

A REVIEW AND CRITIQUE ON THE RELATION BETWEEN CORPORATE REPUTATION, VALUE CREATION AND FIRM PERFORMANCE

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ABSTRACT

This paper reviews the literature from the field of corporate reputation, identifies the progress to date in attempts to relate corporate reputation to value creation and financial performance, and contributes to the extant body of knowledge by presenting several avenues for future research on the topic. Three main research questions drive this study: (a) Can reputations create value, and, if so, how? (b) How can corporate reputation be measured? and (c) Does good corporate reputation have a positive impact on financial performance, and, if so, to what extent? After thoroughly analyzing papers published in important journals that frequently discuss these topics, we suggest that there is a strong theoretical and empirical basis on which to conclude that good corporate reputation can be a source of competitive advantage and enhance a firm's performance, thus creating value (research question "a"). However, there is still a lot to be done to address measurement issues (research question "b"), and especially to assess the size of the effect that good corporate reputation has on financial results, and to find a methodology to calculate the economic value of corporate reputation based on the previously mentioned effect (research question "c"). Future research should address questions such as (1) Which corporate reputation dimensions and/or stakeholder groups are most relevant to economic performance? (2) Do the new multidimensional measures of reputation really provide more effective results compared to widely used rankings that assess the association between reputation and performance? (3) What is the size of the effect of good reputation on financial performance? and (4) What is the economic value of good reputation? Addressing these issues will make relevant contributions in the quest to understand the extent to which corporate reputations are important to organizations' success.

Keywords: Corporate reputation, Value creation, Firm performance

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RESUMO

Este trabalho revê a literatura na área de reputação corporativa, identifica o progresso feito até o momento nas tentativas de associar reputação corporativa à criação de valor e desempenho financeiro, e contribui para o conhecimento na área ao apresentar diversos caminhos para pesquisa futura neste assunto. Três principais questões de pesquisa guiam este estudo: (a) se e como reputação pode criar valor; (b) como medir reputação corporativa e (c) se e até que nível uma boa reputação corporativa tem um impacto positivo no desempenho financeiro. Após análise abrangente de artigos publicados em revistas científicas importantes que abordam estes temas, os resultados indicam que há uma forte base teórica e empírica para concluir que boa reputação corporativa pode ser uma fonte de vantagem competitiva e melhorar o desempenho das organizações, criando valor (questão de pesquisa “a”). No entanto, ainda há muito a ser feito para resolver as questões de mensuração do construto (questão de pesquisa “b”) e especialmente em identificar o tamanho do efeito de uma boa reputação corporativa nos resultados financeiros e na definição de uma metodologia para calcular o valor econômico da reputação corporativa com base neste efeito (questão de pesquisa “c”). Novas pesquisas devem responder a questões tais como (1) quais dimensões da reputação corporativa e grupos de stakeholders ou combinação de ambos são mais relevantes para o desempenho econômico; (2) se as novas medidas multidimensionais de reputação realmente oferecem resultados mais efetivos que os rankings habitualmente usados nos estudos de associação entre reputação e performance; (3) qual o tamanho do efeito de uma boa reputação corporativa nos resultados financeiros e (4) qual é o valor econômico de uma boa reputação. Respostas adequadas a esses questionamentos contribuirão de forma relevante na busca por compreender até que ponto reputação corporativa é importante para o sucesso de qualquer organização.

Palavras-chave: Reputação corporativa, Criação de valor, Desempenho das empresas

1 INTRODUCTION

During the last few decades, intangible assets have been considered an important factor in the pursuit of competitive advantage (Barney, 1991; Hall, 1993). Hall (1993) observes that CEOs consistently rank reputation as one of the most important intangible assets, and recommends that this issue should receive constant management attention. If one of the goals of academic research is to understand reality, scholars should also pay careful attention to reputation as a source of superior performance.

Fombrun and van Riel’s (1997) seminal work started a new era of reputation studies based on the Corporate Reputation Review and the identification of several key research problems related to the theme. Subsequently, they observe that the lack of research was partially due to a problem of definition, as corporate reputation was defined in different ways by different schools of thought (Fombrun and van Riel, 1997). Barnett, Jermier, and Lafferty (2006) observe that “in the period of 2001–2003, the average number of scholarly articles on corporate reputation more than doubled in frequency compared with the year 2000” (p. 27).

However, despite the increasing attention to the topic in the last decade, there are still various unresolved issues related to theory development and empirical evidence on the relation between reputation and performance. Although in extreme (positive or negative) cases the association between corporate reputation and value creation (or destruction) is quite obvious, things become trickier when we try to differentiate companies based on their reputations under normal circumstances. Problems

arise when there is a lack of consensus on the definition of corporate reputation, which therefore affects measurement parameters since it difficult to measure something that has not been exactly defined. This measurement problem goes hand in hand with an additional one: whether good corporate reputation does indeed bring better financial results. If we cannot define what good corporate reputation is, then we cannot measure its impact on financial performance.

To the authors' knowledge, no systematic literature review to date has focused on the specific question of the association between reputation, value creation and financial performance. The purpose and contribution of this review is thus to identify the progress made so far in attempts to relate corporate reputation to financial performance, and provide suggestions for future work, bearing in mind the complexity of the construct and the gaps in the literature. To this end, we begin by approaching the main discussions in the corporate reputation literature, in order to enlighten the debate on the financial side of reputation based on previous theoretical issues. We address three research questions: (a) Can reputations create value, and, if so, how? (b) How can corporate reputation be measured? and (c) Does good corporate reputation have a positive impact on financial performance, and, if so, to what extent?

This paper is organized as follows: section 2 discusses the various theoretical approaches and the definition of corporate reputation, section 3 engages with the debate on reputation, value creation and financial performance, and section 4 presents a discussion and avenues for future research.

2 WHAT IS CORPORATE REPUTATION?

2.1 Theoretical Perspectives

Corporate reputation is viewed from complementary perspectives by economists, strategists, sociologists, marketers and organization theorists (Fombrun & Van Riel, 1997). With this in mind, authors characterize the conceptual problem of reputation studies, which in turn limits theory development in the field. Walker (2010) observes that “numerous theories [have been] used in both the conceptual and empirical papers to examine corporate reputation” (p. 375), and identifies in particular the resource-based view (RBV), signaling theory, institutional theory, stakeholder theory, social identity theory, game theory, and transaction cost theory, among others. These are presented below, alongside our view based on the author's original perspectives.

