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Perceived corporate credibility as the emergent property of corporate reputation's transmission process

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Abstract

Starting from the analysis of corporate reputation construct, this research focuses on the emergent property of corporate reputation process that results from individual corporate image's transmission within a informal network where various actors interact. This emergent property is conceptualised as perceived corporate credibility.

The aim of this paper is to test the influence of individual cognitive structure - i.e. corporate associations - and the third party's interaction on the corporate credibility perceived by individual decision-makers within customer's organization. The theoretical model is examined in a particular business-to-business context: business catering supplying relationships.

Keywords: corporate reputation, corporate associations , perceived corporate credibility, business-to-business relationships

Towards the emergent property of corporate reputation's transmission process

1. Introduction

The notion that corporate reputation plays an important role in business is far from being a new topic. A well known statement by Alfred Marshall explains that “...*a producer, a wholesaler dealer, or a shopkeeper who has built up a strong connection among purchasers of his goods, has a valuable property, ...he expects to sell easily to them because they know him and trust him and he does not sell to low prices in order to call attention to his business, as he often does in a market where he is little known*” (Marshall, 1923; p. 82).

In strategic management studies reputation is viewed as a key source of distinctiveness that differentiates the company from its rivals. A valuable and a fragile asset at the same time that provides firm with a sustainable competitive advantage (Fombrun, 1996; Fombrun and van Riel, 2004). It enables consumers, but also investors, suppliers, and employers to assess relevant company attribute (Diamond, 1989; Brown and Dacin, 1997).

This framework has limited the researches and measurements of corporate reputation only to a specific business-to-consumer perspective, while reputation influences decision makers' choice of inter-organizational partners (Anderson and Sorensen, 2000).

In relationship and network studies company's reputation is a function of its network position which consists of its relationships' portfolio, activity links, resource ties, and actor bonds (Ford et al., 1998). It's not a durable and static situation but it's a dynamic property which hinges on the different expectations of a company's counterparts. It can be viewed as an estimation of an actor (or firm) of attributes of importance (Jones and Hesterly, 1997), shared among a group of individuals (or firms) in a particular network. As stated by Wilson (1995) reputation becomes a measure - a proxy - of trust in a pre-relationship stage when the partner is an untested commodity. In this way, reputational information influences decision makers' choice of inter-organizational partners and it occupies a middle stance between objective and subjective information (Anderson and Sorensen, 2000).

This conceptualisation reflects that company's reputation is partly created by company's counterparts through their perception about its position (Ford et al., 1998). Starting from this view, this research focuses on the individual cognition structures and its propagation through the informal network. The interpretation and sense-making process of key constituents and counterparts produce the shifting terrain on which competition unfolds (Rindova and Fombrun, 1999).

The structure of the paper is as follows. First, we discuss the theoretical background corporate reputation's concept, distinguishing between the two main perspectives and the different object they emphasize within the corporate reputation's transmission process. Next, we focus on the emergent quality of corporate reputation process, conceptualised as perceived corporate credibility, and we examine how individual cognitive structure - i.e. corporate associations - and the third party's influences through the network influence the corporate credibility perceived by individual decision-makers within customer's organization.

2. Theoretical background: the emergent quality of corporate reputation process

A number of academic studies are devoted to the interpretation and conceptualization of corporate reputation (Barnett et al., 2005). Berens and van Riel (2004) and Rindova et al. (2005) identify two different main streams of thought in academic literature. The institutional perspective, partly influenced by stakeholder theory, suggests that the extent to which an organization is widely recognized among counterparts and stakeholders in its organizational fields, and the extent to which it stands out compared to competitors, represents the basic

