Research Papers in Management Studies

PROFILING CORPORATE IMAGERY: A SUSTAINABILITY PERSPECTIVE

A K O Brady

WP 15/2002

The Judge Institute of Management
University of Cambridge
Trumpington Street
Cambridge CB2 1AG, UK
www.jims.cam.ac.uk

These papers are produced by the Judge Institute of Management, University of Cambridge.

The papers are circulated for discussion purposes only. Their contents should be considered preliminary and are not to be quoted without the author's permission.

PROFILING CORPORATE IMAGERY: A SUSTAINABILITY PERSPECTIVE

A K O Brady

WP 15/2002

Arlo K O Brady
PhD Candidate
Judge Institute of Management
University of Cambridge
Tel: +44 (0) 1223 339700
Fax: +44 (0) 1223 339701
Email: a.brady@cam.ac.uk

Please address enquiries about the series to:

Research Support Manager
Judge Institute of Management
Trumpington Street
Cambridge CB2 1AG, UK
Tel: 01223 339700 Fax: 01223 339701
E-mail: research-support@jims.cam.ac.uk

PROFILING CORPORATE IMAGERY

A SUSTAINABILITY PERSPECTIVE

APRIL 2002

Arlo Kristjan O. Brady
Judge Institute of Management
University of Cambridge
Trumpington Street
Cambridge
UK

T: +44 (0) 7712 651091
E: a.brady@jims.cam.ac.uk

ABSTRACT

This paper offers a new and dissimilar look at the origins and future of corporate and organisational reputation. From the outset it is written with an awareness of the rising importance of Corporate Social Responsibility. After defining the key terms, I examine how different organisations have attempted to quantify reputation, what methodologies they have used, and how useful the results are. The current body of knowledge has been rationalised forming **seven key elements of reputation**.

MAKING SENSE OF IMAGES, IDENTITY, CHARACTER AND REPUTATION

> *"Reputation is the cornerstone of power. Through reputation alone you can intimidate and win; once it slips, however, you are vulnerable, and will be attacked on all sides. Make your reputation unassailable. Always be alert to potential attacks and thwart them before they happen." (Greene & Elffers, 1998)*

All products, services and organisations engender images. These images are created and managed by both the organisation itself and its stakeholders. Organisations have traditionally exclusively managed this image using a variety of time honoured propaganda techniques. Things have changed, the Internet, as an example of one of today's liberated and most influential propaganda machines, is not exclusively under the influence of corporations. Stakeholders have become more powerful, dispersing divergent and increasingly penetrative forms of propaganda. As these new medias force organisations to increase their transparency, the corporate character is left exposed and under threat. This predicament is not solely restricted to corporations, Peter van Ham writing in the journal 'Foreign Affairs' states that, "Globalisation and the media revolution have made each state more aware of itself, its image, its reputation, and its attitude". Further stating that this implies "a shift in political paradigms, a move from the modern world of geopolitics and power to the post-modern world of images and influence" (Van Ham, 2001).

Imagery is a term not often used in the corporate arena, it is used here in a general sense to refer to all of the induced perceptions or appearances surrounding a 'subject' (in this case the subject is a company but the concept applies equally to individuals). The significance of corporate imagery is based on the importance of appearances in defining

one company from another. At the end of the day, if there is nothing which differentiates your company from another then there is no reason for consumers to select your product or service above those of a competitor.

Any discussion of corporate imagery will inevitably draw on the terms, 'corporate image', 'corporate identity', 'corporate reputation', and perhaps 'corporate character'. These terms are sometimes used interchangeably in reference to the same concept. Before going any further I shall now define what I mean by each of the terms. Starting with the fundamentals, table 1 outlines the basic dictionary definitions of each word. Although these definitions do not relate specifically to their contextual business setting, they do give a broad understanding of their meaning.

TABLE 1

Abridged 'Oxford Dictionary' Terminology (Sykes, 1982)

Character	Distinctive Mark, Collective Peculiarities, Person's or race's idiosyncrasy, Reputation.
Identity	Individuality, Personality, Condition of being a specified person.
Image	Artificial imitation of the external form of an object. Character of a thing or person as perceived by the public. Optical appearance.
Reputation	What is generally said or believed about a person's or thing's character. The word reputation is derived from the Latin *reputatio-onis* meaning: 1. calculation 2. thought, estimate, consideration

Reading these definitions obvious parallels can quickly be drawn between character and identity and between image and reputation. Character and identity appear to be linked by a relative lack of external influence. Image and Reputation are controlled by public perceptions and general beliefs.

At a glance it would seem that character and identity are analogous, they can however be separated at two levels. Firstly, identity refers to the conditions that determine individuality. Character however implies behavioural-based idiosyncrasies, peculiar to an individual. It is the difference between physical fact and behavioural reality. A person, object or organisation can act and look in two very different ways. Secondly, character is described as being representative of "collective peculiarities", it is suggested that these peculiarities are influenced to a degree by reputation. The given definition of reputation suggests that character is influenced by both authentic and perceptive components.

Stephen Covey was talking about personal character when he said, "Our character, basically is a composite of our habits. Sow a thought, reap an action; sow an action, reap a habit; sow a habit, reap a character; sow a character, reap a destiny" (Covey, 1989). It is my belief that the same simple logic applies to companies. Covey suggests that a habit can be defined as the "intersection of knowledge, skill and desire" (Ibid). That is, knowing what to do, how to do it, and finally having the aspiration to do it. Having capabilities in these key areas can provide individuals - and companies - with enhanced effectiveness, leading to character building with reputational implications.

Returning to the dictionary definitions, image and reputation are also closely linked. Both refer to what appears to be there, rather than what is actually there. The

difference being that images are determined by the individual, reputation refers to holistic, generally held beliefs. Therefore using dictionary definitions alone reputations appear to be constructed from images, images that were originally constructed from identity and more importantly character.

CONTEXTUAL SETTING

At start up, a firm has little in the way of a reputation, it has not yet built up brand value and it will not have been the subject of mature images. It will however have an identity, that is, it will have peculiarities that collectively form character. Albert and Whetten (1985) define organizational identity[1] as being "that which is central, enduring, and distinctive about an organization's culture". In other words, identity is a self-constructed concept founded upon corporate values and culture, at least at the beginning. Following on from this postmodern perspective, Gioia (2000) suggests that, "at best, a bona fide identity appears to 'exist' only in the first stages of an organizations history, but it soon becomes subject to the significant influence of image".