Economic theory sees reputation as either signals or traits (Fombrun & Van Riel, 1997). An early study by Weigelt and Camerer (1988) reviews the application of game theory to studies in the field, and defines reputation as “a set of attributes ascribed to a firm, inferred from the firms' past actions” (p. 443). According to these authors, in game theory reputation consists of the perception others have of a player's value based on the player's choice of strategies. Game theory can be especially useful when studying corporate reputation as a dynamic construct based on a series of sequential strategic moves. Signaling theory sees reputation as a signaling process, in which firms' strategic choices work as signals sent to observers, who use these signals to form impressions about the firms (Basdeo, Smith, Grimm, Rindova, & Derfus, 2006, p. 1205).

Strategy theories see reputation as strategic resources that are able to assure competitive advantage through improving efficiency, by providing mobility barriers or differentiation. If we look at competitive advantage as coming from internal sources, RBV sees reputation as an intangible asset that can be valuable, rare, hard to imitate and subject to appropriate use when the right organization is put in place (Rao, 1994; Boyd, Bergh & Ketchen, 2010). On the other hand, if we look at competitive advantage as coming from external sources, transaction cost theory argues that

firms with better reputations tend to be trusted more, are not expected to behave opportunistically, and entail lower transaction costs when contracting with them due to the lower costs of screening potential partners and supervising the relationship (Boyd *et al.*, 2010; Castro, Mota, & Marnoto, 2009). In addition, if we look at Porter's (1980) analysis of generic strategies, good reputation is a key element of differentiation, as an organization that pursues this kind of strategy needs the public to know what makes its offer better than others in the market. Finally, under the same rationale of microeconomics applied to strategy (Porter's Five Forces model), reputation can constitute mobility barriers, as it can become part of the industry structure and is difficult to imitate and modify (Barney, 1991; Fombrun, 2005).

Business and society scholars adhere to the ethical view of reputation, seeing it as a representation of a company's ideologies and values. According to this view, it is important that strategies (and thus reputations) reflect what constituencies expect from firms, and that these stakeholders are involved in the process of strategy building (Gilbert, 2005). In this vein, corporate strategy should be a statement of ethical principle about human beings getting along to pursue worthy ambitions (Gilbert, 1995). This approach is particularly interesting when investigating the relation between corporate social responsibility and corporate reputation.

Marketers tend to see reputation as the result of companies' efforts to induce purchases and create loyalty (Fombrun, 2005). Reputation is often treated by marketers as synonymous of brand image or brand equity, and the focus is on the process of building this image through the use of various marketing tools, usually at the product/service level. Kotler (1991) refers to three types of branding strategies (which are useful for understanding the relation between product/service reputation and corporate reputation): (1) creating an individual brand for each product, without referring to the company; (2) ensuring all products refer to the company, in addition to their individual names; and (3) combining product and company names.

Sociologists call attention to the process of social construction implicit in reputations (Fombrun, 2005). In a world of incomplete information, the public has to interpret signals sent by firms and often relies on intermediaries to do so (Fombrun & Shanley, 1990; Rao, 1994). According to sociologists' logic, this is all part of a socio-cognitive process that has to be taken into consideration when studying reputation.

Organizational-study theories, such as institutional theory and stakeholder theory view reputation as being focused on the process of gaining legitimacy with actors in institutional environments. Rao (1994) observes that firms have to gain legitimacy and cultural support in their institutional contexts in order to build reputations. Stakeholder theory shows that a good reputation with key stakeholders is necessary to guarantee their support, which is essential for long-term success (Freeman & McVea, 2005).

While from one side "the large number of invoked theories speaks to the complexity and richness of corporate reputation", on the other "it certainly makes integration difficult and highlights the lack of a unifying conceptual framework" (Walker, 2010, p. 376). In an attempt to unify the various theories used to explain corporate reputation and make sense of their possible contributions to the field, Walker (2010) creates a framework focusing on the usefulness and adequacy of what he identifies as the three most-used perspectives in corporate reputation studies: (1) institutional theory; (2) signaling theory; and (3) RBV.

Figure 1 – Theories applied to reputation studies (Walker, 2010, p. 376)

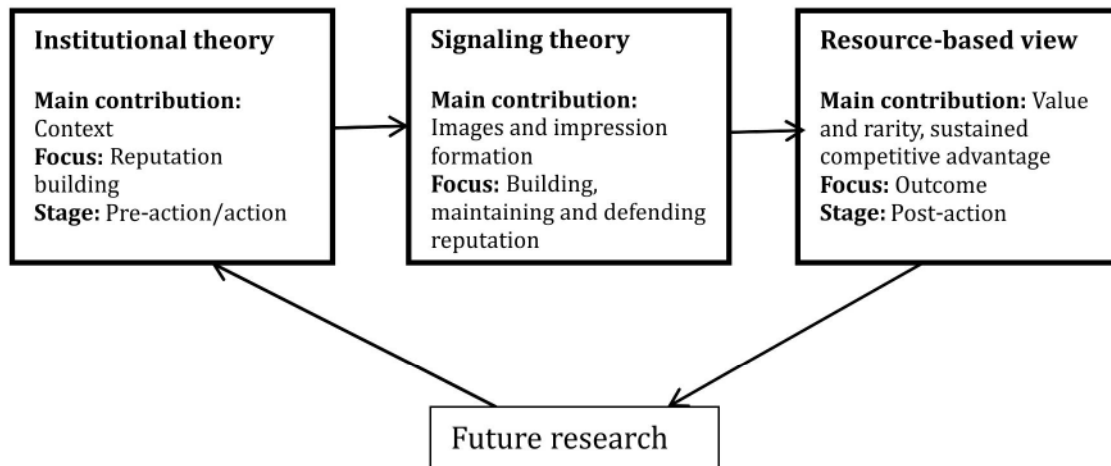


Figure 1 illustrates Walker’s (2010) framework. It shows that institutional theory is useful to set up the context of reputation studies, and is applied in the pre-action moment, with a focus on the process of building reputation. Signaling theory is to be used in the action context to understand how firms can build, maintain, and defend their reputation through an examination of the strategic signals sent by companies, and their interpretation by stakeholders. Finally, studies using RBV focus on the post-action stage – the outcomes of a strong reputation – and especially suggest that reputation is a valuable and rare resource that can lead to sustained competitive advantage.

The other theoretical views on reputation can also be classified according to Walker’s (2010) model of pre- and post-action. As highlighted in this review, the theories that are most useful to explain the relation between reputation and performance are strategy theories (both RBV and transaction cost theory, and also models oriented towards practice, such as Porter’s Five Forces and generic strategies) applied in the post-action context. As Walker (2010) observes with reference to his study: “of the three theories used most often in the sample, scholars who used RBV were the best at including all five attributes for both their definitions and measurements” (p. 378). He argues that this demonstrates how applicable RBV is to the study of reputation. The implications of both transaction cost theory and RBV for the study of reputation will be explored in more detail in section 6.

