the identification and management of stakeholders and publics.

Favorability (Emotional Attachment)

"Favorability" denotes a positive attitude toward a company and is frequently measured as a holistic construct. Some authors argue that an equivalent term for "favorability" is the phrase "emotional attachment" (see Keller 2003b; Park and MacInnis 2006). This is defined as "a relationship-based construct that reflects the emotional bond connecting an individual" with an entity (Park and MacInnis 2006, p. 17). However, some nuances of meaning in the two terms can be seen. For example, "emotional attachment" is differentiated from "favorability" in its affect-laden and relationship-based properties. Park and MacInnis argue that "emotional attachment includes 'hot affect,' reflecting the motivational and emotional properties associated with a relationship bond" (2006, p. 17). We resolve this question through compromise, such that favorability will include attitudes toward the company *and* emotional attachment.

Interestingly, Bromley (1993) regarded favorability as a subfactor of "corporate image." Bromley also related favorability to "corporate reputation," regarding it as a precious resource of the company. We reject this simple summation of individual factors (such as image and reputation), because this does not accurately convey subtle but critical nuances in attitude specificity. These nuances may arise from differences in temporal situation or the global context in which the company is being evaluated. A brief example will illustrate this problem.

In Nigeria, the lives of local residents of the Ogoni Delta have been irreversibly affected for the worse by the presence and practices of oil exploration and drilling companies, such as the Royal Dutch/Shell Group. Ogoni Delta residents have very different attitudes toward Shell from the majority of U.S. consumers who only know Shell as a source of gas for their automobiles. During the late 1990s, Shell's RC suffered serious damage as a result of repeated critical media reports in the United Kingdom. In 2000, Shell addressed this attack on its RC, using a print ad campaign in the U.S. market under the headline: "Exploit or Explore?" Further efforts to protect its RC were made in 2002 using a television and print campaign in the United States. The slogan, "Waves of Change," was intended to insulate Shell's RC by emphasizing positive facts about recent technological innovations in gasoline products. This example illustrates how a company's RC may be strong in one part of the world (the United States) but severely weakened in another (Nigeria, the United Kingdom), calling for defensive action in markets (the United States) where RC is still strong.

Nuances in attitude specificity arise from differences in strength and importance of attitudes toward specific company attributes—as might be detected and measured using Fishbein's multi-attribute model (see Fishbein and Ajzen 1975). Reputation researchers need to probe the level of specificity, strength, and importance of the attitude under study especially when probing dimensions of the "favorability" construct (see Payne, Bettman, and Johnson 1992; Peter and Olson 1999). Another illustrative example will be useful here, as follows.

Building on Peter and Olson's (1999, p. 124) example of attitude specificity using fast food, we can argue that a consumer (in the role of a member of a particular public) may hold a generally unfavorable attitude to fast food as a *product category*, yet may still choose to eat a McDonald's hamburger from time to time (such as on a long road trip), simply due to lack of other alternatives. At a *general corporate* level, the same consumer may respect and feel favorably inclined toward the company's philanthropic activities, such as Ronald McDonald Houses for families of children in hospitals. However, at a more specific *personal* level, the same consumer may still maintain that McDonald's products are ruining the nutritional habits of the nation. If this consumer is also the parent of a child loyal to McDonald's (i.e., has close contact with a current customer), then he or she must be viewed as a stakeholder in MacDonald's RC management, due to the intricate mix of positive and negative attitudes.

As a stakeholder, this infrequent consumer but concerned parent will likely have detailed knowledge of some aspects of McDonald's as a company. Yet the casual nature of the infrequent company contact might lead managers to overlook or discount the potential influence of this consumer through family decision making, occasional purchases, and word-of-mouth recommendations to others. Simple measures of general "favorability" would certainly fail to capture the complexity of such attitudes and patterns of behavior.

This example illustrates how a *contingency* view of the "favorability" component of RC might work in practice. It spotlights the dilemma that companies face of how to measure and weigh *conflicting* attitudes held by the same individual operating in different roles and physical situations. In this example, it would be difficult to ascertain whether the consumer feels favorably or unfavorably toward McDonald's or whether he or she credits the company with a positive reputation or not, despite such a high level of awareness.