As we have already discovered, from shortly after its formation to its demise a company is surrounded by many images, the sum of which can be referred to as reputation (a 'macro' image). Taking Fombrun and Shanley's (1990) stakeholder based definition of reputation i.e. that reputations represent publics' cumulative judgments of firms over time, then character and image, as perceived and actual representations, have an important role to play. As stated earlier, at start-up, stakeholders have yet to form an image that is dramatically different from reality. As time passes and the newly formed organization interacts with its stakeholders, the untainted image or identity passes through a reality check, i.e. stakeholders question whether the corporate identity in fact reflects reality. It is at this stage that mutations can occur to the initial identity, subsequentially affecting insiders' perception of their own identity (Gioia, 2000). Image can help to bolster identity, alternatively it can damage it, and vice versa. But where does

character fit into this? Character is often something that is acquired over time, older people are often referred to as being 'quite a character', the same is true of organisations. Character is not however linked to age, it is linked to "collective peculiarities", and these can be acquired at any stage. I will argue that identity is superseded by character in the early stages of an organisations history. Gioia (Ibid) suggests that "organizational identity forms the basis for the development and projection of images, which are then received by outsiders, given their own interpretations and fed back into the organization in modified form". This modified form represents the emergent corporate character. Although character does not necessarily have a strong time element, the same is not true of reputation it appears to be aggregated over a period of years and decades. Petrick, Scherer, Brodzinski, Quinn & Ainina (1999) concur, suggesting that reputations are "usually the product of years of demonstrated superior competence", consequentially they are a fragile resource; taking time to build, cannot be bought, and can easily be damaged. Summarising, corporate character is a dynamic concept, continually affected by stakeholder images both at a 'micro' (individual images) and 'macro' (reputational) level. Problems occur when the two come out of alignment and perceived images deviate from character based behaviour (see the Shell Brent Spar case study on page 24).

REPUTATION QUANTIFICATION

New York University professor Charles Fombrun working in parallel with Harris Interactive (a research group) has endeavoured to delineate corporate reputation and develop a methodology to measure it. Using a series of focus groups across the US, the group questioned stakeholders about companies that they respected or not, as the case may be. When asked why they held strong opinions about individual companies stakeholders justified their position by citing one of twenty reputational attributes. The research group were able to fit these components of reputation into six key categories.

1) Emotional Appeal.

2) Products & Services.

3) Financial Performance.

4) Vision & Leadership.

5) Workplace Environment.

6) Social Responsibility.[2]

These components are measured by merging weighted opinions from key stakeholder groups, the resulting 'Reputational Quotient[3]' forms a 'benchmarkable' appraisal of reputation.

This model is useful in helping organisations to target areas for improvement, but reputations are not mathematical in nature, weightings cannot be applied universally. For example, if U.S. respondents selected the twenty attributes of reputation the same

behaviour cannot be expected from Asian or European stakeholders. Reputations are built on peoples' mindsets and opinions, something that is difficult if not impracticable to quantify. The success of this indicator does not come as a surprise, it follows the traditional management mindset that: in order to manage something, you have to measure it (see, Enderle & Tavis, 1998).

Clearly the best method of gauging corporate reputation involves getting out and talking to stakeholders, adding their opinions together is however a far more complicated task. If the methodology behind the 'Reputational Quotient' has managed to accurately replicate the respective importance of stakeholders it would have stumbled upon one of the most powerful management tools ever seen.

Despite the obvious difficulties involved with valuing intangibles, a number of organisations periodically endeavour to rate the reputation of major companies, producing lists of the world's (and country specific) most admired companies. Examples of this include:

- Fortune, World's most admired companies;
- Far Eastern Economic Review, annual review;
- Management Today, Britain's most admired companies;
- Financial Times, Europe's most respected companies; and,
- Asian Business, Asia's most admired companies.

The methodology used for each of these surveys varies, but normally takes the form of a stakeholder specific appraisal. In the case of the most famous ranking, the

Fortune list, that exclusive stakeholder is the business community (Diba and Munoz, 2001). The underlying research only targets one group of stakeholders, business people i.e. the finance community, employees etc.

Fortune arrive at each company's final reputational score by averaging scores that survey respondents provide on each of the following nine criteria:

1) Innovativeness
2) Quality of Management
3) Employee Talent
4) Use of Corporate Assets
5) Long Term Investment Value
6) Social Responsibility
7) Financial Soundness
8) Quality of Products/Services
9) Global Business Acumen

Out of these eight, equally weighted key attributes of reputation, two relate explicitly to financial performance. Financial performance may be twice as important as the other indicators when viewed from the perspective of being a contemporary businessman/woman. However to calculate reputation you would need you would need to consult more than one stakeholder. This ranking methodology therefore represents a

one-sided picture of corporate reputation (Brown and Perry, 1994; Fryxell and Wang, 1994). As a new innovation for the 2001 list, to be eligible, a company had to have annual revenues of $8 billion, higher than the previous bar of $3 billion. This again further biases the selection of companies, in many cases small companies have a much higher stock of reputational capital (i.e. are more admired) than their larger competitors. There is no rational reason for them to be excluded from the list. Fortune appears to want to restrict itself to a comparison of companies that are already big enough to fit into their list of the World's 500 largest companies. Following on from the definitions introduced earlier in this paper, the Fortune list presents not reputations but stakeholder specific corporate images at a 'micro' level.

For the purposes of conducting further research I have added to, extended and combined both the 'Reputational Quotient' and Fortune's reputational criteria to include elements that have been individually overlooked or misrepresented. These elements of reputation are listed below together with an explanation of their meaning and derivation. The elements appear in no particular order.

1. Knowledge & Skills

- A company is only as good as its employees, they are 'the' major determinant of current and future success. As drivers of innovation, the optimum use of their talent is paramount to growth.
- Primarily covers Fortunes 'Employee Talent' and 'Innovation'. Partially derived from Stephen Covey's definition of a habit, that is to form a habit you need to have the necessary skill set and knowledge base (Covey, 1989).

