Corporate reputation: Meaning and measurement

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Corporate reputation has attracted interest from a wide range of academic disciplines. It is also a growing focus for business and media attention. This paper examines the construct of corporate reputation, first by untangling the terminological problems that have been caused by the interdisciplinary nature of much of the earlier work in the area. The construct of reputation and the allied constructs of image and identity are each reviewed. A structure is proposed in which the three constructs can be seen as labelling different but allied concepts. I then move on to consider how reputation has been measured. The paper uncovers considerable confusion in the use of what might appear to be basic terms and links this to a subsequent lack of grounded measurement tools in the sector, until relatively recently. With a clearer understanding of the construct of corporate reputation and the allied constructs of image and identity, researchers are now well placed to test the relationships widely claimed by practitioners between corporate reputation and other variables such as commercial performance and employee and customer satisfaction. The review ends by illustrating some of the issues that can be assessed from the basis of a clearer conceptualization of reputation and its measurement.

Introduction

Corporate reputation affects the way in which various stakeholders behave towards an organization, influencing, for example, employee retention, customer satisfaction and customer loyalty. Not surprisingly, CEOs see corporate reputation as a valuable intangible asset (Institute of Directors 1999). A favourable reputation encourages shareholders to invest in a company; it attracts good staff, retains customers (Markham 1972) and correlates with superior overall returns (Robert and Dowling 1997; Vergin and Qoronfleh 1998). However, many of these claims have been challenged as being anecdotal or based on measures of reputation that are flawed or conceptualizations of reputation that are unclear. There are a number of issues here relevant to academics working in the emerging area of reputation studies. Corporate reputation is still relatively new as an academic subject. It is becoming a paradigm in its own right, a coherent way of looking at organizations and business performance, but it is still dogged by its origins in a number of separate disciplines.
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The Reputation Paradigm

The term ‘paradigm’ is usually used in the literature to explain various groups of approaches to a certain field of study. For example, Smircich (1983) suggested that five different paradigms exist in the study of organizational culture, including one involving the use of metaphor, an approach of relevance to this paper. While the topic has become increasingly popular, from an academic perspective, the concept of corporate reputation remains unclear. Within the reputation paradigm, there is arguably no one source as yet which captures the entirety of the concept of reputation. Authors used the analogy of ‘Scaling the Tower of Babel’ (Hatch and Schultz 2000, 11) or ‘fog’ (Balmer 2001) to describe the definitional problem in the identity and reputation related literatures. Some of the definitions within this literature overlap and some of them conflict. The treatment of reputation will vary depending upon which theoretical perspective is invoked (Whetten 1997, 30). Fombrun and van Riel (1997) have defined corporate reputation from the perspective of six distinct academic subject areas.

The most marked difference exists in the definition of reputation from an economist’s perspective: the perceived likelihood that it will defend its markets (Clark and Montgomery 1998; Weigelt and Camerer 1988), and those working from a marketing or strategy perspective who define it as the accumulated impression that stakeholders form of the firm, resulting from their interactions with and communications received about the firm (e.g. Fombrun and Shanley 1990). Reputation has been seen as a valuable intangible asset from an accounting perspective. Enron and other similar cases have added further focus on the accounting perspective: for example, overstatement of profits and the use of financing methods that allow companies to incur debts without disclosing them on their balance sheets. Wrong accounting practices can threaten not only a firm’s reputation, but also the accounting firms who audited the firm’s accounts. The reputation literature emphasizes that employees stay longer with a firm with a good reputation (IOD 1999; Markham 1972). The Enron scandal, however, teaches a slightly different lesson. Robin Harrison, counsel in the planned class action lawsuit, said that ‘The people who worked for the company the longest are the people the most hurt. They have the least amount of time to recoup their loss’ (Financial Times 2002). Here, the financial and organizational aspects of reputation cannot be seen in isolation. The trend is consistent with marketing and organizational behaviour perspectives too. Linking organizational culture to marketing issues, for example, has received broad attention (Deshpande and Webster 1989). Within the organizational perspective, internal issues such as mission and vision are being related.

Table 1. Categorization of corporate reputation literatures

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Categorization of reputation</th>
</tr>
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<tbody>
<tr>
<td>Accountancy</td>
<td>Reputation seen as an intangible asset and one that can or should be given financial worth.</td>
</tr>
<tr>
<td>Economics</td>
<td>Reputation viewed as traits or signals. Perception held of the organization by an organization’s external stakeholders.</td>
</tr>
<tr>
<td>Marketing</td>
<td>Viewed from the customer or end-user’s perspective and concentrating on the manner in which reputations are formed.</td>
</tr>
<tr>
<td>Organizational</td>
<td>Viewed as the sense-making experiences of employees or the perception of the organization held by an organization’s internal stakeholders.</td>
</tr>
<tr>
<td>Behaviour Sociology</td>
<td>Viewed as an aggregate assessment of a firm’s performance relative to expectation and norms in an institutional context.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Reputation viewed as assets and mobility barriers. Since reputations are based on perception, they are difficult to manage.</td>
</tr>
</tbody>
</table>

Source: Fombrun and van Riel (1997).
to external image (Hatch and Schultz 1997, 358). This may reflect the increasing awareness by practitioners and academics of the fact that the internal and external aspects of organization reputation cannot be treated separately (e.g. Abratt 1989; Fombrun 1996; Gray and Balmer 1998). The distinction, therefore, between the perspectives of corporate reputation adopted by different academic subject areas (as shown in the Table 1) is becoming blurred and less useful for understanding the reputation paradigm. The interdisciplinary or cross-disciplinary nature of research into reputation is then a source of insight in itself but, as I have indicated earlier, it is also a source of problems, the most obvious being terminological (Melewar and Jenkins 2002). The main terms most often used interchangeably with, or as key variables of, reputation are ‘image’ and ‘identity’ (Whetten and Mackey 2002). The following section suggests an alternative approach to understanding the reputation paradigm.

