Chapter 4
Building and Managing Reputation: Current Debates and Future Directions

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ABSTRACT This chapter takes up the subject of reputation and its strategic importance for organizations. We provide an overview of generally accepted definitions of reputation and recognize the complexity of reputation by introducing a discussion on why managing reputation is a wicked problem and how organizations can best “solve” it by building awareness of reputation into organizational DNA. The chapter offers insight into a number of areas where future research might better assist all organizations in realizing the potential of their reputation.

KEY WORDS: reputation | systems approach | stakeholder | intangible asset

4.1 INTRODUCTION
In 2004, scholars at BI Norwegian Business School were instrumental in introducing the first research-based reputation measurement instrument to Norway, the Reputation Institute’s Reputation Quotient, now called RepTrak (Gardberg and Fombrum, 2002). Prior to 2004, the word reputation was rarely mentioned in the Norwegian business press. In the following five years, reputation gained a great deal of attention as the number of articles in the media mentioning reputation increased by a factor of eight, from slightly over 1,000 to more than 8,000 in 2009 (A-tekst, 2018).

Reputation has now become a buzzword; so-called reputation experts have been made a laughing stock by the media, and it has been proposed that leaders are tired of hearing their communication people talk about reputation (Brønn and Ihlen, 2009). This flies in the face of the fact that reputation remains one of the most important assets of modern organizations. It assists in building competitive advan-
tage because it is difficult to imitate, acquire, or replace; it builds legitimacy, making organizations more resilient to crises; and it increases their room to maneuver in organizational change and innovation. The dismissive attitude toward reputation also ignores its complexity. Everything an organization does contributes to either a good or a bad reputation, and building a good reputation over time requires engaging the entire organization and ensuring that the performance of everyone in the organization is of high quality. This is relevant for the private and public sectors, including non-profit organizations and governmental agencies.

That reputation is of interest not only to organizations, but also to society in general, is evident in the scope and number of reputation rankings worldwide. Some estimates indicate that there are more than 500 company rankings published annually, ranging from best place to work for minorities or for women, most admired companies, most environmentally friendly, most ethical, and so on. The release of these surveys is met with much fanfare and many organizations use their high rankings to generate publicity and to build their brands. For the losers, the results may result in panic and in possible loss of reputation, subsequent financial catastrophe and increasing pressure for accountability (Busuioc and Lodge, 2016). Regardless, organizations will spend resources in the form of time, money and knowledge to maintain or improve reputation, or to build it up.

It is impossible to adequately cover the extensive research on reputation in a single chapter; however, we provide an overview of generally accepted definitions of reputation and recognize its complexity by introducing a discussion on why managing reputation is a wicked problem and how organizations can best “solve” it by building awareness of reputation into organizational DNA. The chapter concludes by offering insights into a number of areas where future research might better assist all organizations in realizing the potential of their reputation, not just in the marketplace, but also, most importantly, in society in general.

4.2 DEFINING REPUTATION

Reputation has been described as a broad “portmanteau concept” with many interpretations (Brønn and Brønn, 2015). Research has uncovered anywhere from 16 to 50 different definitions (Bennett and Kottasz, 2000; Barlett et al., 2006; Dowling, 2016). Furthermore, the various academic disciplines differ in their views of reputation. For economists, reputation is the sum of those characteristics or signals that describe a firm’s possible behavior in special situations. Accounting sees reputation as one of several types of intangible assets that are difficult to measure, but that create long-term value. For marketing, reputation comprises the associations
that individuals have with an organization’s name, while in the field of communication, reputation is defined as the organizational characteristics that develop from the relationships the organization has with its environment. In organizational theory, reputation is seen as the cognitive representation of organizations as stakeholders acquire meanings of the organization, and in sociology it is a social construction that results from the relationships that the organization establishes with its stakeholders in their common institutional environments: a good reputation is an indicator of legitimacy (van Riel and Fombrun, 2007).

Barnett et al. (2006) group the definitions into three broad categories:

- **Awareness**: Reputation as the attention that a stakeholder gives an organization, but not necessarily implying a judgment—reputation is seen merely as a perception or impression.
- **Assessment**: Reputation as a judgment, an estimate, an evaluation or a gauge—reputation says something about the status of an organization.
- **Asset**: Reputation as something of value and significance to the organization—reputation is a resource, an intangible, financial, or economic asset.

Awareness is a key concept, as we know that people’s perceptions of an organization’s performance are based on communication about and from the organization, their own experience with the organization, and what others tell them about the organization. Dowling (2016) refers to Lange et al. (2011), who identify three dominant conceptualizations of corporate reputation. Organizations need:

- to be well known—the salience or prominence of the organization;
- to be known for something—beliefs about an organization’s distinctive characteristics and/or behaviors; and
- to have a generalized favorability—an overall evaluation of being good or attractive.