2.2 Definitions

Due to the various theoretical perspectives associated with the theme of corporate reputation, discrepancies in its definition are common. In 1997, Fombrun and Van Riel called attention to the fact that corporate reputation was understudied up to that point partially because of a problem of definition. Although corporate reputation can hardly be considered understudied nowadays, Barnett *et al.* (2006) observe “while interest in the concept of corporate reputation has gained momentum in the last few years, a precise and commonly agreed upon definition is still lacking” (p. 26).

A unified definition is essential in order to effectively and efficiently advance research on the topic (Barnett *et al.*, 2006). Fombrun (2005) approaches the issue by trying to reconcile several theories within one unique definition, as does Walker (2010) by proposing an evolving view that departs from Fombrun’s (1996) definition involving five features of reputation. Barnett *et al.* (2006) address the issue in a slightly different way, exploring concepts of reputation as asset, assessment and awareness. All studies mentioned above also pay attention to the question of how to differentiate the three interlinked, and often overlapping, concepts of corporate identity, image and reputation.

1.1.1 Asset, assessment, awareness

Barnett *et al.* (2006) review 49 different sources with definitions of corporate reputation, and classify these definitions into three clusters: reputation as a state of awareness, reputation as an assessment, and reputation as an asset.

Reputation as a state of awareness refers to papers that define reputation as perceptions that stakeholders have about a firm, where they have a general awareness about the organization but do not make a judgment (Balmer, 2001). Reputation as an assessment involves definitions which indicate that observers or stakeholders are involved in some form of appraisal of the status of a firm, and make a judgment, estimate or evaluation (Fombrun & Van Riel, 1997; Lewellyn, 2002). Finally, reputation as an asset incorporates definitions that refer to reputation as something that is of value and significance to the firm (Fombrun, 2005; Roberts & Dowling, 2002).

Table 1 Awareness, assessment, asset

Perspective	Description	Authors
Awareness	Reputation is merely a perception that stakeholders have about a firm, without involving judgment	Balmer, 2001
Assessment	Reputation consists of collective judgments that stakeholders make about a corporation	Lewellyn, 2002; Barnett <i>et al.</i> , 2006; Walker, 2010
Asset	Reputation is valuable and significant to the firm	Roberts & Dowling, 2002; Fombrun, 2005

Barnett *et al.* (2006) propose that reputation 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” (p. 34). Unsurprisingly, these authors conclude that “in order to construct a more focused definitional statement of corporate reputation, (...) it is the right time to move away from awareness-based definitions to one that emphasizes the language of assessment” (p. 36).

It is logical that awareness-based definitions do not capture the whole importance of reputations, but are assessment-based concepts sufficient? In terms of measuring reputation, such theoretical constructs are likely to be adequate, but when trying to relate reputation to performance, or to financially measure the value of a good reputation, it is necessary to go further. Barnett *et al.* (2006) state that “definitions that frame reputation as awareness or as an assessment do not capture the idea that a firm’s reputation has real value” (p. 33), although they also observe that “this way of referring to the term is more consistent with the idea of the consequences of reputation rather than with defining reputation itself” (p. 33).

However, even if assessment-based definitions are more adequate to properly theoretically characterize corporate reputation, assessments cannot be made unless they are preceded by a state of awareness; nor will they have any importance for organizations unless reputation is understood as an asset. Most assessment-based definitions already incorporate (implicitly or explicitly) the state of awareness, although they do not capture the asset element. Therefore, we argue that it is necessary to merge these views in order to reach a more accurate and useful perspective.

1.1.2 Towards an integrated view

Fombrun (1996) defines corporate reputation as “a perceptual representation of a company’s past actions and future prospects that describes the firm’s overall appeal to all of its key constituents when compared with other leading rivals” (p. 72). Fombrun’s (1996) is the first study to systematically define corporate reputation, and although his above-mentioned early definition has evolved, its original version remains the most cited, according to Walker (2010). Walker (2010) observes that three important attributes are ascribed to corporate reputation in this definition: (1) it is based on perceptions; (2) it is the aggregate perception of all stakeholders; and (3) it is comparative. Furthermore, Walker (2010) identifies two other attributes that are incorporated by the literature following Fombrun’s (1996) definition (4) reputation can be positive or negative; and (5) it is stable and enduring.

Thus, based on Fombrun (1996) and the subsequent academic discussion, Walker (2010) defines corporate reputation as “a relatively stable, issue-specific aggregate perceptual representation of a company’s past actions and future prospects compared against some standard” (p. 370). This interesting, straightforward definition covers different aspects of reputation, although, like Barnett *et al.* (2006), it reduces the importance of the “asset” aspect.

Fombrun (2005) also tries to modify his original definition along similar lines, asserting that “reputations are subjective, collective assessments of firms, with the following characteristics” (p. 293):

- Economic assets (signal observers about attractiveness of offerings and initiatives);
- Derivative, second-order characteristics of a social system;
- Developed from previous resource allocations, and constitute mobility barriers;
- Assessments of past performance by diverse evaluators;
- Signals of the overall attractiveness of firms’ external image;
- The embodiment of multiple judgments of firms’ effectiveness at delivering value;
- Crystallized forms of strategic and expressive efforts to communicate identity and core purpose to resource providers.

Therefore, Fombrun (2005) created the following definition:

A corporate reputation is a collective representation of a company’s past actions and future prospects that describes how key resource providers interpret a company’s initiatives and assess its ability to deliver valued outcomes (p. 293).

Unlike Barnett *et al.*’s (2006) and Walker’s (2010) definitions, the “asset aspect” of reputation is taken into consideration in Fombrun’s (2005) approach, as he specifically mentions “its ability to deliver valued outcomes” (p. 293). This definition indeed accounts for the various aspects of reputation, and represents a promising departure for more unified theory development in the field

1.1.3 Identity, image and reputation

Another important feature in the definition of reputation is to clarify what is not included in the concept of reputation, given that identity, image and reputation are often used interchangeably, as observed by Barnett *et al.* (2006). The most common criteria to differentiate these concepts relate to which group of stakeholders the definition refers, to and also whether it refers to actual or desired perception.

Using the above-mentioned criteria, the literature contains at least three ways to solve this issue (Table 2). Some authors differentiate the constructs based on what an organization really is and what it is seen to be. For instance, Barnett *et al.* (2006) define identity as “the central or basic character

of the firm (...) what the firm really is”, whereas image is the “observer’s general impression of a corporation’s distinct collection of symbols, whether that observer is internal or external to the firm” (pp. 33–34). In this view, reputation refers to the judgments made by observers about a firm, and are thus more linked to image. The transition between identity and image is the objective of organizational processes such as public relations and marketing, which are driven to direct the impressions observers have about a corporation.