Three Schools of Thought

It is possible, in the author’s opinion, to identify three schools of thought that are in current use within the reputation paradigm: evaluative, impressional and relational. The differences between them relate more to which stakeholders are taken as the focal point, rather than their subject area or epistemological base. Stakeholders can typically be grouped as internal (e.g. employees, managers) and external (e.g. customers, shareholders). Whereas the ‘evaluative’ and ‘impressional’ schools are concerned mainly with single stakeholder interests, the relational school is based upon stakeholder theory which recognizes that different stakeholders may have different expectations of a company (Clarkson 1995; Freeman 1984). The relational school focuses on the views of both ‘internal’ and ‘external’ stakeholders and appears to provide a relatively new lens for the development of the reputation paradigm (see Table 2).

In the evaluative school, reputation is assessed from its financial value or from the short-term financial performance of the organization. Rooted in the areas of strategy and economics, reputation research had been preoccupied with performance (Rindova and Fombrun 1998, 62). The view became popular once reputation began to be recognized as a ‘competitive advantage’ (Hall 1992) or an ‘intangible asset’ (Grant 1995). Media reputation rankings such as Fortune’s Annual America’s the Most Admired Company (AMAC) survey and various approaches to brand valuation fall within this school of thought. The key audiences are ‘explicit’ stakeholders, whose main interests are the firm’s financial attributes, such as shareholders, the CEO or investment advisers.

Since 1990, there has been greater interest in the stakeholder’s emotional association with a firm, which will influence the firm’s long-term financial performance. Researchers whose interests concern implicit stakeholders and a firm’s non-financial attributes can fall into either the impressional or relational schools. Image, identity and personality are typical terms used in the impressional school. Here, reputation is assessed in terms of the relevant stakeholders’ perceptions or impression of the organization rather than any financial figure or performance. Many reputation studies by marketing and organizational researchers in the 1990s fall within this school (e.g. Balmer 1997; Bromley 1993; Dutton and Dukerich, 1991; Dutton et al. 1994).

The major stakeholders here are employees or customers. While the organizational literature has focused on relationships between employees and their organization (e.g. Dutton and Dukerich 1991; Dutton et al. 1994; Gioia and Thomas 1996), the marketing approach has focused on ideas relevant to customers and corporate image management (Abratt 1989; Bromley 1993; Dowling 1993) or corporate identity management (Balmer 1997). Brown and Dacin (1997), who introduced the term corporate association into the reputation literature, defined reputation as a set of mental associations possessed by an individual outside
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Table 2. Reputation paradigm: the three schools of thought

<table>
<thead>
<tr>
<th>Approaches</th>
<th>Key audience</th>
<th>Key focus</th>
<th>Example authors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Evaluative School:</strong></td>
<td>Single stakeholder (investor or managers)</td>
<td>Investor behaviour</td>
<td>Fryxell &amp; Wang (1994)</td>
</tr>
<tr>
<td>Reputation as the evaluation of</td>
<td></td>
<td>Ranking based on CEO’s peer opinion</td>
<td>Annual Fortune Studies</td>
</tr>
<tr>
<td>organizational financial</td>
<td></td>
<td>Investor</td>
<td>Srivastava et al. (1997)</td>
</tr>
<tr>
<td>achievement</td>
<td></td>
<td>Linking reputation to financial/strategic performance</td>
<td>Fombrun and Shanley (1990); Weigelt and Camerer (1988)</td>
</tr>
<tr>
<td><strong>The Impressional School:</strong></td>
<td>Mainly a single stakeholder view</td>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>Reputation as the overall impression of an organization</td>
<td></td>
<td>Image/corporate identity</td>
<td>Abratt (1989); Bromley (1993); Balmer (1997); Brown et al. (2005); Dowling (1993)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Linking reputation to buyer’s intention</td>
<td>Yoon et al. (1993)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customers’ view of company and salesperson image</td>
<td>Weiss et al. (1999)</td>
</tr>
<tr>
<td><strong>Organizational Behaviour</strong></td>
<td>Linking reputation to employee identification</td>
<td>Management perception of image and identity</td>
<td>Dutton et al. (1994); Dutton and Dukerich (1991)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Gioia and Thomas (1996)</td>
</tr>
<tr>
<td><strong>Media</strong></td>
<td>Linking reputation to favourableness of media coverage</td>
<td></td>
<td>Deephouse (2000)</td>
</tr>
<tr>
<td><strong>The Relational School:</strong></td>
<td>Comparison of multiple stakeholder view (Mainly internal stakeholders’ vs. external stakeholders’ view)</td>
<td>Multiple stakeholders in general</td>
<td>Fombrun (1996); Post and Griffin (1997)</td>
</tr>
<tr>
<td>Reputation involving gaps between internal/external stakeholders’ views</td>
<td></td>
<td>Linking internal view (identity) and external views (image) of corporate reputation</td>
<td>Hatch and Schultz (2001); Davies and Chun (2002); Chun and Davies (2006)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Linking reputation (external view) and identity (internal view)</td>
<td>Fiol and Kovoor-Misra (1997)</td>
</tr>
</tbody>
</table>

the company, which is similar to image as used by market scholars (Brown et al. 2005).

In contrast, several authors have considered a multiple stakeholder approach in defining reputation. For example, ‘reputation is a synthesis of the opinions, perception and attitudes of an organization’s stakeholders including employees, customers, suppliers and investors and community’ (Post and Griffin 1997). Corporate reputation is ‘a perceptual representation of a company’s past actions and future prospects that describe the firm’s appeal to all of its key constituents’ (Fombrun 1996, 165). Since such conceptualization represents multiple stakeholders’ perceptions, corporate reputation here represents a collective and multidimensional construct which is an aggregated perception of many individuals (Fombrun et al. 2000, 242). Therefore, an organization does not have a single reputation – it has many. For this group of researchers, including the author, ‘image’ is distinguished as the outsider’s perception, whereas reputation includes both internal and external stakeholders.