2. Emotional Connections

- Consumers attach emotions to services and products, without this emotional connection many companies would be alike[4]. Includes the perceived values and culture of an organisation, and how these link with those of its stakeholders.
- Partially derived from Fombruns 'Emotional Appeal', but has no real parallel. Kevin Roberts suggests that emotional connections are one of the factors contributing to 'lovemarks'[4].

3. Leadership, Vision & Desire.

- Is the company concerned lead by a group of people who are perceived to have vision and desire? It is not enough simply to have vision, the company must be perceived as being able to realise its visions. This element refers to perceptions concerning motivated and visionary leadership.
- Directly refers to Fombruns 'Leadership and Vision' but also covers the non-financial aspects of Fortunes 'Long Term Investment Value'. The term desire is derived from Stephen Coveys 'Seven Habits of Highly Effective People'. He suggested that to be an effective individual you must have the motivation or the 'want to do' (Ibid), the same concept can be applied to companies.

4. Quality

- Concerns product or service quality, that is, whether a company is seen to be meeting customer's requirements, not just once but consistently. This element concerns historical reliability. Does the company have a 'reputation' for supplying unrivalled quality?

- Directly covered by the Fortune List and partially by ‘Products and Services’ from Fombruns ‘Reputational Quotient’.

5. Financial Credibility

- Is the company known to generate better than average returns for shareholders? Of limited use when viewed alone. In a globalised economy good financial performance no longer exactly correlates with having a good reputation, Exxon being the perfect example. The traditional method by which a companies performance is measured.
- Covered by both the Fortune list and Fombrun’s ‘Reputational Quotient’. However in both cases different terminology suggests that reputation is formed by actual performance. I argue that ‘credibility’ is a more appropriate term, reputation is based on perceived performance. One aspect of the ‘Triple Bottom Line[5]’.

6. Social Credibility

- Is the company perceived as being a valuable actor in society, acting as a ‘good citizen’ and adding to social equity, therefore earning a ‘licence to operate’? Can be clearly separated from environmental credibility, primarily because the two are so often in direct conflict. Society’s demands are as often aligned with financial performance as they are with environmental responsibility. One aspect of the ‘Triple Bottom Line’.
- Covered by both Fombrun’s and Fortune’s lists, but for differing reasons.

7. Environmental Credibility

- In a society framed by growing environmental problems is the company perceived as adding to the negative legacy that we leave for future generations? Or is it perceived to be creating environmental value, and offsetting the actions of less responsible organisations?
- One aspect of the 'Triple Bottom Line' wholly neglected in both lists. Probably, and naively assumed to be included in social responsibility.

This proposal of reputational elements, is just that, it does not offer any auxiliary form of rationalisation or weighting to facilitate its usage as a management tool. I would argue that benchmarking aside, this table offers a useful, stand-alone hit-list of forums within which the *postmodern* corporation will increasingly, and does currently, compete for reputational value. The obvious problem and deliberate quandary is that out of seven elements only one is potentially tangible – financial credibility. Currently, stakeholders must rely on diverse and sometimes misleading information sources to form opinions about the intangible elements, particularly where sustainable development is concerned. Programmes like the Global Reporting Initiative (GRI) aim to change this by promoting "international harmonization in the reporting of relevant and credible corporate environmental, social and economic performance information to enhance responsible decision-making"[6].

Assuming companies find suitable methods to measure their performance in the seven elements of reputation, good performance will continue to be rewarded with, among other benefits, an untarnished image or improved reputation. As previously

intangible elements of the equation become more tangible, the relative importance of each of the elements looks set to undergo a dramatic re-shuffle.

STAKEHOLDER PERSPECTIVES

Consumers are acknowledged as being one of a company's most important stakeholders, if you cannot sell your product or service you will not last for very long. According to Herbig and Milewicz (1997), "consumers use reputation as a means of inferring quality of the product". As most successful companies know, quality is defined as "conformance to requirements" (Crosby, 1979). It is equally well known that these requirements are set by the customer, "who is always right" (Neville, 1908[7]). Simplistically speaking if a company is able to meet customer demands it will benefit from an enhanced reputation. However, the customer-producer relationship is no longer simple and to fully capitalise on their intangible assets today's company must do far more than just meet customer demands. The 21st century company must try to meet, or be seen to be constructively engaging with all of its stakeholders.

Clearly firms have more than one stakeholder, therefore it seems reasonable to suggest that firms too are pictured by more than one image. Fill and Diminopoul (1999) have studied the formation of corporate images and conclude that "Images are inherently multidimensional and it is unlikely that all stakeholders will share the same image at any one point in time".

Following on from this, 'Image', like beauty, is in the eye of the beholder. Consequentially, the values assigned to Fombrun's reputational attributes will express significant variance depending on both the observer/stakeholder and the filter through which they receive their information.

As we have already seen organisations' do have a 'measurable' inclusive image at

a 'macro' level, known commonly as reputation (Fombrun, 1996). Stakeholders however do not usually take an objective/holistic view of reputation before choosing to buy/use/invest etc. The individual's tainted perception of corporate image is the defining factor. This is emphasised in figure 1 where individual perceived images are considered independently. I argue that all images are received through a series of filters. In what Pratkanis et al (1991) termed "The Age of Propaganda", the differing strength of these filters affects reputations.

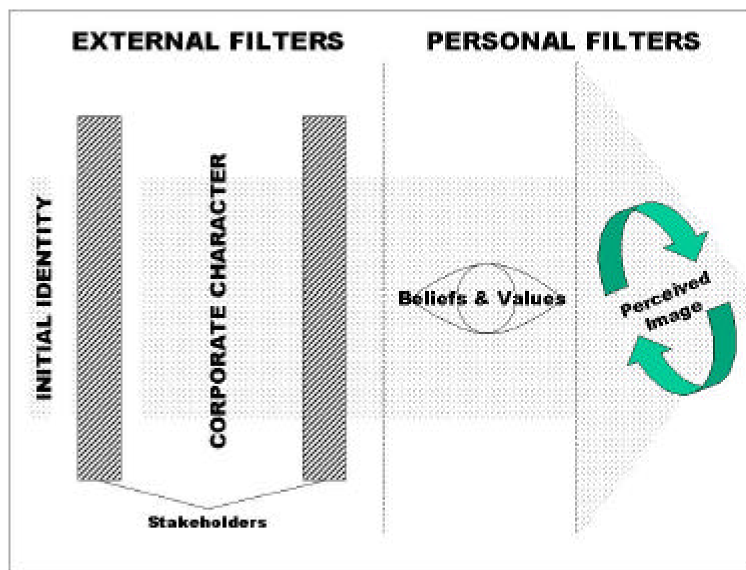

Figure 1
The process of individual image formation

As can be seen in figure 1, an organisation's real identity or *self* passes firstly through an external filter, this filter is constructed of other stakeholders' perceived images. Some of these images will be more powerful (and therefore more persuasive) than others. Individuals will rarely see behind the first filter, almost as soon as the organisation is launched its identity is dynamically affected by its stakeholders.