Table 2 Identity, image and reputation

View	Concepts	Authors
(1) Culture/Character x Impression/Perception	<p>Identity – Central and basic character of the firm</p> <p>Image – Internal or external observers’ general impression</p> <p>Reputation – Observers’ general judgment, highly linked to image</p>	Barnett <i>et al.</i> , 2006
(2) Static x Dynamic	<p>Identity – Attributes that distinguish an organization</p> <p>Image – Perception about this organization at a certain point in time (static and short-term)</p> <p>Reputation – Perception about an organization over time (dynamic and long-term)</p>	Balmer & Greyser, 2002, 2006; Roberts & Dowling, 2002
(3) Internal x External (Stakeholders)	<p>Identity – (Desired?) perception of internal stakeholders</p> <p>Image – (Desired?) perception of external stakeholders</p> <p>Reputation – Aggregation of actual identity and actual image in a collective representation</p>	Fombrun & Van Riel, 1997; Davies, Chun & Silva, 2001; Lewellyn, 2002

Like Barnett *et al.* (2006), Balmer and Greyser (2006) define identity as the mix of attributes that distinguishes an entity and image in terms of the perception held by an individual, group or groups about the organization at a certain point in time. However, they provide a different view of reputation, defining it as this perception (image) over time, and thus arguing implicitly for the static nature of image and the dynamic nature of reputation. In the same line, Rindova (1997) argues that “reputations are relatively stable and enduring and (...) distilled over time from multiple images” (p. 189), a view also followed by Roberts and Dowling (2002), who emphasize that building a reputation takes time, whereas an image can be obtained relatively quickly.

Fombrun and Van Riel (1997) define identity as the perceptions managers and employees (internal stakeholders) have about a company, while image is defined by the authors as the perceptions held by external stakeholders. Reputation would thus be the aggregation of image and identity in a collective representation (in the same line as Davies *et al.*, 2001). Lewellyn (2002) agrees with differentiating identity and image based on groups of stakeholders, but defines identity and image as desired, and therefore not actual perceptions of internal and external stakeholders, respectively, while reputation is the actual perception held by both categories of constituencies.

In his recent literature review on corporate reputation, Walker (2010) attempts to summarize the prevailing view in the literature regarding the differentiation between identity, image and reputation, which, according to the author, can be summarized by the prevailing question for each of these dimensions: (1) “Who/what do we believe we are?” (identity); (2) “Who/what do we want others to think we are?” (image), (3) and “What are we seen to be?” (reputation) (p. 367). These questions lead us to a definition based on both stakeholders and actual/desired perception, where identity refers to internal stakeholders and is actual, while image refers to desired perception by external stakeholders; in turn, reputation is actual and also refers to external stakeholders. Walker’s (2010) summarized

definitions of these elements are useful for future studies that focus on the relation between corporate reputation and performance, in the sense that the borders are fairly clear and the constructs are possible to measure, although not without difficulties and some controversy.

If we understand research as a collective construction, a more unified understanding of these concepts could be useful to bring about better results in future research. However, more important than any unified understanding of these definitions is an awareness that when discussing corporate reputation, identity and image, researchers might be talking about different things despite using the same terminology, or vice versa. In this sense, works focusing on corporate reputation and performance have to be aware of this discussion, and take part in it by making clear which definitions are adopted so that studies can be properly compared and assessed.

3 REPUTATION AND VALUE CREATION

3.1 Building a Reputation and Competing in Reputational Markets

In order to understand how reputations can create value, it is relevant to take some notes on the process of building a reputation and the nature of competition in “reputational markets”. Although this is not a central topic in the present review, some aspects of the process will be briefly covered here.

Fombrun (2005) argues that reputations are developed through three social processes: (1) shaping, (2) refraction, and (3) assessment. Shaping is the process through which a company makes strategic efforts in order to build its reputation. In this sense, there are four main relationships – (1) customer relations, (2) investor relations, (3) employee relations, (4) community relations – and two additional relationships (5) government relations, and (6) public/media relations. All of these relations are intended to project an idea about the organization. If we adopt Walker’s (2010) definition of the constructs, these relations intend to reinforce (or change) identity (through employee relations) and also to turn image (desired perception by others) into reputation (real perception by others).

The refraction process refers to interpretations of these efforts by intermediaries such as business media, inter-firm networks, and specialized monitors. Here, we can observe that the authors bring new players to the arena – that is, intermediaries, whose role is to interpret and spread information. Therefore, intermediaries do not simply buy an image; they help to build it and are decisive in the process of turning it into a reputation.

Finally, the assessment process is related to judgments made by the general public and comparisons of a company’s reputation with that of competitors. Reputation is assessed by individual decision makers. “Diversity among evaluators fosters a divergence of opinions and images, and so weakens reputations” (Fombrun, 2005, p. 300). On the other hand,

A reputation crystallizes the degree to which a firm has developed convergent and overlapping external images and evaluations. The greater the number of constituent groups whose demands a firm satisfies, and the more convergent the images a firm presents to those different groups, the stronger its ascribed reputation is likely to be (Fombrun, 2005, p. 301).

It is important to remember that Fombrun (2005) defines image as real perception by external stakeholders, and reputation as the collective aggregation of perceptions of external and internal stakeholders. Therefore, for him, reputation-building is related to unifying the perceptions different stakeholders have about an organization.

The assessment process entails comparing these more or less “unified” reputations; after all,

the very meaning of an organization's reputation is related to what it is in comparison to benchmarks, and the first benchmarks are usually the company's closest competitors. In order to explain the logic behind the competition for a good reputation, Fombrun (2005) refers to the paper "Economics of superstars" by Rosen (1981). In this work, Rosen (1981) observes that disproportionate returns are given to few "winners" in many markets, from arts to sports, and argues that the reason for this discrepancy is the human tendency to reward based on relative, and not absolute, performance. This applies perfectly to reputation markets: indeed, Frank and Cook (1996) affirm that reputational markets can be characterized as "winner takes all" environments in which exaggerated rewards accrue to companies that develop even marginally better reputations compared to their rivals; thus, few companies come out on top, and most lose. Frank and Cook (1996) observe that, across a variety of markets, the number one player is overvalued in relation to its rivals, which provides it with the conditions in which to amplify its leadership through acquisitions. This is especially relevant, and has to be taken into consideration in studies that attempt to economically value reputation, and to link it with financial performance.

