GENERAL INTRODUCTION

Michael L. Barnett and Timothy G. Pollock

Introduction

As the survival and prosperity of the modern corporation become less a function of the physical resources it holds and more a function of its intangible assets and resources, corporate reputation has become increasingly central in both its theoretical importance and as an asset to be managed. Corporations must concern themselves with their reputations, as reputational degradation can carry with it loss of the tangible and intangible resources essential for prosperity and survival over time (Barney, 1991; Rhee and Valdez, 2009, Chapter 49 in volume III; Rindova and Martins, 2012). Likewise, society must concern itself with corporate reputation, as we rely on it to judge the characteristics, consistency, and stability of the firms that undergird our economy and contribute to, or detract from, our collective welfare over time. This is particularly true of companies participating in the "knowledge economy," as the quality of their products and services is difficult to ascertain, particularly at the point they are provided. The proliferation of reputational rankings in the business press (e.g., *Fortune*'s rankings of the Most Admired Corporations and Best Places to Work, the *Wall Street Journal/Harris Interactive*'s reputation ranking, and *Business Week*'s ranking of Most Innovative Companies, among others), the attention they garner, and the extent to which companies tout their rankings on these lists all illustrate the increasing importance of corporate reputation in markets, as well as in academic circles.

Despite its importance and centrality, corporate reputation is not well understood. Scholars have offered a variety of inconsistent definitions drawn from myriad theoretical and atheoretical bases (Lange, Lee, and Dai, 2011, Chapter 6 in volume I; Pfarrer, Pollock, and Rindova, 2010, Chapter 14 in volume I; Rindova, Williamson, Petkova, and Sever, 2005, Chapter 7 in volume I). As a consequence, there is a lack of consensus regarding how best to build, maintain, and regain corporate reputation; where corporate reputation resides; how to measure it; and how to differentiate it from other, related but distinct social constructs and intangible assets. Further, we frequently rely on reputational concerns to serve in lieu of formal government regulation to control a variety of socially and environmentally damaging corporate tendencies; indeed, advocates of free markets tout the important disciplining role reputation plays in shaping market behaviors. However, it is unclear how effective reputation is at conditioning corporate behavior. The world-wide meltdown in the global finance market and resultant battles over potential legislative remedies have brought this issue into stark relief. Because of the importance of these issues, the past 25 years have seen a rapid increase in research on corporate reputation attempting to address these topics.

Routledge asked us to curate a four-volume set of previously published articles that addresses these topics as part of their *Critical Perspectives On Business and Management* series. This collection brings together the distinctive perspectives of prominent scholars from a variety of disciplines – including organizational behavior, organizational theory, strategic management, marketing, finance, economics and sociology – in an attempt to bring some order to this broad topic and to focus and guide future research and debates. We have identified both foundational articles and state-of-the-art research in corporate reputation. This compendium is not intended to be exhaustive; rather, it collects in one place classic articles underpinning the major strands of corporate reputation research, review articles that attempt to summarize and make sense of key issues, and exemplar articles highlighting what we currently know and the issues on the frontier of corporate reputation research.

The structure of this collection

We have structured this collection around four themes, each with its own volume. Volume I, "Understanding Corporate Reputation" includes articles defining reputation; exploring its antecedents; how it creates value for firms; and differentiating reputation from similar but distinct constructs, such as legitimacy, status, celebrity and image. Volume II, "Measuring Corporate Reputation," explores the many ways scholars have measured reputation with varying degrees of success. Volume III, "Building, Maintaining and Repairing Corporate Reputation," focuses on managing reputation; in particular, how firms go about building and maintaining their reputations, as well as repairing damaged reputations. Volume IV, "Competing Based on Reputation," includes studies that explore how firms use their reputations to compete with other firms and the opportunities and limits of corporate reputation as a mechanism to regulate corporate behaviors and influence market and non-market performance. Below we provide more detail on the articles included in each of these volumes.

Volume I

Owing to its multi-disciplinary background, corporate reputation has been conceptualized in myriad ways – some similar, some conflicting. Volume I helps bring some order to the field by focusing on why reputation is important, defining the construct, and differentiating it theoretically from other, related constructs.

We open this volume with an overview from Fombrun and Van Riel (2004), Chapter 1, discussing the myriad roles that reputation plays and thus why it is important to understand what reputation is, where it comes from and how it is developed. We follow this article with two classic articles from economics that provide early economic arguments for the importance of reputation. In Chapter 2, Kreps and Wilson (1982) use game theoretic arguments to focus specifically on the "reputation effect" in environments with incomplete information, a condition that describes most real-world situations. In Chapter 3, Weigelt and Camerer (1988) offer an early review of the economics literature on reputation, succinctly summarizing the underlying conceptual arguments and then discussing reputation's strategic role in a variety of different contexts.