Internal and external images of the organisation are affected by perceptions, the resulting behavioural changes form the basis of character. The strength of the second external filter depends heavily on the position from which character is viewed. For example an employee may have greater unfettered exposure when compared with an investor. This 'distorted' image is then passed through a personal filter based on individual beliefs, values and experiences. This process results in an individually perceived image (or illusion, depending on your viewpoint), warped at three levels. This new image then joins a 'vicious' or 'virtuous' circle helping to re-form the external filter. The external filter is an analogue of reputation, both resulting from the reconciliation of numerate stakeholder specific images.

In the wake of globalisation the image filtering power of stakeholders has undergone significant change, it is this power shift that the post-modern organisation is struggling to delineate.

The media is arguably the 21st century's most influential and powerful image filter; it has the ability to reach large numbers of people with relative ease and perceived independence. In the last ten years the media circus has dramatically changed shape. Anyone can create a website and have direct access to billions of people in different countries across the world. People receive daily images through an increasingly diverse number of information sources e.g. newspaper, Internet, mail, telephone, posters, TV, radio, flyers and personal communication etc. In effect, over the last twenty years this has resulted in a dramatic increase in the number of connections/interactions between stakeholders. In this 'smaller world' our "Network Society" operates at a faster and less predictable rate than ever before (Willmott, 2001). This process, a constituent part of

globalisation, is removing the veil of secrecy that business has historically operated under (albeit in most cases unintentional). What happens in Central Africa in the afternoon is now on the Internet within minutes, TV in hours and in next morning's papers. We are witnessing the rise of *real time reactionism*. This has the potential to significantly impact corporate profitability. More importantly what happens in Central Africa in the afternoon has the potential to impact stakeholder behaviour in the evening. McLane, Bratic & Bersin (1999) highlight this point observing that, "with medias continuously expanding for the dissemination of news and information, alleged corporate misconduct rapidly reaches the eyes and ears of the masses".

This hypothesis suggests that to maintain a good reputation the *postmodern* company must build a flexible character that reflects numerate fast moving stakeholder generated images. Evidence suggests that stakeholders respect honesty; if images do become negative, and they are grounded in reasonable fact, it makes sense for the company concerned to admit that things went wrong. Together with an action plan designed to prevent future occurrences, this process defies claims of corporate arrogance, and retains valuable reputation. The examples below show that the acknowledgement of mistakes and high-profile adoption of a new transparent, responsive character can prevent the erosion of reputational capital

- **Johnson & Johnson** – In 1982, seven people suddenly died after having innocently taken Tylenol 'pain-killer' capsules. After investigation the FBI discovered that the capsules had been tampered with and deliberately laced with cyanide. Prior to this event Tylenol had command of 37% of the market, capturing $400 million in annual sales. Despite the fact that Johnson &

Johnson were found not guilty of any misconduct, their market share still dropped to 6%. Johnson & Johnson embarked on the largest product recall ever undertaken, they shut down production and distribution and tested over 8 million bottles. The company followed a policy of transparency; they sponsored full-page newspaper advertisements, wrote stories for the media and opened a major call centre. By working with the FBI and taking actions that did not make short term financial sense Johnson & Johnson ensured the long term survival of the brand and salvaged their own reputation.

- **Baxter International Inc**. – On August 15th 2001, a Spanish dialysis patient unexpectedly died. Inconclusive evidence suggested that Baxter's dialysis filters could be to blame. Baxter recalled all dialysis filters in Spain and shut down production at their plant in Sweden. By October 16th the first U.S. deaths were confirmed, the company was under heavy pressure to act. Within 24hrs a worldwide recall had been issued, despite a lack of evidence linking Baxter's filters and the deaths. Harry Kraemer, Baxter's chief executive had acted quickly and decisively without full command of the facts. In doing so he adopted the 'precautionary principle' - that is taking precautionary measures even if some cause and effect relationships are not fully established scientifically – an unusual reaction among corporations, unless required by legislation. Baxter then conducted their own research into the potential cause, finding that a chemical manufactured by 3M was the most likely agent. Baxter could have found someone to blame; 3M or the

hospitals concerned seem like potential scapegoats, instead it followed a transparent, responsible and honest route. These actions are reflected in the share price, having already recovered from a transitory 5% drop.

These examples can be contrasted with the recent conduct of Firestone Inc., confirming that many companies have not yet discovered how to protect their reputation when confronted by 'disaster':

- **Firestone Inc./Ford Motor Company** – In 2000, Firestone was forced to recall a number of its tyres after it was discovered that on some models the tread had a tendency to separate from the rim. Contemporary investigations have connected the tyres with 203 deaths and at least 250 injuries. Firestone's biggest customer The Ford Motor Company fitted Firestone tyres as standard on many of its Sport Utility Vehicles (SUV). The problem therefore required a dual response. Firestone acted first, denying responsibility, citing both Ford and consumers for lack of maintenance and using the wrong tyre pressures. This rapid response, displaying almost unparalleled corporate arrogance was a big mistake, government investigations revealed that the fault lay firmly with the tyres and a recall was demanded. Firestone again blundered, they undertook the minimum possible action, recalling only 6.5 million tyres, not the entire product line. Both companies made mistakes during this episode shifting blame from one to another, mistakes that would later prove to be costly. Firestone's stock has been in a downward spiral ever since the event, and Ford cite the problem as

a major contributory factor to poor sales and loss of market share in 2000/01.

Concluding this section, I argue that reputation can be described as a dynamically, self-adjusting blend of stakeholder generated, filtered images, viewed over an extended time period. It is clear that reputations should be viewed as being ephemeral, needing constant management attention to uphold them.