Being known is a prerequisite for the other two.

One of the most cited definitions of reputation is offered by Fombrun (1996), who sees 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). An equally relevant definition is provided by Barnett et al. (2006), who defined reputation as observers’ collective assessment of a business based on the perceptions of the financial, social and environmental consequences a business has over time. This definition thus emphasizes
how reputation is a value that someone outside the business determines. At the same time, the definition states that this is a socially created value.

An enterprise’s reputation will therefore be influenced by peoples’ opinion based on the direct experience they have had with products, behavior, character and the like; what they are told by others; and by organization’s past behavior. This knowledge is influenced by the individual values of each stakeholder or stakeholder group. Over time, all of these impressions create a reputation capital—the intangible resource that should strengthen the organization’s competitive advantage or, in the public sector, its status among the general population.

The definition above also helps to draw attention to the evaluation of an organization. Reputation is the appeal an organization has in its environment, and it is being assessed in comparison with other organizations. At the same time, it is worth noting that the definition emphasizes that reputation has a time dimension—a reputation is built over time and should last over time.

As a construct of judgment (assessment) reputation comprises both affective (emotional) and cognitive components (Ingenhoff and Buhmann, 2016). Reputation as an emotional aspect is defined by Fombrun and van Riel (2004) as the degree to which people admire and respect the organization, trust the organization, feel good about the organization or think the organization has an overall good reputation. Cognitive components of the construct are represented by people’s belief in or judgment about an organization’s performance on seven common primary dimensions: (1) leadership, (2) products and services, (3) financial performance, (4) innovation, (5) workplace environment, (6) governance, and (7) citizenship. These are proxy variables directly associated with measurements of quality where reputation management consists of ensuring superior performance. The relationship between the affective and the cognitive aspects of reputation are shown in Figure 4.1 from Reputation Institute. The emotional dimension is captured by the RepTrak Pulse.

There is also a significant literature reflecting the considerable empirical attention to understanding how reputation impacts supportive behavior toward an organization. This includes willingness to purchase products, invest in a company, recommend company/products, work for a company, or give them the benefit of the doubt in crises (see for example, Money et al., 2016).

It is important to note that research on reputation is currently broadening considerably, going beyond the common focus on organizations. Recent work on the reputation and image of countries is a good example of this. The role of the country image, how it is created and its effects are of major interest for those working in international relations, international marketing, politics, trade, or tourism (Buhmann and Ingen-
A country’s image and reputation is becoming more important and its impact is seen through effects on the level of exports and foreign direct investments, the stability of international relations, the prosperity of national tourist industries, the attractiveness of domestic labor markets and education systems, or the degree of a country’s political and economic influence in the international system.

Recent research (e.g., Buhmann and Ingenhoff, 2015b; Buhmann 2016a, 2016b) has resulted in new integrative models where statistical analyses can show how functional, normative, and aesthetic beliefs about a country affect the formation of the emotional country image dimension—showing the country’s “ability to attract.” Furthermore, we can see how the emotional dimension of the country image mediates the effect of the cognitive dimensions on people’s behavior. Such behavioral effects can be analyzed regarding a wide variety of outcome variables such as the willingness to politically support a country, invest in a country, or travel to a country.

It is also possible to study the effects of corporate crises on country reputation. A recent study by Ingenhoff, Buhmann, White, Thang and Kiousis (2018), found that how the media reports on crises involving “nationally branded” corporations affects the perception of their home country. An example from Norway illustrates the interplay between national corporate brands and country image. In 2017, Norway had an exceptional image, ranking number one in the world for happiness by Sustainable Development Solutions Networks, and sixth on the Reputation Insti-
tute’s ranking of the world’s most reputable countries. When Statoil’s CEO was pictured in the media sitting in an all-male meeting with Donald Trump at the 2018 World Economic Forum in Davos, there was negative pushback in Norway from influential personalities on Facebook. That “optic” crashes with the international audience’s expectations regarding Norway’s position of valuing gender parity, and the assumption that its business leaders would feel the same and act accordingly. There is no evidence that the discussion was greater than in Norway (some media did note the fact they were all men), but the danger of it snowballing certainly existed, particularly when gender parity is a recurring theme at the World Economic Forum. This could have raised questions not only about Statoil’s behavior, but also about Norway’s.

