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A THREE ESSAY DISSERTATION

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THE LINKAGES AMONG
FIRM STRATEGIES, FIRM REPUTATION, AND PERFORMANCE:
A THREE ESSAY DISSERTATION

A DISSERTATION APPROVED FOR THE
MICHAEL F. PRICE COLLEGE OF BUSINESS

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Lovingly dedicated to the memory of my mother, Aeja Lim, who throughout her life showed me unconditional love and sacrificed so much for me. She cherished my achievements as her own.

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ABSTRACT

No one would question that firm reputation is a quality commonly ascribed to successful firms in the market. However, the premise of the relationship between firm reputation (FR) and firm performance (FP) has not been investigated systematically. The three essays aim to expand the theoretical understanding of firm reputation by investigating the relationships between (1) organizational strategies, (2) the different levels of reputation based on the perspectives of different stakeholder groups, and (3) firm performance.

Essay 1 reviews the antecedents and consequents of FR over the last three decades using a meta-analytic framework. The meta-analysis aims to provide insights into the following three key research questions: (1) Which antecedents are most influential for enhancing FR?, (2) Which consequents are most affected by FR?, (3) Which comes first, FR or FP? Moreover, different types of FR (internal versus external), different reputation measures (primary dataset versus secondary dataset), and different definitions of FR (assessment versus asset) are employed as moderators to provide more nuanced meta-analytical results and to identify the limitations of previous studies in FR. Essay 1 synthesizes the contradictory findings from the FR literature and helps reveal the true relationship between FR and FP (both financial and non-financial performance).

In essay 2, FR in two different markets (i.e., the B2B market and the B2C market) that deal with multiple stakeholder groups is defined. Using institutional theory, the study investigates the carry-over effects of FR between two different stakeholder groups (i.e., franchisees and consumers) and pinpoints how the opinions of

one stakeholder group matter to the opinions of the other stakeholder group. In franchise systems, the value of goods and services is not only created by the firm that manufactures and supplies them, but also franchisees that bridge the link between the firm (franchisor) and consumers in the marketplace (Srivastava, Shervani and Fahey 1999). By examining the reciprocal carry-over effects of the two types of FR, essay 2 evaluates the relative merits of *push* and *pulls* strategies in a franchising context.

Essay 3 examines the linkages among firm strategies, firm reputation, and firm performance by integrating both agency theory and stakeholder theory. Essay 3 empirically tests whether franchisors' strategies of Standardization, Innovativeness, and Communication influence stakeholders' perceptions of performance of focal firms. Firm performance is conceptualized in terms of Satisfaction, Commitment, Word-of-Mouth (WOM) Intention, and Purchasing Intention between franchisors and their stakeholders. This study broadens the understanding of the roles of firm strategies and firm reputation in firm-stakeholder relationships. This broached the topic of how firms can maximize the welfare level of two distinct stakeholder groups through strategies focused on one particular stakeholder group. An investigation of the dynamics of firm strategies, firm reputation, and performance in the firm-stakeholder relationships can shed welcome light on our understanding of stakeholder management.

Three essays will further the theoretical understanding of FR by using a multi-level investigation approach to understanding firm reputation, and expanding our knowledge of the role of firm strategies in fostering reputation. This can also bridge the great divide that separates B2B and B2C scholarship by holistically encompassing the perspectives of franchisors, their franchisees, and the end consumers.

ASSESSMENT OF THE ANTECEDENTS AND CONSEQUENTS OF FIRM REPUTATION: A META-ANALYSIS

INTRODUCTION

Firm reputation (FR) provides the referential barometer to evaluate the standing of a firm's performance in the eyes of stakeholders (Fombrun 1997; Podolny 1993). FR is one of the most important drivers for firms striving to obtain a sustainable competitive advantage over competitors (Carmeli and Tishler 2004; Dierickx and Cool 1989; Roberts and Dowling 2002; Weigelt and Camerer 1988). Not only does FR reward firms with positive financial firm performance (FP) (McGuire et al., 1990), but it also lessens the damaging effects of negative incidents (e.g., product recall announcements, environmental disasters, and fraudulent conduct) in the market (Chen, Ganesan and Liu 2009; Davidson and Worrell 2006; Hoffer, Pruitt, and Reilly 1988; Jarrell and Peltzman 1985; Rhee and Haunschild 2006). The implementation of firm strategies focused on developing, enhancing, and maintaining FR is critical since FR represents the accumulated impression formed in stakeholders' minds resulting from interactions with the firm (Brown et al., 2006; Fombrun 1996; Fombrun and Shanley 1990; Lange, Lee, and Dai 2011; MacMillan et al., 2005). Increased scrutiny on the topic of FR over the last thirty years in many different fields including economics, management, marketing, finance, and accounting has continually shown substantial links between FR and FP (Argarwal, Ganco, and Ziedonis 2009; Barnett, Jermier, and Lafferty 2006; Bello 2005; Brown et al., 2006; Rindova et al., 2005; Shrum and Wuthnow 1988; Weigelt and Camerer 1988). The principal purpose of this paper is to quantitatively integrate the extant studies on FR in various disciplines and analyze the antecedents and consequents of FR using a meta-analytic approach.

Based upon a consensus of scholars, FR is one of the most important intangible resources. FR is difficult to accumulate, imitate, substitute, or transfer (Rao 1994; Surroca, Tribo, and Waddock 2010). Nevertheless, scholars have continued measuring FR and evaluating the impact of FR over the last thirty years, but the empirical findings vary considerably. The research has not reached a definitive consensus regarding the true effects of FR on overall firm performance and there are still open questions whether endeavors to enhance FR should be attempted. Some have argued that the positive buffering effects of FR reduce the consequences of a negative incident such as a product recall, accounting fraud, and unethical conduct of organizations (e.g., Godfrey, Merrill, and Hansen 2009; Jones, Jones, and Little 2000; Schnietz and Epstein 2005). Others have shown that FR can be a “double-edged sword,” exacerbating the consequences of the negative incident (Brooks et al., 2003; Rhee and Haunschild 2006; Sutton and Galunic 1996; Wade et al., 2006). This disagreement over the functions of FR has intensified due to the contradictory findings regarding the relationship between FR and FP which varies across empirical studies. For example, McGuire, Sundgren, and Schneeweiss (1988) concluded that FR has *no effect* on various measures of FP. Correspondingly, others suggested that the financial impact of FR is biased, and FR has a neutral impact on FP if key variables are controlled (McWilliams and Siegel 2000). Whereas some researchers have found evidence of positive links between FR and FP (Brown and Perry 1994; Fombrun and Shanley 1990), others have demonstrated the market’s negative reaction to misconduct by firms (Hoffer, Pruitt, and Reilly 1988; Jarrell and Peltzman 1985; Pruitt and Peterson 2005). Meanwhile, Waddock and Graves (1997) argued that there is a simultaneous relationship between FR and FP, suggesting that FR is positively associated with prior FP, while also positively associated with future FP. As evidenced in the literature, discrepancies over FR abound. Thus, it is hoped that synthesizing the seemingly contradictory findings from the FR literature over the last three decades using a meta-analytic approach will help reveal the true relationship between FR and FP.

FR can be defined as the "collective judgment of a firm based on the assessment of the financial, social, and environmental impacts attributed to the firm over time" (Barnett, Jermier, and Lafferty 2006, p. 34). Stakeholders evaluate a focal firm's reputation through their past interactions with the firm, and since firm reputation is multidimensional, its effects on FP vary depending on the operationalization employed by a particular researcher. Additionally, how these relationships vary in the Business-to-Business (B2B) market or the Business-to-Consumer (B2C) market can help the field in further disaggregating FR and its effects on different stakeholder groups. Furthermore, such disaggregation of FR is necessary to better understand the relationship between FR and FP (Hillman and Keim 2001). This paper hopes to provide insights to marketing managers and top management by disentangling the above issues using an extensive quantitative integrative review of the antecedents and consequents to FR. This study will also suggest directions for future research to scholars working on this important construct.

In this meta-analytic study, I systematically review and analyze the literature on antecedents and consequences of FR (Figure 1-1) to provide insight into the following seven research questions:

(1) Which antecedents are most influential for enhancing FR?

(2) Which consequents are most affected by FR?

(3) Which comes first, FR or FP?

(4) Which dimensions of FR are most linked to its antecedents and consequents: FR, Corporate Social Responsibility (CSR), or Others (i.e., firm legitimacy, identity, image, and status)?

(5) Do studies based on secondary data sources of FR or CSR yield different effects than the ones based on primary data?

(6) Do the relationships between FR and FP in B2B versus B2C contexts yield different effects? and finally,

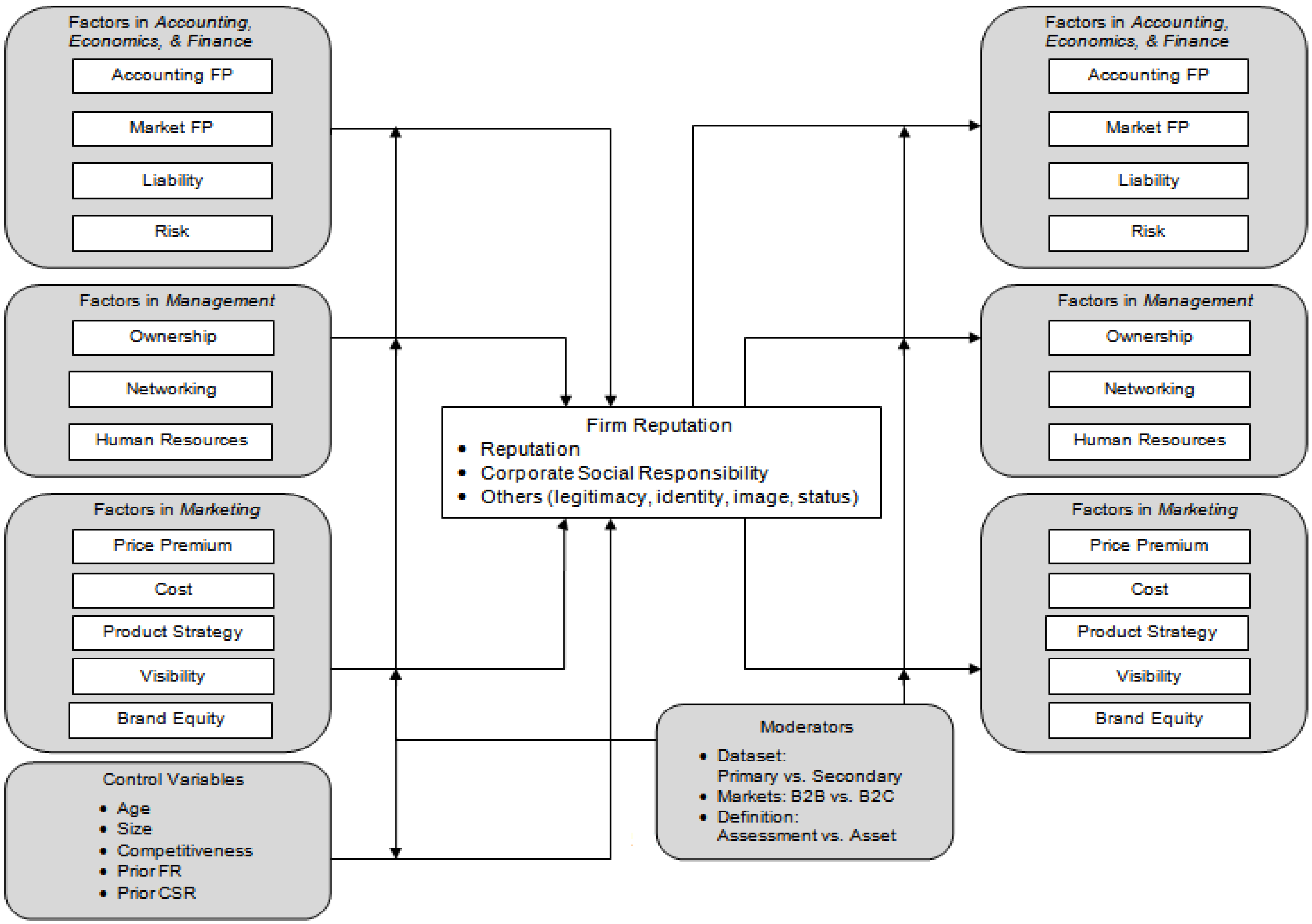
(7) Which definition of FR is most supported?

This quantitative review on FR contributes to the field in numerous ways. The links to FR and FP are examined holistically by including both financial and non-financial variables. Prior FR studies have employed a wide spectrum of theories and terminologies from a variety of disciplines. The meta-analytical model is thus framed in terms of academic disciplines to further the understanding of the relationship between FR and the overall performance from various perspectives (Fombrun and Shanley 1990).

Previous studies on the topic of firm legitimacy, identity, image, and status are included since several researchers have used these constructs almost interchangeably without thoroughly and clearly explicating the domains of the constructs and their definitions. This paper also compares the magnitude of observed effects associated with FR, CSR, and "Others" (e.g., firm legitimacy, image, identity, and status).

I begin by describing the theoretical framework (Figure 1-1) to be employed in this meta-analysis. Next, the process employed in collecting the effects from the last

FIGURE 1-1
OVERVIEW OF META-ANALYTIC MODEL



three decades of FR literature is described. This will be followed by the actual meta-analysis where the effect sizes of the manifold relationships of antecedents-FR-consequents are presented. Finally, the conclusion and the contribution of the study are discussed.

CONCEPTUAL FRAMEWORK

According to signaling theory, firms' actions provide key information about firms' characteristics and signal behavioral intentions of firms in the marketplace (Spence 1973; Turban and Greening 1997). In a perfect market where information is equally distributed across stakeholders, information should not impact economic value in any transaction. However, information signals play important roles in our actual imperfect market where information asymmetry exists between a firm and its stakeholders. In his seminal work on information economies, Spence (1973) explains the signaling function of education in the labor market and demonstrates how the unobservable characteristics and abilities of a job candidate can be presumed by their educational background (Weiss 1995; Connelly et al., 2011). Certainly information asymmetry is important in the labor market since firms cannot be fully aware of the characteristics and behavioral intentions of job candidates (e.g., Stiglitz 2000; Elitzur and Gavious 2003). Accordingly, job candidates *signal* their characteristics and behavioral intentions through their educational background, and distinguish themselves from other competitors using these signals. Even though managers may not have perfect information about each job candidate, managers must make a decision based on what is available to them. Just as a firm assesses the abilities of job candidates using signals provided by their educational background, stakeholders, who possess less information than a firm, evaluate the value and behavioral intentions of the firm based on signals that are available. Thus, managers can strategize to signal pertinent information to the market through various means in order to distinguish themselves from competitors.

Stakeholders' perceptions of firms are established with information signals provided by the accumulated previous interactions with firms. As signals about firms' activities, achievements and prospects diffuse, individuals aggregate their interpretations of firms into collective judgments that crystallize into FR (DiMaggio and Powell 1983). Hence, FR sets the level of expectation in stakeholders' minds as they compare and evaluate different firms in the market (Jones and Murrell 2001). Simply put, firms can use the signaling and the informational content of their signals to correctly indicate their *standing* in the marketplace. The firms with a strong reputation may also use FR as the signals to differentiate themselves from their market competitors and achieve competitive advantages in the marketplace (Barney 1991). Various firm performances inferred from FR are likely to have financial, social, and environmental impacts in the marketplace. For example, a "good" FR signals the competence and goodwill of the firm to various stakeholders (Campbell 1999).

Over the last three decades scholars from several disciplines such as management, economics, sociology, and marketing have given notable attention to the topic of FR. They share the same interest in the influences of information signals on FR creation, and the roles of FR as a signal in the marketplace. However, their opinions and interests on what specifically signals FR diverge since previous studies have been conducted based on informational signals emanating from disparate disciplinary lenses. Scholars in the field of accounting, economics, and finance are focused on the relationship between financial signals and FR, while scholars in management and marketing are rather interested in the non-financial elements that influence (or are influenced by) FR (See Figure 1-1).

Signaling Factors in Accounting, Economics, and Finance

Researchers in Accounting, Economics, and Finance have investigated the relationship between FR and four core financial market signals: (1) Accounting FP (e.g., ROA, ROE, and ROS) (Doh et al. 2010; Fombrun and Shanley 1990; Ingram and Frazier 1983), (2) Market FP (e.g., positive and negative surprises in the financial market and changes of stock prices) (Brown 1997; Gunthorpe 1997; Hill et al. 2007; Karpoff, Lee, and Vendrzyk 1999), (3) Liability (Houston and Johnson 2000; Jensen and Roy 2008; McGuire, Schneeweis, and Branch 1990), and (4) Risk (Aupperle et al. 1985; Claycomb and Frankwick 2010; Hull and Rothenberg 2008).

Accounting FP and Market FP. It is no surprise that the linkage between FR and financial FP has become an important topic (Walsh, Weber, and Margolis 2003). Indeed, some believe that examining the relationship between non-financial FP and FR can only be considered as an ancillary finding if linkages to financial FP are not clearly established (e.g., Sabate and Puente 2003). A firm's economic value is not determined only by the sum of its tangible assets, but by the value of its intangible assets (Barth and Clinch 1998). Just as an accountant has to quantitatively translate corporations' goodwill in order to generate financial statements, so too do academic researchers find credibility and practical relevance of FR through its link to FP. In this meta-analysis, Accounting ratios (e.g., ROA, ROE, and ROS) that are often used in accounting to evaluate the overall financial condition of firms are categorized as Accounting FP. The responses of an equity market (e.g., positive and negative surges in the financial market and changes in stock prices) are categorized as Market FP. Good examples of such categorizations of financial FP in meta-analytic studies are Margolis, Elfenbein, and Walsh (2009) and Orltizky, Schmidt, and Rynes (2003).

Capital market signals present information to stakeholders about firms' current activities, financial stability, and prospects of market sustainability. Among various stakeholder groups, external analysts, creditors, and investors are particularly attuned to financial FP and routinely integrate capital market signals in their trading decisions (Fama 1970). Through informal networks and formally prepared financial statements, stakeholders assess the overall value of firms and diffuse information in the capital markets to other stakeholders (Shrum and Wuthnow 1988). Reputable firms experience greater market rewards for positive surprises and smaller market penalties for negative surprises than firms with weak FR (Pfarrer, Pollock, and Rindova 2010). Stockholders and institutional investors tend to reward firms with better FR for social performance through their investments. The positive linkage between FR and FP (e.g., Aupperle et al., 1985; Cochran and Wood 1984; McGuire et al., 1988, 1990; Waddock and Graves 1997) shows that firms spend their resources strategically by "doing good by doing well." McGuire, Sundgren, and Schneeweis (1988) found that the prior return on assets was highly correlated with a firm's reputation for social responsibility, which suggests that economic performance serves an important signaling function when the public constructs reputational rankings of firms. Barnett and Salomon (2006) found the FP of socially responsible mutual funds varies depending on the dimensions of FR and the types of social screening procedures. Reputation can minimize market uncertainty due to information asymmetry that exists between a principle (e.g., stockholders and institutional or pension investors) and an agent (e.g., a corporate manager). Good managers recognize benefits by maintaining a good reputation and avoiding criticism from different stakeholder groups.

Risk and Liability. Risk refers to the uncertainty of an expected return and the potential for loss (McNeil, Frey, and Embrechts 2005). Liabilities are defined as the financial obligations of a firm. Examples of firms' liabilities are capitalized leases, secured debt, ordinary debt, subordinated debt, preferred stock, and common stock (Barclay and Smith 1995). Firms that report high performance and low risk convey information to the capital markets and other constituencies about the proven merits of their strategic trajectories and future prospects. Optimistic projections increase the public's interest to purchase those firms' equity offerings, thereby increasing market value. It also signals that those firms have the inherent potential to fulfill (at least some of) their economic objectives. The market value and market risk of firms provides stakeholders such as stockholders and competing firms with both firm-specific and comparative information (Fombrun and Shanley 1990). A broad range of economic signals emanating from firms helps stakeholders determine FR and reputational orderings within each industry. For instance, firm debt can provide signals of firm quality (Ross 1973). Fombrun and Shanley (1990) found assessment of reputation has a negative relationship with prior performance adjusted risk. A firm's prior performance has a major impact on its image, as does the firm's risk profile (Fombrun and Shanley 1990). Constituents expect a high level of return from firms whose strategies demonstrate high levels of risk (Bettis and Mahajan 1985). Ergo, if two firms engage in similar levels of profitability, then the public' assessment on the firm with the greater risk will be lower. Public documents such as financial statements indicate both the results of prior activities and the current resource allocations that the firms' managers have made. With such signals, firms can enhance their access to capital markets (Beatty and Ritter 1986) and attract investors (Milgrom and Roberts 1986).

Signaling Factors in Management

Although it has traditionally been assumed that financial FP is the key signal to determine FR, stakeholders are beginning to put more emphasis on non-financial factors. The collective FR as valued by stakeholders signals the market's expectations and responses from firms' current standing and managerial trajectories for the future. In Management, scholars have investigated how firms signal information through three key metrics: (1) Ownership structure (David, Bloom, and Hillman 2007; Galaskiewicz 1997; Jensen and Roy 2008), (2) Networking (Carson, Madhok, and Wu 2006; Combs and Ketchen 1999; Deephouse and Carter 2005) and (3) Human Resources (Boyd, Bergh, and Ketchen 2009; Carmeli and Tishler 2004; Collins 2007) to strengthen their FR in the marketplace. The goal is to understand firms' transactional decisions by weighing potential gains between either being opportunistic or being ethical and relationship-minded.

Ownership. In meta-analysis, ownership refers to the concentration of the internal management team (Amihud and Lev 1999). Patterns of institutional ownership are known to affect the behavior of the firms' managers. Amihud and Lev (1999) argued that ownership can be used as a proxy to estimate the value of the firm. For instance, when institutions hold more of a firm's stock than do individuals, managers invest less in R&D (Graves 1988). The composition of investors in firms' shares arguably sends a strong signal to other constituents. The more institutional investors there are, the more likely some in the public are to view firms favorably, taking for granted that careful screening by well-informed portfolio analysts led to the institutional purchase decision. In other words, more institutional ownership of a firm can signal FR and firms can strategize their image to enhance FR, so more institutional investors hold more shares of the firm.

***Networking*.** Networking refers to a focal firm's collection of interorganizational ties with other firms in the business market (Rindfleisch and Moorman 2001). It is further argued that FR influences firms' decisions regarding networking development (Garvey 1995; Hennart 1993; Kogut 1988; Saxton 1997). FR and integration of the channel distribution system can be seen as substitutes (Garvey 1995). The cost associated with behavioral uncertainty of a partner with low FR would affect the total expected payoff in any given transaction (Saxton 1997). As FR improves, networking expansion is said to be better than integration of the channel distribution system since networking is more economical if all other conditions of transactions are identical (Hennart 1993; Kogut 1988). Dollinger, Golden, and Saxton (1997) argue that reputable firms have an advantage in joint venture formation. Thus, reputable firms will continue to develop their networks.

FR also serves as an effective entry barrier in the marketplace (Kreps and Wilson 1982; Milgrom and Roberts 1982). The initial offering of a firm can be influenced by the FR of auditors who evaluate the value of firms. Moreover, since a firm assumedly gains more by developing partnerships with firms that have different organizational characteristics, competencies, and internal resources (Jemison and Sitkin 1986; Pennings, Barkema and Douma 1994; Saxton 1997), FR can be a key driver to finding such partners. When a firm develops a relationship with a reputable partner it can expect a reputation carry-over effect.[1] However, by the same token, FR can be damaged by a partner's poor performance in the market. As one potent example, after the publicity of the Enron audit failure Arthur Andersen's other clients suffered from the negative market reaction (Chaney and Philipich 2002). Particularly, the clients of Arthur Andersen's Houston office, where Enron's audit was performed, experienced severely negative market reactions. FR seemingly behaves like a commodity that can be traded in the marketplace (Hill 1990).