A further complicating factor is the possibility of attitude change over time, which affects the stability of favorability ratings. As Armstrong and Kotler stated: "The late 1980s saw a sharp decrease in confidence in and loyalty toward America's business and political organizations and institutions. In the workplace, there has been an overall decline in organizational loyalty. During the 1990s, waves of company downsizings bred cynicism and distrust" (2003, p. 145). The scandals of corporate corruption in the United States in 2002 (mentioned earlier) only served to deepen negative sentiments and consumer cynicism. Managers will face a daunting task trying to measure RC accurately if they rely only on use of the favorability construct.

Corporate Personality

Trait theory, from the field of psychology, has long been used by marketers to create likable trade characters as spokespersons (such as Bibendum the "Michelin Man") and as brand characters (such as the "Quaker" man on Quaker Oats cereal packages; see Aaker 1997 for further discussion of brand marketing). Trait theory is also used by market researchers to assess aspects of corporate image using semantic differential scales. These scales are tied at each end by adjectives depicting human characteristics that are applied to companies, products, retail stores, and brands. Similar efforts have been made to apply trait theory to measures of "company reputation," casting the organization as a metaphorical person endowed with a "personality."

The trait-based approach to managing corporate "personality" differs from other ways of defining and measuring "reputation." Less emphasis is placed on the firm's performance and the views of external stakeholders, while more emphasis is attached to creating and promoting desirable personality characteristics (such as being "a company that cares" or "a market leader in innovation"). Disagreement exists about the validity of construing a commercial entity as a single personality. For example, Morgeson and Hofmann (1999) maintained that an organization cannot have a personality in the way that a human being can, while Davies et al. (2001) contended that the metaphor of personality helps in understanding the complexity of image phenomena (see also Preece, Fleisher, and Toccacelli 1995).

We conclude that the best approach is again one based on contingency. Thus we recommend that the so-called personality approach can be useful in bringing to light a range of possible attributes that stakeholders consider desirable. These can then be deliberately associated with the company through IMC programs that are targeted toward specific publics at different times and places throughout the world.

Corporate Personality and the Special Role of the CEO

In any discussion of corporate personality, special attention must be given to the role of the chief executive officer (CEO). Each of the multiple roles of the CEO has a direct effect on the corporate personality (either enhancing or detracting), especially in the eyes of influential stakeholders such as business analysts. For example, the CEO creates mission and value statements, promotes image-building activities as part of the corporate IMC program, and provides a living exemplar of all that the company represents to its publics and stakeholders.

When RC management works as intended, both CEOs and their companies can benefit. However, this policy of merging real and organizational personalities may backfire, to the detriment of both parties (as in the criminal prosecution of Martha Stewart, CEO of the same-named company). However, fusion of the company personality and CEO personality is likely to be significantly more critical, and will occur much more frequently, in markets with collectivist cultures such as South Korea and Japan. In these countries, great respect and deference still attach to the role of institutional leader. In stark contrast, the 1990s era of the "celebrity CEO" in the United States is now long past (see McGinn 2003).

Three examples will further illustrate how synergy flows from the fusion of personal and corporate personalities. Following a bitter period of corporate scandals, company collapses, and allegations of wrongdoing by high-profile CEOs in the United States, *BusinessWeek* (2002) felt the need to redress the balance in a lead article entitled: "The Good CEO." The report drew a direct link between personal integrity, sound management, and positive company reputation. League tables ranking CEOs as most or least trustworthy were included in the report. In the category of most trustworthy were individuals such as Warren Buffett of Berkshire Hathaway, Jeffrey Immelt of GE, Michael Dell of Dell Computer, Meg Whitman of eBay, and Alan Lafley of Procter and Gamble (*BusinessWeek* 2002).

Reputations of CEOs, like those of their companies, change over time. For example, during media coverage of the U.S. government's antitrust suit against Microsoft in 2001, CEO Bill Gates was portrayed as arrogant and described unflatteringly as a "geek." Since resolution of the case, Gates's role as a generous philanthropist has come to the fore, as he seeks to share his wealth worldwide through the programs of the Bill and Melinda Gates Foundation. The following year in *BusinessWeek*'s 2002 ranking, Gates was listed as one of the most trustworthy CEOs.

Corporate boards need to evaluate symbiosis between the company and its corporate leader who also represents the company to publics around the world. Boards must choose whether or not to recruit a high-profile celebrity CEO (Sloan 2001). They must also choose whether or not to support a cult of personality, whereby the CEO and the company are allowed to commingle in the minds of publics and stakeholders. The fall from grace of Jack Welch, formerly the acclaimed and venerated CEO of GE, was instructive in this regard. As a result of a bitter divorce proceeding, secret details of his extravagant "golden parachute" from GE became public knowledge, creating resentment in many quarters. Fortunately for GE, the personality and successful innovations of the new CEO, Jeffrey Immelt, quickly rendered this negative publicity obsolete.