THE VALUE OF POSITIVE IMAGERY

As we discovered earlier, all organisations are surrounded by images. Following on from this and using my earlier definition of character, all organisations have character. This character can be leveraged to create value; conversely it can be mismanaged, acting against a company's aspirations of growth. Summarising, character has an intrinsic value, primarily because without it the organisation concerned would have difficulty marketing directly linked products or services. Companies would have difficulty managing/directing stakeholder generated images or building a resilient reputation.

Assuming that a company is directly linked to its branded products and/or services, poor reputation or image results in reduced consumer confidence, and a subsequent decline in brand value. Despite the fact that brands represent an intangible asset, the consultancy Interbrand has pioneered a methodology designed to value them. This procedure makes it easier than ever to draw a tangible link between fluctuating image and the financial bottom line. Looking at the issue from a different angle, they endeavour to value the earnings stream that a brand creates "[----] The brand is an intangible asset that creates an identifiable economic earnings stream [----] Brand value is defined as the net present value of the economic profit that the brand is expected to generate in the future" (Clifton and Maughan, 2000).

Taken together with the majority of past research, this suggests that reputation is a resource, albeit intangible, leading to competitive advantage (Deephouse, 2000; Fombrun, 1996; Hall, 1992) the material advantage being primarily in the form of increased brand value.

Looking at resources in greater depth requires a brief synthesis of the resource based view of the firm. This is a management theory focusing on corporate assets, skills, capabilities, etc. that are tied semi permanently to a firm and can be used to create competitive advantage in product/service markets (Barney, 1991; Caves, 1980; Deephouse, 2000; Hall, 1992; Werner-felt, 1984). These resources can be tangible or intangible, i.e. some resources can be assigned a specific value (these are the easiest to manage, and consequentially to replicate) others cannot. To take a recent example, James Dyson, an inventor and entrepreneur of some eminence recently took it upon himself to redesign the vacuum cleaner. In doing so he was entering a marketplace saturated with established brand leaders, e.g. Hoover, Miele, Hitachi, Electrolux, Panasonic etc. He had to come up with something distinctive, something that would make his vacuum cleaner desirable in the face of cheaper, well-designed competition. He succeeded by patenting 'Dual Cyclone' technology, a revolutionary new way to perform an age-old task. The 'Brand Leaders' were taken by surprise and rapidly lost market share, James Dyson had entered the marketplace as a force to reckoned with. Initially, companies like Hoover could only stand by and watch their market share decline. However as time passed they imitated, recreating the same, or similar technology removing the performance advantage that Dyson had created. They succeeded in recapturing some, but by no means all of their market share. Why, surely if the two products looked and performed the same, the one offered by an established manufacturer should succeed? The answer can be found, but not calculated, the establishment could not recreate Dysons intangibles, that is his positive reputation for vision, leadership, innovation, and quality products. Dyson vacuum cleaners are currently produced at the startling rate of 8000 per day and

command half of the British market by value; annual worldwide sales now reach £3billion[8]. Dyson has now embarked on reinventing the washing machine, Hotpoint had better be on their guard, Dyson - with an established reputation - could pose an even greater threat.

Because of a preoccupation with managing tangible assets and unfamiliarity with how to competitively exploit the untapped value of a good reputation, many top management teams have failed to capitalize on the intangible resources of the firm (Hall, 1993). Court, Leiter & Loch (1999) highlight this failure and suggest that it can be a costly mistake; their analysis suggests that about half of the market value of the Fortune 250 is tied to intangible assets. Pertrick et al. (1999) suggests that sustainable competitive advantage is the result of "a distinctive capability differential due in large part to leveraging the intangible resources of leadership skills and reputational assets that are more difficult to substitute or imitate by competitors than tangible resources".

Globalisation has caused, among other things, an explosion of choice for the consumer (see, Willmott, 2001). This explosion of choice has changed the way that the 21st century consumer purchases products and services. According to Willmott (2001) to cope with increased choice, the consumer adopts a series of different purchasing strategies, only one of which is tangible – price. The other three are, choice on the basis of:

1) Brand

2) Independent Advice

3) Values/Ethical Concerns

All of these choice-influencing factors are shaped at several levels by reputations, following the resource-based view of the firm; all three if managed well can provide competitive advantage. The consequences of mismanagement can be disastrous, both for the company concerned and its valued brands.

There are now a great number of examples (see bullets) whereby communications savvy individuals and groups of united individuals have brought multi-billion dollar corporations to their knees over perceived environmental and social misdemeanours.

- **The Pharmaceutical Industry** (The Pharmaceutical Manufacturers' Association of South Africa). The Affordable AIDS Drugs Case:

A coalition representing 39 leading drug companies brought a court case against the South African government. Legislation passed in 1997 allowed the country to import cheap alternatives to branded anti AIDS medicines. After a very vocal and well-publicised battle lasting three years the drug companies dropped their case. As a result South Africa will be able to import non-branded drugs from India at a cost of c.$350 a year, compared to c.$1200 charged by the brand leaders. Combinations of available pharmaceuticals previously too expensive for nearly all of the infected people in South Africa could now enable many afflicted with HIV/AIDS to live relatively normal lives.

36.1 million people worldwide are infected with the HIV, more than 90% of this total live in developing countries. Why did the drug companies drop this opportunity to realise a very profitable revenue stream? The answer lies in the negative publicity they were

receiving in their home countries. Stakeholder pressure was causing un-desired damage to the image of their sector. The cost-benefit equation did not add up.

- **Coca-Cola** Greenhouse Unfriendly Refrigeration at the "Green Olympics":

The Olympic committee pronounced the 2000 Sydney Olympic Games to be the "Green Games", the most environmentally friendly ever. The Coca-Cola Company as a major sponsor was awarded exclusive rights to sell its soft drinks at the games. Coca-Cola was pleased, everything seemed in order. However in May Greenpeace released its Dirty Sponsors report, suggesting that Coca-Cola were preparing to use large numbers of HFC emitting refrigerators to chill their drinks. Hydrofluorocarbons are a potent greenhouse gas, significantly contributing to climate change. Greenpeace instigated a major anti-coca-cola campaign, using the internet as their primary medium (see, www.cokespotlight.org). One month later the CEO of Coca-Cola was in face to face negotiations with a team from Greenpeace. The meeting concluded by Coca-Cola conceding to make significant changes to their global refrigeration policy. It was too late to have an impact at Sydney, but new refrigerators will be in place by Athens 2004. According to insiders Greenpeace were shocked by the speed of Coca-Cola's response, they had prepared for a much longer battle.[9]

Coca-Cola may have capitulated, but in doing so they had saved their $83 billion brand from significant damage.