Certainly, a firm can use FR as a mechanism to encourage cooperation and even to shield itself from the behavioral uncertainty of its supply chain members (Bhattacharya, Rao, and Glynn 1995; Daughety and Frosythe 1987; Dutton, Dukerich, and Harquil 1994; Martin and Justis, 1993; Shane 1996). When a focal firm looks for transaction partners, reputable firms are more attractive since it is costly to monitor and to protect against a partner's opportunistic behavior (Dyer 1996). From an economic viewpoint, a firm would engage in opportunistic behavior if the payoff from such conduct

[1] A reputation carry-over effect refers to the degree to which the reputation of a supply chain member affects the market visibility and FR of the focal firm. (Kang, Mahoney, and Tan 2009; Rindova, et al., 2005; Stuart 2000). The relationship specific investment of OEM suppliers in Taiwan signals positive FR spillovers in the market and the enhanced FR of Taiwanese OEM suppliers (Kang, et al., 2009). A firm gains direct and indirect benefits from such network participation, shared decision making, and partner reputation (Granovetter 1985; Hill 1990; Saxton 1997). In accounting literature, the choice of an auditor is used as a barometer to determine FR in the industry (Jensen and Roy 2008). The uncertainty of the initial public offering (IPO) investors can be reduced by reputable auditors who evaluate the values of IPO firms, since the FR of the auditors is in jeopardy if the IPO firms are incorrectly appraised (Beatty 1989).

is higher than the benefits of gaining trust from the partner and establishing FR in the industry. However, if the expenses of being opportunistic in the market are too costly, firms would have an incentive to enhance their FR (Akerlof 1970; Fombrun and Shanley 1990; Williamson 1991). The threats of potentially losing FR in the market, then, force firms to cooperate with their partners and enhance FR in the B2B market (Houston and Johnson 2000). Managers set the associations that form exchange partners to ensure that they benefit from the network transmission of organizational reputation or status (Podolny 1993; 1994).

***Human Resources*.** In this meta-analysis, Human Resources refers to the value of individuals who work in a firm (Barney 1991). A similar effect exists in the labor market. Adequate human resources can work as a positive signal to FR. When highly qualified individuals are affiliated with a firm, FR in the marketplace will be enhanced (Boyd, Bergh, and Ketchen 2010; Rindova et al., 2005). Reputable firms are more preferable and more attractive in the labor market (Turban and Cable 2003) and job candidates tend to apply to firms that are known by their families and friends (Collins 2007).

Signaling Factors in Marketing

Marketing literature identifies five key signals related to FR: (1) Price Premium (Balvers, McDonald, and Miller 1988; Beatty 1989), (2) Cost (Khurana and Raman 2004; Weiss, Anderson, and MacInnis 1999), (3) Product Strategy (Benjamin and Podolnu 1999; Berens, van Riel, and van Bruggen 2005; Capraro and Srivastava 1997), (4) Visibility (Basdeo et al. 2006; David, Bloom, and Hillman 2007; Russo and Fouts 1997), and (5) Brand Equity (Ahearne, Bhattacharya, and Gruen 2005; Brown and Dacin 1997; Helm 2007).

***Price Premium*.** Price premium is defined as "the excess price paid, over and above the "fair" price that is justified by the "true" value of the product (Rao and Bergen 1992). Firms use various signaling factors in marketing to cue desired quality information to stakeholders, and firms can engage in explicit reputation-building activities to improve their FR (Fombrun 1996). Examples of such signaling factors in marketing are pricing power, consumer loyalty and product awareness, and the knowledge of flexible and high-quality production processes. In addition, favorable FR allows a firm to create demand in the market and develop its marketing strategies as FR reduces individuals' uncertainty about the value of future transactions (Balvers, McDonald, and Miller 1988; Benjamin and Podolnu 1999; Brown 1997; Rao and Monroe 1996; Rindova et al., 2005; Shapiro 1983; Standifird 2001).

Price is defined as the amount of money charged for goods and services, or more broadly, the value that consumers exchange for the benefits of having goods and services (Kotler and Armstrong 2012, p. 290). Often, price is used as a proxy to determine the quality of goods and services (Dodds, Monroe, and Grewal 1991). In signaling equilibrium, stakeholders (especially stockholders, institutional investors, and consumers) evaluate the quality of firms and formulate a transactional value, i.e., price, that they are willing to exchange in the marketplace. Stakeholders are content to pay a higher price for goods and services from more reputable firms (Connelly et al., 2011; Shapiro 1983). They presume that signals are reliable because less reputable firms would not be able to sustain false signals in the long term. For instance, consumers are willing to pay a premium price for the goods and services of reputable firms since a favorable FR can enhance individuals' self-image (Podolny 1994). Keh and Xie (2009) also found that a positive FR enhanced consumers' willingness to pay a price premium, mediated by consumers' trust in the focal firm. Benjamin and Podolny (1999) demonstrated that investments in quality made by California wineries experienced a higher pay-off if the winery in question had a better reputation. By signaling information about product quality, a favorable reputation may enable firms to charge premium prices (Klein and Leffler 1981; Milgrom and Roberts 1986).

Cost. In addition, reputable firms are able to reduce costs when they negotiate and develop transactional contracts with their suppliers. Suppliers can minimize risk from a breach of contract when they sell their products to a reliable partner with a good reputation. Thus, they are willing to offer a discounted price to their partners. In other words, reputation lowers risk and increases the discounted amount from suppliers' perspectives. Thus, firms with good FR can lower their costs.

Product Strategy. Product strategy refers to firms' activities undertaken to differentiate their market offerings (Kotler and Keller 2009). Although FR and status are typically aligned, high status does not always imply positive FR on all attributes (Jensen and Roy 2008). Positive FR on *specific* attributes may imply high status; a more specific signal of FR acts as a stronger assessment of the quality of firms. Firms' signals about their products and strategies for future products, therefore, can have different effects on FR. When a firm is in an industry where product differentiation among competitors is small and firms are less likely to be involved in innovations, then establishing a favorable FR in the market is a key driver to strong FP (Russo and Fouts 1997). Product differentiation and the level of differentiation in the industry allow firms to occupy distinguishable and recognizable positions. Product strategies signal positive messages to stakeholders in the market since stakeholders can evaluate the future uncertainty of the firm through its commitments to produce superior products. In this vein, greater use of R&D contracts and licenses is associated with favorable FR for possessing expertise in biotechnology (Nicholls-Nixon and Woo 2003). A firm undertakes a review of its product strategies when a discrepancy between firm identity and FR is identified. If the firm realizes that its strategic impact is too small to change the perspectives of third parties who review FR, then the firm may be more motivated to develop quality assurance and product strategies (Martins 2005). Dowling (2001) suggested that a good reputation supports and enhances sales force effectiveness, new product introductions, and recovery strategies in negative incidents.

Visibility. Visibility refers to firms' state of being able to be seen by its stakeholders. The visibility of firms can be enhanced when firms' spend on advertising and when firms receive publicity from third-parties (e. g., Kotler and Keller 2009). Stakeholders' perceptions of a firm are not only influenced by the firm's current practices, but also by its visibility through the mass media or third-parties. For instance, the inclusion in *Fortune's* annual survey of "America's Most Admired Firms," a third-party evaluation on FR, provides tremendous positive publicity for the focal firm (Love and Kraatz 2009; Philinne and Durand 2011). Goldberg and Hartwick (1990) suggest that potential consumers receive (especially extreme) advertising claims more favorably if the reputation of the firm making those claims is more positive.

Brand Equity. Brand Equity is defined as "the differential effect of brand knowledge on consumer response to the marketing of the brand" (Keller 1993, p.2). Favorable FR should lead to increases in demand in the market and become a basis for repeat business (Beatty and Ritter 1986; Hall 1993). When firms' brand equity in the marketplace is sound and good, the overall perception of firms would be positively influenced by their brand equity. FR has positive effects on the emotional predisposition of individual stakeholders in the financial market since an existing perceptual association with the firms can be extended to a secondary association for the brand (Keller 1993). As Helm (2007) has determined that the level of satisfaction positively mediates FR and brand equity, brand equity would also be an important consequence of FR.

Control Variables

Age, Size, Competitiveness, Prior FR, and Prior CSR have been employed as control variables in many FR studies (Agarwal, Ganco, and Ziedonis 2009; Benjamin and Podolnu 1999; Luo and Bhattacharya 2006).

Age and Size. An older, larger, and leading firm in an industry tends to receive significant public scrutiny. But the availability of information may benefit older and larger firms disproportionally by inflating stakeholders' familiarity with their activities (McCorkindale 2008). For example, Fombrun and Shanley (1990) found a positive relationship between FR and size. Firm size is directly related to FR, as larger firms enjoy greater name recognition than smaller firms (Fombrun and Shanley 1990; Garbett 1988). Chen and Metcalf (1980) also stated that CSR and firm size are positively related because larger firms have greater visibility and engage in more and better social performance initiatives than smaller firms with relatively lower visibility. An expanding firm attracts more attention from various stakeholder groups whereas a large firm needs to respond more attentively (Burke et al., 1986; Waddock and Graves 1997). At the same time, firm size may lead to net economies of scale in manufacturing operations (Black, Noel, and Wang 1999), greater control over external stakeholders and resources (Aldrich and Pfeffer 1976; Salancik and Pfeffer 1980; Stanwick and Stanwick 1998) and increased promotional opportunities resulting in the attraction and retention of better employees (Davies et al., 2004; Turban and Cable 2003).

***Competitiveness*.** Additionally, the nature of industry is important as well. Favorable FR can generate excess returns for firms by inhibiting the mobility of rivals in an industry (Caves and Porter 1977; Fombrun and Shanley 1990). Francis, Reichelt, and Wang (2005) did not find the price premium for the national leaders in the auditing industry, but found the price premium for city-specific industry leaders. Depending on the competitiveness, the role of FR would vary and some firms may keep new entrants out of the market by establishing a strong reputation in the marketplace. Obloj and Capron (2011) found that the advantages for a reputable firm are positively related to the size of the reputation gap between the reputable firm and its competitors in the industry.

***Prior FR and Prior CSR*.** Firms can enhance their desired altruistic FR and perpetuate that identity in the marketplace through prior FR and CSR signals. Consumers who find their own societal concerns aligned with those of focal firms express their identities by patronizing these firms (Ahearne, Bhattacharya, and Gruen 2005; Bhattacharya and Sen 2003). The overall perspectives of stakeholders toward firms that are actively engaged in CSR practices are positive (Brown and Dacin 1997; Lichtenstein, Drumwright, and Braig 2004); CSR is positively related to FR. Not surprisingly, Dooley and Lerner (1994) state that more successful and reputable firms are under greater pressure to perform CSR initiatives since governmental agencies carefully monitor leading firms.

Controversial Issues over Operationalization of FR studies

Even though the idea that FR is a valuable intangible asset of firms seems intuitive, the meaning of FR has been interpreted in different ways in the literature (Brown et al., 2006; Fombrun 1996; Fombrun and Shanley 1990; Lange, Lee, and Dai 2011; MacMillan et al., 2005). However, the variations in the operalization of FR have not been carefully documented in the extant empirical studies. Wood and Jones (1995) argued that the inconsistent statistical findings on the relationship between FR and FP are due to "market participant mismatching." They stated that accounting measures of profitability that are often employed in FR studies only indicate managers' self evaluation of a firm's standing in the marketplace rather than the overall perceptions of stakeholders. This has apparently occurred because previous empirical studies have often employed well-known and easily available secondary datasets (e.g., *Fortune's* dataset and Kinder Lydenberg Domini's Socrates (KLD) dataset).

Different dimensions of FR. In this meta-analysis FR is estimated using three dimensions: (1) firm reputation, (2) CSR, and (3) other proxies employed in the literature including firm legitimacy, identity, image, and status. The number of studies that investigate the relationship between CSR and FP has been growing. The concerns for the working conditions, community, and environment are key dimensions of FR that contribute to stakeholders' perceptions on FR; however, these concerns are identical to societal concerns that CSR activities represent. Thus, CSR related studies are included in this meta-analysis.

A succinct definition of FR is provided by Fombrun (1996) as "a perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all of its key constituents when compared with other leading rivals" (p.72). However, confusion exists regarding analogous constructs like firm identity, image, legitimacy, status, and reputation (Barnett, Jermier, and Lafferty 2006; Brown et al., 2006; Highhouse, Brooks, and Gregarus 2009). Recently, Brown et al. (2006) defined the differences among firm identity, firm image, and distinguished the domain of each construct that have often been used interchangeably. Table 1-1 documents this discussion where FR related constructs, such as legitimacy, identity, image, and status, are introduced together with their definitions and intellectual grounding for each construct to showcase the differences among these constructs. Finally, how these constructs were defined and used in previous FR literature is listed together with their representative references. Even Fombrun and van Riel (1997) subsume image and identity within FR by stating "FR gauges a firm's relative standing both internally with employees and externally with its stakeholders (p.10)." Thus, it was necessary for me to include studies that used FR related constructs in this meta-analysis. Also, it is important to understand the domain of each construct better to move the field forward.

Different types of datasets. The weakness of datasets magnifies the problems arising from the operationlization of studies. Primary datasets may be more suitable and provide more accurate information about the linkages of antecedents-FR-consequents

TABLE1-1
DOMAIN OF CONSTRUCTS AND TERMS DEFINITIONS

Construct Label	Construct Definition	Intellectual Grounding	Definitions	Representative References
Reputation	Collective perceptions of knowledgeable constituents	"What do stakeholders actually think of the organization?" (Barnett, Jermier, and Lafferty 2006; Highhouse, Brooks, and Gregarus 2009)	A set of attributes inferred from the firm's past actions and ascribed to the firm	Weigelt & Camerer (1988, p.454)
			Past quality performance	Benjamin & Podolny (1999); Washington & Zajac (2005)
			A corporate reputation is a collective presentation…It gauges a firm's relative standing both internally with employees and externally with its stakeholders	Fombrun & van Riel (1997, p.10)
			Observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time	Barnett, Jermier, & Lafferty (2006, p.34)
Legitimacy	Shared perception of knowledgeable constituents	"Do stakeholder think the organization is acceoptable in the social system?" (Highhouse, Brooks, and Gregarus 2009)	Cognitive legitimacy	Hannan et al., (1995, p.510)
			Social taken-for-grantedness	Aldrich & Fiol (1994); Golant & Silince (2007); Suchman (1995)
			Congruence with "the norms of acceptable behavior in the larger social system"	Dowling & Pfeffer (1975, p.122)
			Fit with normative values and beliefs	Rindova, Pollock & Hayward (2006, p.54)
			Justification of an organization's "right to exist"	Maurer (1971, p.361)
			Array of estbalished cultural accounts that "provide explanations for existence"	Meyer & Scott (1983, p.201)
			Acceptance of a venture "as appropriate and right, given existing norms and laws"	Aldrich & Fiol (1994, p.648)
			A shared global judgment about normative appropriateness	Elsbach (2006); Highhouse, Brooks, & Gregarus (2009)
			Compliance with the minimum standards of typical organizations in its class	King & Whetten (2008, p.198)

TABLE1-1 (CONT.)
DOMAIN OF CONSTRUCTS AND TERMS DEFINITIONS

Construct Label	Construct Definition	Intellectual Grounding	Definitions	Representative References
Identity	Shared perception of organizational members	"Who are we as an organization?" (Brown et al. 2006)	The set of beliefs shared between top managers and stakeholders about the central, enduring, and distinctive characteristics of an organization	Albert & Whetten (1985); Scott & Lane (2000)
			A collective sense of organiational "self" (Who are we?)	Brown et al., (2006, p.102)
			"The organization's presentation of itself to its various stakeholders and the means by which it distinguishes itself from all other organizations"	Markwick & Fill (1997, p.397)
			The set of values and principles employees and managers associate with the company	Fombrun (1996, p.36)
Image	Individual constituent perception	"What does the organization want others to think about the organization?" (Brown et al. 2006)	A dyanamic perception of a specific area of organizational distinction	Brown et al., (2006, p.103)
			A firm's image as ' the internal collective state of mind that underlies its corporate communications efforts (successful or not) to present itself to others	Bromley (2001, p.317)
			What organizational agents want their external stakeholders to understand is most central, enduring and distinctive about their organization	Whetten & Mackey (2002, p.401)
			What comes to mind when one hears the name or sees the logo	Gary & Balmer (1998, p.696)
			The transition from identity to image is a function of pulic relations, marketing and other organizational proesses that attempt to shape the impression people have of the firm	Barnett, Jermier, & Lafferty (2006, p.34)

TABLE1-1 (CONT.)
DOMAIN OF CONSTRUCTS AND TERMS DEFINITIONS

Construct Label	Construct Definition	Intellectual Grounding	Definitions	Representative References
Status	Compared perceptions of knowledgeable constituents	"Where do stakeholders actually think of the organization in the market?" (Barnett, Jermier, and Lafferty 2006)	Prominence of an actor's relative position within a population of actors	Wejnert (2002, p.304)
			Rank-ordered relationship among people associated with prestige and deference bahvior	Huberman, Loch & Onculer (2004, p.103)
			Socially constructed, inter-subjectively agreed-upon and accepted ordering or ranking of individuals, groups, organizations, or activities in a social system	Washington & Zajac (2005, p.284)
			Prestige accorded firms because of the hierarchical positions they occupy in a social structure	Jensen & Roy (2008, p.496)
Brand equity	Compared perceptions of knowledgeable constituents	"How do stakeholders response to the brand of a product in the market?" (Keller 1993)	Equity as the value added by the brand to the product as perceived by a consumer	Aaker (1991); Dubin (1998); Farquhar (1989); Keller (1993); Park & Srinivasan (1994); Srivastava & Shocker (1991)
			Consumers' different response between a focal brand and an unbranded product when both have the same level of marketing stimulti and product attributes	Yoo & Donthu (2001, p.1)
			The incremental cash flows that accrue to the firm due to its investment in brands	Simon and Sullivan (1993)

TABLE1-1 (CONT.)
DOMAIN OF CONSTRUCTS AND TERMS DEFINITIONS

Construct Label	Construct Definition	Intellectual Grounding	Definitions	Representative References
Goodwill	Individual constituent perception	"Where does an acquier think of the value of an organization?" (Johnson and Petrone 1998)	Acquirer's expectations about future earnings from the acquiree and the combination (According to a Top-Down perspective, the excess of the cost of the acquired company over the sum of the amounts assigned to identifiable assets acquired less liabilities assumed)	Johnson & Petrone (1998); Kieso, Weygandt, Warfield (2011)
			Purchase premium paid by the acquirer over the book value of the acquiree's net assets (According to a Bottom-Up perspective, if the price paid by the acquirer exceeds the fair value of the net identifiable assets of the acquiree, presumably some other resources were acquired that have value to the acquirer)	Johnson and Petrone (1998); Kieso, Weygandt, Warfield (2011)
			A firm's ability to generate above-normal earnings	Chauvin and Hirschey (1994, p.162)
			Residual earnings beyond the forecast horizon follow a random walk	Frankel & Lee (1998); Lee et al. (1999); Penman & Sougiannis (1998)

since the measures are specifically applied to the context and the data is collected from the correct target populations. However, these advantages of primary datasets can be troublesome if correlations of each variable are inflated (Brown and Perry 1994; Capraro and Srivastava 1997). Secondary datasets have their strengths, but are not without limitations. Brown and Perry (1994) argue that *Fortune's* most admired companies' ranking, one of the most commonly used datasets for FR, is strongly driven by prior financial performance. They warned scholars to remove the financial FP halo on *Fortune's* dataset by utilizing a halo removal technique.[2] Roberts and Dowling (2002) decompose "left over" profits that cannot be forecasted from previous financial FP by examining fifteen years of *Fortune*'s dataset (from 1984 to 1998) to precisely extract above-average profits from overall FR. The field can gain useful insights into the issue of operationalization of future FR studies through the comparison of results based on the types of datasets (i.e., *Fortune*'s and KLD) from the findings of this meta-analysis.

Fortune's dataset contains reflective measures for each dimension, and each item is based on 11-point Likert scales. (i.e., 0 - poor and 10 – excellent).[3] *Fortune*'s annual *America's Most Admired Companies* survey is composed of eight attributes: innovativeness; quality of management; quality of products/services offered; long-term investment value; financial soundness; ability to attract/keep talented people;

[2] Brown and Perry (1994) created the halo index using a number of financial and operational performance measures that are highly correlated to the Fortune ratings (Fomburn and Shanley 1990; McGuire et al., 1990). Five financial and operating variables that are employed by Brown and Perry (1994) are the following: Average return on assets (ROA) = $(ROA_{it} + ROA_{it-1}+ROA_{it-2})/3$, relative market to book value = market value/book $value_{firm}$ over market value/book $value_{industry}$, sales = logarithm of $sales_{it}$, growth = (percent change in $sales_t$ + …+ percent change in $sales_{t-2}$)/3, and risk = $debt_{it}/equity_{it}$.

[3] The *America's Most Admired Corporations* survey consists of the 15 leading firms in each international industry and the 10 largest firms for each U.S. industry from the *Fortune* 1000 lists (see CNNMoney, May 4, 2012). Approximately 12,000 senior executives, outside directors, and financial analysts, from both buy-side and sell-side, participate in the survey and the response rate is about fifty percent (Roberts and Dowling 2002).

community/environmental responsibility; and use of corporate assets. Kinder Lydenberg Domini's Socrates (KLD) dataset provides nine relevant factors for firms: the environment, military contracting, employee relations, community involvement, product safety, quality programs, excessive compensation of executives, diversity, and nuclear power. These nine dimensions of CSR are measured and scored as firms' *strength* (i.e., a moderate strength as 1 and a strong strength as 2) or their *concern* (i.e., a moderate concern as -1 and a strong concern as -2) from the perspectives of firms (Bello 2005; Berman et al., 1999; David, Bloom, and Hillman 2007; Doh et al., 2010; Hillman and Keim 2001; Hull and Rothenberg 2008; Johnson and Greening 1994; Muller and Kraussl 2011; Turban and Greening 1997). Even though CSR studies use the KLD database, the measures of CSR vary widely even using the same KLD dataset as dimensions can be selected depending on the nature of the CSR studied. However, *Fortune*'s dataset has been well accepted in many FR related studies including Carmeli and Tishler (2004), Fombrun and Shanley (1990), Luo and Bhattacharya (2009), McGuire, et al., (1988), and Roberts and Dowling (2002). Even though the studies are conducted in the same context to investigate links to FR, the correlations range widely. Thus, there is a possibility that some of the significant findings in previous studies may have been caused by the differentials in the datasets.

Different types of market. Firms serve multiple stakeholders, each of whom applies distinct criteria in evaluating corporate performance (Freeman 1983). There are two different types of markets being tapped in FR studies: (1) the Business-to-Consumer (B2C) market and (2) the Business-to-Business (B2B) market. In the B2C market, the end consumers are the main stakeholder group which respond to market signals (e.g., Brown and Dacin 1997; Kang and Yang 2010; Sen and Bhattacharya 2001). In the B2B market, the business partners such as suppliers, alliances and industrial investors have interests in a focal firm's activities (e.g., Grewal, Charkravarty, and Saini 2010; Hansen, Samuelsen, and Silseth 2008; Helm 2007; Houston and Johnson 2000). FR plays an important role in both markets by reducing stakeholders' uncertainty. However, it is uncertain if the magnitude of linkages between antecedents and consequents of FR are the same since some attributes are more important to one particular group than the other.