While researchers in the impressional school tend to see reputation as a reflection of the
accumulated perception of the single stakeholder, the relational school sees reputation as an equal reflection of the internal and external view of the organization (e.g. Davies and Miles 1998; Hatch and Schultz 2001). This school emphasizes differences between the views of different stakeholders but also contains the idea that internal and external views are linked. Hatch and Schultz (1997) contributed to the conceptual background of the ‘relational school’ by linking image, identity and culture. Davies and Miles (1998) saw reputation management as the alignment between three elements, ‘how others (the customers) see ourselves’, ‘who we really are’ and ‘what we say we are’. In a case where stakeholders have differing views of the same company, an unfavourable reputation might contaminate a favourable reputation (Carter and Deephouse 1999). Any ‘relational differences’ (Hatch and Shultz 2000) or ‘gaps’ (Davies and Miles 1998; Dowling 1994; Hatch and Shultz 2001) between the external and internal views has been seen as crucial in reputation management.

These ideas are intuitively attractive but are conceptually based. Recently, empirical studies have challenged the idea that gaps are bad, especially when employees’ views are more favourable than those of customers (Davies and Chun 2002); or that alignment is a necessary condition for commercial success, as different stakeholders have different sources of satisfaction (Chun and Davies 2006).

Key Elements of Corporate Reputation

It is then important to define explicitly the key variables that are used in any research into corporate reputation as well as to delineate formally the expected relationships between those variables (Whetten 1997, 28). The definition of reputation used by individual authors is dependent on how these other key elements, identity and image, are defined. Reputation is often used synonymously with image, and this can lead to confusion (Markwick and Fill 1997).

Image: ‘How Others See Us’

In the marketing literature, the terms image and reputation are used interchangeably without making clear any relationship between what can be usefully seen as two distinct concepts. Early research into corporate image focused on retail store image and corporate (brand) image in the marketing discipline. Martineau (1958) associated the image of a preferred retail store with the self-image of the individual shopper, suggesting a model of how image affects patronage: people become customers where the image of the provider is similar to the image they have of themselves. From this early work came a number of retail image studies. Studies on corporate image have generally focused on the effect of advertising (Neale 1964; Winters 1986), corporate logo, brand preference (Hardy 1970) or interaction with employees (Kennedy 1977). Kennedy (1977) showed the effects company employees have on external image, irrespective of what their employer might desire. Bernstein (1984) argued that the image the customer perceives cannot be separated from the reality of the customer’s experience.

Worcester (1972) suggested four image categories: product class image, brand image, user image and corporate image. His last factor, corporate image, is subcategorized as product reputation, customer relations, employer role, ethical reputation and others. Although initially reputation was regarded as an independent variable which drives corporate image, it was later regarded as a dependent variable, something that resulted from being a good employer, being seen as offering good service and being honest and reliable (p. 514). However, the two terms, image and reputation, have continued to be used interchangeably in much of the service quality literature.

The most common and recent definition of image in the context of reputation is a ‘summary of the impressions or perceptions held by external stakeholders’ (Bromley 1993; Davies and Miles 1998). Within this definition, ‘a self is considered from the position of
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the other’ (Hatch and Schultz 2000). Among external stakeholders, the main focus is on customers, so that image is defined not as what the company believes, but what customers believe or feel about the company from their experiences and observation (Bernstein 1984). The definition is close to the definitions of ‘corporate image’ used by marketing scholars such as ‘attitudes and feelings consumers have about the nature and underlying reality of the company’ (Pharoah 1982, 243) or ‘the result of how consumers perceive the firm’ (Grönroos 1984).

Other researchers, in particular from the organizational behaviour discipline, define image as the internal members’ belief about outsiders’ perceptions (Dutton and Dukerich 1991; Gioia and Thomas 1996), and use reputation to refer to an outsider’s perception of an organization (Dukerich and Carter 2000, 103). For researchers who define both image and reputation as specific to an outsider’s perceptions, reputation is distinguished as having an accumulated historical meaning. For example, corporate reputation is seen as evolving over time as a result of consistent performance, reinforced by effective communication, whereas corporate image is fashioned more quickly through well-conceived communication programmes (Gray and Balmer 1998). Image here differs from reputation in that, whereas the former concerns the public’s latest belief about an organization, reputation presents a value judgment about the organization’s qualities built up over a period and focusing on what it does and how it behaves. This distinction between image and reputation is useful, in that we can form an image of an organization without any real experience of it, whereas something deeper, often referred to as reputation, implies something grounded in experience.

Image may be quicker to change by means of advertisement than reputation is, which requires more time and consistent effort to build internally and externally. However, in a crisis, both image and reputation can be damaged very quickly. For example, when Gerald Ratner famously described his stores’ jewellery products as ‘crap’, he proactively mismanaged his reputation and created a perception shift (without any actual change in the products he sold). The market responded immediately, and customers queued for a refund for the gifts they had bought for friends. It was the perception, not the reality, which kept people out of Ratner’s stores for a decade (Financial Times 1992). Employees felt betrayed; their perception of Ratner’s had changed too. In summary, corporate reputation might best be seen as involving the alignment between the internal and external stakeholders’ perceptions of a firm, especially those of the most important stakeholders, employees and customers (Hatch and Schultz 2001), as both can be affected and will interact.