The next three chapters turn our attention to the thorny issue of defining corporate reputation. In their opening essay introducing the first issue of *Corporate Reputation Review*, Chapter 4, Fombrun and Van Riel (1997) review how five different literatures have defined and studied corporate reputation. In Chapter 5 Barnett, Jermier and Lafferty (2006) attempt to develop a more concise and useful definition of reputation. They conduct a lexical analysis of the literature and distinguish reputation from the related constructs identity and image, concluding that reputation should be defined as "observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time" (Barnett *et al.*, 2006, Chapter 5: 98). In Chapter 6, Lange, Lee, and Dai (2011) provide an updated literature review and focus on the multidimensionality of reputation; in particular, trying to reconcile between those who claim firms have a single, overall reputation and those who argue that firms have multiple reputations for specific things with different constituencies. They argue reputation is comprised of three dimensions: (1) being known; (2) being known for something; and (3) generalized favorability.

The next chapter, Chapter 7 by Rindova, Williamson, Petkova, and Sever (2005), also reviews the different definitions of reputation that have been offered, but it conducts an empirical test of its model, focusing on both the antecedents and consequences of reputation. Like Lange, Lee, and Dai, Rindova and colleagues treat reputation as multi-dimensional – in their case, the dimensions are (1) stakeholders' perceptions of the quality of the firm's outputs; and (2) the firm's prominence, or generalized awareness in the minds of stakeholders. Using survey data from 1,600 recruiters, they employed structural equation modeling to study how the quality of inputs and performance of students and faculty influence the two dimensions of reputation, and how reputation influences the compensation premiums paid to recent MBA graduates from the rated schools. They find that prominence and perceived quality were influenced by different antecedents, and that prominence mediated the relationship between perceived quality and the premium paid for MBAs from higher reputation schools.

The remaining chapters in Volume I all work on differentiating reputation from other, related constructs. The first three consider the differences between reputation and legitimacy. In Chapter 8, Deephouse and Carter (2005) argue that legitimacy and reputation differ in that legitimacy is based on comparisons to widely-held norms or taken-for-granted standards, whereas reputation is based on comparisons to other firms. They empirically distinguish between reputation and legitimacy based on how they respond to isomorphic pressures and firm financial performance. King and Whetten (2008) make a similar theoretical distinction in Chapter 9, but they draw on social identity theory to identify firms' peer groups, and the associated expectations that shape reputations for members of that group. They further argue that legitimacy is based on meeting the minimum standards of a social identity prototype, while reputation is based on comparisons to the ideal social identity prototype. In Chapter 10, Bitektine (2011) provides a bridge to the next set of articles by distinguishing between legitimacy, reputation, and status. While like the others he distinguishes the constructs based on underlying theoretical drivers, he contributes to the discussion by noting the different types of social judgments each construct facilitates, and the specific evaluator questions that they can answer.

The next three chapters in this volume focus specifically on the difference between reputation and status. These studies are all empirical, and consider how the relationship between status and reputation differs with respect to various kinds of outcomes – the primary empirical strategy that has been used to differentiate reputation from other, related constructs. Washington and Zajac (2005) argue in Chapter 11 that reputation is more closely aligned with economic notions of perceived quality, making it more useful for analyses of competitive outcomes, whereas status is the result of unearned ascriptions of social rank, which sociologists have focused on as the basis for organizational outcomes. They study invitations to the NCAA post-season basketball tournament, and show that schools from high-status conferences are more likely to be invited to the tournament regardless of their performance, that performance did not affect the likelihood of an invitation, and that competing against other high-status schools more frequently enhanced the likelihood of an invitation, while competing against lower-status schools decreased the likelihood of an invitation, again irrespective of how frequently they won or lost.

In Chapter 12, Jensen and Roy (2008) use the failure of Arthur Andersen in the wake of the Enron scandal to explore the role that reputation and status played in how Arthur Andersen's former clients chose new accounting firms. They found that status created the "consideration set" of firms the clients choose from, and that reputation for industry expertise and integrity within each status class influenced which firm was selected.