In summary, to borrow a phrase from the field of accounting, the CEO sets the "tone at the top" and has a significant impact on the success (or not) of RC management. Regardless of whether scholarly researchers accept the metaphor of personality, members of the general public are quite willing to participate in anthropomorphic thinking, equating the whole company with the personal characteristics of its CEO and then choosing to support or censor the company based on that judgment. CEOs face challenges not only in setting goals for RC management but also in conducting themselves as indispensable components of their company's RC.

Corporate Reputation

Corporation reputation was defined by Fombrun (1996) as a function of the company's credibility, trustworthiness, reliability, and responsibility concerning its performance in the various functions or facets of its business. Thus the term is most commonly used to denote an outcome of the company's general corporate strategy. For our part, we argue that *reputation* is an expression of cumulative knowledge about the company's past and present acts. On the other hand, *image* captures all those connotations about the company and its products/services that are held in the minds of stakeholders, as a result of *deliberate creation and promotion* by the company. Despite this clear differentiation between the two terms, some argument still persists among scholars in different disciplines about correct use of the terms *image* and *corporate reputation* (as discussed earlier with reference to image and RC).

For example, Gotsi and Wilson (2001) considered these terms to be different but interrelated, while the majority of researchers have tried to differentiate between them, as we have done. (For example, see Avenarius 1993; Balmer 1998; Bromley 1993; Fombrun 1996; Grunig 1993; O'Sullivan 1997; and Preece, Fleisher, and Toccacelli 1995.) Avenarius (1993) suggested that corporate image can be subdivided into three components—the degree of being known, reputation, and specific profiles. That definition takes reputation to be a subfactor of corporate image. In contrast, Preece, Fleisher, and Toccacelli (1995) posited that image can be better understood as analogous to "company personality," while reputation relates more closely to "character" (an additional construct).

According to Balmer, image concerns the public's latest beliefs about a company, whereas reputation represents a value judgment about the company's qualities "built up *over a period* and focusing on what it does and how it behaves" (1998, p. 971, emphasis added). Gotsi and Wilson (2001) argued that corporate reputation reconciles the many images people have of a firm, represents stakeholders' overall evaluation of the firm *over time,* and conveys the relative prestige and status of the firm compared with other leading rivals. These two interpretations most closely approach our own definitions above insofar as they recognize the effects on corporate reputation of cumulative learning over time.

We also support Riordan, Gatewood, and Bill's view that corporate reputation is "the overall perception by a public of a firm's performance, partly based on the firm's ability to satisfy *the specific needs and interests of the public*" (1997, p. 402, emphasis added). Attention to specific publics lies at the heart of the contingency approach. Finally, we support Brown et al.'s (2006) view that "reputation" captures the full set of corporate associations that individuals outside the company believe to be central, enduring, and distinctive to the organization. We conclude from this analysis that "reputation" refers to what stakeholders *actually think* of the company whereas "image" refers to what the company *wants others to think* as a result of its IMC campaigns.

Corporate reputation is best illustrated in practical terms by reference to *Fortune* magazine's annual survey of company reputations. Measures used in the survey include specific qualitative and technical factors such as innovativeness; quality of management; value as a long-term investment; community and environmental responsibility; ability to attract, develop, and keep talented people; quality of products or services; financial soundness; and use of corporate assets (Fisher 1996; Robinson 1997). Company managers can easily track changes in stakeholders' attitudes and response to RC by investigating these types of cognitive evaluation of corporate reputation.

Knowledge of Specific Corporate Behaviors

Knowledge of a "specific corporate behavior" by a public or stakeholder group is qualitatively different from other components of RC because this knowledge is both issue sensitive and temporally rooted. Two examples from the 1980s show how the general public's knowledge can be persistently negatively affected by past events. These events were the devastation of the Alaskan shoreline after the *Exxon Valdez* oil spill and the catastrophic loss of life caused by the explosion at Union Carbide's chemical factory in Bhopal, India. For some publics, this negative knowledge dominates salient beliefs in their memory networks for "*Exxon Valdez*" and "Union Carbide." In other words, that is all they associate with the company name.