Identity: ‘How We See Ourselves’

Identity is variously defined in the literature but there are two main themes, organizational identity and corporate identity. Organizational identity is an answer to the questions ‘who are we?’ or ‘how do we see ourselves?’, in other words, the employees’ perception of the organization (Albert and Whetten 1985). It refers to what members perceive, feel and think about their organization (Albert and Whetten 1997, 357) and concerns those organizational characteristics that are most central, enduring, and distinctive (Albert and Whetten 1985). Culture and organizational identity are similar concepts in many ways. If identity is ‘how we see ourselves’ and culture is ‘how we do things around here’, one will relate to the other. Barney (1986) asserts that culture can be a source of competitive advantage when it involves a unique personality, history and experiences of those who work within it. It then provides a sustainable difference between firms. The implied definition of culture is very close to Albert and Whetten’s (1985) ‘enduring and distinctive characteristics’ in their definition of identity. Hatch (1993) differentiates between the two, saying that
‘(organizational) identity which is how we define and experience ourselves is influenced by our beliefs which are grounded in and justified by cultural assumptions and values’. Culture is not something easily changed by top management strategy (Hochschild 1983) nor something that is readily manipulatable (Smircich 1983). In contrast, identity, how people understand themselves in relation to culture and values, is more conscious and more reflexive, and thus more amenable to change. Culture can be changed only when identity changes. Identity is more open than culture to ‘outside’ influence (Fiol et al. 1998, 58). Gioia et al. (2000) also support the idea that ‘instability’ of identity arises mainly from its ongoing interrelationships with image. Although Downey (1986/87) argues that culture is a consequence of organizational identity, corporate culture or personality has been more popularly seen as an input to corporate identity creation (Abratt 1989), in that a mission statement is a projection of culture through the adjectives used to define it (Swales and Roger 1995).

**Desired Identity: ‘How We Want Others To See Ourselves’**

Organizational identity is often distinguished from corporate identity in the literature. If organizational identity is an organizational behaviour term, corporate identity, which is also referred to as strategic identity or desired identity, is used more popularly in the marketing domain. Corporate identity or desired identity refers to visual cues such as name, logo and symbols (Bernstein 1984; Ind 1992; Olins 1978, 1989) or the strategic cues of identity such as vision, mission and philosophy, which are conceptualized as part of the strategic process linking corporate strategy to company image and reputation (Dowling 1994; Selame and Selame 1988). This definition of corporate identity becomes part of the external corporate image management process involving any public relations effect (Abratt 1989). Several authors point out there is a danger of seeing corporate identity mainly as the company logo (King 1973, 7). More recently, researchers have increasingly acknowledged that corporate identity should reflect the unique characteristics or corporate personality rooted in the behaviour of members of the organization (Balmer 1997, 184), and should reflect how employees identify themselves with the company (Stuart 2002). It supports the claim (Chun 2001a) that the most notable trend in the subject of corporate identity in the 21st century is in the emphasis of the role of employees and the interplay between internal and external perception of an organization (Chun 2001a). Here, corporate identity is closer in definition to organizational identity; they may even be interdependent, but they are not synonymous.

I would argue that one benefit of such a trend is compatibility with business practice. Inside organizations, it is unusual to find a reputation department functionally responsible for managing reputation. Instead, such responsibility appears to be one of the roles of a board member, often the CEO (Davies and Miles 1998). This is not surprising, as image is concerned with external issues, the responsibility for which is marketing and corporate communications. The internal perspective, which I shall refer to as identity, is a concern of human resources management. All management, particularly in a service business, is concerned with what creates reputation, including every contact the stakeholder has with the organization. This implies that there are three key elements in corporate reputation. I see image as one element of reputation rather than a synonym for reputation and as referring to the external stakeholders’ perception of the organization, especially that of customers. Image should be aligned with both organizational identity, the internal members’ belief about organization, and what can be termed desired identity or desired image, how managers would like their organization to be seen (see Figure 1).

**Gaps between Image and Identity**

As indicated earlier and in Figure 1, the idea of the alignment between three elements of
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Elements of Corporate Reputation

![Diagram showing the elements of corporate reputation: Identity (What the company is), Desired Identity (What the company says it is), Gaps, Image (What the customers think it is).]

Figure 1. Key elements of corporate reputation (adapted from Davies and Miles 1998).

corporate reputation, ‘how others (the customers) see ourselves’, ‘who we really are’ and ‘what we say we are’, constitutes the core of the relational school of thought. This idea underlines the point that reputation is not just another word for image. It has been claimed that a company’s external image commences with a company’s internal stakeholders, its employees, and how they perceive the company (Gray 1986). Employee behaviour affects a company’s image (Lloyd 1990, 182) particularly the behaviour of customer-facing employees. External stakeholders can develop an image of an organization depending on their image of these same internal stakeholders (Kennedy 1977; King 1991). This will be true of many service businesses such as a restaurant, hotel or education institution, where the customer encounters the organization providing the service. It is not uncommon to see gaps between what an actual stakeholder perceives or experiences with a firm and what any mission and vision statements by the firm promise to them. If experience differs from expectation, reputation is damaged.

The literature suggests that any misalignment or gap between image, identity or desired identity affects a firm’s reputation. Davies and Miles (1998) claim that any ‘gaps’ between internal and external perceptions are especially important in a service business where employee and customer interaction is critical. Hatch and Schultz (2000) describe a similar point as being ‘relational difference’ or as ‘gaps’ (Hatch and Schultz 2001) between image and vision, between image and culture, and between vision and culture. Since there is a temptation to create an image rather than to create a shared picture of reality or substance (Foley 2000/01), monitoring the gaps between what employees think and what others think can signal potential problems in preventing reputation crises (Dowling 1994, 92). There is little empirical evidence to support or negate a raft of claims surrounding reputation from an academic perspective. This is because current measurement scales of reputation have focused on rankings or mainly on one stakeholder’s views only, rather than comparing various stakeholders’ views. So far, there is only one empirical study available that looks at gaps between image and identity. In a case study of department stores, Davies and Chun (2002) demonstrated that measures of image correlate with those of identity, implying that image and identity might co-evolve or be linked in causality. If (external) image is the mirror of (internal) identity, managing image can be achieved in part by managing identity. The measurement scale used for the work is discussed in the next section.