Like Washington and Zajac, Ertug and Castellucci (2013) also used basketball as their context, but in Chapter 13 they focused on the professional National Basketball Association rather than college teams. They explored the differences between reputation and status articulated by Washington and Zajac, and found that player reputations had a greater effect on product quality (how far a team goes in the playoffs) than status, while player status has a greater effect on firm revenues. Further, actual performance mediates the effects of reputation on revenues, while it does not mediate the effect of status on revenues. They also found that when firm performance is low relative to aspirations teams are more likely to sign high-reputation players, but that when revenues are low relative to aspirations, they are more likely to sign high-status players, even if their skills have started to erode. They also found that status attenuates the relationship between reputation and player salaries. Taken together, these three studies clearly articulate the theoretical differences between status and reputation, empirically demonstrating the different types of benefits each social approval asset can provide, and why.

The final three studies in this volume differentiate firm reputation from firm celebrity, identity and image. In the first study to operationalize the firm celebrity construct, Pfarrer, Pollock, and Rindova (2010) argue in Chapter 14 that each construct provides a different interpretive frame for assessing new information based on the different information processing modes associated with the assets. They use these differences to predict that firms possessing high reputations are less likely to experience earnings surprises because they need to demonstrate consistent performance, whereas celebrity firms are more likely to experience earnings surprises because they need to generate positive emotional responses from non-conforming actions. They also show that investors react more positively to positive earnings surprises by celebrity firms than high reputation firms, and that both high reputations and celebrity attenuate the effects of negative earnings surprises on a firm's stock price.

In Chapter 15, Whetten and Mackey (2002) theoretically distinguish between identity, image, and reputation. Using the social actor conception of identity (that an organization is a social actor in its own right), they argue that identity reflects what insiders see as most central, enduring and distinct about the organization; image is the identity-congruent messages the organization uses in its communications with outsiders; and reputation is the feedback from others regarding the credibility of this self-presentation. Thus, image and reputation are viewed as reciprocal constructs that facilitate the "self-management" process of an organization's identity. They also argue that identity provides the "backbone" for reputation, and that a structural flaw exists in reputation research, because reputations viewed from a social actor identity lens are about what makes a firm distinctive relative to others, but most empirical data collections focus on the similarities among firms. Gray and Balmer (1998) provide in Chapter 16 a practitioner-oriented guide for managing the image-reputation interchange. They focus in particular on how a firm's image, as constructed and deployed in different corporate communications, is likely to influence its reputation with stakeholders.

Volume II

Corporate reputation is an intangible asset and thus cannot be measured easily or directly. In Volume II we include a variety of studies that describe in detail the many ways that corporate reputation has been measured, and that critique the utility of these different measures. Although many of these studies also explore various theoretical questions associated with corporate reputation, just as empirical studies in other volumes develop and present measures of reputation, the chapters in this volume pay particular attention to issues of measurement.

The first three chapters in Volume II provide older and more recent reviews and critiques of reputation measures. In Chapter 17, Dowling (1988) discusses a variety of different qualitative and quantitative methods for measuring reputation, and critiques their appropriateness as a function of whether the attributes on which reputation is based are known or unknown and the purpose of the research (e.g., descriptive, exploratory or confirmatory). Wartick (2002) – providing a nice connection to Volume I – in Chapter 18 highlights the importance of definitional clarity to measurement and actively critiques the definitions of reputation used in prior research with respect to their clarity and measurability, as well as some of the most frequently used measures of reputation. In Chapter 19, Chun (2005) also leads with a discussion of construct definitions, distinguishing between reputation, image, and identity, and goes on to discuss and critique a variety of measures used to operationalize each construct. While these two articles have a number of overlaps, Wartick provides a more thorough discussion of the definitional issues with reputation, while Chun is a bit more expansive in her review of the various measures employed.

Probably the most frequently used measure of corporate reputation comes from *Fortune*'s annual ranking of the Most Admired Companies (FMAC). Since the 1980s, *Fortune* has been conducting an annual survey of executives and analysts in different industries and reporting the results. The long time trend for this measure, combined with its availability, has made it a favorite measure for reputation researchers. The next three chapters in Volume II all focus on this reputation measure. After an initial flurry of studies, in Chapter 20 Fryxell and Wang (1994) took a critical look at this measure and argued that it was largely driven by financial performance, so many of the studies using other dimensions of the FMAC survey were called into question. However, Brown and Perry (1994) (Chapter 21) and Roberts and Dowling (2002) (Chapter 22) both provide methods for separating the financial performance component of this measure from the other components, and show how it can be used to consider other dimensions of a firm's reputation. Subsequent studies cited elsewhere in this anthology also use this measure, and some employ these "financial halo" removal techniques.

The next seven studies in this volume develop and validate a variety of reputation scales for use in survey research. Whereas surveys such as the FMAC focus on firm reputations among executives and analysts, these studies focus on the reputational dimensions important to other stakeholder groups, such as customers and employees.