Different definitions of FR. Barnett, Jermier, and Lafferty (2006) reviewed previous FR related studies and identified three distinct clusters of meaning in the FR definitional statements: FR as a state of awareness, FR as an assessment, and FR as an asset. Awareness refers to stakeholders' general awareness of a firm without making a judgment of the firm's standing in the marketplace. Assessment indicates the stakeholders' use of FR to evaluate the status of a firm. Asset refers to FR as a resource with an intangible, financial, or economic value. Through a careful review of previous empirical studies on FR, most studies used FR as either an assessment (51 out of 138 studies) or as an asset (66 out of 138 studies). Only 21 studies used FR as a state of awareness. In this meta-analysis, FR studies are coded into two different definitions of FR: FR as an assessment and FR as an asset. It is interesting to note that studies that identify FR as an asset have typically used a resource-based view for their framework whereas studies that employ FR as an assessment have typically used stakeholder theory, FR theory, or social identity theory.

METHODOLOGY

Meta-analysis is a quantitative method of research integration (Cooper, Hedges, and Valentine 2009). Increasingly, it has replaced the narrative literature review as a technique of summarizing a research area. This study relied on the meta-analytic guidelines provided by Hunter and Schmidt (2004). Their techniques correct the observed sample statistics for methodological study artifacts and distortions due to sampling error and measurement error. Effect-size estimated by Pearson product-moment correlation coefficient (r) calculates population parameter estimates by correcting for the aforementioned artifacts.[4] The effect of the sampling error correction is particularly important because sample sizes that are smaller than the population cause observed sample correlation statistics to vary randomly from the population parameter, i.e., the true-score correlation. The recognition and subsequent control of these artifacts allow for a better estimate of the true variability around the population correlation (e.g., Hunter and Schmidt 2004; Nunally and Bernstein 1994).

First, to ensure the representativeness and completeness of the database used in the meta-analysis, I searched the ABI/Informs Global (proQuest), EBSCO (Business Source Premier), and JSTOR (Business) for studies published from 1980 to 2011, using the keywords: "firm reputation," "corporate reputation," "corporate social performance

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[4] Most empirical studies utilized in this quantitative integration provided their correlation tables. However, when this was not true (i.e., results of t-test, F-test, Z-test, or distances were presented instead), the reported effects were transformed into the equivalent of an effect size r using conversion formulae developed by Rosenthal and Rosnow (1991) and Hunter and Schmidt (2004). I used the following formula: $r = \sqrt{\frac{t^2}{t^2 + df}}$ for t-test statistics, $r = \sqrt{\frac{F}{F + df}}$ for F-test statistics, $r = \sqrt{\frac{Z^2}{N}}$ for Z-test statistics, and $r = \sqrt{\frac{d}{d^2 + 4}}$ for distances.

(CSP),[5]" "corporate social responsibility (CSR)," "firm legitimacy," "firm identity," and "corporate image" in author-supplied abstracts. The search browsers were restricted for articles that are full-text, references available and in scholarly/academic (peer reviewed) journals only. A total of 13,424 scholarly journal articles were identified from various disciplines. Second, to increase the scope of the search, cross-citations from previous qualitative and quantitative reviews were explored (e.g., Margolis, Elfenbein, and Walsh 2009; McGuire et al., 1988; Orlitzky, Schmidt, and Rynes 2003; Wood and Jones 1995). Third, I manually reviewed the content of top ranking academic journals in various disciplines.[6] Fourth, a request for unpublished and working papers regarding the topic was posted on the American Marketing Association's Electronic Marketing site (ELMAR) in an effort to address the "file-drawer" problem (Rosenthal 1995). This resulted in 138 empirical studies that yielded 1,010 independent effects.[7] A summary of

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[5] Since CSR is one of the dimensions of FR, studies that use CSR or CSP were also considered as reputation studies. However, Orlitzky, Schmidt, and Rynes (2003) use FR as a moderator to the relationship between CSR and their financial FP. Thus, CSR and CSP are considered as an antecedent/consequence to firm reputation, if the focal study contained both FR and CSR measures.

[6] The articles were selected from a total of 23 different academic journals encompassing the years 1980 to 2011: (1) the top four marketing journals (*Journal of Marketing, Journal of Marketing Research, Marketing Science*, and *Journal of Consumer Psychology*), (2) the top six management journals (*Academy of Management Journal, Administrative Science Quarterly, Journal of Applied Psychology, Journal of Management, Organization Science,* and *Strategic Management Journal*), (3) the top three accounting journals (*Accounting Review, Journal of Accounting Research, and Journal of Accounting and Economics*), (4) the top three finance journals (*Journal of Finance, Journal of Financial Economics, and Review of Financial Studies*), (5) the top three economics journals (*The American Economic Review, Journal of Political Economy*, and *Journal of Law and Economics*), (6) two interdisciplinary journals (*Journal of Business Research* and *Journal of International Business Studies*), and (7) two scholarly journals that are dedicated to the themes of corporate reputation and ethics, *Corporate Reputation Review* and *Journal of Business Ethics*.

[7] The large drop from 13,424 to 138 is caused by (1) exclusion of non-empirical studies, and (2) articles that appeared in minor and marginal journals.

these studies is presented in Table 1-2 and Appendix C provides detailed coding of these studies.[8]

Each linkage between a variable and FR is considered as a single effect. The first correction on measurement error was made by adjusting simple correlations for variables' reliability scores (Hunter and Schmidt 2004). Second, the reliability-adjusted correlation was corrected for sampling error arising from differences of sample sizes. Sample-weighted reliability adjusted r's were then subjected to a chi-square test (d.f. =1) for association. Also calculated were the 95% confidence intervals of the sample-weighted, reliability-adjusted correlations, the file-drawer sample size, the classical measure of homogeneity (Cochran's Q-statistic test), and the I^2 index (Higgins and Thompson 2002; Huedo-Medina et al. 2006). These values are reported using two frameworks: one based on the causality of the proposed linkage between a variable and FR (i.e., as an antecedent to FR or as a consequence of FR) and the other based on the dimensions of FR (i.e., overall FR, CSR, and firm image, identity, and legitimacy). The results of this meta-analysis are interpreted following Cohen (1977)'s rule of thumb for interpreting effect sizes: (1) small (r = .10), (2) moderate (r = .30), and (3) large (r = .50). File drawer N represents the number of unpublished studies that would have to exist before the overall observed results could be attributed to sampling bias (Csada, James, and Espie 1996; Rosenthal 1979). Hence, in general, the larger the N, the more robust is the observed effect. The Q-statistic test of homogeneity is calculated as the weighted sum of squared

[8] The linkage between identified variables and FR is first identified as an antecedent, a concurrent, and a consequence (See *Appendix C*). In order to be consistent with the framework adopted for this study (Figure 1-1), the concurrent linkages were collapsed as antecedents.

differences between individual effects and the combined effects with the weights being those used in the pooling method.

RESULTS

Which antecedents are most influential for enhancing FR?

There were fifteen antecedents in four categories identified: antecedents in Accounting, Economics, and Finance (i.e., Accounting FP, Market FP, Liability, and Risk); antecedents in Management (i.e., Ownership, Networking, and Human Resources); antecedents in Marketing (i. e., Product Strategy, Visibility, and Brand Equity); and control variables (i.e., Age, Size, Competitiveness, Prior FR, and Prior CSR).[9] The summary of studies included in the assessment of antecedents of FR is presented in Table 1-3, and the summaries of the descriptive statistics and the results of combined effect of each antecedent are presented in Table 1-4. The number of linkages from antecedents and FR vary, ranging from 12 for Market FP and Liability to 165 for Accounting FP (See Table 1-3). As shown in Table 1-4, not all antecedents are equally influential in enhancing FR and the effects ranged from average sample-weighted, reliability-adjusted correlations from the smallest effect of .01 for the Age → Overall FR effect, to the largest effect of .44 for the Brand Equity → Overall FR effect. Thirteen of the fifteen effects were supported and were robust to file drawer problem and Q-Statistic test for

[9] Linkages with < 5 effects are omitted from the analysis, in effect reducing the number of antecedents actually analyzed to shrink. Price Premium and Cost antecedents in Marketing are omitted in Table 3 and 4 due to the small number of effects.

homogeneity; the exceptions were the Age → Overall FR linkage, and the Competitiveness → Overall FR linkage.[10]

TABLE 1-2[11]
SUMMARY OF STUDIES INCLUDED IN META-ANALYSIS

Signaling Factors	**Number of Studies**[12]	**Total Sample Size**	**Number of Effects**
Signaling Factors in Accounting, Economics, & Finance			
Accounting FP	69	72,530	280
Market FP	40	26,743	113
Liability	11	3,996	12
Risk	19	12,150	41
Signaling Factors in Management			
Ownership	7	8,562	25
Networking	25	12,634	51
Human Resources	18	15,107	57
Signaling Factors in Marketing			
Price Premium	9	29,701	19
Cost	2	20,129	10
Product Strategy	49	46,446	124
Visibility	18	18,819	43
Brand Equity	31	19,909	65
Control Variables			
Age	6	11,003	14
Size	31	22,422	57
Competitiveness	18	6,784	38
Prior Reputation			
Prior FR	9	29133	31
Prior CSR	7	5,108	15

[10] Based on the Q-Statistic test for homogeneity, two control variables (i.e., Age and Competitiveness) yielded heterogeneous results. In order to fully verify whether these heterogeneities are caused by the sampling bias or the true variance, the I^2 index values are calculated for these three variable effects. The I^2 index measures the extent of true heterogeneity by dividing the difference between the result of the Q-statistic test and its degrees of freedom by the Q-value itself, and multiplying the result by 100 (Higgins and Thompson 2002). The I^2 index is interpreted as followes: values below 25% are supported to indicate that heterogeneity is due to the true differences in variance (Huedo-Medina et al. 2006). Based on these computations, the effect of the Age → Overall FR linkage was found to be heterogeneous. However, the heterogeneity of Competitiveness appears to be based on true differences in variance as its I^2 index was negligible.

[11] The detailed information about these studies is listed in *Appendix C*.

[12] When studies included more than one factor each effect was counted separately. Hence, the total counts do not add up to 138.

Several insights can be drawn from the evaluation of the relative impact of different signaling factors that are frequently investigated in each academic discipline for enhancing FR. Brand Equity (r =.44) has the largest impact on FR of all the fifteen antecedents (Table 1-4). The results show the importance of building and retaining a strong consumer relationship, especially with the consumers who have affective bonding toward the firm. This finding also emphasizes that the perceived value of the firm and its brands is the key influencer that shapes the firm's overall perceptual representation in the minds of stakeholders. Other signals, often studied in the marketing discipline, have small positive effects on FR: Product Strategy (r = .14) and Visibility (r = .13). Results support the notion that investment in tangible resources and R&D toward innovativeness and quality improvement enhances firms' effectiveness and responsiveness. Furthermore, firms' product strategies may augment FR by signaling unobservable capabilities of firms. In addition, Visibility (r = .13) has a positive influence on FR, suggesting that firms may benefit by signaling internal information to their stakeholders. Firms need to estimate their advertising and promotion budget more realistically and find effective ways to communicate with stakeholders.

Accounting FP (r = .14) is found to be the strongest influencer to FR among information signals often studied in the Accounting, Economics, and Finance disciplines. The result shows that financial FP plays an important role when stakeholders assess their collective judgment on FR. Risk (r = - .06) is a negatively related antecedent. Stakeholders (e.g., stockholders and institutional investors) can be skeptical toward the

TABLE 1-3
SUMMARY OF STUDIES INCLUDED IN ANTECEDENTS OF FIRM REPUTATION

Signaling Factors	**Number of Studies[13]**	**Total Sample Size**	**Number of Effects**	**Sample-Weighted Reliability-Adjusted Average r**	**Homogeneity Test**	**Inferencee on Observed Effect: Cohen's Rule of Thumb[14]**
Accounting, Economics, & Finance Antecedents						
Accounting FP	40	50,071	165	.14	Homogeneous	Small
Market FP	6	3,711	12	.03	Homogeneous	Smaller
Liability	11	3,996	12	.03	Homogeneous	Smaller
Risk	12	7,148	24	- .06	Homogeneous	Smaller
Management Antecedents						
Ownership	13	8,562	25	.10	Homogeneous	Small
Networking	12	6,554	31	.14	Homogeneous	Small
Human Resources	7	13,242	33	.07	Homogeneous	Smaller
Marketing Antecedents						
Product Strategy	37	41,343	95	.14	Homogeneous	Small
Visibility	18	18,819	43	.13	Homogeneous	Small
Brand Equity	13	7,838	28	.44	Homogeneous	Moderate
Control Variables						
Age	6	11,003	14	.01	Heterogeneous	Smaller
Size	31	22,422	57	.07	Homogeneous	Smaller
Competitiveness	18	6,784	38	.10	Heterogeneous	Small
Prior Reputation						
Prior FR	9	29,133	31	.35	Homogeneous	Moderate
Prior CSR	7	5,108	15	.26	Homogeneous	Small

[13] When studies included more than one factor each effect was counted separately. Hence, the total counts do not add up to 138 (See p. 22).
[14] Cohen (1977) provided the following benchmarks for interpreting magnitude of correlations: $\geq .5$ = large; $< .5$ and $\geq .3$ = moderate; $< .3$ and $\geq .1$ = small. Correlations $< .1$ are designated as "smaller."

TABLE 1-4

SUMMARY OF STUDIES INCLUDED IN ANTECEDENTS OF FIRM REPUTATION

Proposed Relationships			Number of Raw Effects	Total N	Simple Average r	Average r Adjusted for Reliability	Sample-Weighted Reliability-Adjusted Average r	X2 for Association (d.f.=1)	95% CI Lower Bound	95% CI Upper Bound	File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test
Accounting, Economics, & Finance Antecedents												
Accounting FP	→	Overall FR	165	50,071	.10	.11	.14	918.78	.13	.15	29,450	283.09 (164)
Market FP	→	Overall FR	12	3,711	.05	.06	.03	102.03	.00	.07	602	117.57 (11)
Liability	→	Overall FR	12	3,996	.06	.06	.03	104.13	.00	.07	375	118.10 (11)
Risk	→	Overall FR	24	7,148	-.02	-.02	-.06	223.26	-.08	-.02	1,350	60.97 (23)
Management Antecedents												
Ownership	→	Overall FR	25	8,562	.25	.27	.10	330.82	.08	.12	1,995	73.95 (24)
Networking	→	Overall FR	31	6,554	.09	.09	.14	121.45	.11	.16	823	48.08 (30)
Human Resources	→	Overall FR	33	13,242	.01	.01	.07	119.59	.05	.09	975	47.37 (32)
Marketing Antecedents												
Product Strategy	→	Overall FR	95	41,343	.21	.22	.14	818.96	.10	.17	34,281	304.99 (94)
Visibility	→	Overall FR	43	18,819	.05	.05	.13	321.54	.12	.15	5,845	126.22 (42)
Brand Equity	→	Overall FR	28	7,838	.44	.49	.44	1,739.12	.39	.47	8,010	254.83 (27)
Control Variables												
Age	→	Overall FR	14	11,003	.02	.02	.01	27.18	-.01	.03	18	17.66 (13)
Size	→	Overall FR	57	22,422	.12	.12	.07	95.24	.05	.08	3,188	93.70 (56)
Competitiveness	→	Overall FR	38	6,784	.07	.08	.10	56.39	.07	.12	434	35.71 (37)
Prior Reputation												
Prior FR	→	Overall FR	31	29,133	.13	.13	.35	749.14	.34	.36	9,148	157.61 (30)
Prior CSR	→	Overall FR	15	5,108	.27	.28	.26	346.92	.23	.29	1,729	68.70 (14)

level of risk even though a certain level of risk is unavoidable for firms to be sustainable in the marketplace. Both Ownership (r = .10) and Networking (r = .14), the two main signaling factors in Management, have small positive effects toward building a strong FR. Particularly, this finding suggests that if a firm can develop a well-established network with their partners and alliances. It signals its potential to excel in the marketplace, and stakeholders will benefit. This result not only shows that the focal firm's ability to maintain successful business relationships signals high effectiveness and efficiency, but also FR of a partnering firm can spill over to the focal firm. Thus, firms should understand that value is created by management strategies (i.e., Ownership and Networking).

Among control variables, the effects of Prior FR → Overall FR linkage (r = .35) and Prior CSR → Overall FR linkage (r = .26) are found to be moderate per Cohen (1977)'s yardstick. As FR is defined as "the perceptual representation of a company's past actions and future prospects" (Fombrun 1996, p.72), the current status of firms is influenced by the previous standing and the overall appeal. This shows why FR is considered as a key intangible asset of a firm; the accumulation of FR through firms' past actions and future prospects cannot be easily imitated or substituted (Rao 1994). The Competitiveness variable has a small effect on enhancing FR (r =.10); however, this effect was found to be heterogeneous.

The remaining five antecedents – Market FP (r = .03), Liability (r = .03), Human Resources (r = .07), Age (r = .01), and Size (r = .07) – all have moderately small effects on FR by Cohen (1977)'s yardstick. The FR → Liability linkage ($r = .12$) is greater than the Liability → Overall FR linkage ($r = .03$) (Table 1-4). In summary, the findings suggest the following conclusions: (1) The effect of Accounting FP → Overall FR is small ($r = .14$), but is the greatest among the four antecedents Accounting, Economics, and Finance; (2) The Networking → Overall FR linkage has a small effect ($r = .14$) but the greatest among three Management antecedents; (3) Among Marketing antecedents, Product Strategy ($r = .14$) and Visibility ($r = .13$) have small effects to FR, but the effect of Brand Equity ($r = .44$) is moderate, and it is the most impactful antecedents of FR among all fifteen antecedents; and (4) Both the Prior FR → Overall FR ($r = .35$) and the Prior CSR → Overall FR ($r = .26$) effects are found to be moderate.

Which consequents are most affected by FR?

Figure 1-1 identifies nine consequents in three disciplinary categories with five or more effects that are identified: consequents in Accounting, Economics, and Finance (i.e., Accounting FP, Market FP, and Risk), consequents in Management (i.e., Networking and Human Resources), and consequents in Marketing (i.e., Price Premium, Cost, Product Strategy, and Brand Equity).[15] The summary of studies included in consequents of FR is presented in Table 1-5, and the summaries of the descriptive statistics and the results of combined effect of consequents are presented in Table 1-6. The number of linkages from FR to consequents varies, ranging from 10 for Cost to the largest of 115 for Accounting FP (See Table 1-5). Not all consequents are equally influenced by FR (See Table 1-6). The sample-weighted reliability-adjusted correlation r

[15] There is no study that reports the linkage between FR and Visibility; thus, Visibility under the Marketing discipline is dropped. In addition, two linkages with < 5 effects (i.e., Liability under Accounting, Economics, and Finance consequents, Ownership under Management consequents) are omitted from the analysis, in effect reducing the number of consequents analyzed to shrink (See Figure 1-2).

ranges from - .001 for Market FP to the largest effect of .46 for Brand Equity. These findings appear to be robust given that the lowest N for file drawer problem is 1,010. The results of the Q-Statistic test for homogeneity are found to be significant, excluding the overall FR →Market FP linkage.[16]

Interestingly, the most influenced consequence of FR is also found to be the most influencing antecedent: Brand Equity (r =.46). Brand equity not only influences FR but also is influenced *by* FR. To a great extent, brand equity helps stakeholders perceive the overall presentation of a firm more positively and simultaneously high FR reinforces brand equity. The cyclical relationship between FR and brand equity consolidates the relationship between consumers and firms; this chain effect plays a pivotal role in solidifying their relationship. Compared to the Brand Equity → Overall FR linkage (r = .44), the Overall FR → Brand Equity (r =.46) linkage has a stronger link to FR. The contribution of FR on brand equity is greater than the contribution of brand equity on FR, and the effects toward establishing strong reputation in the marketplace is likely to lead to strong brand equity in consumers' minds. Besides the Overall FR → Brand Equity linkage, the effect between FR and Price Premium is small and positive (r = .11) among Marketing consequents. Based on the signaling equilibrium, this finding is not surprising. However, how a firm decides on a reasonable amount for Price Premium to charge for its reputation remains an unanswered question.

Under the management discipline, the Human Resources → Overall FR (r = .31) linkage yielded a moderate effect and the Networking → Overall FR (r = .21) a small

[16] Based on the I^2 index calculation, the result shows that the heterogeneity of Market FP effects is based on true variations among the pooled effects.

TABLE 1-5
SUMMARY OF STUDIES INCLUDED IN CONSEQUENTS OF FIRM REPUTATION[17]

Signaling Factors	Number of Studies	Total Sample Size	Number of Effects	Sample-Weighted Reliability-Adjusted Average r	Homogeneity Test	Inferencee on Observed Effect: Cohen's Rule of Thumb
Accounting, Economics, & Finance Consequents						
Accounting FP	29	22,459	115	.21	Homogeneous	Small
Market FP	34	23,032	101	- .001	Heterogeneous	Smaller
Risk	7	5,002	17	.03	Homogeneous	Smaller
Management Consequents						
Networking	13	6,080	20	.21	Homogeneous	Small
Human Resource	5	7,269	24	.31	Homogeneous	Moderate
Marketing Consequents						
Price Premium	9	29,701	19	.11	Homogeneous	Small
Cost	2	20,129	10	.02	Homogeneous	Smaller
Product Strategy	12	5,103	29	.07	Homogeneous	Smaller
Brand Equity	18	12,071	37	.46	Homogeneous	Moderate

[17] The detailed information of the studies is listed in *Appendix C*.

TABLE 1-6
RESULTS: DESCRIPTIVE STATISTICS AND META-ANALYSIS RESULTS OF THE CONSEQUENTS OF FIRM REPUTATION[18]

Proposed Relationships	Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability-Adjusted Average r	X2 for Association (d.f.=1)	95% CI Lower Bound	95% CI Upper Bound	File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test
Accounting, Economics, & Finance Consequents										
Overall FR → Accounting FP	115	22,459	.22	.22	.21	983.93	.20	.23	40,248	662.04 (114)
Overall FR → Market FP	101	23,032	.08	.09	- .001	39.12	- .01	.01	1,010	54.83 (100)
Overall FR → Risk	17	5,002	- .12	- .12	.03	125.72	- .01	.05	2,525	82.94 (16)
Management Consequents										
Overall FR → Networking	20	6,080	.16	.12	.21	254.50	.18	.23	1,228	58.11 (19)
Overall FR → Human Resources	24	7,269	.10	.11	.31	670.26	.28	.33	1,341	60.78 (23)
Marketing Consequents										
Overall FR → Price Premium	19	29,701	.09	.10	.11	375.67	.10	.12	1,520	64.53 (18)
Overall FR → Cost	10	20,129	- .04	- .04	.02	270.92	.01	.03	1,250	39.72 (9)
Overall FR → Product Strategy	29	5,103	.10	.11	.07	125.74	.04	.10	1,180	57.21 (28)
Overall FR → Brand Equity	37	12,071	.47	.49	.46	2,492.69	.44	.47	33,635	301.86 (36)

[18] The detailed information of the results for consequences of FR is listed in *Appendix B*.

effect. More reputable firms are able to attract and recruit more qualified employees than their competitors in the labor market. A highly motivated workforce in reputable firms is likely to create a more enjoyable working environment that eventually leads to success. Like the FR → Human Resources linkage, a reputable firm would be more attractive in the B2B market when the firm develops a relationship within its supply chain system, and certainly FR can play a role as a source of power (French and Raven 1959). Also, more reputable firms are likely to be found more attractive by institutional investors and thus the ownership structure of reputable firms can be expected to be more diversified.

Among consequents in Accounting, Economics, and Finance, the effects of FR on Accounting FP (r = .21) is notable. The FR → Accounting FP linkage (r = .21) is greater than the Accounting FP → FR linkage (r = .14) (Table 1-4). This finding shows how today's FR can be particularly influential to tomorrow's Accounting FP of a firm.