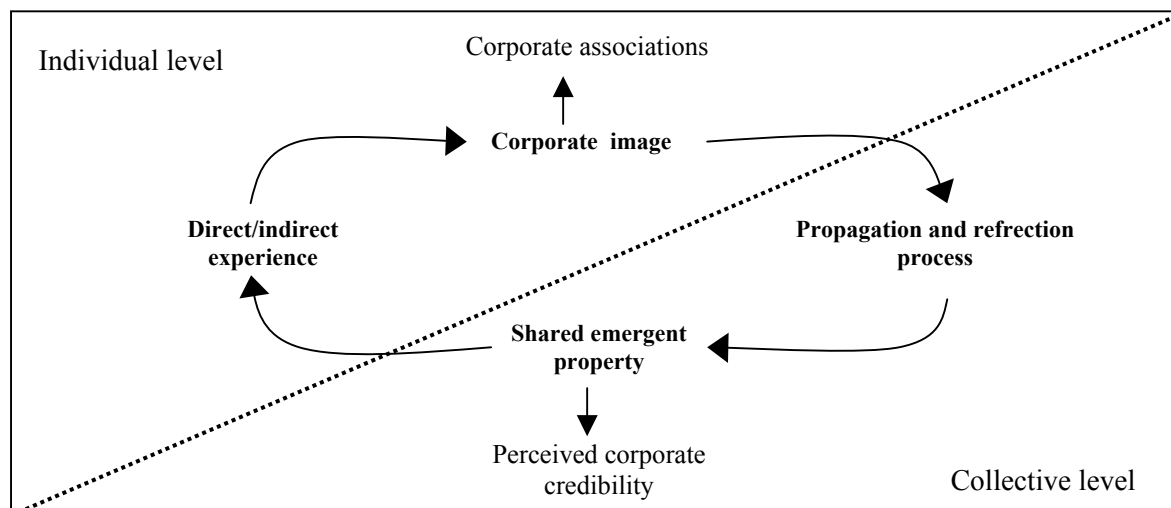
dimension of corporate reputation (Shapiro, 1983; Kreps and Wilson, 1982). This perspective focuses on the prominence dimension which captures the degree to which a company receives large-scale collective recognition (Rindova et al., 2005).

Socio-economic perspective focuses on the emergent quality dimension. It captures the degree to which stakeholders evaluate a company on specific attribute. This second stream of studies tends to define corporate reputation as the counterpart's expectations of a particular attribute of an organization developed over long time. Reputation forms on the basis of past actions: it's a "shadow of the future" (Axelrod, 1987). It's a specific evaluation based on the perceived "stock" of all the expectations fulfilled by company during time.

These views are not antithetic but they focus on specific objects of the individual representation's transmission process. In fact, reputation is a social phenomena associated with any individual impressions (Bromley, 2002). It forms as a result of social and information exchange within a informal network where various actors interact (Brown and Reingen, 1988; Nardin, 2002). It consists of four distinct but interrelated objects (Bromley, 1993, 2000, 2002; Conte and Paolucci, 2002):

- 1) a subjective representation of the firm – i.e. corporate image;
- 2) a network object;
- 3) an emergent evaluation;
- 4) institutional appraisals.

Fig. 1 – Corporate reputation's trasmission process



The starting point of this process is an evaluative belief about a particular company – i.e. corporate image. Corporate image is defined as the individual estimation about a company as reflected by the corporate associations held in memory (Keller, 1993; Brown e Dacin, 1997). Corporate reputation is the effect of the transmission of the corporate image trough an informal network. It proceeds from the level of individual cognition to the level of social propagation through gossip, word-of-mouth, and institutional refraction (Rindova, Fombrun, 1999), that includes media contagion (Pollock and Rindova, 2003), The result of this relational process is a reversed-J type of distribution in which only a small number of attributes are widely shared (Bromley 1993, 2000). The shared emergent property from the collective level back to that of individual cognition again.

While the institutional perspective emphasizes the width of network, the socio-economic perspective focuses on the emergent quality of the corporate image's propagation process. In business and industrial marketing's research this emergent quality is defined as honesty

(Doney and Cannon, 1997), fairness (Anderson and Weitz, 1989, 1992; Ganesan, 1994), ability to deliver valued outcomes (Bennett and Gabriel, 2001), quality and experience (Yoon et al., 1993; Brodie and Cretu, 2007). Consumer marketing studies focuses on the perceived corporate credibility's multidimensional construct (Newell and Goldsmith, 2001; Maathuis, Rodenburg, and Sikkel, 2004). Corporate credibility is defined as “*the perceived expertise, reliability, and truthfulness of a company*” (Newell and Goldsmith, 2001; 238). It represents “*the extent to which consumers feel that the firm fulfils its claims and the firm can be trusted to tell the truth*” (Newell and Goldsmith, 2001; p. 235).