Brown and Dacin (1997) conducted lab and field experiments to assess how customers' perceptions of a company's ability (CA) and social responsibility (CSR) influenced both the firm's brand and assessments of their products (Chapter 23). They used seven-point Likert scales and asked respondents to rate firms on a variety of dimensions. In Chapter 24, Walsh and Beatty (2007) also focused on customer perceptions of reputation. They defined customer-based reputation as, "the customer's overall evaluation of a firm based on his or her reactions to the firm's goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities" (Walsh and Beatty, 2007, Chapter 24: 140), and develop and validate a scale comprised of five dimensions: customer orientation, good employer, financially strong company, product and service quality, and environmental responsibility. They provide a detailed explanation of how the items were developed and validated.

Rather than focusing on customers, Cable and Graham (2000) focus on identifying the reputational dimensions most important to potential employees (Chapter 25). They conducted a series of studies, beginning with a qualitative study employing verbal protocol analysis to identify relevant dimensions. The dimensions they identified are industry, opportunities for growth, organizational culture, profitability, and pay level. They then tested the validity of these dimensions using a policy capturing experiment and a field study. In Chapter 26, Davies and colleagues (2004) considered both customer and employee reputation in the context of services businesses, where they argued these perceptions would be intertwined. They used qualitative and quantitative methods to generate potential items and refine their list, which they tested in the survey. They identified five major dimensions (agreeableness, enterprise, competence, chic, and ruthlessness) and two minor dimensions (machismo and informality) that comprised their reputation measure.

The next two studies (Chapters 27 and 28) report the efforts of Charles Fombrun, Naomi Gardberg, and colleagues to develop two different measures of reputation that capture the perceptions of multiple stakeholder groups, and that are relevant in multiple countries. In their earlier study Fombrun, Gardberg and Sever (2000) develop the Reputation Quotient (RQ). The final, validated instrument covered six dimensions: emotional appeal, products and services, vision and leadership, workplace environment, social and environmental responsibility, and financial performance. They further found that emotional appeal loaded on a separate factor than the other five dimensions, and argued that reputation consists of two dimensions: emotional appeal (the first factor) and rational appeal (the other five dimensions). Ponzi, Fombrun, and Gardberg (2011) developed the RepTrak Pulse scale to facilitate cross-cultural research and disentangle the antecedents of reputation from reputation itself – a problem with many earlier measures, including the RQ. It was also developed as a short-form instrument, since other reputation measurement instruments sometimes run to 20 or more items. Their final instrument built on the findings of the earlier study that reputation is an emotion-based construct, and included four dimensions: company feeling, admire and respect, company confidence, and overall reputation. They validated this measure in a series of studies conducted with different stakeholder groups in different countries.

In Chapter 29, Sarstedt, Wilczynski, and Melewar (2013) conduct an analysis comparing the convergent and criterion validities of four different reputation measures, including three discussed here: the FMAC, the Reputation Quotient, and Walsh and Beatty's customer reputation measure. They found that three of the four measures (FMAC is the exception) have adequate convergent validity, but that only two – the RQ and a measure developed by Schwaiger (2004) – have adequate criterion validity. They also discussed the importance of specifying whether the measure is formative (i.e., the measures "create" the construct of interest) or reflective (i.e., the measures indicate, or reflect the presence of the construct of interest).

The preceding studies all developed scales for use in survey research. These measures offer the benefits of directly measuring stakeholder perceptions and providing greater measurement precision. However, they are also intrusive measures, and the questions themselves can affect individuals' responses. Further, they are costly to implement and are bound in time, making longitudinal research more difficult. The next three studies develop reputation measures based on archival data. While they lack the precision and direct measurement of the survey measures, these measures offer the advantages of being unobtrusive, relatively inexpensive to implement, and not bound by time; that is, researchers in current time periods can construct these measures for earlier time periods, making them useful for longitudinal research designs.

Deephouse (2000) argues in Chapter 30 that media accounts can be content-analyzed to assess a firm's reputation, and used the Janis-Fadner coefficient of imbalance (Janis and Fadner, 1965) to operationalize the relative favorability/unfavorability of a firm's coverage based on the positivity or negativity of the coverage, calling this measure the firm's "media reputation." It is worth noting, however, that Pfarrer and colleagues (2010) used this same measure to operationalize the emotional resonance component of firm celebrity. Karpoff, Lee, and Martin (2008) do not measure reputation directly in Chapter 31; instead they consider the reputational penalties associated with financial misrepresentation by predicting the expected decline in the present value of future cash flows, reflected in drops in the company's stock price.