Finally, four remaining consequents (i.e., Market FP (r = - .001), Risk (r = .03), Cost (r = .02), and Product Strategy (r = .07)) were associated with moderately small effects. In sum, the Overall FR → Brand Equity linkage (r = .46) is the most impactful consequents of FR, and the effect size is slightly greater than the Brand Equity → Overall FR linkage (r = .44) (Table 1-4). The Overall FR → Human Resources effect is moderate (r = .31), and two signaling factors (i.e., Networking (r =.21), and Price Premium (r = .11)) have small effects as consequents of FR.

Which comes first?: FR or FP

This controversial chicken or egg debate over the relationship between FR and financial FP can be informed based on the cumulative findings over the last three decades presented in this study. The causal relationship of Overall FR → Accounting FP (r = .21) is found to be greater than Accounting FP → Overall FR (r = .14). Meanwhile, the linkage between FR and Market FP tends to be much smaller: Market FP → Overall FR (r = .03) and Overall FR → Market FP (r = -.001). There is not one particular causal linkage that dominates the results. This result may be caused by the nature of FR and financial FP studies. Previous investigations on the FR and Accounting FP linkage focused on the long-term, and were based on annual datasets. However, previous investigations on the linkage between FR and market FP often employ event studies to examine abnormal stock returns after positive or negative announcements are made in the marketplace. Since the event study method tends to be more short-term oriented, the time window of observing market FP may only be able to show the magnitude of stock returns during the short-observed periods. Additionally, the small effect between FR and market FP may have been caused due to the accumulation of the positive correlation between FR and market FP, canceling out the accumulation of negative correlations between FR and Market FP. Thus, Market FP is more likely to be an antecedent of FR, while Accounting FR is more likely to be a consequence of FR.

Which dimensions of FR are most linked to antecedents and consequents: FR, CSR, or Others?

Depending on the operationalization of FR, previous empirical studies can be decomposed into three different types: (1) Reputation studies, (2) CSR studies, and (3) Other studies that employed firm legitimacy, identity, image, and status. The results of all three different types of FR are presented in Appendix A and Appendix B. The links to FR range widely from .004 for the Market FP → Reputation linkage, to .63 for the Others → Brand Equity linkage. Among fifteen antecedents of FR (Figure 1-2), six antecedents have the highest effects of their paths to "Reputation" (i.e., Liability (r = .03), Risk (r = - .06), Ownership (r = - .18), Brand Equity (r = .47), Competitiveness (r = .16), and Prior FR (r = .30)). Five linkages of antecedents to "CSR" have the highest effects (i.e., Market FP (r = .06), Human Resources (r = .54), Age (r = .06), and Size (r = .12), and Prior CSR (r = .29)), and three antecedents to "Other" are the highest effects (i.e., Accounting FP (r = .18), Networking (r = .25), Visibility (r = - .17)) compared to these three antecedents linkages to other types of FR (Appendix A). Both the Product Strategy → Reputation linkage and the Product Strategy → CSR linkage have the same effect of r = .15 (Appendix A). Among nine consequents of FR, six antecedents have the highest effects to "Reputation" (i.e., Accounting FP (r = .38), Risk (r = .07), Networking (r = .21), Human Resources (r = .32), Cost (r = .02), and Product Strategy (r = .16)). One linkage of antecedents to "CSR" has the highest effects (i.e., Market FP (r = - .05)), and two antecedents to "other" are the highest effects (i.e., Price Premium (r = .42) and Brand Equity (r = .63)) (Appendix B).

The magnitude of the effects between each dimension of FR and factors also varies. For example, all three FR measures enhance brand equity (i.e., the Reputation → Brand Equity linkage (r = .53), the CSR → Brand Equity linkage (r = .28), and the Others → Brand Equity linkage (r = .63)), and brand equity is a key signal to create strong FR (i.e., the Brand Equity → Reputation linkage (r = .47), the Brand Equity → CSR linkage (r = .32), and the Brand Equity → Others linkage (r = .08)). However, the magnitude of the Others → Brand Equity linkage (r = .08) is much smaller than the magnitude of the Reputation → Brand Equity linkage (r = .47). This result demonstrates that the mismatch of the study context and the execution of the research can cause serious flaws in many empirical findings. The future empirical studies on FR should carefully select which dimensions of FR are most appropriate to employ in the context of the study and the distinction between FR, and the domains of other related constructs should be thoroughly made. In short, among three dimensions of FR the linkage to signaling factors to "Reputation" is stronger than the linkages between signaling factors and the other two dimensions of FR. It should be noted that the linkages between signaling factors and the three different types vary, and carefully defined construct and measures for FR should be employed.

Do the studies based on secondary data sources of FR or CSR yield different effects than the ones based on primary data?

The availability of secondary datasets influenced the design of several empirical studies and the correlation between antecedents/consequents to FR. Table 1-7 shows influences of moderators in the relationship between antecedents and FR, and Table 1-8 shows their influences in the relationship between FR and its consequents. Results varied significantly across the studies. Using the primary dataset, the smallest effects are the FR's linkages to Risk consequent (r_p= - .01) and the largest effect is the Human Resources consequent of FR (r_p = .49) (See Table 1-8). Using the secondary dataset, the smallest effect of the FR is Product Strategy consequent linkage (r_s = .001) and the largest effect is the Brand Equity consequent of FR (r_s =.53) (See Table 1-7). Seven out of fifteen investigated relationships between antecedents and FR (i.e., Ownership (r_p = -.41; r_s = .08), Networking (r_p = .19; r_s = .11), Human Resources (r_p = .04; r_s = .16), Visibility (r_p = .09; r_s = .14), Brand Equity (r_p = .17; r_s = .37), Size (r_p = .11; r_s = .05), and Competitiveness (r_p = .28; r_s = .06)) are significantly moderated by the dataset source utilized. Five comparisons between two different types of datasets could not be completed due to the small number of effects (i.e., Market FP, Liability, Age, Prior FR, and Prior CSR), and the rest of the effects were not significantly different across the types of dataset used (Table 1-7).

Four out of the nine investigated relationships between FR and its consequents (i.e., Market FP (r_p = - .29; r_s = - .05), Networking (r_p = .39; r_s = .09), Human Resources (r_p = .49; r_s = .05), and Product Strategy (r_p = .08; r_s = .001)) are significantly moderated by the dataset source utilized. Two comparisons between two different types of datasets could not be completed due to the small number of effects (i.e., Price Premium and Cost), and three comparisons were not significantly different across the types of dataset used (i.e., Accounting FP, Risk, and Brand Equity) (Table 1-8).

In general, the correlations using primary datasets were larger than the secondary datasets (e.g., Fortune's, KLD). These results are likely attributable to the fact that the surveys are designed and tailored for the purpose of a particular study and survey participants represent the population that is relevant to the study. The effects themselves range widely depending on the nature of the dataset employed. In particular, the Ownership antecedent has the largest difference of effects depending on the types of dataset used (i.e., r_p = - .41; r_s = .08). Although the pattern of effects seems to suggest that data type matters, none of the datasets are perfect and all different types of datasets have their own unique strengths and weaknesses. Scholars must emphasize caution and care when designing research methods and measures for FR studies. In short, seven antecedents (i.e., Ownership, Networking, Human Resources, Visibility, Brand Equity,

TABLE 1-7

INFLUENCE OF MODERATORS IN THE RELATIONSHIP BETWEEN ANTECEDENTS AND FIRM REPUTATION[19]

Moderated Relationships	Total Number of Raw Effects	Dataset					Markets		Definition	
		Primary (r_P)	Secondary (r_S)	Details Secondary: Fortune	KLD	Others	B2B (r_{B2B})	B2C (r_{B2C})	Assessment ($r_{Assessment}$)	Asset (r_{Asset})
Antecedents in Accounting, Economics, & Finance										
Accounting FP	165	.13 (10)	.14 (155)a	.17 (82)	.06 (17)	.03 (56)	.07 (26)	.15 (139)*	.18 (22)	.12 (134)*
Market FP	12	—	.03 (12)nc	.07 (8)	.01 (2)	.01 (2)	—	.03 (12)nc	.25 (2)	.03 (8)nc
Liability	12	—	.06 (12)nc	.06 (7)	.00 (3)	.01 (2)	.09 (2)	.01 (10)nc	.04 (1)	-.01 (8)nc
Risk	24	-.03 (5)	-.03 (19)a	-.03 (7)	—	.01 (12)	-.02 (7)	-.09 (17)a	-.06 (8)	-.05 (16)a
Antecedents in Management										
Ownership	25	-.41 (6)	.08 (19)*	.13 (6)	-.05 (1)	.20 (12)	.07 (12)	.07 (13)a	.09 (6)	.02 (19)*
Networking	31	.19 (13)	.11 (18)*	—	—	.11 (18)	.12 (27)	.19 (4)a	.13 (20)	.16 (11)a
Human Resources	33	.04 (4)	.16 (29)*	.03 (22)	.08 (5)	.05 (2)	.13 (5)	.03 (28)*	-.01 (6)	.13 (26)*
Antecedents in Marketing										
Product Strategy	95	.10 (16)	.13 (79)a	.22 (29)	.01 (15)	.14 (35)	.08 (53)	.14 (42)*	.09 (16)	.11 (73)*
Visibility	43	.09 (4)	.14 (39)*	.14 (28)	.06 (3)	.16 (8)	.07 (7)	.15 (36)*	.18 (6)	.14 (35)*
Brand Equity	28	.17 (21)	.37 (7)*	.37 (5)	—	.32 (2)	.42 (12)	.38 (16)*	.51 (7)	.28 (21)a
Control Variables										
Age	14	.17 (1)	.01 (13)nc	.08 (3)	—	-.001 (10)	.04 (6)	.01 (8)a	-.02 (9)	.07 (4)a
Size	57	.11 (16)	.05 (41)*	.04 (19)	.26 (8)	-.05 (14)	.12 (20)	.06 (37)*	.03 (18)	.09 (35)*
Competitiveness	38	.28 (14)	.06 (24)*	-.07 (12)	.27 (3)	.05 (9)	.11 (27)	.07 (11)a	-.09 (6)	.12 (31)*
Prior Reputation										
Prior FR	31	.26 (1)	.32 (30)nc	.49 (25)	.01 (1)	.22 (4)	-.04 (1)	.28 (30)nc	.89 (1)	.21 (26)nc
Prior CSR	15	.19 (2)	.33 (13)nc	.61 (4)	.23 (7)	-.07 (2)	—	.33 (13)nc	—	.28 (8)nc

[19] Table entries show the sample-weighted reliability-adjusted average r for each antecedent influenced by moderators. The number of effects is shown next to the r's in parentheses.

* P<.05 (one-tailed)

a non-significant differences between two categories using t-test.

nc not completed due to the small number of effects or due to lack of comparable comparison data indicated by a '—'.

TABLE 1-8

INFLUENCE OF MODERATORS IN THE RELATIONSHIP BETWEEN FIRM REPUTATION AND CONSEQUENTS[20]

Moderated Relationships	Total Number of Raw Effects	Dataset					Markets		Definition	
		Primary (r_P)	Secondary (r_S)	Details Secondary			B2B (r_{B2B})	B2C (r_{B2C})	Assessment ($r_{Assessment}$)	Asset (r_{Asset})
				Fortune	KLD	Others				
Consequents in Accounting, Economics, & Finance										
Accounting FP	115	.24 (20)	.21 (95)a	.11 (53)	.05 (14)	.01 (28)	.08 (21)	.10 (94)a	.31 (41)	.05 (72)*
Market FP	101	.29 (5)	-.05 (96)*	.10 (19)	.08 (8)	-.15 (69)	.12 (6)	-.04 (95)*	-.17 (59)	.15 (13)*
Risk	17	-.01 (3)	.01 (14)a	-.06 (8)	-.02 (3)	.07 (3)	.01 (4)	.03 (13)a	-.18 (10)	.23 (6)*
Consequents in Management										
Networking	20	.39 (14)	.09 (6)*	.29 (4)	—	.05 (2)	.21 (18)	.14 (2)nc	.09 (3)	.38 (17)nc
Human Resources	24	.49 (17)	.05 (7)*	—	.03 (5)	.02 (2)	.03 (17)	.17 (7)*	—	.30 (17)nc
Consequents in Marketing										
Price Premium	19	.43 (1)	.11 (18)nc	—	—	.11 (18)	.07 (6)	.17 (13)*	.16 (12)	.07 (6)*
Cost	10	—	.02 (10)nc	—	—	.02 (10)	—	.02 (10)nc	.02 (10)	— nc
Product Strategy	29	.08 (22)	.001 (7)*	-.13 (1)	.00 (1)	.00 (5)	.03 (25)	.001 (4)a	.04 (7)	.01 (21)a
Brand Equity	37	.28 (33)	.53 (4)a	.02 (1)	—	.47 (3)	.52 (17)	.39 (20)*	.47 (23)	.14 (11)*

[20] Table entries show the sample-weighted reliability-adjusted average r for each consequent influenced by moderators. The number of effects is shown next to the r's in parentheses.

* $P< .05$ (one-tailed)

[a] non-significant differences between two categories using t-test.

[nc] not completed due to the small number of effects or due to lack of comparable comparison data indicated by a '—'.

Size, and Competitiveness) yielded significantly different results depending on the types of dataset employed. Four consequents (i.e., Market FP, Networking, Human Resources, and Product Strategy) are significantly moderated by the dataset used. The Ownership's effect difference between primary and secondary dataset is the largest among seven significant effects.

Do the relationships between FR and FP in B2B versus B2C contexts yield different effects?

The range of the link to FR in the B2B market varies from .01 (Overall FR → Risk) to .52 (Overall FR → Brand Equity), and the range of the link to FR in the B2C market varies from .001 (Overall FR → Product Strategy) to .39 (Overall FR → Brand Equity). The moderating effects of two different types of markets in the relationship between antecedents and FR are presented in Table 1-7, and the influence of the moderator in the relationship between FR and its consequents is shown in Table 1-8. Only six out of fifteen linkages between antecedents and FR are investigated (i.e., Accounting FP (r_{B2B} = .07; r_{B2C} = .15), Human Resources (r_{B2B} = .13; r_{B2C} = .03), Product Strategy (r_{B2B} = .08; r_{B2C} = .14), Visibility (r_{B2B} = .07; r_{B2C} = .15), Brand Equity (r_{B2B} = .42; r_{B2C} = .38), and Size (r_{B2B} = .12; r_{B2C} = .06)) have significantly different effects across two types of markets (Table 1-7). In the relationship between antecedents and FR, Accounting FP, Product Strategy, and Visibility yielded much stronger effects in the B2C market whereas Human Resources, Brand Equity, and Size are shown to be a more influential effect in the B2B market. The largest effect difference between two markets is Market FP. Four effects (i.e., Market FP, Liability, Prior FR, and Prior CSR) could not be compared between two markets due to the small number of effects. Five antecedents (i.e., Risk, Ownership, Networking, Age, and Competitiveness) do not have significant differences between the B2B market and the B2C market.

Only four out of nine relationships between FR and its consequents investigated (i.e., Market FP (r_{B2B} = .12; r_{B2C} = - .04), Human Resources (r_{B2B} = .03; r_{B2C} = .17), Price Premium (r_{B2B} = .07; r_{B2C} = .17), and Brand Equity (r_{B2B} = .52; r_{B2C} = .39)) have significantly different effects across two types of markets (Table 1-8). In the relationship between FR and its consequents, Human Resources and Price Premium yielded much stronger effects in the B2C market whereas Market FP and Brand Equity were shown to be a more influential effect in the B2B market. The largest effect difference between two markets is Market FP. Two effects (i.e., Networking and Cost) could not be compared across two types of markets due to the small number of effects. Three consequents (i.e., Accounting FP, Risk, and Product Strategy) did not yield significant differences between the B2B market and the B2C market. The largest effects moderating linkage to FR is between Brand Equity → Overall FR are r_{B2B} = .42; r_{B2C} = .38 (as antecedents), and Overall FR → Brand Equity: r_{B2B} = .52; r_{B2C} = .39 (as consequents). However, the largest difference between two markets is found when Market FP is used as a consequent (See Table 1-7 and 1-8). In sum, only six antecedents (i.e., Accounting FP, Human Resources, Product Strategy, Visibility, Brand Equity, and Size) and four consequents (i.e., Market FP, Human Resources, Price Premium, and Brand Equity) have different effects based on the different types of market. Market FP consequent has the largest difference between the B2B market and the B2C market.

Which definition of FR is most supported?

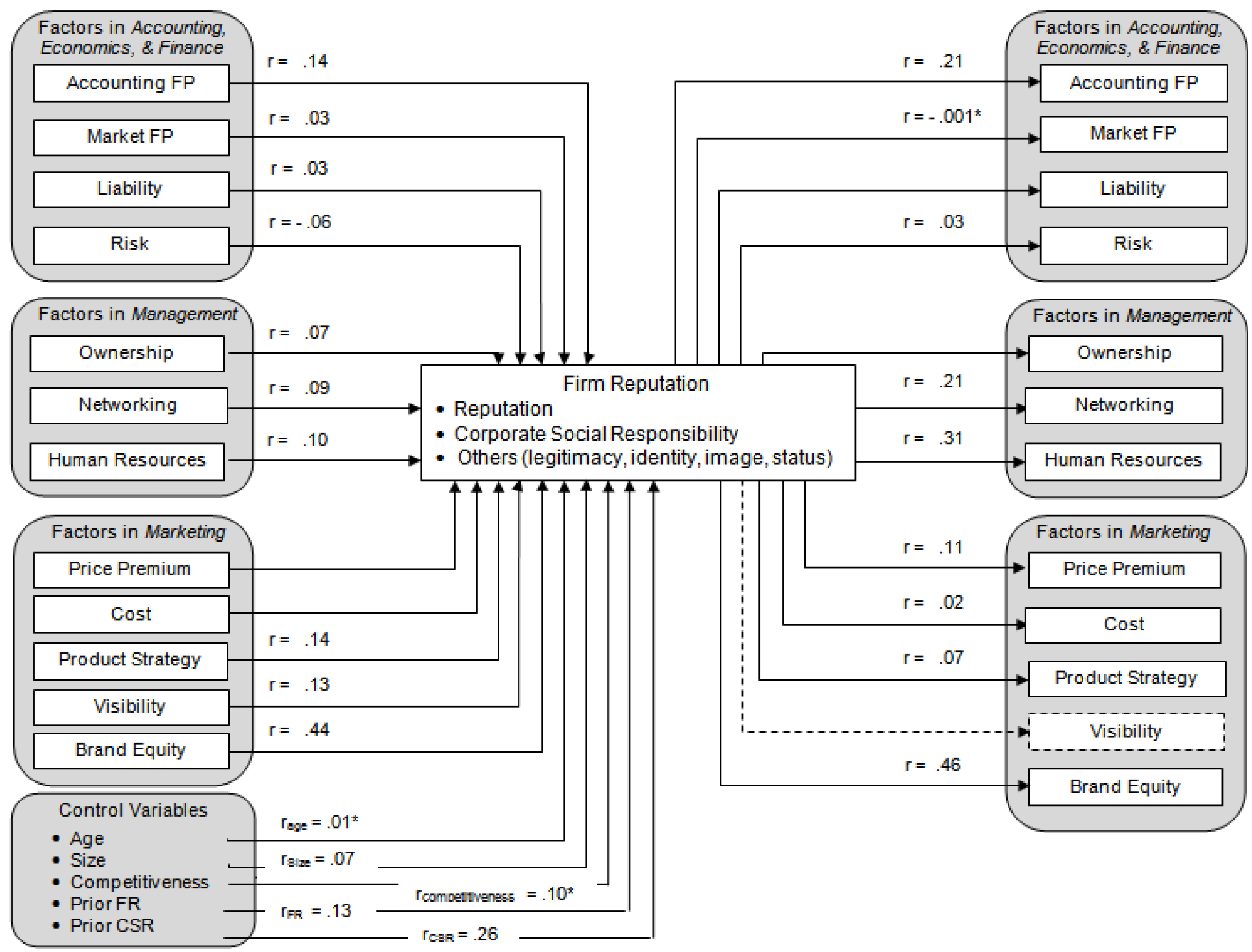
The moderating effects of two different operationalizations of FR (i.e., Assessment and Asset) in the relationship between antecedents and FR are presented in Table 1-7, and its influence in the relationship between FR and its consequents are shown in Table 1-8. The largest effect that used FR operationalized as an assessment was Prior FR ($r_{assessment}$= .89) and, as an asset, was Brand Equity and Prior CSR (r_{asset} = .28). Stakeholders tend to make judgments on goods and services of a firm while considering FR as a valuable asset for the firm. Seven out of fifteen investigated effects in the relationship between antecedents and FR were significantly moderated by the operationalization of FR. These effects are: (1) Accounting FP ($r_{assessment}$= .18; r_{asset} = .12), (2) Ownership ($r_{assessment}$= .09; r_{asset} = .02), (3) Human Resources ($r_{assessment}$= - .01; r_{asset} = .13), (4) Product Strategy ($r_{assessment}$= .09; r_{asset} = .11), (5) Visibility ($r_{assessment}$= .18; r_{asset} = .14), (6) Size ($r_{assessment}$= .03; r_{asset} = .09), (7) Competitiveness ($r_{assessment}$= - .09; r_{asset} = .12). Four effects (Risk, Networking, Brand Equity, and Age) did not yield significant differences depending on the definition FR employed. In the relationship between FR and its consequents, five out of nine investigated effects were significantly moderated by the operationalization of FR. These effects are: (1) Accounting FP ($r_{assessment}$= .31; r_{asset} = .05), (2) Market FP ($r_{assessment}$= - .17; r_{asset} = .15), (3) Risk ($r_{assessment}$= - .18; r_{asset} = .23), (4) Price Premium ($r_{assessment}$= .16; r_{asset} = .07), and (5) Brand Equity ($r_{assessment}$= .47; r_{asset} = .14). Product Strategy consequent did not yield significant differences depending on the definition FR employed, and the differences for three effects (i.e., Networking, Human Resources, and Cost) in the relationship between FR and its consequents were not investigated due to the small number of effects.

The linkage between FR and Accounting FP is more impactful when FR is used as an Assessment (Accounting FP → FR: $r_{assessment}$ = .18 and FR → Accounting FP: $r_{assessment}$ = .31) rather than as an Asset (Accounting FP → FR: r_{asset} = .12 and FR → Accounting FP: r_{asset} = .05). This informative finding shows that Accounting FP is used as a barometer to determine the value of a firm and FR. Another considerably interesting finding concerns the Risk effect. The FR → Risk linkage as an Assessment ($r_{assessment}$ = -.18) is negative, but the FR → Risk linkage as an Asset (r_{asset} = .23) is positive. It would seem that a certain level of risk acts as a positive signal in the marketplace as stakeholders consider risk-taking a requirement for success. However, when FR is used as a tool to assess the value of a firm, the risk that the firm is currently engaged in can damage its FR, decreasing the value of the firm. Managing these two opposing influences of risk is a provocative balancing act. In conclusion, six antecedents (i.e., Accounting FP, Market FP, Risk, Visibility, Age, and Competitiveness) and five consequents (i.e., Accounting FP, Market FP, Risk, Price Premium, and Brand Equity) yielded significantly different results due to the operationalization of FR employed. Risk has the largest effect difference between the two groups. A comprehensive summary of this meta-analysis is pictorially presented in Figure 1-2.