Measurement of Corporate Reputation

Confusion over definition adds to confusion over measurement methods in the reputation literature. A number of measurement approaches are available reflecting the number of possible strategies towards measuring corporate reputation. Respondents can be asked to rate the reputation of a firm from poor to good (Goldberg and Hartwick 1990). However, such unidimensional measures do not explain why one firm has a better or poorer reputation than another. The researcher can use a qualitative approach or devise scales specific to the empirical situation (Durgee 1988; Hanby 1999), but here it will be difficult to compare one reputation with another or one stakeholder’s view of a firm’s reputation against another.

Among the measurement scales that can be used to compare firms, many have been
criticized as being overly focused on the financial performance of companies, for focusing on the views of single stakeholder (in other words image or identity), or for simply using single, unidimensional measurement items. Many borrow their approaches from existing scales, from brand equity, corporate image or identity measurement, without the necessary conceptual clarification. The approaches researchers adopt depend on their background (e.g. marketing, strategy, organization theory or consultant), their school of thought or epistemological basis, but the literature has seldom compared different methods of measurement (van Riel et al. 1998, 313).

**Ranking Measures**

One of the most established measures of reputation is that of ranking by media. *Fortune’s* AMAC annually surveys CEOs and analysts on their views about Fortune 500 companies (from 1984) and Fortune 1000 companies (from 1995). Respondents are asked to rate a competitor’s reputation in terms of eight key attributes of reputation: (1) Financial soundness; (2) Long-term investment value; (3) Use of corporate assets; (4) Innovativeness; (5) Quality of the company’s management; (6) Quality of its products and services; (7) Ability to attract, develop and keep talented people; and (8) Acknowledgement of social responsibility (*Fortune* 2000). The *Financial Times* ‘World’s the Most Respected Companies’ rankings also represent the perception of peer CEOs on eight criteria, which include (1) Strong and well-thought-out strategy; (2) Maximizing customer satisfaction and loyalty; (3) Business leadership; (4) Quality of products and services; (5) Strong and consistent profit performance; (6) Robust and human corporate culture; (7) Successful change management; and (8) Globalization of business. Samples consist of 4000 CEOs from 70 countries, who are interviewed principally by telephone (*Financial Times* 2000). The responses are weighted by the GDP of the responding CEO’s home country. Other similar media rankings include ‘Britain’s Most Admired Companies’ from *Management Today*, or ‘Asia’s Most Admired Companies’ by *Asian Business*. Although there are some differences in terms of sampling frame or items used, the same criticisms as those directed at the *Fortune* study, of using a single stakeholder’s views and financially focused criteria, are made.

Academics often use *Fortune* data in order to test links between corporate reputation and other financial or strategic variables (e.g. social responsibility). Whereas there are several advantages in using the data in terms of providing comparable data over an extended period of time and the sample size (McGuire et al. 1988), certain weaknesses have often been mentioned. The *Fortune* measure assesses little beyond financial performance, even though reputation should not be judged on performance alone (Caruana 1997; Fryxell and Wang 1994). Although selected financial measures can explain a good portion of the variability in corporate reputation, there is inevitably an unexplained variation. This leads to speculation regarding the other factors that may be important in assessing the characteristic of corporate reputation (Sobol and Farrelly 1998, 57). Fryxell and Wang (1994) are critical of the use of single measurement items to measure such non-financial attributes. In summary, there is a methodological limitation in asking a single constituency to rate their competitors’ reputation (Fombrun 1996) as well as a conceptual limitation in relation to use of one aspect of corporate behaviour – financial – given the definition of reputation as the collective assessment of a firm’s past behaviour.

**Brand Equity Scales**

Criticizing the fact that many previous studies have been financially focused (e.g. media rankings), and realizing that the company name can be regarded as a brand name (Berry et al. 1988), academics have attempted to measure reputation using the brand equity concept. The brand equity scales from Kevin Keller or David Aaker (e.g. Aaker 1991; Aaker and Keller 1990; Keller 1993) are popularly
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applied. For example, Keller and Aaker (1998) have used Keller’s three dimensions of ‘corporate credibility’, corporate expertise, trustworthiness and likability in order to establish a link with successful brand extensions. Corporate credibility is defined as one of the corporate image dimensions that can affect brand equity and relate to reputation (Keller 1998, 2000). Keller (2000) implicitly links ‘corporate credibility’, one of his corporate image dimensions, to corporate reputation. However, since they are not identical constructs, the conceptual link between brand equity, corporate credibility and reputation seems unclear.

Caruana and Chircop (2000, 43) claim that corporate reputation is closely related to brand equity. After content analysing focus group discussions in preliminary research, they developed 12 items for a corporate reputation scale based upon the five elements of ‘brand equity’ from Aaker (1991) in order to measure the reputation of a beverage firm in Malta (p. 51). The 12 items tested with over 120 consumers were: (1) quality of the product; (2) advertising levels; (3) sponsoring activities; (4) conduct factory tour; (5) long-established tradition; (6) highly regarded employment with firm; (7) well-trained employees; (8) well-known products; (9) strong management; (10) cost of advertisement; (11) soundness of company; and (12) profitability.

Fortune/Yankelovich Partners (Gains-Ross 1997) produced a corporate equity score for the purpose of complementing the Fortune study. It measures five components of reputation: (1) awareness; (2) familiarity; (3) overall impression (favourable or unfavourable); (4) perceptions (quality of product or service; value added to all customers transactions; high calibre of management; trust; human and caring; long-term prosperity) and (5) supportive behaviour (likelihood of recommending a company’s product or services; investing in the company; believing the company behaves well under media attack; recommending it as a good place to work). Similar to the main Fortune survey, the methodology asked CEOs to rate ten other companies in a given industry in 1994 and 1996.