As suggested in Figure 1, knowledge of specific company behaviors eventually coalesces in the minds of different publics into the composite that we call RC. This coalescence is the natural result of complex processes of accretion, tuning, and restructuring of individuals' associative knowledge networks, as understood in the field of consumer behavior. (See Peter and Olson 1999 and Rumelhart and Norman 1978 for more information.) Efforts by the company to rehabilitate its RC must take into account how deeply rooted this negative knowledge of specific behaviors can be, once cognitive tuning and restructuring have taken place. Thus, some publics may not be amenable to any type of persuasive argument.

Traditionally, the public relations function has been tasked with managing public knowledge about specific corporate behaviors. Increasingly, this task is being handled by the new business function of "issues management." This will be discussed further below with regard to strategic options for RC management.

A Contingency View of Reputational Capital: The Importance of Stakeholders and Publics in World Markets

According to the contingency approach to strategic reputation management, RC is defined as multidimensional and as the sum of all perceptions of all relevant stakeholders and publics. Carroll (1996) identified these groups as (1) owners; (2) society and community, from local to international, including current and future generations; (3) customers; (4) employees; (5) suppliers and strategic partners; (6) government and intergovernment agencies; (7) banks and other lenders; and (8) special interest nongovernmental organizations (NGOs).

Careful market research will reveal which salient beliefs are currently shaping attitudes toward each of the five components of RC (Figure 1) among stakeholders and publics. Customers, for example, will tend to base favorability judgments on their direct experience and knowledge about the firm's products, services, and employees. Community residents near a production plant may base their evaluations on indirect knowledge or hearsay derived from the media. Reports might emphasize the company's social contributions (such as creation of new jobs) or the harm caused by the plant (such as layoffs or environmental pollution). A classic example of the effects of negative consumer evaluations of company reputation was the worldwide boycott of Nestlé food products in the wake of the weaning food scandal in developing nations in the 1970s and 1980s (see Cateora 1996, pp. 632–635).

The multidimensional nature of RC is also a function of beliefs and attitudes associated with the multiple roles and social identities of individual stakeholders (Moffitt 1993; 1994). As individuals move in and out of diverse memberships in social groups, they will tend to form a dominant perception of a company, from among several possible alternatives (as suggested earlier in the fast-food example). As Dowling (1988; 1993; 2001) has consistently argued, it is the stakeholders' own *roles, norms, and values* that determine how they assess a company's reputation. We conclude then that stakeholders' social roles and personal values determine which component (in Figure 1) will be most salient in shaping a firm's RC.

Throughout this paper, we have advocated the need for a contingency approach to RC definition and management, in order to reflect accurately the multidimensionality and volatile nature of this intangible asset. A contingency approach resolves or at least accommodates most of the contradictions and conflicting opinions about semantics, definitions, and theories identified in this review of the literature.

In conclusion, we recommend that any assessment of RC must identify the *specific time and place contexts* in which stakeholders' opinions are being investigated. It is vital for RC researchers to monitor changes in criteria used to judge the company over time. Also important is the monitoring of opinion leaders who may trigger sudden changes in stakeholders' affective, cognitive, and behavioral responses to the company (Lewis 2001).

BUILDING REPUTATIONAL CAPITAL WORLDWIDE: MANAGERIAL IMPLICATIONS AND RESEARCH QUESTIONS

Strategic reputation management aims to build RC. This ambitious task is made even more difficult when spread across multiple national markets and cultural environments. Nigh and Cochran (1987) recommended including transnational governmental organizations and NGOs as potential stakeholders in a company's RC. This approach is especially relevant to companies that bid for large-scale economic development loans and high-visibility contracts. As an example, Halliburton has faced widespread animosity for its links to Vice President Dick Cheney, the company's former CEO, and its special role as a government contractor in the U.S.-led war in Iraq.

In some respects, global companies enjoy special advantages over domestic companies with regard to the task of RC management. Global managers benefit from the ability to extend local expertise from one country to another, gaining valuable learning curve effects through knowledge management. Conversely, these managers may be able to insulate their local operations from the effects of negative RC elsewhere, simply as a result of their geographic distance. Clearly, variations in global RC will occur in different markets at different times, providing both opportunities and challenges for effective RC management (Nigh and Cochran 1987). The complexity of managing RC across spatially scattered markets increases even further if one applies the multidimensional contingent advocated in this paper. In order to promote a better understanding of these complexities in the future, we present the first of ten research questions:

RQ1: For a company adopting the multidimensional contingency view of stakeholders and publics, which components of RC (from Figure 1) should be standardized throughout global markets and to what degree?