CONTRIBUTIONS

Over the last three decades, scholars have made significant progress toward better understanding FR, strategies linked to FR, and the value it creates. By overcoming what at times may have seemed daunting obstacles, FR research has matured. In particular, salient advances that have been made include defining FR, developing theoretical

FIGURE 1-2
RESULTS OF META-ANALYTIC MODEL (ONLY HOMOGENEOUS EFFECTS ARE SHOWN)[21]



[21] - - - - No effects for this linkage were included in the literature. Paths without r refer to linkages with fewer than five effects that were omitted from this quantitative integration.
* Heterogeneous

frameworks emerging from various disciplines, employing adequate ways to quantify and measure FR, and the effectiveness of strategies linked to FR. However, despite the advances in this field, the review suggests remaining gaps pose questions and opportunities for the avenues of future FR research. The summary of key findings and implications of this meta-analysis is shown in Table 1-9.

First, this meta-analysis supports the idea that non-financial FP, especially Brand Equity, Human Resources, and Product Strategy, has superior impact on FR over financial FP. Factors from the Accounting, Economics, and Finance disciplines (e.g., Accounting FP, Market FP, Liability, and Risk) show mixed findings, whereas Marketing and Management strategies seem to be more effective cues to assess FR. Despite myriad challenges involved in quantifying intangible assets like FR and measuring FR's effects on value creation, both managers and scholars need to understand that FR's financial impact is created through various non-financial means. Since the spectrum of effects between various non-financial FP on FR varies considerably across disciplines, strategic planning for reputation building should espouse a broad scope with the understanding of the entire supply chain. Embracing the idea that non-financial information factors, created by various academic disciplines, can be converted to financial FP can help a firm identify FR and its impact. From a research perspective, integrating theories and research questions from several disciplines is required to truly comprehend FR and its antecedents and consequents. The complex linkages among various strategies to FR that reflect business practices ought to be investigated rigorously.

Second, this quantitative review investigates effective antecedents and

TABLE 1-9
SUMMARY OF KEY FINDINGS AND IMPLICATIONS

Key Findings	Research and Managerial Implications
Which antecedents are most influential for enhancing FR?	
Antecedents have a wide range of effects on FR. Brand equity is most effective, followed by Prior FR, Prior CSR, Accounting FP, Product Strategy, Networking, Visibility, Ownership, and Competitiveness in that order. Market FP, Liability, Risk, Human Resources, Age, and Size yielded moderately small effects.	Institutionalizing the value of FR and CSR in an organization may be essential to successfully manage FR in the long term. The strategic allocation of resources can be attributed to a better public image of a firm. FR's financial impact is created through various non-financial means; thus, firms need to analyze how the market responds to non-financial factors.
Which consequents are most affected by FR?	
Consequents also have a wide range of effects in terms of their influence by FR. Brand Equity is most impacted, followed by Human Resources, Accounting FP, Networking, and Price Premium in that order. Market FP, risk, cost, and product strategy yielded moderately small effects.	Firms' decisions for their strategic moves also *depend* on FR. Future researchers should employ adequate techniques to handle endogeneity issues.
The effect between FR and Brand Equity consequent is greater than the effect between Brand Equity antecedent and FR.	Firms with strong FR have market advantages to create brands and consumer-based brand equity (Keller 1993).
The effect between FR and Networking consequent is greater than the effect between Networking antecedent and FR.	Firms with a strong reputation are able to attract and retain more accomplished employees, suppliers, and alliances.
Which comes first, FR or FP?	
Market FP is more likely to be an antecedent of FR, while Accounting FR is more likely to be a consequent of FR.	Positive market surprises and stock returns enhance FR whereas a strong FR is likely to be realized in some of the Accounting FP figures like ROA, ROI, and ROS. Data sources of financial FP may determine the causal relationship between FR and financial FP.
Which dimensions of FR are most linked to its antecedents and consequents: FR, Corporate Social Responsibility (CSR), or Others (i.e., firm legitimacy, identity, image, and status)?	
The magnitude of the effects between each dimension of FR and factors varies. Among three dimensions of FR the linkage to signaling factors to "Reputation" is stronger than the linkages between signaling factors and the other two dimensions of FR.	Researchers need to clarify the domain of constructs that they use, and appropriate scales and datasets should be carefully selected.
Do studies based on secondary data sources of FR or CSR yield different effects than the ones based on primary data?	
Depending on the types of datasets employed, Human Resources yielded significantly different results as an antecedent as well as a consequent.	The sources of datasets are critical when the relationship between Human Resource and FR is investigated. Especially, Researchers in I/O psychology and management fields should be cautious when they conduct their research related to these antecedents.

TABLE 1-9 (CONT.)
SUMMARY OF KEY FINDINGS AND IMPLICATIONS

Key Findings	Research and Managerial Implications
Do the relationships between FR and FP in B2B versus B2C contexts yield different effects?	
Brand Equity yielded significantly different results as an antecedent as well as a consequent in B2B and B2C contexts.	Researchers must take care when extending findings across contexts when the relationship between FR and FP like Brand Equity is investigated. The FR importance may vary based on the study contexts. Future studies should further investigate how information signals have different impacts when different stakeholder groups evaluated FR.
The effect between FR and Market FP consequent has the largest difference in B2B versus B2C contexts.	Managers can expect a greater impact of FR to enhance Market FP in the business market rather than in the consumer market.
Which definition of FR is most supported?	
Depending on the definition of FR, Accounting FP, Market FP, Risk yielded significantly different results as antecedents as well as consequents.	Researchers need to clarify the definition of FR so that a more appropriate theoretical framework can be selected to derive tested hypotheses.
Accounting FP consequent has the largest difference of the two different operationlizations of FR (i.e., Assessment and Asset).	

consequents of FR by suggesting causal linkages between FR and strategic factors. Some appear to be more impactful as antecedents, while others seem to be more influenced by FR as consequents. On the one hand, the relationship between FR and its antecedents propose that the strategic allocations of resources would attribute to a better public image of a firm. In this meta-analysis, firms' information signals such as Prior FR, Prior CSR, Accounting FP, Product Strategy, Visibility, Ownership, and Competitiveness are found to be influential antecedents for stakeholders' determinants of FR. The findings suggest that institutionalizing the value of FR and CSR in a firm may be essential to successful management of FR in the long term. A firm that treats its own FR as a valuable resource may create institutional environments to realize its intention to maintain strong FR for its stakeholders.

On the other hand, the relationship between FR and its consequents suggests that firms' decisions on their strategic moves also *depend* on FR. Based on the findings of this study, Brand Equity, Human Resources, Accounting FP, Networking, and Price Premium are more appropriate as consequents rather than antecedents (Compare Tables 1-3 and 1-5). Especially, the effect between FR and Brand Equity consequent is greater than the effect between Brand Equity antecedent and FR. Keller (1993) argued that "establishing a connection with a company may cause an existing association for that company to become a secondary association for the brand (e.g., perceptions of company reputation and credibility)" (p.11). Firms with strong FR have market advantages to create brands and consumer-based brand equity compared to firms with weak FR. Similarly, the FR-Networking consequent linkage is greater than the Networking antecedent-FR. Firms with a strong reputation are able to attract and retain more accomplished employees, suppliers, and alliances. Reputable firms have more liberty to design the pricing structure of their goods and services and enhance their brand equity among consumers.

Third, the disagreement over the causality between FR and financial FP is addressed using the synthesis of FR and financial FP studies. When Accounting FP (e.g., ROA, ROI, and ROS) is used to empirically test the linkage between FR and financial FP, Accounting FP is more influenced by FR as opposed to Accounting FP influencing FR. However, the reverse causality seems to be more impactful when Market FP (e.g., positive or negative market surprises and stock returns) is used in empirical studies between FR and financial FP.

Fourth, this review addresses the state of current problems in FR research. Scholars' efforts may need to shift from verifying the contribution of FR on financial FP to identifying how information signals are internalized differently by different stakeholder groups. Wood and Jones (1995) have already stated their concerns associated with stakeholder mismatching issues on theoretical problems in empirical research on corporate social performance. Many FR related studies over-simplify and generalize the arguments by mismatching the appropriate stakeholder groups and using a dataset that measures FR. For example, the product dimension of FR is more closely related to product strategies, and suppliers, consumers, and governments are the key stakeholder groups that are interested in the product dimension of FR. The working environment dimension of FR is more directly related to the human resources strategies of a firm and the main stakeholder group interested in this dimension of FR would be the employees. And the same time, these issues should be based on the theoretical frameworks that are most suitable for their arguments. Future FR studies may further our understanding of stakeholder management by employing perspectives of various stakeholder groups to fully understand the collective FR in the marketplace.

In addition, scholars need to be more cautious and make improvements to the utilization of currently available FR datasets. Different sources of FR datasets have significant differences regarding how to manage and evaluate those datasets. For example, the KLD dataset is typically handled by simply summing the dimensions of the KLD rating criteria, which ranges from -2 to +2, even though each value can be canceled out through this simple summation procedure (e.g., Divid, Bloom, and Hillman 2007; Hillman and Keim 2001). The KLD dataset should be employed as a formative scale since KLD rating criteria for each measure represent different dimensions of corporate social responsibility.[22] While a reflective scale consists of all items measured from the perspective of an unobserved latent construct that have high covariance among items within the same construct (Bagozzi 1994), a formative scale is used when all items are needed to form and construct the estimate of the latent construct (Fornell 1982). Otherwise, scholars can use each measure separately following Berman and his colleagues (1999) that carried out their empirical study using the five dimensions of the KLD dataset individually. For example, Human Resources yielded significantly different results as an antecedent as well as a consequent depending on the type of dataset employed. The sources of datasets are critical especially when the relationships between Human Resources and FR are investigated. In particular, researchers in industrial organizational, psychology, and management should be cautious when they conduct their research. Thus, it is important for future scholars to fully understand the nature of measures and to employ appropriate analytical tools in future studies.

Managerial Implication

This meta-analysis provides insights into the most effective signaling factors among firms' strategies as antecedents and consequents of FR. These insights allow managers to employ various signals to strengthen FR and to enlarge its value creation. Marketers have not only been puzzled over what combines to influence FR but also how

[22] Out of 13 studies using KLD data only four studies have correctly used it as formative measures (or analyzed its constructs as individual separately); however, nine studies have used it incorrectly as reflective scale (or by simply summing the individual dimensions of the KLD dataset).

budgets should be allocated to maximize the effects of FR (Fombrun and Shanley 1990). Intuitively, FR should be considered an important concept for the marketing discipline to study; yet, since the 1960s the intended and constructed "*image*" of a firm has tended to be the focal point of marketers. Hall (1993) stated that managers viewed product image and FR as two distinct intangible assets, and Rindova and her colleagues (2005) showed that the FR effect on the quality of products and the overall FR have distinct implications for performance outcomes. Hence, to gain greater insights into the mechanisms through which intangible assets provide competitive advantages to firms, it is important for scholars and managers to precisely specify and capture the type of intangible asset being studied and the context within which its effects are investigated. This study is offered as a first step in this direction toward a more comprehensive understanding of the FR phenomenon.

In today's business world, managers continually encounter demands from multiple stakeholder groups (e.g., consumers, employees, suppliers, alliances, community groups, governments, and stockholders, especially institutional investors) to devote firm resources to support divergent interests and goals. These pressures from diverse stakeholders are likely to influence the goals and objectives of firms. Unfortunately, managers are tasked with maximizing profits while satisfying the demand for FR from multiple stakeholders. For example, even though managers may acknowledge the interests of institutional investors as profit maximization, managers should not ignore the demand of CSR from consumers and community groups. Managers must evaluate the possibility of differentiation using FR. If there is little ability to differentiate the goods and services, FR can be an important intangible asset to distinguish a firm from its competitors. Managers should treat decisions regarding FR as carefully as they treat all investment decisions.

Limitation and Future Research

This study investigated the most influential antecedents and consequents associated with FR, and explored the direction of the causal connections between FR and strategic information signals. Despite some notable findings, this empirical study has some limitations that raise opportunities for future research. The proposed meta-analytic model in this study is driven by cumulating previous empirical studies. Using signaling theory, this study attempted to combine the exact causal relationships and effects from previous findings. The precise causal directions of some antecedents and consequents are arguable depending on which theoretical framework is used to derive the causal relationships between antecedents and FR or FR and consequents. Thus, future studies should utilize theoretically sound meta-analytic models based on various theoretical frameworks to propose more focused causal relationships between antecedents/consequents and FR.

This study represents merely the tip of the iceberg. It is important to understand that the lack of consistency in empirical studies of FR may be driven by a lack of theory that connects strategic factors and FR. Thus, a strong theoretical foundation better strengthens the studies by gaining reliability, validity, and consistency of empirical studies. Continued empirical investigations could attend to this shortcoming. I believe institutional theory, signaling theory, and stakeholder theory are the most appropriate theoretical frameworks that future researchers can ground their reasoning and arguments from. Institutional theory explains how the foundative philosophy, and culture are institutionalized in a firm to make strategic decisions. The linkages between firms' strategies and FR can be explained by their institutionalized decision making process that can lead firms in certain directions. Using signaling theory as a main theoretical framework, researchers can explain how firms' actions can signal the behavioral intentions of firms in the marketplace. Stakeholder theory can demonstrate how firms' decisions influence and are influenced by various stakeholders groups and how firms develop stakeholder management to meet various interests of many stakeholder groups. This theory appropriately explains why firms' interests are greater than the generation of wealth and are closely connected to more socially cautious behavior of firms. These frameworks would help us better understand why firms behave in a certain way in the marketplace, why each firm has a different agenda to create value in the marketplace, and why some firms are more highly respected by various stakeholders than others. As such, future research could proceed in a number of directions. First, the sample of FR research could be broadened. Most studies appear to be based on the leading firms in the industry, country, and world. These firms tend to be older and larger, and receive more stakeholders' attention. However, many things are unknown for the relatively new and smaller firms: (1) whether the function of FR is equally applicable for those firms, (2) how FR can be established in different growth stages, and (3) whether managers' perspectives on FR and the implications of strategies for those firms are as important as those of the market leaders. Clemens (2006) suggests that even small firms are rewarded by the market for strong FR, but more research is needed to support this finding. Second, many studies have investigated the relationship between FR and FP from the reputable firms' perspective. However, previous studies used the skewed dataset by examining solely reputable and famous firms and their performance in the marketplace. Thus, how disreputable and infamous firms signal their internal information and whether various signals influenced their FR as compared to analogous effects of reputable and famous firms. The field can gain more insights into FR by studying how firms with weak reputations can enhance their FR. Third, the credibility of the signal represents the signaling equilibrium. Stakeholders believe that highly reputable firms have advantages in efficiently using signaling mechanisms which are too costly for firms with a low reputation to use. Thus, future work in FR can expand the scope of the current state of the studies by understanding how different stakeholder groups respond differently to signals and how firms strategize their stakeholder management by using signaling mechanisms in the marketplace.

As the concern of the mismatch between the theoretical framework and dataset is discussed, future studies can address specific concerns of FR that are related to particular stakeholder groups by employing more appropriate research designs including secondary datasets that are from the target stakeholder group and appropriate FR measures.

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CARRY-OVER EFFECTS OF FIRM REPUTATION AMONG ITS TWO KEY STAKEHOLDERS

INTRODUCTION

A stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman 1984, p.46)." Building better relations with key stakeholders like employees, consumers, suppliers, communities and environments is expected to improve firm reputation (Berman et al. 1999; Freeman 1984). Since stakeholders comprehensively evaluate the motivations, processes, and outcomes of a firm to determine firm reputation (FR) (Fombrun and Shanley 1990), the firm may achieve stability in its FR through its efforts toward stakeholder management. For example, in January 2010, Toyota announced a recall of some eight million Toyota vehicles due to mechanical problems in the gas pedals. Toyota's key asset of its quality reputation was at risk after this massive recall. Consumers complained about Toyota's inadequate response to various complaints and crashes due to its faulty product quality assurance. The decision to announce the vehicle recalls put the reputation of Toyota's pedal supplier CTS Corporation (i.e., Toyota's upstream channel members) as well as its dealers (i.e., Toyota's downstream channel members) at risk. The damage to FR of Toyota was carried over to the reputations of both up-stream and downstream stakeholders in Toyota's value delivery system. Since the recall announcement, Toyota has worked closely with its suppliers by implanting Toyota's engineers in suppliers' production lines to produce quality auto parts that meet Toyota's standards. The relationship between Toyota and Toyota's dealers has strengthened while Toyota's dealers strive to provide satisfactory services to their unsatisfied consumers. At the same time, Toyota has engaged in nationwide advertising to repair its reputation and has brought on a new lobbyist to reestablish its relationships with the Government. As a result, Toyota has slowly regained its quality reputation with its consumers and leadership in its value delivery system.

In franchise systems, downstream channel members (franchisees) are one of the key stakeholder relationships unique to the franchisor firm, and the role of franchisees cannot be over-stressed in the success of franchise systems. The value of products and services is not only created by the firm that manufactures and supplies them, but also franchisees that bridge the link between the firm (franchisor) and consumers in the marketplace (Srivastava, Shervani, and Fahey 1999). Thus, firms must continue their endeavors to improve FR in the eyes of their channel members.

Despite the importance of understanding the perspectives of downstream channel members on FR, hardly any extant FR literature has empirically investigated the role of perceived FR of downstream channel members on the establishment of firms' overall FR in the Business-to-Business (B2B) market or the Business-to-Consumer (B2C) market. FR represents the accumulated impression that stakeholders form of the firm resulting from their past interactions with the firm (Brown et al. 2006; Fombrun and Shanley 1990). Stakeholders use the lenses of FR to set their expectations and to evaluate firm performance. Even though various stakeholders judge FR in the marketplace based on their own interests (Fombrun 1996; Fombrun and Shanley 1990; Lange, Lee, and Dai 2011; MacMillan et al. 2005), FR has mainly been studied from the perspectives of consumers or capital investors (Brown and Dacin 1997; Lichtenstein, Drumwright, and Braig 2004; Standifird 2001; Walsh and Beatty 2007). In this study, FR in two different markets (i.e., the B2B market and the B2C market) that deal with multiple stakeholder groups is defined. Using institutional theory, the study investigates the carry-over effects of FR between two different stakeholder groups (i.e., franchisees and consumers) and pinpoints how the opinions of one stakeholder group matter to the opinions of the other stakeholder group.

FR in the marketplace signals the level of performance quality that is delivered by a firm (Brown and Dacin 1997; Lichtenstein, Drumwright, and Braig 2004; Standifird 2001; Walsh and Beatty 2007). Reputable franchise systems can attract more qualified and motivated franchisees to partner in the success of their enterprise (Caves and Murphy 1976; Jambilingam and Nevin 1999; Mathewson and Winter 1985; Shane 1998). As one may expect, FR in the eyes of consumers is greatly influenced by the experiences the consumers have with the franchise systems and most ostensively by the interactions they have with local franchisees (e.g., Kennedy 1977; Padgett and Allen 1997; Tax, Brown, and Chandrashekaran 1998). In this study, I investigate how the perceptions of franchisees toward FR in the B2B market matter for consumers in their own perceptions of FR, and vice versa. This transference phenomenon is defined as the carry-over effect in this literature. Since previous studies emphasize the carry-over effects of FR between a firm and its upstream channel members or its alliance partners (Anderson, Håkansson, and Johanson 1994; Kang 2008; Swaminathan and Moorman 2009), this multilevel investigation is aimed at furthering our understanding of stakeholder management for downstream channel members in the value delivery chain in a franchising context.

The findings will also shed light on the mechanisms of “push” and “pull” strategies within the scope of the entire value delivery chain, and the relative effectiveness of these strategies. A *push* strategy focuses on inducing downstream channel members to carry, promote, and sell products and services to the end consumers (Kotler and Armstrong 2012). *Push* strategies are appropriate when firms have weak reputation in their industry, brand selections are made by downstream channel members, and benefits of products and services are well understood (e.g., Dant 2008). Firms use their sales force and trade promotion to operationalize *push* strategies. A *pull* strategy, on the other hand, focuses on persuading the end consumers to enhance market demand so that downstream channel members are induced to buy more products and services from firms (Kotler and Armstrong 2012). *Pull* strategies are appropriate when firms have a strong reputation in their industry, consumers are highly involved with their purchasing decisions and the perceived values of products and services vary between brands (e.g., Dant 2008). Firms use national advertising and various consumer promotions to enact their *pull* strategies. On the one hand, firms may employ *push* strategies if firms have strong FR assessed by their downstream channel members (internal FR). On the other hand, firms may employ *pull* strategies if firms have strong FR assessed by their end consumers (external FR).

Push and pull strategies have not been fully explored in the field of franchising. Oxenfeldt and Kelly (1968) first introduced push and pull strategies into the franchising context. They suggested that a "push-pull" model can explain the success and the ownership structure of franchise systems. They investigated "what forces would push and pull both franchisors and franchisees toward a wholly-owned system? (p.70)" Later, Dant (2008) introduced several research questions for a future research agenda in the field of franchising, and one of the key research questions was "are successful franchise operations doomed to be “push”-oriented systems or are ongoing “pull” strategies viable in franchising? (p. 93)” However, both of these studies were conceptual in nature, and the push and pull strategies of franchisors have not been empirically investigated. By examining the reciprocal carry-over effects of the two types of FR, this paper will evaluate the relative merits of *push* and *pull* strategies in a franchising context.

To analyze the carry-over effects of FR from one stakeholder group to another, this study addresses the following research questions: (1) How does satisfaction of key stakeholders affect their perceptions on the focal franchisor’s FR?, (2) How does financial performance affect these stakeholders’ perceptions on the focal franchisor’s FR?, (3) How do firm strategies shape the firms’ standing (i.e., their FR) in the marketplace?, And finally (4) Does FR of one stakeholder group carry over to another stakeholder group’s perceptions on the focal franchisor’s FR? And if so, which strategy is more effective between a *push* strategy (from internal FR to external FR) and a *pull* strategy (from external FR to internal FR)?

This study makes several contributions of both theoretical and empirical importance. First, this study defines different types of FR based on the type of market (i.e., the business market and the consumer market) in which the chain operates. It unveils great opportunities for scholars in various disciplines to further investigate collective FR from the perceptions of various stakeholder groups. Second, the multilevel model attempts to bridge the different perspectives of stakeholder groups nested within each firm. It is important to obtain holistic views on FR and its impacts by employing the entire value delivery system. In this empirical study, all three key constituents of franchise systems are simultaneously investigated: firms (or franchisors), downstream channel systems (or franchisees), and end consumers. Potential firm strategies for performance enhancement through developing different stakeholder management strategies are provided. Third, this study introduces institutional theory to scholars in the field of marketing channels while making a managerial contribution by defining important roles of stakeholder management on the carry-over effects of FR in the value delivery system.

The following section provides the definition of two different types of reputation by framing FR using institutional theory and the notion of reputation carry-over effects is introduced. Subsequently, the operationalization of the key constructs utilized in this study is thoroughly delineated in the methodology section. Finally, the study concludes with a discussion of the results, and their implications for theory and practice together with consideration of its potential shortcomings.

FIRM REPUTATION: A MULTILEVEL PERSPECTIVE

Firms exist to create value for their stakeholders (Hillman & Keim 2001). The value of firms can be assessed by stakeholders' impressions and collective judgments on the practices of firms in the marketplace, (definitionally, FR) which can determine the success of firms, even their survival (Rao 1994). FR is "observers' collective judgments of a firm based on assessments of the financial, social, and environmental impacts attributed to the firm over time" (Barnett, Jermier, and Lafferty 2009, p.34). Since FR represents the accumulated impression that stakeholders form based on their past interactions with the firm (Brown et al. 2006; Fombrun and Shanley 1990), it is not a single action of firms that determines the level of its FR, but the overall structure and actions that reflect the "sociocultural norms" of firms (Dacin 1997; DiMaggio 1988; Scott 1987, 1994). In other words, firms ought to focus on their "proper" and "acceptable" decisions and ways of managing their value delivery systems to strengthen FR if the institutional environments of firms value FR.