In this study primarily we focus on the emergent quality of corporate image propagation process, considered as the perceived corporate credibility. The aim of this article is the to develop an integrated model that explicitly accounts for influences of the individual cognitive structure – corporate associations - and of the third party's interactions through the informal network on the emergent quality of the propagation process – perceived corporate credibility. Since the influence of corporate credibility can be expected to become more important when there are higher levels of service, we choose to examine a business catering service supplying context. We analysed the perceived corporate credibility formation from the customer perspective (Wartick, 2002; Brodie and Cretu, 2007), focusing on the decision-makers's individual perceptions (human resource directors).

3. Hypothesis devolpment

3.1 Perceived Corporate Credibility

Perceived corporate credibility is a multidimensional construct that encompasses three basic cognitive dimensions (LaBarbera, 1982; Newell and Goldsmith, 2001). Expertise is viewed as the perception of cumulated competence in making and delivering products or services. Honesty is the perceived truthfulness's degree. Reliance expresses the sense of security perceived by the counterparts. We assume that reliance is an over-ordered dimension. In fact, the perceived experience and the perceived honesty replace direct and truly information about the counterpart (Anderson and Weitz, 1989; Morgan and Hunt, 1994), reducing the perceived vulnerability.

H1a: *Perceived corporate expertise (EXP) has a positive influence on perceived corporate reliance (RELIA).*

H1b: *Perceived corporate honesty (HON) has a positive influence on perceived corporate reliance (RELIA).*

3.2 Corporate Associations

Corporate association's concept derives from psychological research on associative network models of memory. It is considered as a label for all the information about a company that a person holds (Brown, 1998). It includes perceptions, inferences, and beliefs about a company (Brown e Dacin, 1997; Brown et al., 2006).

In industrial branding studies the concept of corporate association is rarely used. It appears relevant to understand how counterparts think and feel about the service's supplier organization because it reflects no-product related associations evoked by the industrial brand (Brown, 1998; Bennett and Gabriel, 2001; Mudambi, 2002; Eggert and Ulaga, 2002; Bendixen et al., 2004).

Brown and Dacin (1997) consider two types of corporate association: corporate ability (CA) and corporate social responsibility (CSR). CSR associations reflect the organization's status and activities with respect to the perceived social obligations. CA associations appear to be overrelated to the production capabilities and to the product in Brown and Dacin's definitions (1997). Differently from these authors, we consider only the managerial and organizational capabilities perceived by the counterpart. We suppose that CA is an antecedent of both

perceived honesty and perceived cumulated experience. CSR influences only honesty dimension while it doesn't have any impact on the corporate cumulated experience.

H2a: *corporate ability (CA)* has a positive influence on *perceived corporate honesty (HON)* and *perceived corporate experience (EXP)*.

H2b: *corporate social responsibility (CSR)* has a positive influence on *perceived corporate honesty (HON)*.

Shared evaluation about the company

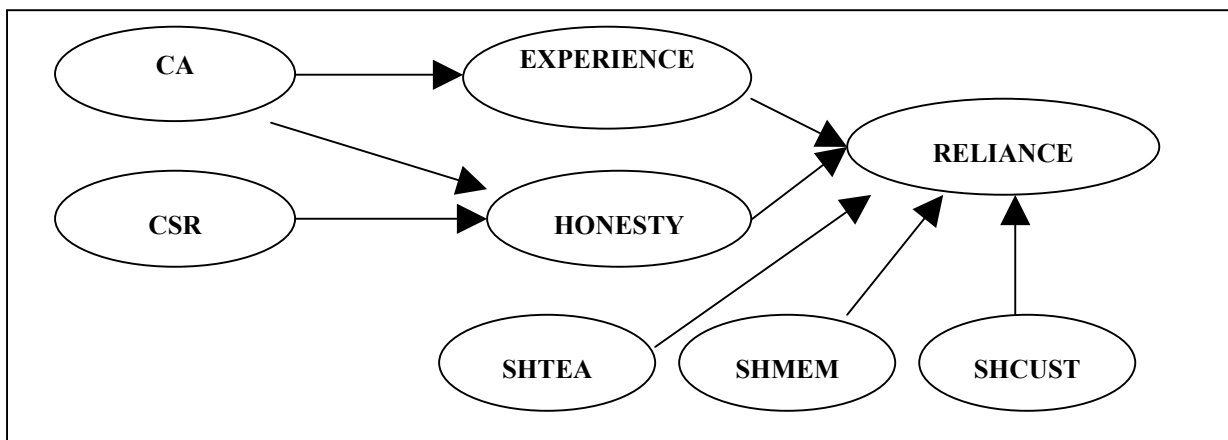
The study of the estimation's propagation process is based on the individual evaluation about the company shared between the decision-maker of the customer organization (HR director) and third parties of the supplying relationship (individuals, groups or organizations). The more there's consistency between decisions-maker evaluation and third parties' one the higher is the perceived evaluation's reliability (Dasgupta, 1998; Shapiro, 1983). If the overall estimation about the firm – i.e. corporate image - is positive, the degree of shared perception positively influences the perceived credibility's estimation (Rosseau et al., 1998), particularly the sense of security's dimension (RELIA). In this study we consider three different groups of third-party: team-mates and other organizational members are interior third parties, while other catering supplier's customer represent the external third party.