Perhaps a good research issue in times of globalization is to consider which other organizations a company's reputation is assessed against. As mentioned above, the most obvious candidates would be direct competitors in the same sector, but all other firms in the same sector might also be considered competitors regardless of region, or even other firms in the same region, regardless of the sector they compete in. Researchers should take a closer look at this issue in order to provide a better picture of competition in reputational markets, which will certainly be useful in defining the impact good reputation has on financial performance.

3.2 Measurement Issues

Although our initial intuition might suggest otherwise, reputation is not an easy variable to accurately measure. There are several unresolved issues related to reputation measurement (Fombrun, 2005). Probably the most known measures are the reputation rankings released by various institutions and publications. Indeed, Walker (2010) observes that most of the empirical studies in the field have used *Fortune* magazine's Most Admired Companies ranking as a measurement method. Its popularity may lie in the fact that the rankings are widely and publicly available, and ready to be used. As an example of this availability, Fombrun (2007) identifies 183 reputation rankings in 35 different countries.

However, a key issue related to these measures is that they usually entail methodological deficiencies. Some are arbitrarily performed by expert panels (i.e., are not replicable), whereas others are carried out using private information (and thus are unverifiable) (Fombrun, 2005). Besides not being replicable, a panel of experts can hardly reflect the diversity of perceptions of key stakeholder groups of any organization. Measures carried out using private information are subject to all kinds of bias, and are not verifiable; thus, they are not much better than an arbitrary selection by the researcher of which companies (s)he "believes" has a better reputation. Measures that fall into either of these categories cannot be used as a basis for the progress of scientific knowledge in this field.

Furthermore, an issue of "financial bias" is often alleged, as *Fortune*'s list using data obtained only from directors, managers and financial analysts. This reflects a general tendency to overemphasize perceptions from the specific groups under scrutiny. In addition, rankings that simply rely on general public polls are questionable, given that it is hard to aggregate all dimensions of reputation in just one general opinion from a random person (Fombrun, Gardberg & Sever, 1999). Thus, although some rankings are verifiable and replicable, they tend to give disproportionate importance to few stakeholders, resulting in a biased perception as other key stakeholders are excluded from the analysis.

Walker (2010) argues that any good measurement method of corporate reputation should be linked to the five features of the definition of the construct outlined in section 2. Therefore, according to the author:

- (1) Measurement should examine perceived reputation and not factual representation: reputation is not objective and should be measured as perceptions by stakeholders, although the relation between objective measures and perceptions is a good research avenue;
- (2) Corporate reputation is an “issue-specific”, “aggregate perception”: it is of utmost importance to take into consideration the different dimensions of reputation and various groups of stakeholders, and even the differences within those groups, when assessing a corporate reputation;
- (3) The comparative nature of corporate reputation should not be limited to other firms: researchers can also compare a firm’s reputation with its prior reputation, industry reputation and so on;
- (4) Measures of corporate reputation should permit the construct to be positive or negative: a measure that allows for both positive and negative reputations should give more insight than scales that only permit positive evaluations or rankings;
- (5) Corporate reputation is relatively stable and enduring: despite the fact that longitudinal studies are generally accepted as stronger than cross-sectional works, in the case of corporate reputation cross-sectional work has stronger credibility than in other fields, as reputations are enduring.

From the criteria established by Walker (2010), publicly available rankings fail to fulfill the second and fourth requisites. The issue with the fourth requisite is easy to resolve, and makes a large contribution to this ranking scheme. Indeed, stakeholders assess within their minds not only most admired companies, but also the most hated companies. Thus, this negative assessment has to be incorporated through credible reputation measures, which should allow interviewees to negatively rate firms’ reputations, or some of its dimensions. Fulfilling this criterion will lead to a comparison not only between reputations of “winners” and “all the rest”, but to “winners”, “neutral” and “losers”, in terms of corporate reputation. This will help researchers and managers to understand the causes and economic implications of positive and negative reputations.

On the other hand, the second criterion is harder to meet. Indeed, Fombrun (1998) draws two important conclusions: there are “multiple stakeholders whose assessments aggregate into collective judgment” (p. 338) and “there are different but overlapping financial and social criteria according to which stakeholders judge companies” (p. 338); thus, a true measure of corporate reputation “can only result from sampling a representative set of stakeholders on a conceptually relevant set of criteria” (p. 338). In an attempt to overcome the problems with previous methodologies, Fombrun *et al.* (1999) use pilot tests and focus-group methods to identify attributes according to which people justify their feelings towards a company, ending up with a list of 20 attributes that can be classified into six different dimensions of corporate reputation. Fombrun *et al.* (1999) then create an index comprising the six dimensions, which they call the Reputation Quotient (RQ). The RQ index has been further developed and turned into a tool called RepTrak (Fombrun, 2006), which measures the degree of admiration, trust, good feeling and overall esteem that stakeholders hold for an organization, and encompasses the following seven dimensions:

OVERALL ESTEEM:

- (1) Performance: profitable, high-performing, strong growth prospects;
- (2) Products/services: high quality, value for money, stands behind, meets customer needs;

ADMIRATION

- (3) Innovation: innovative, first to market, adapts quickly to change;
- (4) Workplace: rewards employees fairly, ensures employee well-being, offers equal opportunities;

GOOD FEELING

- (5) Leadership: well organized, appealing leader, excellent management, clear vision for the future;
- (6) Citizenship: environmentally responsible, supports good causes, has a positive influence on society;

TRUST

- (7) Governance: open and transparent, behaves ethically, fair in the way it does business.

Fombrun's RepTrak is a step forward in the attempt to capture the various dimensions of corporate reputation (Fombrun, 2006). However, progress still needs to be made, and the issue of measurement is subject to wide discussion in the literature. Fombrun (2005) himself states that the index has to be tested cross-culturally, and also assessed against alternative measures in order to strengthen its underpinnings. Furthermore, even though RepTrak addresses part of Walker's (2010) second requisite, it still fails to respond to the issue of how to use it with different stakeholder groups, and how to aggregate these perceptions. Different groups of stakeholders give different weights to each dimension: an investor, for instance, is probably more concerned with performance and governance than with workplace conditions, whereas customers probably put more weight on products/services, and employees surely care most about workplace and leadership. Thus, it is an open question for future research to define which combinations of dimensions and stakeholder groups are key to an overall good reputation, since it is not a matter of simply using the same instrument with various groups and averaging perceptions. In addition, RepTrak can be used by researchers to compare, within the same company, the different assessments given for each dimension by the various stakeholder groups, and analyze the evolution of these perceptions across time. These can then be associated with objective measures, such as investment in corporate social responsibility and financial performance.