- **Shell International** The Brent Spar Case:

In 1994 Shell announced that it would be disposing of a disused oil storage platform (the Brent Spar). After some research disposal at sea was considered to be the most appropriate option. Greenpeace, the environmental NGO discovered this and conduced their own research, concluding that land disposal would be much better. Greenpeace then began a sustained high profile media campaign, heavily criticising Shell's decision. Throughout Europe, especially in Scandinavia and Germany a boycott of Shell's petrol was instigated. The intense pressure paid off, and Shell was forced to mitigate further damage by aborting its plans. Once the platform had been safely returned to land independent inspection revealed that Greenpeace's research was incorrect. In fact, the best environmental option was disposal at sea. This case suggests that doing the right thing is not always the whole story.

- **Shell International** Human Rights in Nigeria

The following extract from The Economist (2001) entitled "Helping, but not developing" briefly outlines the events:

"Corporate images are as hard to clean up as oil spills, to judge by the experience of Royal Dutch/Shell's subsidiary in Nigeria. In 1995 the company's reputation suffered when the Nigerian government hanged Ken Saro-Wiwa, a political activist who had been demanding that oil companies pay millions of dollars to local villagers. Shell denied any responsibility for Saro-Wiwa's death. But it also set out to prove that it cared for the people who lived in its production areas."

Since then the company has poured more than $150m into local development schemes.

Independent analysis (Unicef, World Bank) reveals that only 64%[10] were judged to be fully or partially successful.

Their reputation has arguably recovered some of its lost ground, but to return to previous levels their performance has to equal the rhetoric.

Having a good reputation and highly valued brands is like having money in the bank, however if your bank is not secure you risk losing all of your hard earned money.

It may seem obvious but as Nolan points out in his 1975 HBR article "The essence of improving the business image rests not in trying to conjure up a good story when performance fails, but in sharpening corporate perceptions of emerging social and political trends and in adjusting performance so that there will, in fact be a good story to tell".

A good environmental and social record adds to a favourable corporate reputation but taken alone this is not sufficient. This good record must be well managed and communicated, avoiding accusations of 'greenwashing'. Companies trying to improve their reputation should first ensure that their character is dynamic enough to reflect the constantly shifting demands of stakeholders before interfering with the filters. It is a delicate balance between risk and opportunity.

Stakeholder imagery created through experience can label a brand (or the entire organisation) with a poor reputation, having a poor reputation is not, as previously thought, the end. During the 1980's and early 90's the western European Skoda owner was considered to be either completely mad or making a statement. It was thought that once the 'Iron Curtain' fell the brand would be extinguished forever. Volkswagen, the

reputationally valuable German automotive company bought the company and proceeded to re-launch Skoda. Last year Skoda sold one car every 52 seconds, enjoying total sales of just over 450,000 units[11], this compares to less than 350,000[12] Rovers – an established western brand - sold in the same period. This is an example of successful reputational capital transfer. Despite first impressions, this is not an easy process as Monsanto's new partner company Pharmacia & Upjohn, Inc. is finding out.

By effectively managing reputation companies have the opportunity to build an unofficial contract of trust with their stakeholders. This contract can allow companies freedom to innovate, create brand extensions (e.g. Virgin Atlantic, Virgin Megastores, Virgin Vie, Virgin Bank, Virgin Vodka etc.) and grow within the brand's quality (what customers have come to expect) limits.

Reputational value has the potential to build or destroy brand value depending on how closely the mother company is linked to its brands. However, more frequently than not the situation works in reverse, i.e. brand value builds and destroys reputations (again depending on the extent to which company and brand are related). A company may not appear to have extensive reputational capital to the vast majority of stakeholders, in this case its brand value is all that remains. A good example of this would be Philip Morris, a company whose name does not enter the Interbrand top 100 world's most valuable brands, and arguably has little in the way of a positive reputation. Philip Morris does however produce the 'Marlboro' brand of cigarettes, the world's 10th most valuable brand (Clifton and Maughan, 2000).

A number of academic and business commentators have studied the benefits of

having a good or favourable reputation. As a summary, these benefits can be distilled into eight key areas:

1) The ability to charge a premium price for goods and services offered.
2) The crystallisation of a firm's status and subsequent creation of competitive barriers.
3) Enhanced access to capital markets.
4) Increased organisational attractiveness to prospective employees, coupled with greater retention rates.
5) Provision of a buffer zone of reputational capital to insulate against unintentional failures i.e. heightened consumer confidence.
6) Improved customer loyalty
7) Increased attractiveness to investors
8) Reduced marketing costs, e.g. Marks and Spencer's did not feel the need to advertise during their 1970's, 80's and early 90's boom period, their reputation said it all. This same model now applies to the American clothing accessories chain, Claire's Accessories (Rapid global growth coupled with zero advertising, they rely purely on experience based word of mouth).

(Deephouse, 2000; Fombrun and Shanley, 1990; Kartalia, 2000; Turban and Greening, 1997)

CONCLUDING REMARKS

Corporate or organisational imagery is a subject that will come to increasing prominence in a world where product or service differentiators are difficult to come by. The stakeholder rules, and their long-standing, dynamic opinions count. Stakeholders view corporations and organisations through a series of filters, filters that have the power to direct purchasing and investing decision-making strategies. Although this has always been the case, globalisation has changed the nature of these filters making it harder for organisations to reconcile numerous, real-time images. Globalisation has done to the corporate world what the ocean frequently does to cliffs during storm surges; it has exposed parts that have lain concealed for a long time. *'Real time reactionism'* realised through imagery has the ability to significantly affect the earnings potential of the *postmodern* corporation. Depending on your perspective this creates a significant risk or opportunity, either way it demands attention.

Reputations are formed and influenced primarily by character and diverse images, both of which are in turn affected by reputation. The reputational cycle does not have a beginning or an end; in essence it cannot be created (unlike energy it can be destroyed!), only influenced. This paper suggests that the best way to influence reputation is to look at how it is constructed and to strive to outperform the competition in seven key forums:

1) Knowledge and Skills
2) Emotional Connections
3) Leadership, Vision and Desire
4) Quality

5) Financial Credibility

6) Social Credibility

7) Environmental Credibility.