A Configural Approach to Managing Reputational Capital

We recommend adoption of a configural approach to managing RC. Craig and Douglas (2000) recommended that global managers view the geographic scope, diversity, and interlinkage of their markets as a source of competitive advantage. They argued that "spatial configuration of the firm's assets, capabilities, and resources . . . [are] crucial elements of the firm's global strategy" (Craig and Douglas 2000, p. 6). We draw a parallel between configural management of markets and RC management. Although local country managers adjust their own RC management strategy to meet changing market conditions, corporate management must also pursue an integrated configural vision of the company's global RC.

Figure 2 introduces a second managerial framework. This depicts a two-phase approach that encourages both local market responsiveness and global integration. Modifying slightly the "think global, act local" motto from international marketing, we encourage CEOs and country managers to "respond locally and promote globally." Following these recommendations (arising from Figure 2), two further research questions are formulated:

RQ2: Which environmental contingency factors will exert the greatest effect(s) in moderating standardization of RC components?

RQ3: Which factor(s) (from Figure 2) will prove most critical in the decision to standardize RC—country markets, industry, or regional markets (such as trade blocs)?

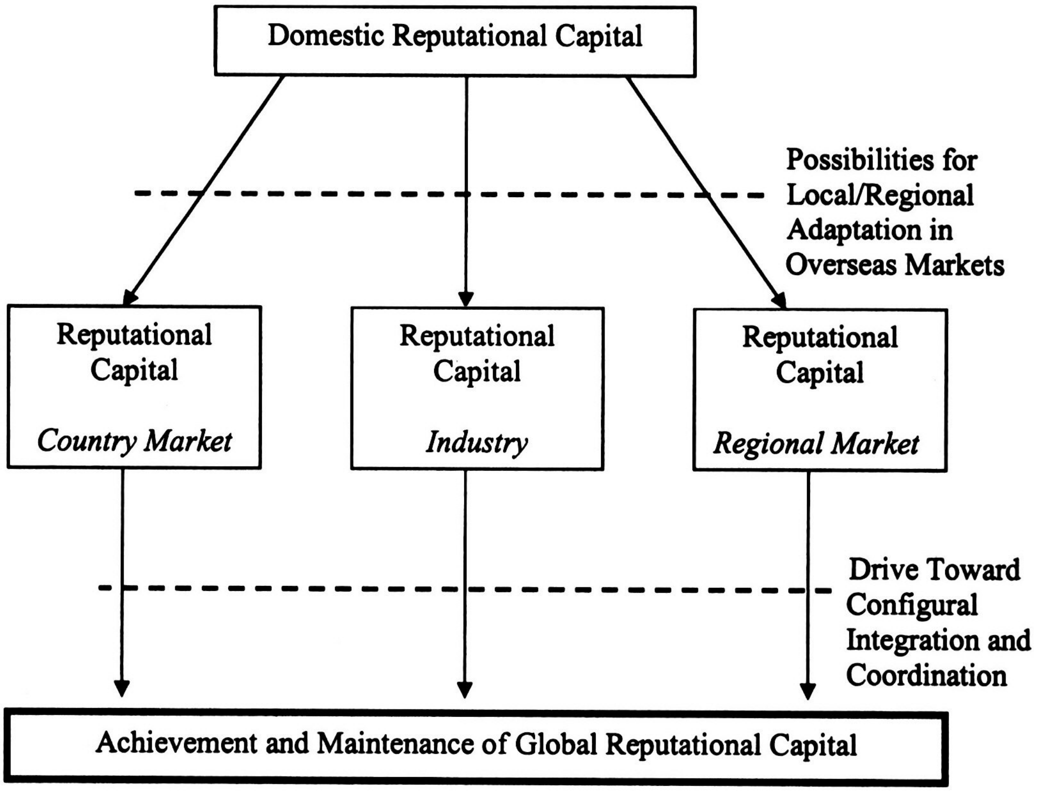
Strategic Options

Barich and Kotler (1991) provided a starting point for strategic RC management, using two components in Figure 1—public awareness and favorability. Their approach is consistent with thinking behind the well-known MORI (Market and Opinion Research International) familiarity/favorability index. Using a matrix approach, Barich and Kotler (1991) proposed four strategy options. Options (1) and (2) below are familiar to public relations managers but options (3) and (4) invite new consideration.