Finally, despite the relevance assigned by academics to the issue of measuring reputation, Schultz, Mouritsen and Gabrielsen (2001) argue that reputation is a difficult characteristic to change over time, despite ranking criteria and fragile statistical methods, and the ongoing development of complex methods of measurement becomes "more of the same", as they are bound to yield similar results. Their argument also represents a possible opportunity for research, as new techniques have emerged since their work, and it would be an interesting challenge to test his hypothesis by comparing the results provided by more complex measures (such as RepTrak) with the more widely available and commonly used rankings.

3.3 Theories of Strategy, Reputation and Value Creation

How does a good reputation create value? It has been observed in this paper that two prominent theories related to strategy (RBV and TCE) might provide support for the idea that reputation can drive superior performance.

Most of the empirical studies which assume that reputation creates value are based on the RBV of the firm (Roberts & Dowling, 2002; Boyd *et al.*, 2010). RBV defines resources as the "tangible and intangible assets firms use to conceive of and implement their strategies" (Barney & Akiran, 2005, p. 138). According to this theory, firms compete for resources in strategic factor markets, and can gain temporary or permanent economic rents if they are capable of acquiring and controlling resources that are valuable, rare and hard to imitate, and if they are organized to properly exploit these resources (VRIO framework) to develop and implement strategies (Barney, 1991; Barney & Akiran, 2005).

In this model, a resource is valuable when it increases the economic value through net cost reduction or net revenue growth. It is rare for demand to outstrip supply, and the number of firms that

possess such resources is lower than the number required to generate perfect competition. A resource is non-substitutable or hard to imitate when it can be uniquely used to develop a certain strategy, in a one-to-one perfect match between a specific resource and a specific strategy. Finally, a firm is organized to exploit such a resource when its structure and processes allow the resource to be used in strategy development and implementation (Barney & Akiran, 2005).

RBV sees reputation as an intangible resource. Reputation value is derived from interconnections that can drive competitive advantage and performance superiority (Barney, 1991; Boyd *et al.*, 2010). Since the underlying determinants of reputation are complex, it becomes difficult to replicate (Roberts & Dowling, 2002; Boyd *et al.*, 2010). A good reputation is also rare, taking into consideration that reputational markets are comparative and characterized by the “winner takes all” paradigm (Rosen, 1981; Frank & Cook, 1996), making it impossible for many companies to share this same resource at the same time. Finally, if a firm has the necessary level of awareness about its resources, and strong enough organization to exploit it wisely, reputation can be used to achieve superior performance in various ways, such as charging premium prices and increasing sales, reducing costs via marketing to attract new customers, or building strategic alliances with suppliers, large clients, and even competitors.

One of the key assumptions of RBV is that firms operate in competitive markets in which attracting financial and human resources is a constant challenge (Barney, 1991). Fombrun (2005) enumerates four key resource providers: employees, customers, investors and communities. Securing attractive perceptions from these providers is crucial if a company is to build and sustain competitive advantage (Rindova & Fombrun 1999). Fombrun (2005) provides a good example of how RBV is applied to reputation studies, in order to show how the resource can be a source of competitive advantage. The author builds a “value cycle” to explain how reputations create value, based on the assumptions that good reputation:

- Improves a company’s ability to recruit top people to its jobs, making it an “employer of choice”;
- Draws customers to the company’s products and enhances repeat purchases, making it a “supplier of choice”;
- Makes the company a neighbor of choice and so makes it a better candidate for favorable treatment by the media and by local authorities;
- Helps a company to become an “investment of choice”, thereby enhancing its ability to attract capital at lower cost compared to its rivals, and generating a price premium for company’s shares.

The author emphasizes that “the intrinsic economic value of a corporate reputation therefore lies in a company’s ability to launch strategic initiatives that induce ‘supportive behaviors’ from key resource-holders such as employees, customers, communities and investors” (Fombrun, 2005, p. 295). Thus, reputation is not only in itself an intangible key resource that is able to generate competitive advantage, but also a resource that can attract other “VRIO” resources.

TCE (Coase, 1937; 1960) is another theoretical model that can be useful to explain how reputations create value. A transaction cost is incurred during an exchange. Coase (1937) sees firms and markets as “alternative methods of coordinating production” (p. 388). A firm is an efficient arrangement when it is capable of reproducing internally the conditions of a competitive market to enable production at lower cost than the actual market (Coase, 1937). Thus, a firm can gain and create more economic value if it is more efficient than others in coordinating its “internal market” and reducing transaction costs.

TCE is much less used than RBV in reputation studies. Walker’s (2010) literature review identifies only one paper related to reputation that uses this theory: that of Dranove and Shanley (1995). However, the model can also provide a theoretical background for the relation between reputation and economic performance, and give interesting insights for research in the field. Boyd *et*

al. (2010), observe that reputation has a central role in TCE, and identify at least two ways through which reputation can increase performance by lowering the costs of any given transaction:

- A good reputation reduces the incentive for a firm to behave opportunistically, thus reducing the costs associated with partner search and selection;
- The transaction costs associated with negotiating, drafting and enforcing contracts are reduced for partners with better reputations, as they are likely to be trusted more.

As examples, Mathewson and Winter (1985) observe that franchisors' capabilities of building and maintaining a good reputation are important in the process of mobilizing new franchisees and Castro *et al.* (2009) remark that "franchisors' investment in their present and past relationships may develop their indirect capabilities through the effect on reputation" (p. 26), which may in turn reduce the costs of negotiating, coordinating and teaching franchisees. Bergh *et al.* (2010) further suggest that reputation can be integrated into the TCE logic to predict corporate-level decisions about partner selection in actions such as vertical integration, alliances, acquisitions and down-scoping. Moreover, they argue that an integration of ideas from TCE and the RBV of the firm are needed to further develop understanding of how firms attain and sustain reputational advantages.

In his systematic review of the literature on corporate reputation, Walker (2010) identifies several ways in which reputation can create value, by lowering firm costs; enabling firms to charge premium prices; attracting applicants, investors and customers; increasing profitability; creating competitive barriers; and increasing the likelihood that stakeholders will contract with the firm.

3.4 Reputation and Its Effect on Performance and Market Value - A Brief Summary of Recent Empirical Work

"How resilient are reputations, how sound an investment, how much of an asset? To identify the effects of reputation on mobility, competitiveness and ultimately, on performance, is a formidable and potentially rewarding research challenge" (Fombrun & Shanley, 1990, p. 255). Since this early call for more research in the field of reputation and performance, lots of work has been done. Some of the most important recent papers (1) relating reputation to economic results and (2) trying to calculate the economic value of corporate reputation are summarized and commented on below.