Institutional theory focuses on the resilience of firms by studying how they create, adapt, and develop their own social structures. The ostensive recognition of institutional environments to understand the exchange systems between firms and their stakeholders is the key tenet of institutional theory. The institutional environments are principally associated with cognitive legitimacy concerns (Grewal and Dharwadkar 2002)[23], and they can be defined as "taken-for granted social and cultural meaning systems, or norms, that define social reality" (Handelman and Arnold 1999, p.34). The institutional environments, such as firms' founding imprints, socio-cultural values (e.g., rules, expectations, and habitualized actions) and firm history, shape firms' actions (Grewal and Dharwadkar 2002). Rather than being strictly rational or strategic, the process of firms' decision making involves the socio-culturally acceptable norms. Institutional theory, hence, allows us to understand the processes and the patterns of actions of firms and how they evolve over time.

[23] Grewal and Dharwadkar (2002) developed a framework on the institutional environment in marketing channels. They identified three institutional environments that influence the legitimacy of exchange relationships between firms and their channel members. First, regulatory institutions refer to regulatory bodies that influence firms to act in certain ways (e.g., laws). Second, normative institutions refer to professional and social obligations that shape firms' actions in certain ways (e.g., trade associations, professional associations, and accreditation agencies). Third, cognitive institutions refer to cultural and social norms that drive firms to act in certain ways (e.g., habits and imprinting). Based on their definition, cognitive institutions are the most appropriate institutional environment which can help us understand the operative institutional environments.

A firm that treats its own FR as a valuable resource can be said to have been "institutionalized" (Rao 1994), and it is possible to predict the actions of such a firm. In franchise systems, a firm that leads and socializes its franchisees cannot realize its intention to maintain good FR in the consumer market without having FR as a valuable resource in its institutional environments (Grewal and Dharwadkar 2002). Actions of the firm toward its franchisees in the B2B market will influence how franchisees practice in the local market. Through interactions with franchisors, an appreciative cultural meaning of FR of franchise systems will be delivered to the end consumers. In particular, the value franchisors place on their FR is likely to be revealed in their franchise contracts that set clear guidelines for franchisees to follow. One of the key strategic actions of franchisors seeking to implement institutional environments that value FR is to carefully develop franchise contracts so that franchisees are forced to conduct their operations in accordance with the value that franchisors place on their FR. In sum, strategic actions of firms are derived from institutional environments that value FR in franchise systems, and different stakeholder groups would judge FR over the financial, social, and environmental impacts attributed to the firm that is institutionalized over time.

Internal Reputation. Internal reputation refers to the shared perceptions of firm identity among its internal stakeholders (e.g., employees, channel members, suppliers, and alliance partners) that closely interact with the firm and may have exposure to internal information. These internal stakeholder groups work closely with a firm to create value for other stakeholder groups, such as the end consumers and community. Internal stakeholder groups such as employees, channel members, suppliers, and alliances have an internal viewpoint on FR (Albert and Whetten 1985; Davies, Chun, and Kamins

2010; Money et al. 2010). The majority of these stakeholders have their interactions with the firm within a B2B context. Human resources and networking are extremely valuable sources of competitive advantage for firms (Huselid 1995; Pfeffer 1994), and firms' strategic management of their downstream channel members affect their financial performance (Delery & Doty 1996; Huselid 1995; Pfeffer 1994; Youndt, Snell, Dean, & Lepak 1996). Since the franchisees deliver goods and services as representatives of their franchisors in franchise systems, franchisees can help their franchisors to improve FR in the B2C market (e.g., Bitner 1990; Solomon et al. 1985). Thus, internal FR in this study is captured from the perspectives of franchisees within a B2B context.

External Reputation. External reputation can be defined as FR that is assessed by stakeholder groups that do not work together with firms to deliver value to the marketplace. External reputation is formed by stakeholders like the ultimate consumers, governments, and communities, who do not have membership in the value delivery systems of the firms. Firms that offer their products or services to the end consumers cannot avoid the effects of FR in the marketplace. External reputation is defined as the accumulated impression of the brand value of the firms among stakeholders that have a limited amount of internal information about the focal firm (Davies, Chun, and Kamins 2010). In this study, external reputation of a firm is captured from the perspectives of consumers in the B2C market.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

In this study, I aim to understand (1) how relational strength (operationally, satisfaction) with stakeholders influences their assessment of FR, (2) how financial performance influences stakeholders' assessment of FR, (3) how firm strategies (i.e., as captured by experience, royalty rate, training, and dual distribution) influence stakeholders' assessment of FR, and (4) how two different types of FR (i.e., internal FR and external FR) influence one another. Figure 2-1 shows the hypothesized model of reputation carry-over effects in the B2B and B2C markets. Using institutional theory, this paper examines how firms' actions and practices, such as investing in relationships with their stakeholders, excellent financial performance, and firm strategies, are linked to firms' institutionalized value of FR (operationally, internal and external FR).

Satisfaction.

Institutional theory explains that firms' actions and practices are taken within socio-cultural expectations that are institutionalized. If a firm values its FR in the marketplace, then its actions and practices in the marketplace are taken through institutionalized mechanisms of valuing FR (Scott and Meyer 1983). Firms would take actions and practices in the marketplace to satisfy their key stakeholders since developing satisfying relationships with key stakeholders can improve FR (Anderson and Weitz 1989; Barney and Hansen 1994; Hill 1995; Jones 1995; Wicks, Berman, and Jones 1999). In general, satisfaction drives the loyalty of stakeholders toward the firm and therefore enhances and strengthens the firm-stakeholder relationships (Anderson, Fornell, and Lehmann 1994). Firms' downstream channel members can either help firms to overcome the unexpected incidents in their value delivery systems or worsen FR (e.g., Farris, Olver, and de Kluyver 1989). On the one hand, consumers' perceived values of firms will be greatly influenced by the experiences through the interactions with downstream channel members (e.g., Tax, Brown, and Chandrashekaran 1998). On the other hand, consumer dissatisfaction can be created by shirking behaviors of franchisees, wherein the overall value of firms may be compromised (Wathne and Heide 2000). Thus, in franchise systems, harmonious franchisor and franchisee relationships are a key driver of success in franchise systems since satisfied franchisees are more likely to participate in collective activities and follow the guidelines of their franchisors (Brown, Lusch, and Smith 1991; Geyskens, Steenkamp, and Kumar 1999).

Anderson and Sullivan (1993) have argued that the firm that satisfies its key stakeholders is less vulnerable to temporary quality declines or crisis. When Toyota had to announce the mass product recall announcement in January 2010, there was great doubt whether Toyota would rebound in the marketplace (New York Times 2010; USATODAY 2010). However, the stock price of Toyota came back to where it was before the mass product recall within a year (Yahoo 2012). The financial market had confidence in Toyota since Toyota had satisfying relationships with its downstream channel members and consumers in the long run. As Fombrun (1996) stated, 'reputation breeds customer loyalty' (p.78). Even if some hardship befalls the firm, its satisfied stakeholders are more likely to remain loyal (Fornell 1992). Furthermore, in franchise systems both franchisees and consumers evaluate FR through their past interactions (e.g., Roberts and Dowling 2002). Since stakeholders assess FR based on their accumulative interactions with the firm over time (Barnett, Jermier, and Lafferty 2009), one negative incident of the firm would likely be considered as a small piece of information that may even be dismissed as an aberration. The level of satisfaction based on their cumulative past experiences with the firm will shape how they may judge FR of the focal firm. Investing in stakeholder satisfaction is equivalent to taking out an insurance policy.

Through the institutional mechanisms of firms that value their FR, firms attempt to increase their FR by establishing positive relationships with their stakeholders. Therefore, firms that have institutional mechanisms to improve FR will better manage their relationships with these two stakeholder groups. Thus:

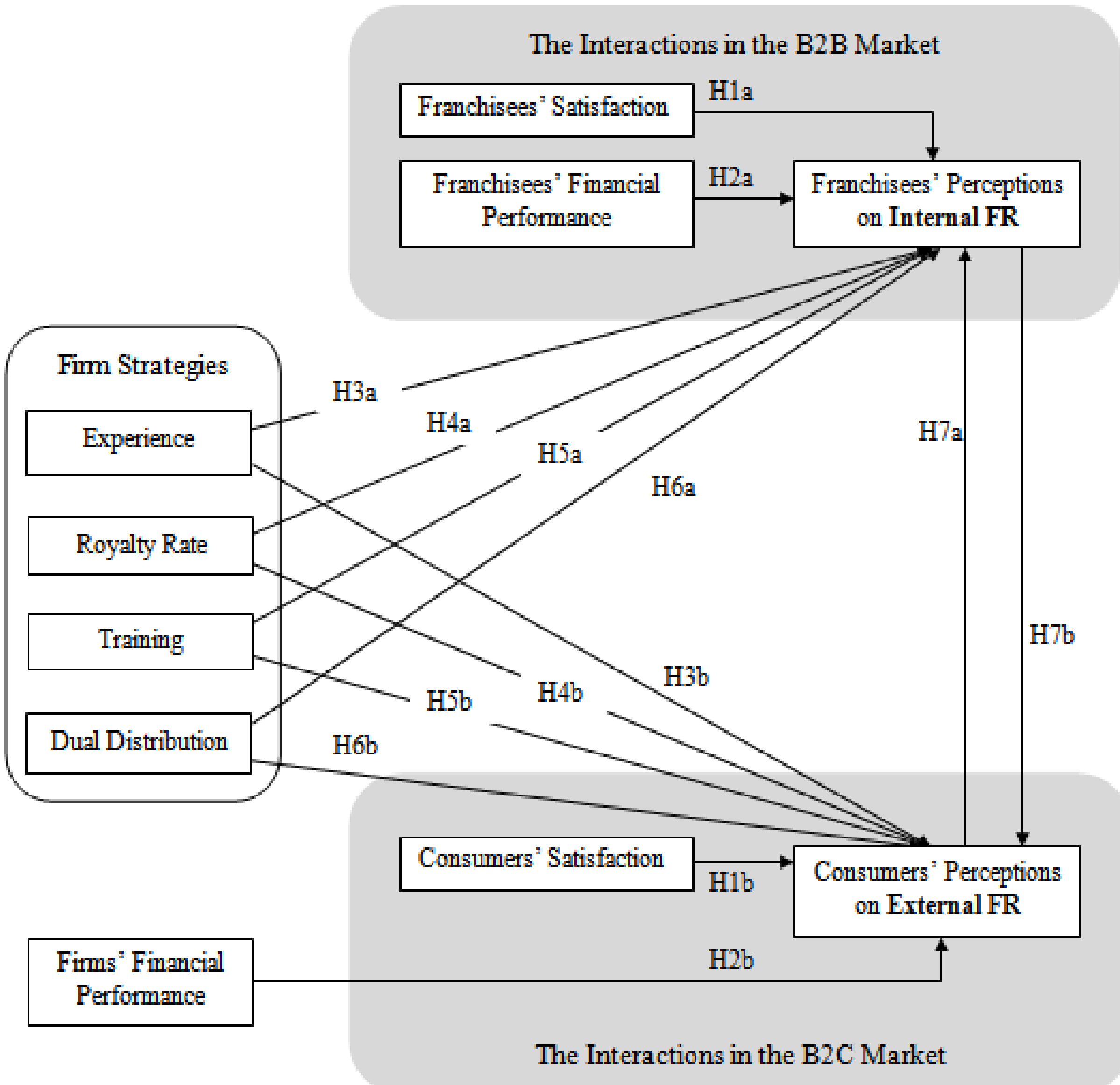
H1a: Franchisees' satisfaction with their franchisors will be positively related to franchisees' perceptions of their internal FR.

H1b: Consumers' satisfaction with their franchise systems will be positively related to consumers' perceptions of their external FR.

Financial Performance.

One of the key predictions of FR is the previous financial performance of firms (Carmeli and Tishler 2006; Roberts and Dowling 2002). By dividing the overall FR into a component that is predicted by firms' previous financial performance and another component that is "left over," Roberts and Dowling (2002) investigated how the financial performance history affects firms' current FR. Even though both economic and social aspects of franchise systems are equally important for prospective franchisees to select a particular franchise system, franchisees join a franchise system if they see it as an attractive economic investment. Franchisees learn the know-how of daily operations and business strategies and enjoy the easy market entry facilitated by the brand image of the focal firms in the B2C market. If the businesses are profitable and franchisees can enjoy sustainable growth of their businesses, then the perceptions of franchisees toward the franchisor are positive. Without the franchisors' effort to assure the quality of products and services in their franchise systems, the local franchisee-level financial performance is likely to be poor. Institutional theory (Powerll and DiMaggio 1991) would predict that firms with institutional norms of valuing FR would continually support their franchisees

FIGURE 2-1
HYPOTHESIZED MODEL OF THE REPUTATION CARRY-OVER EFFECTS



to deliver competitive value to their end consumers. As a result, franchisees that work in franchise systems that value FR in the marketplace can be expected to be profitable in their local markets.

Financially successful firms can influence consumers' overall perceptions of FR as well. Firms with financial success are likely to invest more of their budgets for nation-wide advertising and various promotions (Capon, Farley, and Hoenig 1990; Kirmani and Wright 1989). Consumers do not directly observe the full range of activities of the franchise systems to form impressions about the firms. They may, however, rely on firms' frequent appearance in the marketplace through their promotional efforts as a signal of the firm's overall quality. Thus, financial strength of firms may be a signal of quality in the marketplace (Aaker and Jacobson 1994). In the marketplace, strong financial performance of the firm will lead both stakeholder groups to believe that the firm is *doing well*.

Therefore,

H2a: Franchisees' financial performance will be positively related to franchisees' perceptions of their internal FR.

H2b: Franchisors' financial performance will be positively related to consumers' perceptions of their external FR.

Firm Strategies.

The fundamental focus of strategy is to obtain an advantage over competitors that is sustainable over time (Barney 1986). In franchise systems, firm strategies are developed to protect firms' resources, such as brands, trade names, and business formats, since franchisors create these resources and sell the right to use them to franchisees. This unique form of business allows the franchisors to generate revenue in the B2B market through the collection of a lump-sum initial investment and an on-going royalty paid as a percentage of the franchisee's sales in their operating units. By forcing franchisees to follow standard procedure, franchisors monitor their franchisees more effectively and control the quality of products and services provided under their brand name. Firm strategies will be discussed in this study as "the aggregate pattern among firms' decisions that address the unique nature of franchise systems" (Combs and Castrogiovanni 1994, p. 37). Since the institutional environment of franchise systems that serve their franchisees is developed based on each franchisee's unique structure, it is important to understand the impact of different firm strategies on FR. In this study, four firm strategies are investigated, i.e., those related to (1) experience, (2) royalty rate, (3) training, and (4) dual distribution. These four firm strategies were selected since information of these are readily available from public domain sources and since prospective franchisees and consumers can easily access this information.

Experience. Institutional theory views a firm as an organic entity that is influenced by a complex environmental system and the firm forms its own "sociocultural norms" over time based on its institutional environments (Dacin 1997). Franchisors acquire the total knowledge and capabilities from their cumulative franchising experiences and develop their own institutional environment within their franchise systems. When a firm engages in a new activity for the first time, it needs to establish norms, standard operating procedures, and relationships with their franchisees (Shane and Foo 1999). In time, it learns about routines, procedures, roles, and patterns for interacting with franchisees in ways that strengthen leadership in franchise systems (Scott 1987; Biggart and Hamilton 1987). It also helps the socialization of new franchisees into the franchise system, establishes routines and procedures for supporting franchisees, and communicates effectively with its consumers (Hannan and Freeman 1984). Through experience, firms are able to learn the most effective and efficient operating procedures. After gaining insights regarding these best practices, the firm is able to subsequently distribute its know-how to its franchisees (Bradach 1997; Hossain and Wang 2008; Knott 2003). Moreover, the experience of the firm signals sustainability and longevity of the firm to the marketplace. The end consumers are more likely to be exposed to brands and trade names of franchise systems that have practiced their businesses in the marketplace for the long run. Consumers are also likely to evaluate the qualities of products and services from firms with more experience move highly since these firms would have had time and resources to reinvent themselves to be more marketable. Firms' cumulative experience in the marketplace should, hence, contribute positively to consumers' assessment FR in the B2C market as well. In sum, firms with longer experience are likely to have better reputation in the marketplace. The above suggests:

H3a: Franchisors' experience will be positively related to franchisees' perceptions of their internal FR.

H3b: Franchisors' experience will be positively related to consumers' perceptions of their external FR.

Royalty Rate. Based on institutional theory, franchisors' decisions on fee structure are closely related to institutionalizing socio-cultural values (e.g., rules, expectations, and habitualized actions) in franchise systems (e.g., Grewal and Dharwadkar 2002) since fee structure is an important mechanism to control and monitor franchisees. Fee structure even indicates the quality of franchise systems (Lal 1990; Sen 1993; Windsperger 2000). From the logic of the institutional theory a firm's appreciation on its FR would be a key influencer to determine its fee structure. There are two types of fees that firms can use to strategize and form their franchise systems: initial fees and ongoing royalties (Dant and Berger 1996). The initial fee is a large initial lump-sum payment that franchisees have to pay in order to join a franchise system. The royalties are imposed on revenues realized by the franchisees (IFA 2012) usually as a percent of their sales. A firm often reduces its royalty rates when it increases the initial fees that are charged up-front. For example, a start-up firm with low market awareness starts with a low initial fee since its FR is not yet established and the value of the brand in the marketplace is relatively unknown.

Franchisors tend to lower the royalty rates in order to align their interests with those of their franchisees. When the royalty rates are low, the motivation of franchisees is enhanced since lower loyalty rates mean increases in franchisees' net revenues. Especially, firms set the royalty rate low when it is difficult for franchisors to monitor franchisees' behaviors in the local market. Franchisees are incentivized by paying a lower royalty rate to their firms, and firms can use this as a way to motivate their downstream channel members (Blair and Kaserman 1982; Rubin 1978).

Royalty rates can also directly influence external FR in the B2C market. For example, Burger King franchisees sued their firm over a $1 double cheeseburger promotion because the cost of selling this dollar menu item exceeded their promoted price (Huffingtonpost 2009). Franchisees argued that there is no incentive for them to serve dollar menus in their units because it only benefits the firm while they lose money. Since royalty rate share to be paid as a percentage of revenue, such a promotional deal was deemed to be unfair to franchisees. A consumer, who visits a local Burger King restaurant after watching advertisings for such a promotion, would be very disappointed if the franchised unit did not provide the promotional deal that the consumer was interested in purchasing. Such an exposed dispute between the firm and its franchisees may damage FR in the consumer market. Thus, the royalty rate of the firm can influence both external and internal FR. High royalty rates may negatively influence FR in stakeholders' perceptions since the royalty rates influence franchisees' choice of which goods to serve and how to set prices in their franchised units. Therefore:

H4a: Franchisors' royalty rate will be negatively related to franchisees' perceptions of their internal FR.

H4b: Franchisors' royalty rate will be negatively related to consumers' perceptions of their external FR.

Training. Internal stakeholders of a firm would be exposed to institutional environments and adapt to socio-cultural norms of the firm through its provision of training. Training is an important process for a firm to integrate and socialize its downstream channel members (Ashforth and Mael 1989). The new franchisees in franchise systems learn the institutionalized values and culture through training to truly become a part of their franchise systems (e.g., Eisenhardt 1988; Handelman and Arnold 1999). A firm can ensure that its franchisees are qualified to provide the standardized quality of goods and services through training (IFA 2012). This part is critical for the firm to improve its FR, since it is at this stage when the firm can closely monitor the behaviors of franchisees. Firms with a good reputation in the marketplace understand the importance of the training in terms of socializing their downstream channel members to appropriately represent and deliver the brand to ultimate consumers (Justis and Chan

1991; Litz and Stewart 2000). Both firms and franchisees learn to communicate through this process. The training process is not only important for franchisees to learn the know-how of the firm to become successful agents, but also to adapt to the institutionalized values and culture of the franchise system (e.g., Eisenhardt 1988). If franchisees become competent at delivering the standardized products and services through their participation in the training program, then the end consumers' experience with firms is also likely to be pleasant. Thus, training is an important tool for the firm to assure both its internal and external FR in the marketplace. Hence,

H5a: Franchisors' training will be positively related to franchisees' perceptions of their internal FR.

H5b: Franchisors' training will be positively related to consumers' perceptions of their external FR.

***Dual Distribution*.** A firm's dual distribution is a hybrid system involving the simultaneous use of vertical integration and market governance (Srinivasan 2006). The proportion of a franchise system's franchised units to the total number of its system-operated units in the franchise system is the indicator of its dual distribution strategy. Dual distribution is based on the ability of a firm to manage complementarily between company-owned and franchised units (Bradach and Eccles 1989; Combs et al. 2011; Perryman and Combs 2012). Franchisors gain competitive advantages in the marketplace by using dual distribution in their franchise systems (Dant and Kaufmann 2003). Firms' dual distribution captures the emphasis on the creation of intangible assets (e.g., development of firm specific downstream channel members, relationships, knowledge, and capabilities) (Dant, Kaufmann, and Paswan 1992). There is a positive relationship between dual distribution strategy and firm value (Srinivasan 2006). Franchisees may attract consumers on the basis of the FR, but deliver inferior goods and services. By having several company-owned units, firms can directly serve the ultimate consumers and their ongoing understanding of market operations allows firms to more effectively communicate with their downstream channel members and maintain control of their system (Dant and Kaufmann 2003). The dual distribution can synergize the mutual learning process of the entire franchise systems between the firm and franchisees (Bradach 1997; Dant and Kaufmann 2003; Sorenson and Sørensen 2000). Overall, dual distribution in franchise systems enables mitigation of contractual hazards, fosters the dynamics of learning, and has a positive impact on brand name value (Penard, Raynaud, and Saussier 2003; Sorenson and Sørensen 2000; Srinivasan 2006). Institutional theory (Powell and DiMaggio 1991) would predict that firms with the dual distribution strategy are better at adequately utilizing the institutional environments throughout their franchise systems. Dual distribution strategy is equally relevant to consumers since firm strategies shape how the firm is portrayed in the consumer market. This argument leads to:

H6a: Franchisors' dual distribution (the greater the proportion of franchised units) will be positively related to franchisees' perceptions of their internal FR.

H6b: Franchisors' dual distribution (the greater the proportion of franchised units) will be positively related to consumers' perceptions of their external FR.

FR Carry-Over Effects

In this study, a reputation carry-over effect can be defined as the impact of one stakeholder group's perceptions on FR on another stakeholder group's perceptions on FR. In previous FR literature, the carry-over effect of FR is used in various contexts (Beatty et al 1998; Kang 1998; Mayer 2006; Roberts and Dowling 1997). For example, Beatty and colleagues (1998) suggested that the reputation of a client is positively related to that of its underwriter (p.160) since the underwriter's assurance-based reputation determines the level of uncertainty about the future trajectory of the client firm's profitability. Kang (2008) examined how the interlocks of a board director in various firms influence the overall FR of each firm. In particular, if an interlocking board director from an accused firm held an audit or governance chair position of another firm, then significant reputational penalties could be expected. Roberts and Dowling (1997) used the term of "carry-over" effect of past FR to the future FR by investigating whether good reputations help firms sustain their superior performance once they have attained a strong position in the marketplace. However, in this study, the carry-over effects of FR refer to how firms' internal stakeholders may influence external stakeholders' perceptions on FR and how firms' external stakeholders may influence internal stakeholders' perceptions on FR (e.g., Rindova, Williamson, Petkova, and Sever 2006; Stuart 2000). The firms with good *external* reputations tend to have advantages in the B2C market, and the firms with good *internal* reputations tend to have advantages in the B2B market. In other words, carry-over effects refer to good external reputation not only providing advantages to firms' position in the B2C market but also in the B2B market, and vice versa.