There seem to be limitations in using a brand equity scale as a reputation measure. The first limitation is the unclear conceptual link between and within the two constructs. Ten different researchers or managers are likely to define brand equity in ten different ways. The situation is much the same as with the definitions of reputation, image and identity – implied conceptual links with no explicit explanation cause confusion. The second limitation would be a focus on the views of a single stakeholder type, customers, in terms of the items used.

Image Measures

The service quality literature has often operationalized reputation as a unidimensional construct or often as an image scale. Reputation has been typically included as an endogenous variable to examine satisfaction and perception of quality, and therefore measured simply on a unidimensional (favourable–unfavourable) scale. Zeithaml (2000, 74) used reputation as one of the variables in her research, which linked service quality to profitability, and points out that there is a lack of data on perceived reputation coming from real customers.

With a unidimensional scale, the findings may not be meaningful. A good image or reputation is probably better than a bad image, but the results in the literature have in fact been inconsistent. For example, some have found that the relationship between company image and product preference is negative (Hardy 1970) or that no relationship exists (Shimp and O’Bearden 1982) whereas others have found a positive link (e.g. Keller 1998; Keller and Aaker 1998). These contradictory results, according to Brown and Dacin (1997), are because company reputation or image is not unidimensional, ‘good’ or ‘bad’. Companies may have the same overall degree of favourability, but their character might not be the same. Exxon may be seen as an ‘innovator’ but not ‘socially responsible’: is this good or...
bad? Brown and Dacin (1997) then specified two dimensions of corporate image (referred to as ‘association’): Corporate Ability (CA) and Corporate Social Responsibility (CSR). They argue that there is a need to develop and validate measures of corporate image that capture the full dimensionality of the concept.

Such work implies that reputation should be measured as a multidimensional construct, and researchers have measured corporate image or store image in this way. LeBranc and Nguyen (1996) defined five factors of corporate image: (1) corporate identity, (2) reputation, (3) service offering, (4) physical environment, and (5) contact personnel. Bernstein (1984)’s cobweb method for eliciting descriptions of a company’s image used eight ‘personality’ dimensions; integrity, quality, imagination, reliability, service, social responsibility, technical innovation and value for money. Respondents can mark a company’s perceived performance and desired performance on a nine-point scale.

Various measurement techniques have been used to measure ‘store’ or ‘corporate’ images using Likert or semantic differential scales, Fishbein models, multidimensional scaling, and open-ended questions (Hawkins et al. 1976–77). Van Riel et al. (1998) compare various measurement methods for corporate image: attitude scales, Qsort, Photosort, laddering, Kelly Repertory Grid (KRG) and Natural Grouping (NG). The findings indicate that Photosort tends to emphasize the more human and emotional components of corporate image: corporate personality, compared with Qsort and attribute scales (p. 323). There were no large differences between laddering, KRG and NG, although the laddering method provided more elaborate results (p. 325). Menezes and Elbert (1979) tested four dimensions of retail store image using various scale types on 250 business school students. The dimensions were (1) store appearance: clean, décor, cluttered, displays, (2) service: checkout, helpful, friendly, (3) product mix: wide selection, brand names, quality, and (4) price: good values, prices, specials.

Identity Measures

The empirical measurement of identity has received less attention than has its conceptual underpinnings (Hatch and Schultz 2000, 28). Some measure identity as it ‘is’ (mainly organizational identity) whereas others measure identity as it ‘should be’ (mainly corporate identity); some use quantitative methods, whereas some use qualitative methods; some use predetermined dimensions, whereas some use an inductive approach. A few examples are available, but many of them use purely qualitative or a mixture of quantitative and qualitative methods.

Using both qualitative and quantitative approaches, van Rekom (1997) identified a procedure for measuring identity. In order to uncover characteristics that are specific to an organization, he interviewed 25 employees as a first step using the ‘laddering technique’. Since the application of the laddering technique is limited to a small sample, the identified characteristics were tested using a questionnaire survey and a seven-point semantic differential scale as a second step. The results were compared with a semi-structured laddering technique. Balmer and Soenen (1999) developed a tool called the ‘Acid’ (Actual, Communicated, Ideal, Desired Identity) Test of Corporate Identity Management. The qualitative methods used include in-depth interview, desk research and content analysis to identify 15 identity/corporate image ‘interfaces’. In order to examine each interface, they suggest various research techniques. For example, in order to measure the interface between actual identity (e.g. values, history, structure) and desired identity (e.g. visions), a range of qualitative research techniques such as interviews, observation, history audit and focus group are recommended. Gioia and Thomas (1996) explored the relationship between identity and image but both from a senior management perspective. They used the triangulation method, which adopts both qualitative and quantitative techniques. Initially, a case study and in-depth interviews
were conducted and nine factors were identified by theme analysis: region, type, ownership, size, information processing structure, strategy, image, type of identity and strength of identity. The relationships between the nine factors were examined by quantitative survey and tested by regression analysis.

**Multiple Stakeholder Reputation Measures**

The measures reviewed thus far have been concerned with a single stakeholder’s view of a firm’s reputation, but all companies operate in a context where they have to satisfy the requirements of many stakeholders. If a company uses one name to identify itself corporately, others to label its products and perhaps still more to label different parts of its organization, it can perhaps have different images and identities for each. However, in many cases the corporate name is used in dealing with many stakeholders.

*Reputation quotient.* Having defined ‘reputation’ as a collective construct that describes the aggregate perception of multiple stakeholders about a company’s performance, Fombrun *et al.* (2000) developed the RQ (Reputation Quotient) model. Through several stages of pilot studies and focus groups, their finalized total of 20 items was factor analysed into six dimensions. Items were generated mainly from eight existing media rankings, including the *Fortune* AMAC, survey with some additional items from the image and reputation literatures. Interestingly, as shown in Table 3, some factors appeared to be similar to the factors in the *Fortune* study.