In short, superior performance coupled by essential transparency leads to enhanced reputation and 21st century competitive advantage.

---

[1] It should be noted that for the purposes of this appraisal organisational and corporate characteristics are jointly considered. Taken at its most basic level a company is an organisation, further analysis adds to unnecessary complication of an otherwise simple concept. I argue that as our global economy changes shape, so do companies. In an increasingly networked economy the differences between companies and organisations become progressively more difficult, and less useful to define.

[2] from, http://www.reputationquotient.com [Accessed 29th April 2002]

[3] see, http://www.reputationquotient.com [Accessed 29th April 2002]

[4] see, Kevin Robert's (CEO, Saatchi & Saatchi) 'Lovemarks' theory, available from http://www.lovemarks.com [Accessed 29th April 2002]

[5] The 'Triple Bottom Line' (TBL) "focuses corporations not just on the economic value they add, but also on the environmental and social value they add – and destroy. [-----] At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to minimize any harm resulting from their activities and to create economic, social and environmental value." (The phrase TBL was first coined by the consultancy SustainAbility , accordingly the above text is quoted from their website: http://www.sustainability.com/philosophy/triple-bottom [accessed 10th November 2001] This theory is underlined by the fact that society only thrives because of the environment in which it is seated. Economy powered by the environment (in the form of resource consumption) thrives on society. Therefore: by protecting and conserving the environment you protect society and in turn provide conditions for economic development.)

[6] see, http://www.globalreporting.org [Accessed 29th April 2002]

[7] "*Le client n'a jamais tort*". A quote from Cèsar Ritz, the Swiss founder of the exclusive Ritz hotels group.

[8] see, http://www.dyson.com [Accessed 29th April 2002]

[9] See, Gilding and Hogarth, 2000.

[10] See page 26 in Shell Nigeria's latest "People and the Environment" annual report: Available online at: www.shell.com [Accessed 29th April 2002]

[11] Year 2000 units sales from Automotive Intelligence News: Available from: www.autointell.com [Accessed May 15th 2001]

[12] Year 2000 units sales from Automotive Intelligence News, excludes sales of Land Rover: Available from: www.autointell.com [Accessed May 15th 2001]

REFERENCES

Albert, S. & Whetten, D. 1985. Organisational Identity. ***Research in Organisational Behaviour,*** 7: 263-295.

Barney, J. 1991. Firm resources and sustained competitive advantage. ***Journal of Management,*** 17: 99-120.

Brown, B. & Perry, S. 1994. Removing the financial performance halo from Fortune's "Most Admired" companies. ***Academy of Management Journal,*** 37: 1347-1359.

Caves, R. 1980. Industrial Organisation, Corporate Strategy and Structure. ***Journal of Economic Literature,*** 18: 64-92.

Clifton, R. & Maughan, E. (Eds.). 2000. ***Twenty-five visions, The Future of Brands***. London: Interbrand and Macmillan Business.

Court, D., Leiter, M., Loch, M. 1999. Brand Leverage. ***The McKinsey Quarterly,*** 2: 101-110.

Covey, S. 1989. ***The Seven Habits of Highly Effective People***. London: Simon & Schuster Ltd.

Deephouse, D. 2000. Media Reputation as a Strategic Resource: An Integration of Mass Communication and Resource-Based Theories. ***Journal of Management,*** 26: 1091-1112.

Diba, A. & Munoz, L. 2001. America's Most Admired Companies. ***Fortune***, 143(4): 32-35, 60-70.

Economist. 2001. Helping, but not developing. May 12: 74

Enderle, G. & Tavis, L. A. 1998. A Balanced Concept of the Firm and the Measurement of Its Long-term Planning and Performance. ***Journal of Business Ethics,*** 17: 1129-1144.

Fill, C. & Diminopolu, E. 1999. Shaping Corporate Images: Attributes Used to Form Impressions of Pharmaceutical Companies. ***Corporate Reputation Review*** 2: 202-214.

Fombrun, C. 1996. ***Reputation***. Boston: Harvard Business School Press.

Fombrun, C. & Shanley, M. 1990. What's in a name? Reputation building and corporate strategy. ***Academy of Management Journal,*** 33: 233-258.

Fryxell, G. & Wang, J. 1994. The Fortune corporate 'Reputation index: Reputation for what? ***Journal of Management,*** 20: 1-14.

Gioia, D. 2000. Organisational Identity, Image, and Adaptive Instability. ***Academy of Management Review,*** 25(1): 63-81.

Greene, R. & Elffers, J. 1998. ***The 48 Laws of Power.*** London: Profile Books Ltd.

Gilding, P. & Hogarth, M. 2000. We're Jammin'. ***Tomorrow Magazine***, 5: 10-11.

Hall, R. 1992. The strategic analysis of intangible resources. ***Strategic Management Journal,*** 13: 135-144.

Hall, R. 1993. A framework for linking intangible resources and capabilities to sustainable competitive advantage. ***Strategic Management Journal,*** 14: 607-618.

Herbig, P. & Milewicz, J. 1997. The relationship of reputation and credibility to brand success. ***Journal of Pricing Strategy and Practice***, 5(1): 25-29.

Kartalia, J. 2000. ***Total Reputation Management***. Schaumberg, IL: Entegra Corporation.

McLane, P., Bratic, W., Bersin, B. 1999. Potentially Deastating Events. How Three Companies

Managed and Survived a Crisis. ***Corporate Reputation Review*** 2(3): 268-277.

Neville, R. & Jerningham, C.E. 1908. ***Piccadilly to Pall Mall***, London: Duckworth. 94.

Nolan, J. 1975. Protect your public image with performance. ***Harvard Business Review***, March-April.

Petrick, J., Scherer, R., Brodzinski, J., Quinn, J., Ainina, M. 1999. Global leadership skills and reputational capital: Intangible resources for sustainable competitive advantage. ***The Academy of Management Executive,*** 13(1): 58-69.

Pratkanis, A. &. Aronson, E. 1991. ***Age of Propaganda, The everyday use and abuse of persuasion***, New York: W H Freeman and Company.

Sykes, J. B. (Ed). 1982. ***The Concise Oxford Dictionary of Current English.*** Oxford: Oxford University Press.