FR in the B2B market can carry over to boost the perceived quality of a focal firm in the B2C market. Firms that are better able to manage their FR with one stakeholder group can use their ability to manage their relationships with other stakeholder groups. In service literature, scholars have found evidence that more satisfied service providers tend to create more positive service experiences for their consumers, and consumers are more satisfied (Bitner 1990; Solomon et al. 1985). Since services are inseparable from service providers, their job satisfaction is very relevant to their interactions with consumers. Since franchisees represent their firms and interact with consumers on a daily basis, franchisees attitudes toward their parent firms can be instrumental in shaping the external reputation of the firms in the B2C market. Internal reputation influences external reputation in the B2C market through the quality of interaction processes. In other words, there will be a positive internal reputation carry-over effect on external reputation (e. g., Megginson and Weiss 1991). Reputable franchise systems can attract more qualified and motivated franchisees to be a part of their success story (Caves and Murphy 1976; Jambilingam and Nevin 1999; Mathewson and Winter 1985; Shane 1998). Thus, I hypothesize:

> H7a: Consumers' perceptions of franchisors' external FR will be positively related to franchisees' perceptions of their internal FR.
>
> H7b: Franchisees' perceptions of franchisors' internal FR will be positively related to consumers' perceptions of their external FR.

METHOD

Data Collection.

Research Context. Franchise systems in the food and beverage industry were chosen to test the proposed hypotheses. In franchise systems, the channel members, *franchisees*, provide products and services and encounter consumers on a daily basis. The internal FR based on franchisor-franchisee relationships are hypothesized to carry over to the external FR while franchisees create brand experience for individual consumers. Potential franchisees select a particular franchise system to join due to its FR in the consumer market. In addition, the representative names of firms and brands for both *franchisor firms* and *franchisees* are identical in the consumer market since *franchisees* use their franchisor's brand names and logos during the contract period to serve consumers. Studying franchise systems minimizes consumers' confusion related to differentiating reputations of different brands for manufacturers, service providers, and retailers. Finally, it is convenient to identify *franchisees* in franchise systems since contact information of different franchise outlets can be easily found in either systems' websites or secondary sources (e.g., YellowPages). One particular industry, the food and beverage industry, is selected since every industry has different characteristics, norms, and cultures that may influence variances between firms. The food and beverage industry is an industry in which franchising is a popular form of governance structure. Thus, the prospective survey participants for the *consumer* level survey can be easily approached. Franchise systems in the food and beverage industry regulate their franchisees to strictly follow standard procedures in order to offer qualified products and services to the end consumers (Dant and Schul 1992). Since the research goal is to investigate the carry-over effects of FR from the consumer market to the business market and vice versa, surveying the food and beverage industry seemed most logical.

Data Source. The multilevel approach is applied to conduct surveys from franchisors, their franchisees, and consumers since the empirical studies aim to understand three constituencies of franchise systems with a holistic view (Dant 2008). The empirical results reported below are based on a multi-level sample survey of 29 franchisors, 210 franchisees belonging their franchise systems (average of 7 franchisees per system), and 925 consumers (average of 32 consumers per system). In the first phase

I selected target franchise systems in the food and beverage industry based on Bond's franchise guide and Enterprise magazine. I developed a list of contact information with 146 franchise systems that operate in the U.S. market. A total of 146 franchise systems was individually contacted via email and/or phone. Of the contacted franchise systems, 62 executives or marketing directors responded after the initial contact. Once they agreed to participate in the franchisor survey, an email along with the URL of the online survey site was sent out. In order to survey qualified key informants, the respondents' positions and their levels of knowledge were prescreened, and their willingness to participate in the survey using the online survey instrument was ascertained (Campbell 1955). In the recruitment, I incentivized franchisors by providing a customized report for their franchise system. Of the 62 franchisors, 29 franchisors finally agreed to participate in the on-line based survey. The response rate based on the pre-committed sample is 47%, which is above the acceptable levels (greater than 40 percent) for surveying executives (e.g., Anderson and Narus 1990; Heide and John 1990; Mohr and Spekman 1994).

After the first phase of the data collection was completed, the second phase of data collection was developed by generating a franchisees list for the 29 participating franchise systems. I asked franchisors whether they would cooperate in administering the surveys to their franchisees and consumers. Three franchisors out of 29 franchisors endorsed the survey by sending out the recruiting emails directly to their franchisees. The recruitment email was sent out along with the URL of the online survey site for the franchisee-level survey. Then I called each franchised outlet to recruit franchisees to participate in the franchisee-level online survey. Unfortunately at this point, participation remained low. Only 67 franchisees participated in the online survey; nine of which had to be dropped due to incomplete surveys. Subsequently, individual franchisees were contacted via phone and questionnaire items were read through the phone. Each survey took about fifteen to twenty minutes, and one third of the contacted franchisees participated in the survey. Overall, 58 franchisee-level surveys were done online, and 152 surveys were completed through landline communication.[24] A total of 210 franchisees level surveys were completed.

The last phase of the data collection was aimed at consumers. A total of 498 consumer-level data surveys were collected from students in a large, Midwestern university and 427 were collected in publicly accessible locations in nearby metropolitan Midwestern cities.[25] The off-classroom surveys were conducted on an individual intercept basis. In the selection process, the respondents for the consumer survey were asked whether they had patronized one of 29 franchise brands in the past. If potential respondents qualified, then a short consumer survey was handed out. Three individuals had to be approached for every consumer-level survey on the average. A total of 925 usable consumer level surveys are used in this analysis.

In order to test the non-response bias of the sample, a telephone survey was undertaken on a random sample of marketing executives in firms and franchisees who did

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[24] For the franchisee-level surveys, a MANOVA test was conducted to examine a multivariate effect of the data collection method using Internal Reputation, Franchisees' Satisfaction, and Franchisees' Financial Performance as dependent variables ($F(3, 206) = .84$, n.s.). The test result confirms that there is no statistically significant difference between the survey data collection method in the franchisee dataset. Hence, data from both groups were combined and treated as a homogenous sample for subsequent inferential analysis.

[25] For the consumer-level surveys, a similar MANOVA test was conducted to test a multivariate effect of the data collection method using External Reputation and Consumers' Satisfaction as dependent variables ($F(2, 922) = .78$, n.s.). The test result once again confirms that there is no statistically significant difference between the survey data collection method in the consumer dataset. Hence, data from both groups were combined and treated as a homogenous sample for subsequent inferential analysis.

not participate in the survey. The short survey that contained the most representative item from each construct was created to survey the non-responders over the phone (Hill, et al., 1997). Finally, 6 firms (20% of the total firm-level sample) and 30 franchisees (14% of the total franchisee-level sample) participated in the phone survey. No statistically significant differences between responders and non-responders to the questionnaire were detected.[26]

Measures

Variables employed in the surveys to franchisors, franchisees, and consumers are listed in Appendix A. We showcase the inter-item correlations for measures employed in franchisee and consumer surveys, respectively (Appendices E and F). To test the model, three different levels of data have been employed. Appendix A provides a complete list of measurement items and the factor loadings for each construct used in the study. Table 2-1 displays the descriptive statistics and inter-trait correlations of all study variables in all three levels (i.e., firm (franchisor), franchisee, and consumer). The Cronbach's alpha indices indicated that the construct measures were psychometrically sound. More specifically, for all constructs, no coefficient alpha values are lower than the conventionally acceptable value of .70, and the average variance extracted (AVE) of all constructs is greater than .50 (Anderson and Gerbing 1988; Bagozzi 1991; Hair et al.,

[26] In order to test the non-response bias, a MANOVA test was conducted to test the group difference between respondents and non-respondents using all ten latent construct variables (See Appendix E) as dependent variables ($F(10, 23) = .23$, n.s.). The test result confirmed that there is no statistically significant difference between the respondents and non-respondents in the franchisor dataset. Also, a similar test was conducted to test the non-response bias for the franchisee dataset. The group mean differences for fifteen latent construct variables were compared for respondents and non-respondents, and there was no significant difference between two groups ($F(15, 224) = 1.26$, n.s.). Hence, data from both groups were combined and treated as a homogenous sample for subsequent inferential analysis.

2010). Discriminant validity of all latent constructs is supported since the AVE for each pair of constructs exceeds the squared correlations, the shared variance, between them (Fornell and Larcker 1981, pp.45-46; See Table 2-1). After assessing their psychometric properties the multi-item scales shown in Appendix A were subsequently collapsed into construct scores for inferential analyses.

Internal Reputation. Franchisees' perspectives on FR of firms were measured by employing a five-item internal reputation scale adapted and modified from Wang et al., 2006 and Fombrun, Gardberg, and Sever 2000. Since the available firm reputation scales did not adequately capture the nature of firms' internal reputations in the business market, the scale was modified. For example, the original item of "customers' overall perceptions of total experience in the firm are rather good" was modified to "my overall perceptions of total experience with this franchise system are very good." All items in the measurement model were anchored with a 7-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (7). The coefficient alpha was .93 and the variance extracted was estimated as .90.

External Reputation.[27] Consumers' perspectives on firms' reputation in the marketplace were measured by employing a five-item external reputation scale (Fombrun, Gardberg, and Sever 2000; Wang et al. 2006; α = .81, AVE = .68) that was

[27] In this study internal FR and external FR are defined as separate constructs because the two terms differ due to differences in information availability, interaction frequency; moreover, interaction interests are different for internal stakeholders versus external stakeholders. Internal stakeholders have more internal information about the focal firm, and more frequently interact with key representatives of the focal firm, and have a greater level of economic interest in such exchange relationships. Expectations of internal stakeholders in exchange relationships with the focal firm and their experiences are likely to be different compared to external stakeholders. Although internal FR and external FR are defined as separate constructs, both essentially measure overall FR from two different populations. Thus, the parallel scales for internal FR and external FR are used while the contextual differences of targeting two different stakeholder groups. It would not be appropriate to compare the findings of franchisee-level models and consumer-level models if parallel scales are not used for internal FR and external FR.

also adapted and modified. One scale item had to be dropped due to its low factor loading on the construct. Even though internal reputation measures and external reputation measures are extracted from firm reputation literature, the scales were carefully modified to tap into FR in two different markets.

Satisfaction**.** Both franchisees and consumers evaluated their satisfaction with their firms and brands. The four item scale of satisfaction ($\alpha_{\text{franchisees}}$ = .93, AVE $_{\text{franchisees}}$ = .90; $\alpha_{\text{consumers}}$ = .95, AVE $_{\text{consumers}}$ = .94) adapted from Crosby, Evans, and Cowles (1990) and Ganesan (1994). One of four items in the satisfaction construct was dropped in order to meet the minimum requirement for reliability at both levels. Each scale item was modified to fit the context of the survey participants.

Firm Strategies**.** Key informants in franchisor firms were asked to rate four firm-level variables such as experience, royalty rate, training, and dual distribution. The *Experience* variable was computed by subtracting the first year of franchising the system from 2012 (mean = 21.55; s.d. = 15.37). *Royalty rate* is the on-going royalty fee that is required and is explained as a percent of franchisees' sales (mean = 5.05; s.d. = 1.48). *Training* is the total duration of any initial training sessions, and an open-ended question was converted to a numeric variable as the total training days. *Dual distribution* is the proportion of franchised units over the total operating units of a franchise system (Srinivasan 2006; mean = 0.82; s.d. = 0.26).

FR Carry-Over Effects**.** The average of internal reputation rated by franchisees (A_INFR_EE) and the average of external reputation rated by consumers (A_EXFR_CON) are constructed as the firm-level variables by aggregating the responses

TABLE 2-1
DESCREIPTIVE STATISTICS AND INTER-TRAIT CORRELATIONS FOR ESSAY 2

Variable	N	Reliability	AVE	Mean	s. d.	1	2	3	4	5
Franchisor-level										
1. Financial performance	29	.92	.90	5.37	1.24	—				
2. Experience (year)	29	—	—	21.55	15.37	-0.01	—			
3. Royalty (%)	29	—	—	5.05	1.48	-0.08	0.01	—		
4. Training (days)	29	—	—	38.38	27.86	-0.02	0.25	0.05	—	
5. Dual distribution (%)	29	—	—	0.82	0.26	0.04	0.18	-0.02	-0.02	—
Franchisee-level										
1. Internal reputation	210	.93	.90	5.62	1.24	—				
2. Satisfaction	210	.93	.90	5.37	1.33	0.22 ***	—			
3. Financial performance	210	.95	.94	4.26	1.69	0.32 ***	0.38 ***	—		
Consumer-level										
1. External reputation	925	.81	.68	5.36	1.08	—				
2. Satisfaction	925	.95	.94	5.59	1.25	0.52 ***	—			

* $p < .10$, ** $p < .05$, *** $p < .01$ (two-tailed tests)

of franchisees and consumers within the firm. Theoretically, the firm level analysis for these internal and external FRs are necessary in this study since executives in firms develop strategies to enhance FR in the marketplace (Schneider, White, and Paul 1998). Both the aggregation statistics and the theoretical reasoning provide sufficient support for aggregation.

ANALYTICAL APPROACH

Two linear ordinary least squares (OLS) regression models are developed to estimate franchisees' perceptions on internal FR in the B2B market and consumers' perceptions on external FR in the B2C market (See Table 2-2). In the franchisee model four of the seven hypothesized relationships are supported (Adjusted R^2 = .31, F (7, 202) = 14.79, p < .001), and in the consumer model five of the seven hypothesized relationships are supported (Adjusted R^2 = .69, F (7, 917) = 287.93, p < .001). Multicollinearity was determined to not be an issue in both linear models since all VIF values were below 5 (Hair et al. 2006; Mason and Perreault 1991).

Satisfaction. In the franchisee model, H1a predicts that franchisees' satisfaction of their franchise systems is positively associated with their assessment of internal FR in the B2B market. In the consumer model, H1b predicts that consumers' satisfaction influenced their assessment on external FR in the B2C market. Both H1a ($\beta = .36, p < .01$) and H1b ($\beta = .80, p < .01$) are supported. The result shows that franchisors need to enhance satisfaction of their key internal and external stakeholder groups since satisfied stakeholders are likely to rate firms' FR more positively.

TABLE 2-2
OLS REGRESSION RESULTS FOR REPUTATION CARRY-OVER EFFECTS

Independent Variables	Predicted Direction	Franchisee Model (DV: Internal FR)					Consumer Model (DV: External FR)				
			Result	Coefficients Beta	Sig*	Collinearity VIF		Result	Coefficients Beta	Sig*	Collinearity VIF
(Constant)				4.25					-1.52		
Satisfaction	+	H1a	Supported	.36	.00	1.24	H1b	Supported	.80	.00	1.09
Financial performance	+	H2a	Supported	.13	.02	1.24	H2b	Supported	.15	.00	1.21
Experience	+	H3a	Supported	.12	.03	1.45	H3b	*Rejected*	-.02	.11	1.07
Royalty	-	H4a	*Rejected*	.10	.05	1.03	H4b	Supported	-.05	.01	1.04
Training	+	H5a	*Rejected*	.04	.29	1.28	H5b	Supported	.03	.05	1.19
Dual distribution	+	H6a	*Rejected*	.03	.28	1.07	H6b	*Rejected*	.01	.50	1.07
Aggregated External reputation rated by consumers (A_EXFR_CON)	+	H7a	Supported	.08	.00	1.18					
Aggregated Internal reputation rated by franchisees (A_INFR_EE)	+						H7b	Supported	.11	.00	1.30
		Adjusted R^2 = .31 $F(7,202)=14.787$ $p<.001$					Adjusted R^2 = .69 $F(7, 917)=287.93$ $p<.001$				

*One-tailed significance level

Financial Performance. H2a predicts that franchisees' financial performance will positively influence their perceptions of internal FR, whereas H2b predicts that firms' overall financial performance will positively influence consumers' perceptions of external FR. Both hypotheses are supported. The results show that franchisees' profitability in their local units enhances their assessments on internal FR (H2 $\beta = .13, p < .05$). Also, consumers' judgment of external FR is positively influenced by firms' financial performance in the marketplace (H2b: $\beta = .15, p < .01$). In sum, financial performance is found to be a significant and positive driver that improves FR in both the B2B market and the B2C market.

Firm Strategies. Four firm-level strategies (i.e., experience, royalty rate, training, and dual distribution) were used as predictors of stakeholders' assessment of FR. H3a and H3b test the positive influences of the firms' experience on FR. H3a predicts a positive relationship between firms' experience and internal FR is supported ($\beta = .12, p < .05$). But H3b, which predicts the positive relationship between firms' experience and external FR, is not found to be statistically significant ($\beta = -.02, n.s.$). Hence, more experienced firms that have institutionalized processes for regulating, validating, and habitualizing their franchisees into their franchise systems, are more likely to have stronger internal reputations among franchisees since internal stakeholders like franchisees are the main beneficiaries of firms' accumulated knowledge that is integrated in franchise systems over time. However, firms' experience does not appear to *directly* influence consumers' judgments on external FR in the B2C markets.

H4a and H4b test the hypothesized negative influences of the firms' royalty rate on FR. H4a predicts a negative relationship between firms' royalty rates and internal FR. H4a is not supported, but it is found to be statistically significant and directionally different ($\beta = .10, p < .05$). H4b predicts a negative relationship between firms' royalty rate and external FR, and is supported ($\beta = -.05, p < .01$). Before a franchise contract between the firm and its franchisee is signed, the franchisee is aware of the royalty rate and is "locked-in" for the contractual period (e.g., fifteen to twenty years). Hence, franchisees learn to tolerate the agreed royalty rate, which may explain the positive influence of royalty rate on franchisees' judgments of internal FR. However, franchise systems with high royalty rates are more likely to have lower external FR reputation, the prediction of H4b. Franchisees have to reduce their operational costs in order to make royalty payments if they want to optimize their revenue. This may lead franchisees to behave opportunistically or shirk (i.e., reduce their efforts and free ride on the brand image of the franchise system). Moreover, the royalty rate influences franchisees' participation in firm-level promotions and pricing strategies of products and services. As a result, the quality of products and services that are consumed in the B2C market may be indirectly influenced by such franchisees' actions that are traceable to the royalty rates fixed by the franchisors.

H5a and H5b tested the predicted positive influences of the firms' training on FR. H5a predicted a positive impact of firms' training on internal FR but was rejected ($\beta = .04, n.s.$). But H5b that predicted a positive impact of firms' training on external FR is supported ($\beta = .03, p < .05$). Taken together, the results suggest that franchisees seem to believe that much of their learning has occurred in the early years of their partnership. Since franchisees learned by operating their own units and develop their own effective and efficient ways to conduct their practices, their assessments of internal

FR in the B2B market may not be significantly related to the firms' training. The average age of association with the franchise system of the franchisees in the sample is 4.01 years and their tenure ranges from 2 to 18 years. It seems like the impact of initial training provided by the franchisor erodes as franchisees become more familiar with their own operating experience. This effect was also observed in Dant et al. (2013). However, consumers view firms with longer training periods as more reputable than firms with shorter training periods. It is possible that consumers are more likely to experience better products and services from franchise systems that offer longer training to their franchisees.

H6a and H6b predicted positive influences of the firms' dual distribution on FR, respectively on internal FR and external FR. Both H6a ($\beta = .03, n.s.$) and H6b ($\beta = .01, n.s.$) are rejected in that the effect failed to reach the requisite level of statistical significance. It appears then that even though previous literature recognizes the benefits of dual distribution strategy on the *firm-level performance* (Srinivasan 2006; Dant and Kaufmann 2003), these dual distribution strategies do not influence stakeholders' judgments on FR. These results show that the dual distribution strategy of franchisors does not *directly* influence either franchisees' judgments on internal FR in the B2B market or consumers' judgments on external FR in the B2C markets.

In sum, three of the eight firm strategy related hypotheses are supported. Franchisors' experience is positively associated with franchisees' perceptions of internal reputation. While high royalty rate enhanced internal reputation in the B2B market, high royalty rate decreased external reputation in the B2C market. The long initial training can help franchise systems to establish a good external reputation in the B2C market.

The results of these tests show that firms' strategy differently influences each stakeholder group. Firms should recognize these differences as they forge future strategies to enhance their FR in the B2B and B2C markets.

Reputation Carry-Over Effects**.** H7a and H7b propose reputation carry-over effects. H7a predicts the reputation carry-over effect of external FR in the B2C market to internal FR in the B2B market. In the franchisee model, the aggregated consumers' perspective on external reputation (A_EXFR_CON) is employed to predict the carry-over effect of external FR on internal FR. H7b predicts the reputation carry-over effect of internal FR in the B2B market to external FR in the B2C market. In the consumer model, the aggregated franchisee' perspective on internal reputation (A_INFR_EE) is employed to predict the carry-over effect of internal FR on external FR. Both H7a ($\beta = .08, p < .01$)and H7b ($\beta = .11, p < .01$)are found to be statistically significant and directionally supported. The implication would be that reputable firms that establish good relationships with their franchisees in the B2B market will also be well regarded in the B2C market. Similarly, reputable firms that establish good relationships with their end consumers will attract more qualified franchisees to join their franchise systems. Thus, reputation carry-over effects mutually reinforce each other.

CONCLUSIONS

It is critical for firms to carefully nurture and cultivate their reputation in the marketplace to ensure competitiveness and longevity. This study broadens our understanding of FR by defining two different types of FR (namely, internal and external FR), identifying antecedents of FR, and demonstrating the carry-over effects of FR. I theorize the relationships between satisfaction, financial performance, and firm strategies and FR using institutional theory. The institutionalized process of reputation formation is constantly evolving for any given firm. Actions of firms are influenced by the institutionalized way of doing things (e.g., whether a firm has a consumer-centric view, whether it emphasizes profit generation, or whether it is more socially-minded), and the collective judgments on FR rated by stakeholders are driven by firms' actions in the marketplace. By developing a theoretical framework to explain the relationships between firm strategies and FR rated by two different stakeholder groups, this paper offers insights to firms struggling to create and maintain their desired reputation in the marketplace among different stakeholder groups. Studying FR from the various perspectives of stakeholders' has been identified as a future research agenda for the field of FR (Hillman and Keim 2001; Jones 1995). The carry-over effects of FR shed light on the dilemma faced by managers in firms' stakeholder management (Berman et al., 1999). Although ideas regarding reputation and stakeholder management have not received much attention in the marketing literature, the reputation and stakeholder management seems of interest since they are linked with outcomes deemed important to the firm. Moreover, in the stakeholder management literature, a stakeholder mismatch issue between the theoretical development and the operationalization of empirical studies remains a concern and a challenge (Orlitzky, Schmidt, and Rynes 2003; Wood and Jones 1995).

Theoretical Implications.

This study makes several theoretical contributions to the FR and stakeholder management literatures. First, the two different types of FR (i.e., internal reputation and external reputation) are identified and defined by the characteristics of different stakeholder groups (i.e., franchisees and consumers, respectively). The most common reputation quotient developed by Fombrun and his colleagues (2000) contains six different dimensions of FR (i.e., emotional appeal, vision and leadership, products and services, workplace environment, social and environmental responsibility, and financial performance). However, all six different dimensions of FR may not be applicable for different stakeholder groups since they differ in their perspectives on the focal firms. Internal stakeholders like employees view a dimension like "workplace environment" as more important than "financial performance" when they evaluate firms they work for. But, external stakeholders are like a community and view a dimension like "social and environmental responsibility" as more important than "emotional appeal." In addition, the level of information asymmetry between firms and different stakeholder groups vary. Compared to internal stakeholders (i.e., who *frequently* interact with a firm and know more internal information about the firm), external stakeholders (i.e., who *rarely* interact directly with the firm and just have an overall impression) cannot answer many questions in such FR surveys. Thus, understanding how different stakeholder groups judge the overall FR and which firm strategies influence stakeholders' assessments of FR should help franchisors strategically balance different stakeholder groups' interests.