1. When a global company has high levels of both favorability and public awareness, a *maintenance strategy* will maintain its good favorability and high awareness.
2. An *attention-grabbing strategy* is appropriate if the company faces a limited range of stakeholders who are familiar with the company.
3. A company that is poorly known will need a *performance-improving strategy.* While keeping a low profile, the company will need to investigate negative components of its reputation and then take steps to improve its performance on those criteria of importance to key stakeholders. (The earlier reference to Shell's ad campaigns using a two-sided argument, "Exploit or Explore?" illustrates this strategy. See Golden and Alpert 1987 for further discussion of one- and two-sided arguments in advertising.)
4. Finally, a *wait-and-see strategy* is appropriate for a company that faces an unfavorable reputation in a market. In that market, it needs to lower its profile, mend its ways, and wait until it can produce better performance before attracting attention. (Global accounting, auditing, and consulting companies involved with the corporate scandals in 2002 were good candidates for use of this strategy to preserve their existing RC and prevent further deterioration.)

A portfolio approach to using these strategies can be envisaged, moving from a program of *wait-and-see,* to *performance-improving,* then *attention-grabbing,* and, finally,

Figure 2
A Managerial Framework for Building Integrated Reputational Capital in Global Markets



maintenance strategies. This proposal invites three more research questions:

RQ4: What are the basic requirements for successful management of RC portfolios?

RQ5: What is the nature of causal relationships between the components of RC that determine success?

RQ6: What is the most effective focus of RC portfolio management—the more general indicators of RC (such as awareness and favorability) or the more specific elements of stakeholders' many corporate associations?

Issues Management

In contrast to the broad reach of strategic RC management, *issues management* aims to bring a more coordinated, proactive, and sustained approach to managing relationships with local stakeholders—and, by extension, to overall RC management (Chase and Crane 1996; Nigh and Cochran 1987). Ackerman and Bauer (1976) proposed a three-step process of issue identification, stake assessment, and response implementation. Dowling (2001, pp. 12–13) listed 13 areas in which proactive issue management enhances operational values of a company, ranging from product strategy to employee recruitment and even to competitive signaling. Regular local market scanning should be an integral part of issues management because "it is only within the context of issues management that the gathering of information is translated into strategic decision-making" (Lauzen 1996, p. 69).

Clearly, the ability to assess and manage changing perceptions of multiple publics about multiple issues in far-flung world markets constitutes the essence of effective corporate RC management. Success will ensure preservation and expansion of this critical asset. Three more research questions can be defined:

RQ7: Which stakeholder(s) play(s) the role of opinion leader(s) in shaping each public's corporate associations?

RQ8a: Should RC portfolio management be based on a micro- to macro-level approach, with local issues management shaping strategic RC management?

Corollary:

RQ8b: Should RC portfolio management be based on a macro- to micro-level approach, with strategic RC management shaping local issues management?

Management of Strategic Partnerships

According to Alexander (1998), *coordinative planning* is needed for successful integration of RC across world markets. Coordinative planning means orchestrating organizational processes among all business units, functions, and subsidiaries in order to protect the company from any negative repercussions that might become associated with the reputations of partners. The unhappy experiences of Chrysler with Mitsubishi in their Diamond Star venture in the 1980s and with Daimler-Benz in the DaimlerChrysler merger of the 1990s are instructive in this regard.

Examples will further illustrate this point. Recognizing the need for explicit and strict global sourcing guidelines that would exclude business relations with any firm whose practices might threaten its RC, Levi Strauss instituted a program of systematic auditing of more than 600 contractors in over 50 countries (Preece, Fleisher, and Toccacelli 1995). When faced with a flood of negative publicity about real or alleged associations with sweatshops, managers of the Gap, Tommy Hilfiger, and Nike found themselves obliged to become proactive in protecting their companies' global RC. Under the leadership of CEO Phil Knight, Nike provided full information about policies and partners in outsourcing through a well-documented Web site (www.nikebiz.com). Similarly, the Gap used its Web site (www.gapinc.com) to explain its ethical sourcing and "how we run our business."

Such efforts are consistent with management of the five components of RC shown in Figure 1. They aim specifically to

- increase public awareness and knowledge of specific positive actions;
- increase familiarity with corporate values, mission statements, and codes of ethics, encouraging formation of favorable evaluations;
- create an attractive corporate personality; and
- enhance overall corporate reputation.