Organizations may believe there is a quick fix to reputation, but a quick look at the list of drivers of reputation (product and services, workplace, leadership, performance, citizenship, governance and innovation) puts the lie to this assumption. There is no one person within an organization in charge of all of these drivers, who is capable of managing all of the stakeholders associated with each driver, who is familiar with the diverse measurements of success, and so on. When everything that an organization does can theoretically impact its reputation, it is clear that reputation-building is not a function that can be left to one individual or to one department alone. It becomes the responsibility of everyone in an organization. Because an organization’s reputation can act as a standard governing behavior, Balmer (2003) argues that, *everyone* should be encouraged to ask the question: “Would my actions be in line with the company’s good/bad reputation?” This is reflected in Balmer’s D.E.A.R. principle: Decisions, Evaluated, Against the Reputation.

The discussion above underscores the complexity of reputation: It has many interpretations; it is a judgment held by a diversity of stakeholders, all of whom have diverse and often conflicting views and priorities; it is something that in the long-run will never be perfect; and it can be influenced positively or negatively at any time by both internal and external actors. The notion of reputation and reputation management thus bears many of the characteristics of a class of problems called wicked problems (Rittel and Webber 1973). Wicked problems are not evil or “cool” problems, but rather problems that are resistant to long-lasting solutions, that are hard to grasp and change when efforts are made to deal with them, and that have complex roots and diverse stakeholders.

There are no specific solutions to wicked problems like reputation, but it is possible to deal with them. One strategy for dealing with wicked problems is to adopt a learning orientation to engage the entire organization, in other words thinking about reputation needs to be built into the very DNA of an organization where all
“decisions are evaluated against reputation”. One approach is explained in the follow-

4.3 REPUTATION: YOU’VE GOT TO BUILD IT IN

Dowling (2016) argues that reputation must be “built in” to an organization’s DNA
by coupling reputation-building actions closely to the organization’s strategy. This
approach is perceived as a more natural component of the organization’s activities
and can be expected to give positive associations with the organization in the minds
of a broader range of stakeholders. This is in contrast to a bolted-on approach where
efforts appear to be an afterthought or an add-on; the activities seem to be insincere
to external stakeholders, and thus lower the estimation of the firm in their minds.

A bolted-on reputation management approach would be to apply a quick and
dirty solution to some more fundamental problem that is, for example, generating
consistently low reputation ratings. It is not unusual to hear of even large interna-
tional firms running campaigns such as “Number 1 in 2001” after a poor perfor-
ance on a reputation ranking the previous year. The bolted-on strategy may have
some short-term benefits where improving stakeholders’ immediate perceptions
of the firm results in an improvement in the ranking scores and eases the immedi-
ate problem. Over time, however, the fundamental problem will reassert itself.

The built-in approach is based on implementing a more fundamental solution
that will also ease the problem’s symptoms, but will do so through other means
and with some time delay. When managers are alerted to the potential unintended
consequences of applying short-term and immediate solutions, they will hopefully
look deeper at underlying causes and not patch the problem. In reality, a balanced
approach to solving hard problems is required. In this view, the strategy that is
most likely to succeed is one that attempts to find a balance between short- and
long-term actions. Moreover, what works for one organization may not work for
another. Making this happen requires focusing attention on the total organizational
system instead of just the individual parts or properties of the parts; not just prod-
uct, not just the financial, not just workplace, and not just leadership.

Because organizational reputation reflects an assessment of performance across
all functions and hierarchical levels, it is not possible to reduce the reputation con-
struct directly back to the component actions that are carried out by the many
organizational actors. Reputation is neither predictable nor deducible from the
functioning of lower-level organizational components. Organizations are complex
systems, and initiatives intended to improve on one dimension of reputation will
affect the other dimensions to varying degrees. As such, the organizational reac-
tion may be counter-intuitive with the net result being an overall decrease in key performance indicators, and a loss of reputation.

Further complicating the situation is that stakeholders often have different meanings and expectations for what constitutes good behavior for the various drivers of reputation. As firms strive to meet stakeholder demands and expectations, gaps can occur between various organizational members’ understanding of what these expectations are and what behavior organizations should deliver to meet the expectations. Consequently, this requires organizations to minimize gaps between what is expected of them and the behavior delivered by them. This also reduces reputation risk (see Brønn, 2012). The challenge for any organization is to build in a mental model, if you will, that gets everyone in the organization pulling together to minimize quality gaps. This organizational mindset is not easy to achieve.

The following discussion outlines some areas where more or continued research can hopefully shed light on some of the complexities of reputation and reputation management.