Drawing on Rindova and colleagues' (2005) definition of reputation, in Chapter 32, Lee, Pollock, and Jin (2011) developed a multi-item index of venture capitalist (VC) reputation based on a variety of available measures: the average dollar amount of funds under management the previous five years, the average of the distinct number of investment funds under management the prior five years, the number of start-ups invested in during the prior five years, the total dollar amount invested in start-ups during the prior five years, the number of companies taken public in the prior five years, and VC firm age. These measures are standardized and added together to create a single index. These measures were time-varying in that they are rolling averages; each year the oldest year is dropped and the most recent year is added. To make them comparable across years, they were also standardized to a 100-point scale by scaling the index values using the highest index score for that year as the denominator. The initial measure covered a ten-year period (1990–1999), but the authors subsequently extended the measure through 2010 and made the data publicly available for research purposes at www.timothypollock.com/VC_reputation.

Volume III

In Volume III, we shift the focus to understanding how to manage this valuable asset, no matter how one chooses to define or measure it. Reputations need to be built, maintained, and if damaged, repaired. Firms' early behaviors and choices shape their reputations and limit their viable options in managing and strengthening existing reputations, as well as in rebuilding damaged reputations.

The foundation of reputation is awareness. To build a reputation, a firm must make others aware of its existence and achievements. So, how to gain awareness, especially in a crowded and noisy environment? Two leverage points identified in the literature that can help firms stand out are contests and the media. In Chapter 33, Rao (1994) notes that a firm can gain the competitive advantage of a favorable reputation by emerging victorious in certification contests, such as those that occurred in the early years of the automobile industry. First-place prizes in contests for fastest, most enduring, or most fuel-efficient car acted as "credentialing mechanisms that invest organizations with cognitive validity, create a status hierarchy, and build the reputations of organizations" (Rao, 1994, Chapter 33: 2). Victories in such contests were demonstrable displays of superiority over rivals. The importance of such displays to reputation building is not limited to automobiles. Gompers (1996) points out in Chapter 34 instances of "grandstanding" within the venture capital industry in which young venture capitalists attempt to win the race to IPO in order to build their reputation. Investors interpret the early IPO as a signal of the competence of the young venture capitalists, and so the burgeoning venture capitalist can gain reputation, though this reputational gain may come at the cost of poorer venture capital returns.

There are, of course, many firms competing in many ways to capture limited public attention. Most of the information that most people will be exposed to about a firm comes through media outlets. Which corporate activities do media outlets choose to cover, and in how much depth? Carroll and McCombs (2003) map out in Chapter 35 the ways in which the mass media's coverage decisions shape corporate reputation. They theorize about the agenda-setting role of the media and develop a set of propositions that note the correspondence between the content of media coverage about a given firm and how the public perceives that firm. Through case studies in Chapter 36, Rindova, Petkova, and Kotha (2007) further refine the agenda-setting role of the media by subdividing reputation into component parts and identifying the relationship between how firms behave, how the media responds, and how aspects of reputation develop. They relate firms' actions to the levels, content, tenor, and distinctiveness of the media coverage they receive, and thus show how firms shape the media coverage that then shapes their reputations.

As those of us in professional schools can attest, the media have become ever more influential on reputations through the publication of rankings. Sauder and

Lancaster (2006) show in Chapter 37 that the *US News & World Report* rankings of law schools had a significant influence on student application decisions. In fact, rankings from prominent magazines and newspapers are so influential that they can rattle insiders' perceptions of their own organizations and cause a change in how rated organizations behave. In Chapter 38, Elsbach and Kramer (1996) studied how members of a subset of elite business schools made sense of dissonant information published in the very first *Business Week* rankings of their schools. Martins (2005), in Chapter 39, looked at a broader sample of business school rankings and identified ways in which significant discrepancies between perceived identity and ranking produced not only reflection and sense-making, but also caused these schools to undertake organizational change. In Chapter 40, Espeland and Sauder (2007) explain the role of reactivity in creating a self-fulfilling prophecy within and around organizations in response to being evaluated by these rankings. Overall, the evidence is clear: rankings can have such a powerful influence on perceptions and actions that they promulgate the orderings they portend.