Fombrun *et al.* (2000) also further defined two second-order factors: Emotional (the first factor with three items) and Rational factors (the other five factors with 17 items). According to Fombrun *et al.* (2000), the ‘Emotional appeal’ factor differs from the *Fortune* approach, but it proved statistically weak and disappeared in their larger study of RQ. RQ

<table>
<thead>
<tr>
<th>Table 3. The factor similarity between the RQ and the <em>Fortune</em> AMAC Survey</th>
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</thead>
<tbody>
<tr>
<td><strong>RQ</strong>: 6 factors and 20 items</td>
</tr>
<tr>
<td>20 items</td>
</tr>
<tr>
<td>I have a good feeling about the company</td>
</tr>
<tr>
<td>I admire and respect the company</td>
</tr>
<tr>
<td>I trust this company</td>
</tr>
<tr>
<td>Stands behind its products and services</td>
</tr>
<tr>
<td>Develops innovative products and services</td>
</tr>
<tr>
<td>Offers high quality products and services</td>
</tr>
<tr>
<td>Offers products and services that are good value for money</td>
</tr>
<tr>
<td>Has excellent leadership</td>
</tr>
<tr>
<td>Has a clear vision for its future</td>
</tr>
<tr>
<td>Recognizes and takes advantage of market opportunities</td>
</tr>
<tr>
<td>Is well managed</td>
</tr>
<tr>
<td>Looks like a good company to work for</td>
</tr>
<tr>
<td>Looks like a company that would have good employees</td>
</tr>
<tr>
<td>Supports good causes</td>
</tr>
<tr>
<td>Is an environmentally responsible company</td>
</tr>
<tr>
<td>Maintains a high standard in the way it treats people</td>
</tr>
<tr>
<td>Has a strong record of profitability</td>
</tr>
<tr>
<td>Looks like a low risk investment</td>
</tr>
<tr>
<td>Tends to outperform its competitors</td>
</tr>
<tr>
<td>Looks like a company with strong prospects for future growth</td>
</tr>
</tbody>
</table>

has been widely used in the study of the relative reputation of companies.

The corporate character scale. A recent development that has aided the quantitative approach has been that of validated scales that evoke the personification metaphor for assessing corporate reputation. There are many metaphors that have been used consciously or unconsciously in the context of business: for instance, organization as machines (Morgan 1986), theatres (Manham and Overington 1983) or political arenas (Pfeffer 1981). Among many metaphors, personification is an obvious explanatory metaphor in this context, as it makes sense to most people, by allowing us to comprehend a wide variety of experiences with non-human entities in terms of human motivation, characteristics and activities (Davies and Chun 2003; Lakoff and Johnson 1980, 33–34). People and companies both have reputations and personalities, and personality descriptors are used to describe both individual and corporate reputation (Davies et al. 2001). Using the personification approach, Davies et al. (2003) developed the Corporate Character Scale, which can measure a firm’s reputation from both internal and external points of view simultaneously, and therefore measure any gaps between various stakeholders’ views of a firm (e.g. Chun and Davies 2006). The inventory asks respondents to assess the entity’s personality, using a similar test of personality to that used to measure human personality, by asking respondents to imagine the firm has ‘come to life’ as a human being. Table 4 lists the items used in the Davies et al. (2003) scale. The scale was validated using a large sample of over 4600 respondents, evenly split between customers and employees of 15 different organizations and a larger number of business units.

Here, personality is used as a measurement tool that can assess a firm’s reputation. One advantage of the Corporate Character Scale is that it is validated for the measurement of both image and identity, thus allowing for any interrelationship or gaps between the two to be measured.

### Linking Reputation to Performance: Key Intervening Variables

*Fortune’s annual AMAC survey is probably the most obvious source of linkages between reputation and financial performance. Many

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**Table 4. Seven dimensions of the corporate character scale**

<table>
<thead>
<tr>
<th>7 Factors</th>
<th>13 Facets</th>
<th>51 Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreeableness</td>
<td>Warmth, Empathy, Integrity</td>
<td>Cheerful, Pleasant, Open, Straightforward, Concerned, Reassuring, Supportive, Agreeable, Honest, Sincere, Socially responsible, Trustworthy</td>
</tr>
<tr>
<td>Competence</td>
<td>Conscientiousness, Drive, Technocracy</td>
<td>Reliable, Secure, Hardworking, Ambitious, Achievement-oriented, Leading, Technical, Corporate</td>
</tr>
<tr>
<td>Enterprise</td>
<td>Modernity, Adventure, Boldness</td>
<td>Cool, Trendy, Young, Imaginative, up to date, Exciting, Innovative, Extrovert, Daring</td>
</tr>
<tr>
<td>Chic</td>
<td>Elegance, Prestige, Snobby</td>
<td>Charming, Stylish, Elegant, Prestigious, Exclusive, Refined, Snobby, Elitist</td>
</tr>
<tr>
<td>Ruthlessness</td>
<td>Egotism, Dominance</td>
<td>Arrogant, Aggressive, Selfish, Inward-looking, Authoritarian, Controlling</td>
</tr>
<tr>
<td>Machismo</td>
<td>NA</td>
<td>Masculine, Tough, Rugged</td>
</tr>
<tr>
<td>Informality</td>
<td>NA</td>
<td>Casual, Simple, Easy-going</td>
</tr>
</tbody>
</table>

*Source: Davies et al. (2003).*
Corporate reputation: Meaning and measurement

Researchers who have suggested that reputation has a positive impact on profitability have relied heavily for their reputation measures upon the Fortune Rankings. For example, higher Fortune scores correlate with superior returns overall (Roberts and Dowling 1997; Vergin and Qoronfleh 1998). However, since financial performance is a major input to the Fortune rankings (Fryxell and Wang 1994), the measure is heavily influenced by a financial halo (Brown and Perry 1994). The links between reputation and financial performance may not be direct but may be influenced by other variables, such as gaps between image and identity, customer and employee satisfaction and loyalty. These intervening variables can be either antecedents or consequences of a firm’s reputation, which may lead to a good financial performance in the long term.