Based on this discussion, a further research question arises:

RQ9: How do global companies anticipate, identify, and manage RC problems arising from strategic alliances or mergers and acquisitions?

Achieving Reputational Capital Integration

In order to narrow the gap between planning and implementing RC management initiatives, Deighton argued that "it is necessary for a firm to instill a culture in which integration is understood and valued" (1996, p. 256). Integration is particularly critical in corporate communications, in order to ensure coordination of strategy development, message design, and choice of media. Corporate communications officers need to achieve integration of effort across at least four functional areas:

- database management,
- integrated marketing communications,
- corporate image advertising, and
- global account management.

First, databases are needed that list all relevant publics and stakeholders for each national market. Local country managers must have access to and must maintain detailed profiles of stakeholder groups in their market area. They must also develop scenarios and early response strategies suitable for a range of possible environmental and market occurrences. Forward planning will ensure not only effective and timely crisis management but will also allow early detection of promising opportunities for enhancing corporate RC. Database management is valuable both in reactive and proactive RC management.

Second, corporate communications must be driven by consistent use of generally agreed-upon starting points, operational systems, and methods borrowed from the field of IMC (van Riel 1997). RC is greatly enhanced when global communication messages make up one well-orchestrated voice (Moriarty 1994). General Electric has been consistently recognized as an excellent example of how well an IMC strategy can work to support not only the brand image of multiple product lines but also the company's overall RC.

Third, integration requires that "inside-out" communications be matched with "outside-in" communications. Goals for promoting a distinct corporate personality must be derived directly from the corporate mission and must be consistent with strategic RC management objectives—the "inside-out" communications (see Balmer and Wilson 1998; Hatch and Schultz 1997; van Riel and Balmer 1997). Regular research and tracking among relevant publics and stakeholders will provide valuable information about current attitudes toward the company—the "outside-in" communications. Findings from this research will suggest how corporate image advertising should be updated on a contingency basis, consistent with the corporate mission. In order to achieve this level of close monitoring and thoughtful response, vertical integration will be needed among all those responsible for strategic RC management, IMC, and integrated corporate communications (ICC) (see Hogan, Lemon, and Rust 2002; Keller 2003a; Rust, Lemon, and Zeithaml 2004).

Fourth, global account management has been defined as "the coordination of customer management across national boundaries" (Birkinshaw, Toulan, and Arnold 2001, p. 231) and characterized as the "new frontier" in relationship marketing (Yip and Madsen 1996). This function must be an integral part of the organizational process by which companies implement RC management. It must also be operationalized across all country markets.

Under this system, managers establish a set of systems and procedures to increase their informational processing capacity in response to heightened needs for information processing among key customers. For example, AT&T distinguishes between *international* and *global* customers and provides the latter with special services such as a single point of contact for domestic and international operations and consistent worldwide service (Czinkota and Ronkainen 2003). In order to achieve this type and level of integration—a prerequisite for effective RC management, CEOs need to achieve seamless flows of information and cooperative management styles among all members of the company. These recommendations raise a further question for research:

> *RQ10: How should the strategic RC management function relate (a) to marketing management of brand equity and (b) to global account management in order to preserve key customer equity?*

CONCLUSION

Global companies must manage their RC in global markets strategically—first, by understanding the complexity of the RC concept; second, by striving to achieve configural reputational advantage worldwide; third, by integrating existing reputation-related functions into a new function that we call *RC management.* Global coordination and integration are needed at all levels of planning, in order to preserve and develop this precious asset. At the same time, responsiveness to local market needs and empathy for local concerns will ensure that the company is liked and respected by individual stakeholders.

This strategic approach to RC management is the most appropriate for coping with the multidimensional nature of RC. It also allows for due consideration of all those stakeholders and publics who are spread across world markets. Recognizing that a firm cannot "be all things to all people," CEOs must focus on building and maintaining RC along a few critical dimensions. These should be defined in accordance with the company's mission, corporate values, code of ethics, competitive position, fields of operation, and the CEO's leadership style. They must also be consistent with attributes considered important by relevant publics and stakeholder groups.

As mentioned in the introduction, much work remains to be done in the field of RC management (see Dacin and Brown 2002; 2006). Ten research questions have been presented in the paper to encourage research on specific topics. Future research must also

- define key components of RC for empirical testing,
- explore causal relationships among components of RC,
- develop theories of strategic RC management, and
- develop case studies of best practices in global RC management.

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