Rankings are especially influential in situations where the public has little or no direct knowledge of the various characteristics of the complex organizations they seek to compare and assess. Lacking other information, people rely on the insights of the intermediaries. But in many instances, people have had interactions with a given firm and may be aware of the firm's past actions. In Chapter 41, Raub and Weesie (1990) develop game-theoretic models that outline the reputational effects of variation in the degree to which individuals are informed of how partners behave toward third parties as a function of their network position. Thus, they provide perspective on how reputation is influenced by the degree to which observers are aware of the actions that one has taken, supporting Rindova and colleagues' (2005) contention that a firm's prominence mediates the influence of its quality and actions. If what happens in Vegas stays in Vegas, then one's non-Vegas reputation does not change, no matter what happens in Vegas – unless it's posted on Facebook.

In Chapter 42, Barnett (2007) further argues that the level of knowledge about a firm's past actions not only shapes how one perceives that firm in general; it also shapes how one makes sense of new actions the firm undertakes. Barnett (2007) outlines a conceptual model of the ways in which a stakeholder's knowledge of a firm's history of social responsibility determines how that stakeholder will respond to a firm's current socially responsible behaviors. However, as Barnett (2014) notes in Chapter 43, people have limited ability to attend to the various sources of information available about firms' actions, and so most firm behavior may simply go unnoticed by most people most of the time. Barnett (2014) develops a model that accounts for the personal and situational factors that influence how people notice, make sense of, and decide to act in response to the misdeeds of firms. This model demonstrates that firms' reputations are often unlikely to be tarnished by their misdeeds.

Given the various sources of information that shape perceptions of a firm, it is clearly a complicated task to manage a firm's reputation. In fact, firms need to concern themselves not only with their own behaviors but also with those of other, similar firms. Barnett and King (2008) in Chapter 44, introduce the notion that maintaining reputation can be viewed as a sort of "commons," and managing this commons requires cooperation among firms, or what Barnett (2006) terms "communal strategy" in Chapter 45. In effect, any firm of a certain type – say, a chemical firm, a nuclear power plant, an accounting firm – can do something that damages the reputation of the entire industry. Industries attempt to protect their shared reputation, and especially to rebuild a damaged reputation, through industry self-regulatory programs (Barnett and King, 2008, Chapter 44). Barnett (2006) builds a dynamic framework to describe how firms must balance individual competitive pressures with the need to safeguard industry reputation through communal strategy over time. In Chapter 46, Elsbach (1994) describes how this need to safeguard industry reputation played out in verbal accounts used by the California cattle industry in response to attacks on that industry. Zavyalova, Pfarrer, Reger, and Shapiro (2012) consider in Chapter 47 the effectiveness of the ways firms respond to product recalls. In their study of toy industry recalls, they find that all firms in the industry experience less positive media coverage when toy recalls are announced. If the firm is not responsible for the recall, then taking ceremonial actions (e.g., making charitable contributions) unrelated to product defects can attenuate the negative commons effect. However, if the firm is the one issuing the recall, ceremonial actions further decrease positive coverage. Technical actions that address the causes of the recall, however, can attenuate the effects of the recall on the tone of media coverage.

Of course, firms also do a great deal individually to repair damage to their reputations. Much of the work necessary to repair a damaged reputation is best undertaken prior to any threat occurring that might risk the firm's reputation. Firms that build up a favorable reputation possess a sort of buffer that fortifies them with resilience in the face of threats. Jones, Jones, and Little (2000) show in Chapter 48 that this reputational buffer protects firms from broad threats – downturns in the overall economy – not just damage from their own missteps. In Chapter 49, Rhee and Valdez (2009) develop a conceptual model that outlines the factors that make some firms more resilient than others when they err and are faced with a crisis that threatens them individually. Whatever a firm's reputation prior to a crisis, dialogue and transparency influence the speed and extent of its reputational recovery. Heugens, van Riel, and van den Bosch (2004) studied variation in the responses of firms to a general challenge against their industry in Chapter 50, and identified a set of reputation management capabilities grounded in stakeholder engagement. Fombrun and Rindova's (2000) case study of Shell in Chapter 51 illustrated that its transformation into a more expressive and transparent organization was key to its reputational recovery. Dukerich and Carter (2000) caution in Chapter 52, though, that members of a firm can misinterpret the nature of a reputational threat and so respond in inappropriate ways.

Volume IV

Whereas the articles in Volume III detail the difficulty inherent in building and maintaining a good reputation, the articles in Volume IV explain the competitive benefits of successfully doing so. This volume explores the opportunities and limits of corporate reputation as a mechanism to regulate corporate behaviors and influence market and non-market performance. The articles herein address how reputational concerns influence firm behavior, particularly in the context of corporate social responsibility; consider cross-country comparisons of the influence of reputational concerns as a regulatory mechanism; and discuss the limits of reputation as a regulatory mechanism at the firm and market levels. They also highlight the competitive outcomes associated with variations in corporate reputation.