Customer Satisfaction, Loyalty and Profitability

A good brand or reputation stimulates purchase by simplifying decision procedures for customers. In the services marketing literature, the common link between reputation and satisfaction is perceived quality. A good reputation for high quality means more customers, fewer dissatisfied customers and profitability increases. Existing customers will provide positive word of mouth (Weigelt and Camerer 1988, 450). Anderson and Sullivan (1993) claim that ‘high customer satisfaction develops positive reputation’. In this case, reputation is seen as microeconomic consequences of satisfaction (Anderson and Fornell 1994, 253). Andreassen (1994) found that reputation is positively correlated with satisfaction and loyalty, but no relationship was found between satisfaction and loyalty. (Reputation was measured by asking 100 executives to rate their own company on six items: offering good services, having long-run perspectives, adjusting to the needs of customers, being inventive, having competence, and overall reputation). Andreassen and Lindestad (1998, 82) also found a relationship between relatively simple measures of satisfaction and reputation. However, despite the popular view that satisfaction links a firm’s reputation to profitability, the association of reputation, satisfaction and financial performance has not been empirically studied within the reputation domain. In particular, links between customer satisfaction and the image of an organization have been under-researched.

Employee Satisfaction and Retention

Forty-one per cent of CEO respondents agreed that good reputation leads to lower employee turnover (Winkleman 1999). While the role of customer contact employees and their interaction with customers are vital in a service business (Gremler and Gwinner 2000), and customer-contact employees treat customers in the way they are treated by management (Berkley and Gupta 1995), the frontline workforce, those with most customer contact, is the most cynical group among employees (Larkin and Larkin 1996, 96). Therefore, improving reputation can require changes to the very basic organizational activities such as the work practice of the frontline workforce (Dowling 1994). However, linking employee retention measures with their satisfaction and loyalty is contentious. Michaels and Spector (1982) suggest a possible causal link between job satisfaction and employee turnover. The length of employment can be regarded as a measure of employee loyalty (Loveman 1998, 23) but many other factors can influence employee turnover. Employees may leave a company because they get promoted, or for a 50% pay increase, job market opportunities or because their spouse moved for work. Leavers may have had a positive experience and recommend their former companies to friends as employers (Reichheld 1996, 99). In reality, it seems companies often do not try to keep their employees as long as they might by using early retirement schemes or layoffs to reduce staff. Most Fortune 500 corporations are suffering the effect of ‘layoff syndrome’, in which mistrust and anxiety replace feelings of loyalty and security (p. 93).
The interaction between customer and employees as part of the service on offer is likely to affect customer satisfaction, repeat business and enhance a firm’s reputation (Sergeant and Frenkel 2000, 19). Motivated employees stay with the company longer and get to know their customers better – which leads to still better service, builds still greater customer satisfaction, and further improves the relationship and the company results (Reichheld 1996, 46). Similarly, repeat customers tend to be pleased with the value they receive, and their satisfaction is a source of pride and energy for employees. The service outlet with the highest customer retention can have the best employee retention because happy employees give better service to the customer and create customer satisfaction and loyalty. The link between happy employees and happy customers is intuitively attractive and forms a key part of some models of organizational effectiveness (Heskett et al. 1994).

Conclusion

The constructs of corporate identity, image and reputation are often referred to in the literature but with varying views as to the meanings of each. I have tried to distinguish between what is generally meant by corporate reputation, and its key elements, image and identity. I emphasize what I see as the most useful approach to defining each construct: corporate reputation as an umbrella construct, referring to the cumulative impressions of internal and external stakeholders. I would argue that it is useful to distinguish between the three in this way, as ‘managing reputation’ can then be seen to refer to the overall activity in an organization, image as to the external view and identity as to the internal view, which may require different focii in terms of both academic discipline and commercial function. It is useful to differentiate between what I have labelled as reputation and image. The former is based upon wide experience. Image is more tractable, as people can have images of organizations they have had little experience with. Identity, as it concerns employees with actual experience, is also less tractable. However, if image and identity interact, changing image may require a change in identity.

Theory and anecdotal comment both claim that these three constructs (however defined) interrelate and have an impact upon other constructs of significance. I have reviewed measures of corporate reputation, image and identity and the emerging measures that aim to assess all three. I believe that a clearer and more widely agreed understanding of what the main constructs refer to and valid measures for each will open up what is a new discipline in academe. In particular, it is now possible to assess many of the claims made about the interrelationships between reputation and other variables, which will link to financial performance in the long term.

In summary, I believe it is useful to see corporate reputation as the summary view of the perceptions held by all relevant stakeholders of an organization, that is, what customers, employees, suppliers, managers, creditors, media and communities believe the organization stands for, and the associations they make with it. Image and identity can be usefully seen as the main components of reputation. Gaps between them can be undesirable but, for reputation to become a new line function in organizations, ways have to be found of managing both to ‘align’ them. Essentially, reputation management can be about managing what happens inside an organization to influence external perception.

Note

1 A good source for understanding corporate identity vs organizational identity can be found in the European Journal of Marketing special issue on ‘Corporate Identity and Corporate Marketing’ (Vol. 35, 2001); Academy of Management Review special topic forum on ‘Organizational Identity and Identification’ (Vol. 25, 2000); and Journal of Academy of Marketing Science special issue on ‘Corporate Branding, Identity, and Customer Response’ (forthcoming, Spring 2006). They represent various viewpoints of identity from the
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perspectives of marketing vs management; and European vs American.

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