Roberts and Dowling's (2002) seminal paper focuses on the impact of corporate reputation on the path of future financial performance, using *Fortune's* Most Admired Companies as a reputation measure of 540 firms in the period between 1984 and 1998. Their innovation and largest contribution lies in their analysis of whether good reputation facilitates firms' superior performance over time. They also control for possible reverse causality (financial performance driving reputation) by decomposing reputation into financial reputation (related to financial performance) and residual reputation (related to other factors). Their results "suggest that superior-performing firms have a greater chance of sustaining superior performance over time if they also possess relatively good reputations" (p. 1090).

Anderson and Smith (2006) also use *Fortune's* Most Admired Companies list to test whether a great company – they define as "great" all companies listed there – is a great investment by comparing the market performance with the S&P 500 index. They find that portfolios of stocks from higher-reputation companies mentioned in *Fortune's* list significantly (both economically and statistically) outperformed the index, regardless of whether the stocks were purchased on the publication date or 5, 10, 15, or 20 trading days later. This was considered surprising, as they had hypothesized that the companies' intangible virtues and assets would already have been incorporated into the stock price. However, no sound theoretical explanation for the surprising results has yet been given.

A note here is necessary regarding the Most Admired Companies list, which is very popular as

a proxy for reputation in studies conducted in the 1990s (see Walker, 2010). Deephouse (2000) was the first to expand upon the criticisms of *Fortune*'s ratings as a measure of reputation (as mentioned in section 3.2), and developed a new measure in his empirical research called "media reputation" – the overall evaluation of a firm presented in the media. This is allegedly stronger, as it does not have a "financial bias", and accounts for other groups of stakeholders. The results of his empirical analysis show that media reputation positively influences commercial banks' performance.

In his research on German investors, Helm (2007) suggests that a good reputation increases investors' satisfaction and affective loyalty to a company, which in turn leads to behavioral loyalty. This agrees with Gregory (1998), who analyzes the effect of the 1997 New York Stock Exchange crash in stock prices. His study indicates that stocks from companies with better reputations suffer less in crisis periods, and recover better. Knight and Pretty (1999) came to the same conclusion by analyzing 15 reputation crises and their effects on financial performance.

Choi and Wang (2009) examine the effect of a firm's relations with its nonfinancial stakeholders, including employees, suppliers, customers, and communities, on the persistence of both superior and inferior financial performance. Using theoretical assumptions from RBV and stakeholder theory, Choi and Wang use a sample of 518 firms and 4,113 firm-year observations to analyze whether good stakeholder relations reflect on financial performance. The final conclusion is that good stakeholder relations not only enable a firm with superior financial performance to sustain its competitive advantage for a longer period of time, but also help poorly performing firms to recover from disadvantageous positions more quickly. Although good stakeholder relations are not synonymous with sound reputation, Choi and Wang's (2009) study shows a promising avenue for expanding the measure of reputation used in reputation studies with insights from stakeholder theory.

Smith, Smith and Wang (2010) compare 582 firms from the Most Admired Companies list of 2005 with a paired sample of control firms matched in size and industry. They find that:

Firms with a positive brand image are more profitable on several dimensions such as industry-adjusted sales to total assets and return on assets. These firms have lower risk, as they experience less volatility in sales and net income, have less likelihood of bankruptcy, and have lower stock price volatility (Smith *et al.*, 2010, p. 218).

Although the study makes some interesting findings, Smith *et al.* (2010) persist in using the Most Admired list, despite its methodological problems, and confuse the concepts of brand image and corporate reputation.

Rindova, Williamson, Petkova, and Sever (2005) build a model in which reputation affects performance by allowing more highly regarded firms to charge premium prices. In their innovative model, reputation is divided into two elements: perceived quality and prominence. Using a sample of 107 US business schools, their results suggest that prominence, which derives from the choices of influential third parties vis-à-vis an organization, contribute significantly to the price premium associated with having a favorable reputation. In addition, they observe that perceived quality influences reputation only through prominence – though not directly. Boyd *et al.* (2010) rebuild Rindova *et al.*'s (2005) framework using RBV assumptions, and find even stronger results. Pfarrer, Pollock and Rindova (2010) use the same conceptual framework as that used by Rindova *et al.* (2005), and observe that both high-reputation and celebrity firms experience greater market rewards for positive surprises, and smaller market penalties for negative surprises, compared to other firms. Table 3 summarizes the above-mentioned works, the reputation measure used, and the main findings.

Table 3 Studies relating corporate reputation to financial performance

Author(s)	Reputation measure	Result
Roberts and Dowling (2002)	<i>Fortune's</i> Most Admired Companies	Superior-performing firms have a greater chance of sustaining superior performance over time if they also possess relatively good reputations
Anderson and Smith (2006)	<i>Fortune's</i> Most Admired Companies	A portfolio of stocks from higher-reputation companies outperformed the S&P 500 index
Deephouse (2000)	Overall evaluation of a firm presented in the media	Media reputation positively influences commercial banks' performance
Helm (2007)	Questionnaires with investors based on 10 indicators of satisfaction and loyalty	A good reputation increases investors' satisfaction and affective loyalty to a company, which in turn leads to behavioral loyalty
Gregory (1998)	"Brand power" – a measure of how <i>familiar</i> investors are with a company and how <i>favorably</i> they feel toward that company	Stocks from companies with better reputations suffer less in crisis periods, and recover better
Knight and Pretty (1999)	Reputation crises	Stocks from companies with better reputations suffer less during reputation crises
Choi and Wang (2009)	Aggregate measure of stakeholder relations is computed, incorporating community relations, diversity, employee relations, environment, and product dimensions of the KLD Research and Analytics Inc. database	Good stakeholder relations not only enable a firm with superior financial performance to sustain its competitive advantage for a longer period of time, but also help poorly performing firms to recover from disadvantageous positions more quickly
Smith <i>et al.</i> (2010)	<i>Fortune's</i> Most Admired Companies	Firms with a positive brand image are more profitable and have lower risk
Rindova <i>et al.</i> (2005)	Ratings by 1,600 corporate recruiters who completed an online survey about business school reputations administered by Harris Interactive in 2000	Reputation allows organizations to charge price premiums. Prominence contributes significantly to the price premium associated with having a favorable reputation.
Boyd <i>et al.</i> (2010)	Ratings by 1,600 corporate recruiters who completed an online survey about business school reputations administered by Harris Interactive in 2000	Reputation allows organizations to charge price premiums. Reputation cannot be bought by additive and independent investments. Instead, enhancing a reputation requires managers to carefully nurture interdependencies and complex relationships.
Pfarrer <i>et al.</i> (2010)	80 high-reputation firms that appeared in the top 25 of either <i>Fortune's</i> Most Admired Companies list or in the <i>Wall Street Journal</i> /Harris Interactive ranking during the period of study	Both high-reputation and celebrity firms experience greater market rewards for positive surprises, and smaller market penalties for negative surprises, compared to other firms

Another line of research that goes in parallel with the aforementioned works is one that tries to identify the market value of a good reputation. Fombrun (2005) argues that while comparing market value to book value of companies in United States and United Kingdom, intangible assets account to an average of 55% of market value. The first issue that comes to mind is that reputation is not the sole intangible asset, and is obviously hard to isolate from others. One way of disentangling reputation from other intangible assets is to analyze how much a third party would be willing to pay for a corporate name (Fombrun, 2005), which the author estimates is 8–14% of projected sales, coming to the conclusion that the economic value of reputation could be calculated by finding the present value of the next 20 years' (arbitrary period) projected sales.