H3a: Shared estimation with team-mates (SHTEA) positively influence the perceived corporate reliance (RELIA).

H3b: Shared estimation with other organizational members (SHMEM) positively influence the perceived corporate reliance (RELIA).

H3c: Shared estimation with other supplier's customer (SHCUST) positively influence the perceived corporate reliance (RELIA).

Fig. 2 - The theoretical model



4. Variable measurements

Dependent variable: Perceived corporate credibility was measured by three sub-scale multi-items, referred to its three dimensions: experience, honesty, and reliance (Newell and Goldsmith, 2001).

Independent variable: CSR was operationalized using a multi-item scale (2 items) developed by Brown and Dacin (1997). To measure CA we adapted Fombrun, Gardberg, and Sever's (2000) reputation quotient scale (Berens et al., 2005). It captures several aspect of coporate reputation, so we decided to choose only "vision and leadership" and "workplace environment" dimensions to operationalize no-product CA associations.

Perceived shared evaluation with different groups of third parties was measured by the degree of agreement with overall corporate evaluation's sharing with internal and external

third parties (Likert 1-7). This measurement is referred to the overall corporate, image measured by a single item (Fombrun et al., 2000).

5. The empirical analysis

5.1 Data collection and sampling

As the research setting, we used a random sample of 500 Italian private companies localized in Modena and Reggio Emilia district. In order to test the model and verify the hypothesis, we chose to apply the questionnaire technique for the collection of data. The questionnaire was drawn up on the basis of the guidelines offered by the prevailing literature on the topic. Only respondents belonging to companies with canteen facilities (112) were asked to answer all the statements regarding their restaurant's service supplier (Wartick, 2002). We asked human resource directors to estimate, on a 7-point Likert scale, their personal degree of agreement with the fifteen statements detailed in the questionnaire. The overall supplier's evaluation was positive (>4) for 97 respondents.

5.2 Results

We estimated the entire model using a structural equation model with latent variables. Maximum likelihood Lisrel 8.3 was used to examine the overall adequacy of the theoretical model and to test the causal relationships and the covariance matrix was used as input (Bollen, 1989). The measures achieved satisfactory levels of reliability (α REL: 0,97; α HON: 0,75; α EXP: 0,74.; α CSR: 0,90; α CIA: 0,82) (Nunnally, 1967; Peter, 1979). The data analysis confirms that the model is able to explain the phenomenon adequately (tab1). Findings show that experience and honesty significantly predict perceived reliance. The relationship between experience and its antecedent, CIA, is statistically significant, and the amount of explained variance in experience is 0.48. Furthermore, even the relationships between honesty and its antecedents, CIA and CSR, are statistically significant. Results show that only the perception of a shared evaluation with organizational members has a significant influence on the perceived reliance. Organizational members are those third parties of the relationship which evaluations more influence the decion-makers' evaluations about their restaurant suppliers.

Tab.1 – The theoretical model: findings

Latent Variables	Squared multiple correlations	Hp.	Causal Links	
CA	--	Hp.1a	EXP → RELIA	0.50
CSR	--	Hp.1b	HON → RELIA	0.54
SHTEAM	--	Hp.2a	CIA → EXP	0.68
SHMEM	--	Hp.2a	CIA → HON	0.59
SHCUST	--	Hp.2b	CSR → HON	0.31
EXP	0.46	Hp.3a	SHTEA → RELIA	n.s.
HON	0.52	Hp.3b	SHMEM → RELIA	0.28
RELIA	0.78	Hp.3c	SHCUST → RELIA	n.s.

chi2: 132.80, df: 75; GFI: 0.86; RMSEA: 0.081; NFI: 0.86; NNFI: 0.91; CFI: 0.93

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