Turban, D. B. & Greening, D. W. 1997. Corporate Social Performance and Organizational Attractiveness to Prospective Employees. ***The Academy of Management Executive,*** 13(1): 58-69.

Van Ham, P. 2001. The Rise of the Brand State. ***Foreign Affairs,*** September-October.

Werner-felt, B. 1984. A Resource-Based View of the Firm. ***Strategic Management Journal,*** 5: 171-180.

Willmott, M. 2001. ***Citizen Brands: Putting Society at the Heart of Business***. Chichester, UK: John Wiley & Sons.

Judge Institute of Management 2001 Working Paper Series

NUMBER	TITLE AND AUTHOR
1/2001	Altered States: the Impact of the New Economy on Sustainable Development in Southeast Asia (B Ahlering and C Smallman)
2/2001	A Customer-Driven Model of Job Design: Towards a General Theory (R F Conti and M Warner)
3/2001	The Timing and Terms of Mergers, Stock Offers and Cash Offers (B Lambert)
4/2001	Against Learning (C Grey)
5/2001	Extremes in Operational Risk (E A Medova and M N Kyriacou)
6/2001	Mergers and Acquisitions: The Influence of Methods of Payment on Bidder's Share Price (R Chatterjee and A Kuenzi)
7/2001	Competitive Bidding for a Long-Term Electricity Distribution Contract (S Littlechild)
8/2001	Globalization and ICTs: Working Across Cultures (G Walsham)
9/2001	Russian Banks and the Soviet Legacy (D Lane)
10/2001	Operational Risk Capital Allocation and the Integration of Risks (E A Medova)
11/2001	'Sino-Foreign Joint Ventures' Versus 'Wholly Foreign Owned Enterprises' in the People's Republic of China (D Yan and M Warner)
12/2001	Globalization, Labour-Markets and Human Resources in Asia-Pacific Economics: an Overview (M Warner)
13/2001	The Climate Change Benefits of Reducing Methane Emissions (C Hope)
14/2001	Real (Investment) Option Games with Incomplete Information and Learning Spillovers (S H Martzoukos and E Zacharias)
15/2001	An Extended CBA Model of Hydro Projects in Sri Lanka (R Morimoto and C Hope)
16/2001	Employees' Access to Family-Friendly Policies and Practices: An Analysis of the 1998 Workplace Employee Relations Survey (S Dex and C Smith)
17/2001	Which British Employers Have Family-Friendly Policies? An Analysis of the 1998 Workplace Employee Relations Survey (S Dex and C Smith)
18/2001	Differentiating Debt Target from Non-Target Firms: an Empirical Study on Corporate Capital Structure (B Lambrecht, G Dissanaike and A Sarraga)
19/2001	Convergence Revisited: Labour-Markets in 'Communist' China and 'Capitalist' Hong Kong (G O M Lee and M Warner)
20/2001	Employee Commitment as an Outcome of Family-Friendly Policies? An Analysis of the Workplace Employee Relations Survey (S Dex and C Smith)
21/2001	Considerations of Quality in British Television Production: A Bayesian Statistical Analysis (S Dex and R Sewell)
22/2001	Effects of Family-Friendly Policies on Business Performance (S Dex, C Smith and S Winter)
23/2001	Intraday FX Trading: Reinforcement VS Evolutionaty Learning (M A H Dempster, T Payne, Y S Romahi)
24/2001	The Impact of Electricity Supply on Economic Growth in Sri Lanka (R Morimoto and C Hope)
25/2001	Solution of PDEs by Wavelet Methods (M A H Dempster and A Eswaran)

Judge Institute of Management 2002 Working Paper Series

NUMBER	TITLE AND AUTHOR
1/2002	Exponential Growth of Fixed-Mix Stratergies in Stationary Asset Markets (M Dempster, I V Evstigneev and K R Schenk-Hoppé)
2/2002	Employees' Awareness of Employer's Flaxible Working Arrangements (S Dex, A McCulloch and C Smith)
3/2002	Intraday FX Trading: an Evolutionary Reinforcement Learning Approach (M A H Dempster and Y S Romahi)
4/2002	When Should you Sack the Manager? Results from a Simple Model Applied to the English Premiership (C Hope)
5/2002	Repairing Managerial Knowledge-Ability over Distance (K Goodall and J Roberts)
6/2002	Combinatorial Structures in Nonlinear Programming (S Scholtes)
7/2002	Stochastic Modelling and Optimization Using **Stochastic**™ (M A H Dempster, J E Scott and G W P Thompson)
8/2002	Price Protection Strategies for an Oil Company (E A Medova and A Sembos)
9/2002	Fast Narrow Bounds on the Value of Asian Options (G W P Thompson)
10/2002	Bounds on the Value of Barrier Options with Curved Boundaries (G W P Thompson)
11/2002	Optimal Trading of an Asset Driven by a Hidden Markov Process in the Presence of Fixed Transaction Costs (G W P Thompson)
12/2002	Markov Properties of Stationary Gaussian Term Structure Models (G W P Thompson)
13/2002	Asset Allocation Using Quasi Monte Carlo Methods (P Boyle and J Imai)
14/2002	Pilot Indices of Genuine Savings for the UK and Taiwan, from 1970 to 1998 (G T R Lin and C Hope)
15/2002	Profiling Corporate Imagery: A sustainability perspective (A K O Brady)

Full details of further past papers in our series are available at **www.jims.cam.ac.uk** under the section Research : Working Papers.

Order Form

Name: ______________________________

Address: ______________________________

____

Email: ______________________________

Paper(s) required:

Number	Author(s)	Title

Price per publication = £5.50, including postage and packing. Please note that for orders of 5 papers or more, postage and packing will be billed separately.

Total payment enclosed: £______________________________

Payment method:

- ❑ Cheque — payable to "University of Cambridge"
- ❑ Draft/Money order
- ❑ Credit card — Card type ☐ Visa ☐ Mastercard

Name on card ______________________________

Card number ______________________________

Expiry (mm/yy) ______________________________

Signature ______________________________

Date ______________________________

Please send this completed form, together with your payment, to:

Research Support Manager
Judge Institute of Management, University of Cambridge
Trumpington Street, Cambridge CB2 1AG, UK
Tel: + 44 1223 339611 Fax: + 44 1223 339701
E-mail: research-support@jims.cam.ac.uk