4.4 A REPUTATION RESEARCH AGENDA

Even though there is an impressive literature on reputation, on what it is and isn’t, what it can do, its impact, and so on, there are still many areas of inquiry that, if explored, can help organizations build, maintain or rebuild reputation, and not the least help them create conditions for a built-in systemic approach to reputation. For example, most agree with the axiom that it takes a long time to build reputation but almost no time at all to destroy it. This is often followed by the question: how long does it take to rebuild? This has been explored to a minor extent (see for example, Gaines Ross, 2008; deHaan, 2017) but is still of great interest across industries, countries, and organizations.

Another area of interest is the impact of new digital technologies on an organization’s reputation. This can refer to new forms of communication and interaction that emerge with new digital technologies, such as in rating portals or social networks. An important domain in this regard is the influence on an organization’s reputation from so-called uncurated third-party rankings, such as Yelp or TripAdvisor, where the third parties are anonymous members of the general public. Similar to rankings such as RepTrak, these polls can either boost an organization’s reputation, or have devastatingly negative effects. There is growing research on how organizations can take a more proactive role in online communication, including adding their own voice to the conversation (see for example, Aula, 2011).
The impact of new digital technologies can also refer to reputational implications of the new technologies themselves. A critical aspect of digitalization is the growing use of complex algorithm-based systems by organizations to interpret and predict consumer behavior, support and carry out operations, or drive recommendation and filtering systems. While organizations today make extensive use of complex machine learning algorithms, hardly anyone is able to fully account for their workings. Current research at BI’s Centre for Corporate Communication and the Nordic Centre for Internet and Society adds to knowledge in this area by:

a) mapping common kinds of reputational threats caused by algorithms; b) reviewing in particular the inherent opacity of algorithms, which arises from poor transparency and leads to distinct challenges for accountability; c) suggesting normative principles to assess algorithmic accountability based on a discourse-ethical framework (i.e.: access to deliberation, access to information, inclusion of all arguments, and responsiveness); and d) applying these principles to cases where algorithms become major threats to organizational reputation (Buhmann, Passmann, and Fieseler, forthcoming).

The reputation of public sector entities is of growing concern and more research is needed on the drivers of reputation in the public sector. This is important, as it is generally understood that the public sector is a special case and that reputation-building in the public sector cannot be approached in the same manner as in the private sector. Bottom line performance in the public sector is not about profits, but rather benefits to the community. While there is a substantial amount of research on service satisfaction in the public sector (see for example, Rowley, 1998; Heintzman and Marsden, 2005), there is little research on reputation and the public sector. According to Sørensen (2009), people today have higher expectations of the public sector, are more skeptical toward experts and public authority, and are less confident that these people are working for their or society’s interests. Additionally, people want influence over and freedom to choose who delivers public service. They want more and better information, particularly about who can deliver the best quality.

Of continued interest will be the pressing question of measurement and evaluation, not only of reputation but also for those activities recognized as building reputation, particularly communication efforts (Buhmann, Likely, and Geddes, 2018). Key for organizations is realizing that the use of one-size-fits-all reputation measurements will not necessarily help them with their stakeholders, in their market, or in their operating environment. It is essential to find a valid and reliable measurement tool that is the best and most relevant tool for their own organization, which in many cases will mean creating their own.
Some firms in highly competitive environments conduct monthly customer surveys, but no reputation surveys. Some organizations do nothing, and some have bi-annual or annual reviews. What is important is to recognize that some measurement must be done; not only to create accountability for the many activities that build reputation, but also to generate insights and learning on the inevitable changes in the dynamic relationship of the organization and its environment. Reputation is an asset that has financial value, and the only way to know what stakeholders’ expectations are—and if they are being met—is to ask them. Ignoring reputation measurement is not an option.

Reputation as a component of an organization’s overall risk assessment and management process is also an important emerging research area. By recognizing reputation as a component of risk, i.e., considering stakeholder expectations in decision-making, organizations signal that they are concerned about their role in society and their willingness to include a broader range of perspectives and voices into decision processes. This is a complex undertaking, however, and organizations need better guidelines on how to engage responsibly and productively. This is important not only for big, visible organizations, but also for smaller ones who are unable to absorb the loss of key customers, a supplier default, a lawsuit or a credit problem, and where reputation damage can mean the end of business.