Why bother with the difficult task of building and maintaining a good reputation? Studies have demonstrated a variety of benefits that accrue to firms with a good reputation. Fombrun, Gardberg, and Barnett (2000) detail in Chapter 53 the process by which well-reputed firms can garner resources on more favorable terms from a myriad of stakeholder groups. For example, Turban and Greening's (1997) study in Chapter 54 demonstrates that firms that have a favorable reputation based on acts of corporate social responsibility are more attractive to prospective employees. In Chapter 55, Dolinger, Golden, and Saxton's (1997) experiment suggests that firms are also more attractive to prospective joint venture partners if they have a good reputation. In Chapter 56, Gardberg and Fombrun (2006) theorize that being well-reputed as a good corporate citizen even facilitates a firm's expansion into new international markets.

However, it is costly to engage in the activities that build one's reputation, and it may take time before such investments are seen as credible by a firm's stakeholders. As a result, as Barnett and Salomon (2012) found in Chapter 57, the relationship between a firm's social performance and its financial performance can be described as curvilinear. Firms with a poor prior record of social responsibility are not believable when they first undertake socially responsible actions, so as they invest more in social responsibility financial performance declines. However, once they build a reputation for social responsibility, and so accrue ample amounts of what Barnett (2007) terms "stakeholder influence capacity," firms begin to profit from additional social investments – the relationship turns positive. Thus, firms at both the lowest and highest levels of social responsibility are more profitable than those at moderate levels. At the low end, firms do not suffer the costs of social investments; at the high end, firms reap the rewards. Those in the middle suffer the costs but are not yet credible enough to gain the full rewards. As a result, it "pays to be good" and it also "pays to be bad", but it does not pay to be stuck in the middle.

When firms do gain favor from their various stakeholders on the basis of their favorable reputation, they can outcompete and outperform their rivals. As supported by a survey of chief executive officers, Hall (1992) describes in Chapter 58 reputation as one of the key intangible assets that a firm possesses and a main driver of business success. In Chapter 59, Fombrun and Shanley (1990) explain that because reputation can produce the mobility barriers that sustain competitive advantage, firms fiercely compete for reputational standing. Rindova and Fombrun (1999) build on this notion in Chapter 60 by framing competitive advantage in terms of reputational dynamics, and by developing a model that views market competition as a sociocognitive process in which firms try to curry favor with stakeholders by influencing their perceptions of the firm. As Basdeo and colleagues (2006) note in Chapter 61, even the number and complexity of the strategic moves that firms undertake send signals to market participants and can shape firms' reputations. Interestingly, should a firm succeed in building a valuable reputation it can also accrue a liability. Rhee and Haunschild (2006) demonstrate in Chapter 62 that because more is expected of those firms with a good reputation, high-reputation firms will suffer larger losses when they err than firms with lower reputations. Simply put, firms who have built up a large reputational advantage have more to lose when it collapses.

Reputation is more important in some markets than others, though. In fact, without reputational mechanisms in place, as Akerlof (1970) famously argued in Chapter 63 via the example of used automobiles, some markets collapse. Carter and Manaster (1990) (Chapter 64) and Carter, Dark, and Singh (1998) (Chapter 65) consider how the reputation of a prestigious affiliate – the underwriter – can influence investors' perceptions of uncertainty about firms conducting initial public offerings (IPOs) and lead them to pay more for the stocks of companies led by high-reputation underwriters, reducing the amount of "underpricing," or the first day jump in stock prices most IPOs experience. IPOs that use prestigious underwriters also experience less long-term underperformance in the three years following the IPO, another well-known phenomenon associated with IPOs.

Realizing the importance of reputation to the competitive advantage of their firms and even survival of their industries, firms have been shown to alter their behaviors to gain and maintain reputation. In Chapter 66, Wilson (1985) mathematically modeled this process as a game to demonstrate how concern for reputation can influence firms' strategic moves. Pollock (2004) found in Chapter 67 that the inclusion of institutional investors with whom they had embedded relationships in their deal networks (the network of investors with whom underwriters place the initial allocations of stock in an IPO) influenced the amount of underpricing an IPO experienced. These embedded investors are important because they play a significant role in influencing an underwriter's reputation, as they are the ones that have the most direct experience with the underwriter. When demand for the IPO was low, the presence of embedded investors reduced the amount of underpricing the offering experienced; however, when demand was high, inclusion of embedded investors led to more underpricing, perhaps in an effort to "pay them back" for participating in the lower demand offerings. Deal network embeddedness also attenuated the negative relationship between underwriter reputation and underpricing identified by Carter and Manaster (1990).