Srivastava, McInish, Wood, and Capraro (1997) compare 10 groups of companies with similar risk and return profiles, but different reputation scores. They find that 60% of the difference in reputation score is associated with a 7% difference in market value. Black, Carnes, and Richardson (2000) use *Fortune's* Most Admired Companies list as a proxy for intangible assets, such as internally generated goodwill, customer service, and intellectual capital. They conclude that reputation adds to

market value, even after controlling for the financial performance effect on *Fortune*'s ratings. The abovementioned study by Smith *et al.* (2010) also analyzes the impact of good reputation on market value, indicating that firms with a positive brand image show an average market-value premium of \$1.3 billion. Table 4 summarizes these works, the reputation measure used, and the main findings.

Table 4 Papers attempting to value corporate reputation

Author(s)	Reputation measure	Valuation method and result
Fombrun (2005)	How much a third party would be willing to pay for a corporate name	On average, reputation is worth 8–14% of projected sales; the economic value of reputation can be calculated by finding the present value of the next 20 years' (arbitrary period) projected sales
Srivastava <i>et al.</i> (1997)	<i>Fortune</i> 's Most Admired Companies	60% of the difference in reputation score is associated with a 7% difference in market value
Black <i>et al.</i> (2000)	<i>Fortune</i> 's Most Admired Companies	Reputation adds to market value, even after controlling for the financial performance effect on <i>Fortune</i> 's ratings
Smith <i>et al.</i> (2010)	<i>Fortune</i> 's Most Admired Companies	Firms with a positive brand image show an average market-value premium of \$1.3 billion

3 DISCUSSION

Overall, the claim that corporate reputation is an understudied field is no longer valid. Academic literature exploring the theme and its various issues has made notable progress in the last two decades. New knowledge that has arisen from theoretical and empirical research to date suggests that reputation is an important asset that is capable of giving a company competitive advantage and enhancing performance. Therefore, it has a significant economic value which positively answers research question (a) Can reputations create value, and, if so, how? However, a lot of progress remains to be made, particularly in relation to the second and third research questions proposed here – (b) How can corporate reputation be measured? and (c) Does good corporate reputation have a positive impact on financial performance, and, if so, to what extent?

The first problem in answering questions (b) and (c) is that a clear conceptual framework has yet to be developed and widely accepted. In terms of theories adopted, the lack of a solid theoretical framework for reputation brings some confusion to the field. Walker's (2010) attempt to identify the contributions each kind of theory makes is a step forward in converging theories and concepts. It is likely that the use of strategy theories like RBV and TCE can be of significant help to understand the links between reputation and financial performance. The definition of corporate reputation itself is also an important topic. In this sense, Fombrun's (2005) previous definition of reputation is a good departure point for a unified understanding, as it encompasses both the assessment and the asset aspects of the construct. As discussed earlier in this paper, a more unified understanding of concepts is useful to bring better results in future research, although it is even more important that researchers make clear the concepts of identity, image and reputation adopted in each study, so that research can be properly compared and assessed.

"Do firms have one reputation or many? Do reputations significantly differ by either domain or audience?" (Fombrun & Shanley, 1990, pp. 254–255). Another unsolved problem faced by research on corporate reputation so far is related to the measurement of reputation. Here, two issues emerge: (1) reputation is made out of several components, and (2) it is likely that each firm has various reputations, depending on the group of stakeholders referred to. Despite its well-known theoretical problems, most empirical studies still use *Fortune*'s Most Admired Companies list as a measure of reputation, which accounts for only few features of reputation and a few groups of stakeholders (mostly linked to financial markets). The use of newly developed measures of corporate reputations – such as Fombrun's (2006)

RepTrak – that take into consideration various dimensions of reputation would be an improvement. Future research could examine this construct by considering various groups of stakeholders and the effect of each dimension on financial performance. Although generalizations based on this research should be limited, validity would be higher (Walker, 2010). Furthermore, the issue raised by Schultz *et al.* (2001) remains: that is, that measurement issues are not that important, as reputation is stable over time, despite ranking criteria and fragile statistical methods. Assessing results provided by new and more complex measures against widely used rankings is a good research avenue.

Despite the conceptual confusion and the limitations of corporate reputation measures used to date, empirical studies have successfully indicated a positive association between good reputation and financial performance. Firms with better reputations have a greater chance of sustaining superior performance (Roberts & Dowling, 2002); their stocks outperform the stock market index (Anderson & Smith, 2006) and suffer less and recover earlier during economic crises (Gregory, 1998) and reputation crises (Knight & Pretty, 1999); they gain investors' affective and behavioral loyalty (Helm, 2007); they are more profitable and have lower risk (Smith *et al.*, 2010); they are able to charge price premiums (Rindova *et al.*, 2005; Boyd *et al.*, 2010); and they get greater market rewards for positive surprises, and smaller penalties for negative surprises (Pfarrer *et al.*, 2010). However, at least four unresolved questions remain: (1) Which corporate reputation dimensions and/or stakeholder groups are most relevant to economic performance? (2) Do the new multidimensional measures of reputation really provide more effective results compared to widely used rankings that assess the association between reputation and performance? (3) What is the size of the effect of good reputation on financial performance? and (4) What is the economic value of good reputation?

Answering these questions partially depends on methodological innovation and reliable databases involving data across companies and over time in relation to reputation, strategic and financial variables. Although this is challenging, it would be surely rewarding for researchers that intend to make a seminal contribution. Finding credible answers to these issues will have an important impact, as it will help academics to move forward to new developments, and managers to make smarter decisions on how much and where to allocate resources to improve their corporate reputations.

Several avenues for future research have been presented here. In summary, further research relating reputation to performance should be more attentive to the various components of reputation, the new measurement techniques developed, and that will be developed in the future, and the fact that reputations can vary according to the stakeholder group analyzed. In addition, future research should provide more credible answers to the research questions presented here regarding the economic value of corporate reputation and its effect on financial performance. Addressing these issues will provide relevant contributions to the quest for understanding the degree to which corporate reputation is important to organizations' success.

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