Paradoxically, damage to reputation today is most likely to come from a friendly source: an organization’s own management. This often happens through poor or unethical decision-making that creates circumstances that could have been avoided. For example, it is estimated that Volkswagen’s (VW) managers’ decision to adjust their cars’ emission controls to make the cars appear “greener” resulted in a decline in market capitalization of about 20%, or over €20 billion (Investopedia, 2016). Part of the decline is a result of damage to VW’s reputation as a green company; people stopped believing what the firm was saying. In January 2017, VW experienced another management-made crisis as the firm had to admit it used monkeys and humans to test exhaust systems. In both cases, one of the first persons to be fired was the communication executive, even though they were not directly involved in the decision process. Arguably, this connotes a culture that is not transparent and where those on the front line appear to be the scapegoats for hidden and closed decision-making. The question is whether this behavior is sustainable in a technology-mediated environment. This type of crisis is not isolated to the private sector. Recent bad behavior by leaders and managers has emerged in political parties in Norway and at one of the biggest international non-profit organizations in the UK.
4.4.1 CHANGING HOW REPUTATION IS STUDIED: FROM OUTCOMES TO PROCESS

The fall of organizations’ reputations strengthens the argument for changing the way reputation is studied. The internal breakdown of management control, the “wickedness” of the reputation problem and the need for a built-in approach, illustrate the need for research employing a systems thinking approach to building reputation, with its stronger focus on process as opposed to outcome (see for example, Kraatz and Love, 2006). What occurs within an organization that leads to it being perceived in certain ways is much more difficult to evaluate than gathering results from a reputation survey; it requires exploring reflective learning, the learning skills associated with systems thinking. These skills are intuitive and easy to understand at the intellectual level, but are notoriously difficult to implement. This difficulty comes from the need to change the fundamental perspective of understanding the world. This includes overcoming the ingrained habit of focusing on specific events and cultivating a habit of stepping back to look at patterns of events over time. This means moving from a reactionary thinking mode to a generative thinking mode. In the latter, decision makers attempt to develop endogenous or internal as opposed to externally-attributed explanations and solutions to the observed problematic behaviors. For example, looking inside for why reputation is declining, not blaming it on external causes.

The transition to systems thinking is also hampered by organizational and social cultures, both of which are strongly biased to considering only the short-term and relying on linear cause and effect processes. By definition, reputation building is a long-term process, making short-term thinking inappropriate.

Advancing the systems thinking approach to reputation, with its emphasis on process, requires research in two areas. First, exploring and evaluating the role of management in fostering a learning environment. Second, studying the overall learning orientation of the organizations, which is important because learning organizations are more effective in dealing with wicked problems. This also addresses the organization’s culture for learning (see for example, Nevis, DiBella, and Gould, 1995). Together, an assessment of managerial practices across functions and of organizational culture with respect to learning can identify opportunities for improving organizational learning capabilities, thereby supporting reputation management activities. For example, firms that score high on the RepTrak survey tend to score high on all of the seven drivers of reputation. It would be an important contribution to analyze these firms to see to what extent their learning characteristics are consistent with the challenges associated with managing their reputation. This research would help organizations to understand the basis of their
particular reputation and provide specific guidance on how to manage their behavior more effectively and, consequently, its impact on their reputations. These insights would be invaluable not only for the private sector, but for all organizations, and even countries.

4.5 CONCLUSION

Because reputation is an indirect intangible resource, the role reputation plays in contributing to organizational performance is more ambiguous and, consequently, easy to ignore or to treat only superficially. On the surface, reputation is a concept that people feel comfortable with; at least, they have an intuitive understanding of what it is and its value. They are comfortable with its everyday use. However, effective management of a dynamic and “wicked” resource such as reputation requires a high level of insight. Events and patterns that build or harm reputation do not just happen; there is something that causes the event or pattern, and that maintains the behavior over time.

Reputation is likely one of the most difficult strategic issues that managers confront (Brønn and Brønn, 2017). The procedures that go into making a firm’s products and assuring quality are relatively clearly understood and possible to control. Product quality and financial performance can be improved, innovative processes can be put into place, and decent and fair wages can be paid to employees. Reputation, on the other hand, is an emergent characteristic of the organization as a whole and, as such, cannot be “managed” directly.

There is some speculation that the study and measurement of reputation is at a standstill and that new insights are necessary if organizations are to realize the full worth of this valuable intangible asset. It is thus imperative that we continue research into reputation and its related fields. Organizations need better ways of understanding reputation, its formation, and its impact on their own type of organization (or country) along with more relevant tools for helping them instill an organization-wide systems approach to building reputation.

The prominent economist John Kay (1993) was clear when he stated that as a distinctive capability that accrues competitive advantage to an organization, reputation is an organization’s most important commercial mechanism for conveying information about itself. There is no doubt that a good reputation is a resource that gives competitive advantage because it is difficult for competitors to imitate it, acquire it, or replace it. It is a resource that should be protected, just as an organization protects its other resources.
REFERENCES