In Chapter 68, Love and Kraatz (2009) also explored factors than can influence reputation change. They found that corporate downsizing negatively influenced corporate reputations, but also found that symbolic conformance and technical efficiency concerns moderated this relationship. Specifically, other firms downsizing, as well positive market reactions to downsizing, attenuated the negative effects of downsizing on a firm's reputation.

Many studies also show how reputation influences with whom firms choose to affiliate. Benjamin and Podolny (1999) show in Chapter 69 that wineries seek to gain status through their affiliation decisions. Finally, Dimov, Shepherd, and Sutcliffe (2007) show in Chapter 70 how venture capital firms factor reputational considerations into their investment decisions.

Future directions for corporate reputation research

This collection provides just a glimpse into the body of research on corporate reputation. While we have tried to balance the classic and current in selecting articles, inevitably the balance has tilted towards the former, as research continues to advance and new articles on corporate reputation are published daily. Further, there are a number of topics that have yet to receive much research attention. We have identified four broad areas that offer promise for future research on corporate reputation: (1) the construct validity of corporate reputation; (2) the cognitive processes underlying corporate reputation; (3) temporality and dynamism; and (4) process research.

Construct validity

Despite all the advances made in defining and measuring corporate reputation, definitional debates rage on, and scholars continue to identify, test and refine the dimensions of corporate reputation. One of the biggest debates centers on whether a firm has a single overall reputation, multiple reputations for different things with different audiences, or both. And if it is both, how do the different reputations with different audiences aggregate to create the overall reputation? Are they weighted? What determines which sub-reputation is given the most weight? These definitional issues are important for measuring reputation, because construct validity necessitates clear definitions that can be operationalized with empirical measures. These measures not only have to capture the theoretical relationship between corporate reputation and whatever antecedents or outcomes it is linked to; they also have to provide sufficient discriminant validity with related constructs, such as status, identity, image, legitimacy, celebrity and brand. Future research that can provide such distinctions will be theoretically and practically valuable.

Cognitive processes underlying reputation

More work is also needed to understand the cognitive processes underlying corporate reputation that allow it to create value for firms, and the relative influence of the perceptions and actions of those who have direct versus indirect experience with the focal firm. Research and theorizing in this area will be important for addressing some of the definitional issues discussed above. It will also be useful for increasing our understanding of how to create value and thus how to manage it more effectively, including how to build it when resources are few and experience is limited, as well as how to repair it when it is damaged. It will also help in differentiating reputation from other constructs (e.g., Ertug and Castellucci, 2013; Pfarrer *et al*., 2010; Washington and Zajac, 2005). In order to get inside audience members' heads, scholars will also need to broaden their methodological toolkits and develop research designs that incorporate methods such as lab experiments and policy capturing.

Temporality and dynamism

To date most research on corporate reputation has essentially been static. Limited attention (e.g., Rindova *et al*., 2007) has been given to how reputations evolve over time and the factors that can influence the dynamics of how reputation is formed and changes. Indeed, even research using multi-year samples has tended to employ them in pooled cross-sectional designs, rather than using longitudinal panel designs. As a consequence, relatively little corporate reputation theory has been developed that explicitly incorporates time and change. Future theorizing and empirical research needs to address the role of time and consider how and why firms have specific reputations in particular time periods, how and why reputations change and evolve over time, how the changes in the roles firms play affects their reputation, and how different macro-social factors influence corporate reputations and their effects in different historical periods.

Process research

Finally, while we have dedicated an entire volume of this collection to the ways through which corporate reputations are built, maintained and repaired, more work needs to be done to fully understand how to manage reputation effectively. To date, much of the process research on reputation has been qualitative – offering the benefits of thick description and inductive theorizing, but also limiting our ability to establish generalizability and precision of measurement. Most of the rest of process research has been purely theoretical. Going forward, research in this area needs to triangulate and employ other methodological approaches, such as field quasi-experiments (Grant and Wall, 2009) that systematically test the benefits and efficacy of different reputation management practices. Given the high level of interest in this issue among practitioners, the time may be right to forge relationships that allow this kind of research to be conducted, thereby enhancing the practical importance, as well as the theoretical rigor, of corporate reputation research in this area.

Conclusion

In this collection we have amassed research on reputation from a variety of disciplines and perspectives, outlined major topical areas important to reputation scholars and included foundational and exemplar articles in each area. We have also highlighted areas that future research should explore. We hope you find this collection and the insights it provides theoretically enriching and practically useful in guiding future research and practice.

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