The findings of this study are based on the unidimensional measure of overall internal and external FR. Internal reputation is defined as the shared perceptions of firm identity among its internal stakeholders (i.e., stakeholder groups that closely interact with the firm and may have been exposed to internal information). External reputation is defined as the accumulated impression on the brand value of the firms among stakeholders such as final consumers that have limited amounts of internal information about the firm. Identifying two different types of FR allows us to better understand the dynamics of FR and reputation management from different stakeholders' perspectives.

Second, this multilevel investigation bridges the gap between different approaches employed by B2C and B2B marketing studies. While B2C studies focus on consumers' perspectives on FR, B2B studies focus on reputational impacts by developing firms' networks with new strategic partners or supply chain members. Having the holistic view of FR is critical for firms since different stakeholder groups may influence one another to judge FR in the marketplace (i.e., the carry-over effect strongly supported by my empirical findings). The findings show that the levels of satisfaction and financial performance are important antecedents for firms to improve FR in both the B2B and the B2C markets. Thus, establishing good relationships with stakeholders, strong firm-level financial performance, and supporting downstream channel members to excel in the marketplace are important for firms to enhance their overall reputation.

However, firms' strategies of experience, royalty rate, training, and dual distribution appear to have different impacts on the two different stakeholder groups. While franchisees are positively influenced by firms' experience and royalty rate, consumers are negatively influenced by the royalty rate but are positively influenced by firms' training. Franchisors with more franchising experience are likely to have strong internal FR as perceived by their franchisees. Since more experienced franchisors have more opportunities to establish their institutionalized environments, franchisors with more experiences are better able to share their accumulated knowledge to their franchisees. Moreover, franchisees are likely to view a higher royalty rate as *assisting* their franchisors to become better leaders. Franchisees may believe that franchisors' endeavors to protect the strength of their brand should be incentivized through on-going royalty payments. Hence, franchisees learn to tolerate the agreed-up on royalty rate, which may explain the positive influence of the royalty rate on franchisees' judgments of internal FR. However, consumers' perceptions of external FR may be negatively influenced by franchise systems with high royalty rates because the quality of products and services that are served in the B2C space may be lowered due to franchisees' obligations of royalty payments. In order for franchisees to optimize their profits, franchisees may set prices high if franchisors allow setting prices in franchisee owned units, minimize costs by purchasing poor quality materials, and not participate in national marketing promotions. Taken together, franchisors may consider following the industry average for setting their royalty rates in franchise contracts or alternatively, franchisors should attempt to find the optimal level of royalty rate that balanced out internal FR in the B2B market and external FR in the B2C market. Furthermore, other surprising findings were the insignificant relationship between training and internal FR while the relationship between training and external FR was supported. It is possible that after franchisees have accumulated their own operating experiences, the initial training provided by franchisors is not seen as directly influencing when franchisees profits and hence their judgments on the internal FR of franchisors. The results show that the impact of the initial training provided by the franchisors erodes as franchisees become more familiar with their own operating experiences. However, the length of the initial training positively influences consumers' perceptions on external FR possibly because consumers are more likely to experience quality assured and standard products and services from franchise systems that offer longer training to their franchisees. Lastly, dual distribution strategy has no impact on either stakeholder group when they assess FR. Even though previous findings supported the relationship between dual distribution strategy and the firm-level financial performance, dual distribution strategy does not seem to influence stakeholders' perceptions on FR.

These show that firms' strategy may have different impacts in the B2B market and the B2C market. For example, Dant (2008) has cited that the field of franchising can gain more insights by understanding the interactions among the three key constituents of franchise systems (i.e., franchisors, their franchisees, and the end consumers). This study broadens our understanding by examining the impact of firms' relationship and strategies on established FR on the perceptions of both franchisees and consumers. In addition, the carry-over effect of external reputation to internal reputation and the carry-over effect of internal reputation to external reputation are confirmed. Without investigating FR in the B2B market and the B2C market, it is impossible to speculate how FR is assessed by different stakeholders. Thus, discussing the influential firms' strategies to FR in the B2B market and the B2C market provides avenues for studying stakeholder management and such investigations should normatively employ a multilevel analytical approach. Future research may broaden the scope of stakeholder management by examining the tradeoffs of firm strategies to balance different interests of each stakeholder group.

Third, understanding the relationship between firms' actions and FR and the carry-over effects of FR using institutional theory adds great value to this field of study. Even though Grewal and Dharwadlar (2002) introduced the conceptual framework for the role of the institutional environment in marketing channels, institutional theory has not received enough attention from scholars in the field of marketing. Using institutional theory, this study explains (1) how firms' actions are derived by their institutional environments; (2) how their downstream channel members and end consumers are influenced by firms' actions that are influenced by institutional environments; and (3) why shaping institutional environments of firms are important for them to improve their FR.

Fourth, the multilevel approach is adopted in my investigation to study franchisors, their franchisees, and consumers. It addresses the call to simultaneously study the three core-constituencies of franchise systems to get a holistic view of the franchising phenomenon (Dant 2008). Moreover, how different stakeholder groups evaluate the firms' current standing in the marketplace is investigated by defining two different types of FR (i.e., internal and external FR). Previous FR studies have selected only one particular stakeholder group such as employees, suppliers, or consumers if they have employed primary datasets. Otherwise, the separate attributes of Fortune or KLD scales are used to represent different stakeholder groups' perspectives on FR. However, this multilevel study demonstrates how franchisors' strategies for their downstream channel members (franchisees) may influence various stakeholder groups in the entire value delivery system. Since firms' strategic actions in the marketplace can be used as signaling information for stakeholders to evaluate FR, this study will help the field to acknowledge these impacts. Moreover, franchisors' strategic variables are collected from the firm level and the evaluation of franchisees and consumers on FR are collected separately. This also expands our understanding of the impact of FR on different stakeholders, not only from the perspectives of franchisors, but from their stakeholders.

Managerial Implications.

One factor of the FR equation that can be controlled by a firm is the strategy it chooses to employ in relation to the development of reputation. Strategy is a complex factor that encompasses many elements depending on what is to be planned and achieved. FR in the marketplace will help franchising firms protect critical resources, such as brands and trademarks. Some companies have not been able to recover from negative incidents and have been forced to abandon their brands and trademarks to help establish a new reputation. Phillip Morris and Valujet are examples of firms that were eventually forced to change their name due to the insurmountable damage to their reputation. Firms that have a higher reputation are better able to withstand negative incidents in the marketplace than firms that have a lower reputation.

Based on the findings of this study, firms' strategies based on experience, royalty rate, and training in franchise systems appear to predict FR perceived by franchisees and consumers. In franchisees' perceptions, royalty fees may prevent the double-side moral hazard of a franchisor by compensating franchisors' efforts and support (Lal 1990; Lafontaine 1992; Mathewson and Winter 1985; Sen 1993). Moreover, franchisees view firms' experiences to strengthen their franchise systems to be more reputable in the B2B market, while consumers view firms' training as strengthening their franchise systems and make them more reputable in the B2C market. Firms' actions in the marketplace have different reactions in the B2B market and the B2C market.

However, the study also finds support for both reputational carry-over effects: (1) the carry-over effect of external reputation on internal reputation, which is analogous to *pull* strategy and (2) the carry-over effect of internal reputation on external reputation, which is equivalent to *push* strategy. Previously, push and pull strategies of firms were often viewed from the perspectives of manufacturers in operations management (Cachon 2004; Deleersnyder et al., 1989; Van der Lann et al., 1999). Unfortunately ignored were the different strategies to enhance profit through influencing two key stakeholders in value delivery systems (i.e., downstream channel members like franchisees and consumers). On the one hand, franchise systems that prefer to use *pull* strategy should maintain good relationships with their ultimate consumers, have strong financial performance, lower the royalty rate, and increase the initial training period to their franchisees. Even though establishing good firm-franchisee relationships in franchise systems is an important task, it would be better for marketing managers to set the threshold level benchmark to maintain good standing among franchisees. Firms' investments to strengthen downstream channel networks may be disposed if franchisees leave franchise systems. Thus, it would be better off for firms to strengthen their external FR by employing *pull* strategy and benefiting from the reputation carry-over effect from the B2C market to the B2B market. On the other hand, franchise systems that prefer to use *push* strategy should establish good relationships with their franchisees, support franchisees to be more profitable, enhance franchising experiences, and increase the royalty rate. Without understanding institutionalized norms and cultures of franchise systems, franchisees may not agree with firms' actions and strategies in the marketplace that indirectly affect financial performance of franchisees. Thus, it would be better for firms to strengthen their internal FR by employing *push* strategy and benefiting from reputation carry-over effects from the B2B market to the B2C market.

So, which would be the most impactful strategy for firms to utilize? Previous studies on *push-pull* strategies in communication and network development agree that firms are better off by using both push and pull strategies. Liu and his colleagues (2004) have demonstrated that the benefit of balancing push and pull strategies in data gathering and dissemination in large wireless networks. This study found that the combination of push and pull strategies perform better than either pure push or pure pull strategies. Sands (2003) also suggested that firms should utilize their websites, which are the most controllable electronic consumer relationship management tool available to firms, more conscientiously for their push-pull strategies in communication. As a means to pull strategy firms to provide information that consumers may be interested in through their websites using outbound marketing mechanisms. When consumers' information, such as e-mail addresses, is captured from visits to a website, firms can use pull strategy by proactively engaging with consumers. In sum, firms can manage their stakeholders through balancing both push and pull strategies in communication. Since the findings suggest that even the actions of a firm (i.e., royalty rate) is directly tied to one specific stakeholder group, other stakeholder groups may also be influenced by them. Marketing managers should wisely allocate their budget to both *push-pull* strategies to maximize the benefits from reputation carry-over effects.

Limitations and Further Research.

The results of this study should be examined in light of some of its limitations. Because data was drawn from franchise systems in the foods and beverage industry, the generalizability of empirical findings may be a concern. Franchise systems are unique in the sense that the ownership of the brand is exclusive to firms. Generalizations to dissimilar industries and governance structures should be taken with caution. Since restaurants offer experience-based services, the findings here may not hold in retail industries, credence-based service industries, and many other industries. Additionally, business format franchising firms only allow franchisees to use the system-wide business concept and brands during the contractual period. Thus, the exclusive channel relationships between firms and their franchisees allowed for the measurement of internal reputation of franchise systems more readily than any other stakeholder groups (i.e., suppliers and governments). However, the finding may not be applicable to the different types of channel arrangements, suppliers, or alliance partners.

This empirical study has employed OLS analysis as its inferential methodology. Compared to the classical method of using the ordinary least squares (OLS) regression, the HLM regression can correct for standard errors that are correlated within a firm among its franchisees and its consumers. Even though the coefficient betas that are estimated in the two different approaches are very similar, the HLM technique attends to the source of errors more rigorously by considering the clustering of data within groups (Raudenbush and Bryk 2002). Moreover, the regression coefficients estimated with these two approaches can be quite different in some cases. Future research in multilevel investigation should employ the HLM technique and compare the difference between the findings using the OLS approach and the findings using the HLM technique.

Another limitation of this study stems from the fact that the consequences of FR have not been included in the proposed model. Future study should include the relationship between FR and the consequences. For example, both financial firm performance and non-financial firm performance (i.e., brand equity, price premium, relationship development with stakeholders) can be included in the model to demonstrate the consequences of the carry-over effects of FR.

Future research should investigate the internal reputation as seen by other internal stakeholder groups (i.e., employees, suppliers, and advertising and PR agents) to further our understanding of internal reputation. Each stakeholder group would provide different perspectives on FR. A marketing manager can gain a better understanding of how internal reputations are developed and how they influence perspectives of various external stakeholder groups (i.e., consumers, government, consumer interest groups, and media). Additionally, four firm-level strategies that are employed in this study have accessible information to all stakeholders. Thus, these empirical findings can open the door to future studies that investigate the different types of reputations among the different stakeholder groups.

Future research should investigate whether good internal FR can be associated with bad external FR under certain circumstances or whether bad internal FR can be associated with good external FR under certain circumstances. For example, franchisors' efforts to standardize their operating systems may lead to negative impacts on internal FR by reducing franchisees' autonomy; however, external FR may be strengthened since their operating system presumably leads to serving uniform products and services to consumers throughout the franchise system. Thus, it is possible that firms' endeavors to improve internal FR in the B2B market does not always strengthen internal FR but instead strengthens external FR in the B2C market. Moreover, cluster analysis can be conducted to compare the characteristics of franchise systems that have a strong internal FR and a weak external FR or have a weak internal FR and a strong external FR. The characteristics of franchisors' strategies in each category can be identified, and this should help firms develop better strategic decisions to improve their FR from the perspectives of targeted stakeholder groups and to benefit from carry-over effects of FR.

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THE LINKAGES AMONG FIRM STRATEGIES, FIRM REPUTATION, AND PERFORMANCE

INTRODUCTION

This study investigates the linkage among firm strategies, firm reputation, and their overall effects on performance in franchise systems from the viewpoints of two different stakeholder groups, namely, franchisees and consumers. Since Freeman (1984) introduced his seminal notions of strategic management as seen through the lenses of stakeholders, many conceptual arguments have been subsequently developed to identify the importance of stakeholder-focused strategic management. Prior firm reputation and corporate social performance studies have addressed the importance of developing strategic choices as the main implication of the stakeholder framework (Berman et al., 1999; Fombrun, Gardberg, and Sever 2000). Yet, relatively little is known regarding how each stakeholder group (e.g., suppliers, employees, channel members, consumers, government, and community) may react to firms' strategic decisions in the marketplace. Also, relatively unknown is how managers should deal with possible conflicts with individual stakeholder groups while balancing the interests of various stakeholders. An investigation of the dynamics of firm strategies, firm reputation, and performance in the firm-stakeholder relationships can shed welcome light on our understanding of stakeholder management.

In this study, the current unanswered research question of whether firms' strategies are equally effective among different stakeholder groups will be empirically tested by investigating how the strategic decisions of franchisors influence their performance with two key stakeholder groups; franchisees and consumers. For example, Domino's pizza sets the standards to control franchisees' operations beyond what is related to the preparation of products. Good examples of franchisors' channel strategies are the following: the franchisees' store hours, the handling of consumer complaints, the method of payment by consumers, and the location and re-location of franchised units. Such strategic factors influence the quality of brand experiences of the end consumers in the marketplace since when (i.e., operating hours), how (i.e., payment methods), and where (i.e., location) to purchase products and services are determined by franchisors. Thus, this study investigates how firm reputation may directly and interactively (with franchisors' strategies) influence stakeholders' perceptions of firms' performance. More specifically, this study empirically tests whether franchisors' strategies of Standardization, Innovativeness, and Communication influence stakeholders' perceptions of performance of focal firms. Firm performance is conceptualized in terms of Satisfaction, Commitment, Word-of-Mouth (WOM) Intention, and Purchasing Intention between franchisors and their stakeholders. Hopefully, the results of this investigation will help firms select their strategic decisions to facilitate stakeholder management more effectively.

The study aims to answer the following research questions: (1) Does firm reputation influence stakeholders to establish their relationships with firms? (2) Do the stakeholders' assessments of franchisors' strategies of Standardization, Innovativeness, and Communication help in their relationship establishment with the firms?, (3) How is the relationship between firm strategies and relational consequences of Satisfaction, Commitment, WOM Intention, and Purchasing Intention influenced by firm reputation?, and (4) Do the different stakeholder groups react differently to firms' strategies and reputational effects? And what lessons do these findings provide for stakeholder management?

The paper is organized as follows. The following section develops the theoretical framework linking firm's strategy, firm reputation, and performance from two different stakeholder groups' perspectives using the lenses of agency theory and stakeholder theory. Three pivotal firm strategies important to sustaining franchise systems are employed to demonstrate how strategies can shape internal and external reputations[28] and their consequences in the marketplace. Next, the methodology adopted for this empirical investigation is detailed. Finally, the study concludes with a discussion of results along with its weaknesses and an agenda for future research.

THEORETICAL FRAMEWORK

Agency Theory.

In franchise systems, franchisors have contractual agreements with their franchisees that permit franchisees' usage of franchisors' brands, trade names, and business formats during the franchising contractual period. Franchisors are the creators and the owners of their brands, trade names, and business formats. By requiring franchisees to pay an up-front initial investment when joining the system, franchisors believe that franchisees are more likely to behave in the interest of the firm and thus minimize agency problems (i. e., opportunistic shirking behavior). Like most principal-agency relationships (Fama and Jensen 1983; Jensen and Mecklilng 1976; Ross 1973;

[28] Internal firm reputation refers to the overall assessment of firm standing perceived by internal stakeholders (i.e., employees, channel members, suppliers, and alliance partners) who closely interact with the firm and have exposure to internal information. External reputation refers to the current standings of firms that are judged by external stakeholder groups (i.e., the end consumers, governments, and communities) that do not work together with firms to deliver value to the marketplace.

Eisenhardt 1989), a franchise system models the relationship between firms which delegate local-level operations to its franchisees. However, it is difficult for firms to monitor daily operations of franchisees and firms have little control over franchisees' day-to-day behaviors. Hence, there is a potential for agency problems in franchise systems (Carney and Gedajlovic 1991; Shane 1998). In particular, firms have to take steps to prevent any potential damages to their unique brands and trade names that can be caused by agency problems. Thus, franchisors' strategic decisions in franchise systems are not only employed to protect firms' intellectual property by more effectively monitoring and controlling franchisees' behavior, but also to safeguard the interest of franchisees, who may be victimized by free-riders in franchise systems. Implications of agency theory help explain why proposed firm strategies that are somewhat unique to franchise systems (i.e., Standardization, Innovativeness, and Communication) shape firms' relationship with their franchisees.

Stakeholder Theory

Stakeholders of franchise systems include stockholders, creditors, managers, employees, franchisees, consumers, suppliers, local communities, and the general public. The term 'stakeholders' refers to those groups of constituents that have legitimate interests in the functioning of the firm (Freeman 1984; Pearce 1982). Stakeholder groups can be seen as supplying the firm with critical resources and, in exchange, each expects its interests to be satisfied (March and Simon 1958). As described above, franchise systems have a special stakeholder group, franchisees, that develop their legitimate relationship with their franchisors through ongoing transactions. Franchisors allow franchisees to use their unique brands, trade names, and business formats during the contractual period and provide ongoing business support. Franchisees pay a lump-sum initial fee and ongoing royalty based on sales when they enter into a franchising contract (Dant and Berger 1996). They provide critical resources to the franchisors including financial capital, managerial talent, and local market knowledge needed for the success of franchise systems (Dant and Kaufmann 2003). Another key stakeholder group, the consumers, supplies the firm with revenues and, in exchange, expects value for their money. Since franchisors and their stakeholders are engaged in exchange relationships, the values that are offered by franchisors must fit with their stakeholders' interests; that is, stakeholders shape the environment and boundaries for firms' strategic decision-making. Furthermore, firms' strategies and actions determine the actual realized *exchanged* relationships between firms and their stakeholders. By integrating agency theory and stakeholder theory, we can begin to understand how firm strategies in franchise systems (employed to effectively monitor and control their franchisees) can cause and shape the relationships between the franchisors (principals) and their franchisees (agents) and even firms' relationships with other stakeholders like consumers.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

By combining agency and stakeholder theories, this paper investigates how firm strategies regarding their franchisees (agents) contribute to stakeholder management in franchise systems. First, hypotheses regarding firm reputation (FR)'s influences on different aspects of perceived performance (i.e., satisfaction, commitment, WOM intention, and purchasing intension) will be proposed. Second, hypotheses focused on the effects of firms' strategies on firm-stakeholder relationships will be examined. Finally, the interactions between firm strategies and FR and their impacts on four different relational consequences will be discussed. The hypothesized model of the linkage among firm strategies-FR-relational consequences is shown in Figure 1 below.

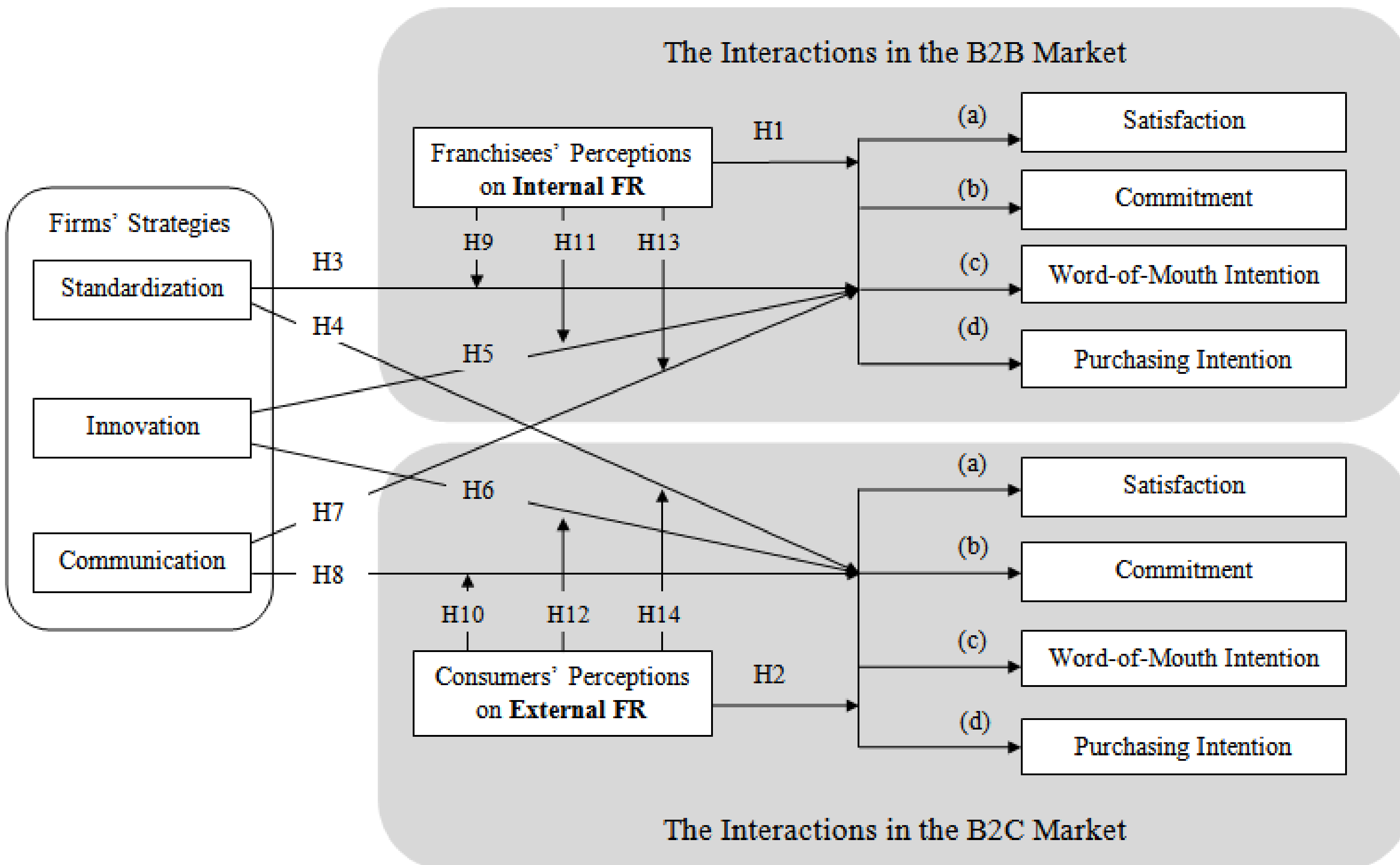
The Linkages between Firm Reputation and Performance

In order to examine firms' relationship with their stakeholders, four perceptual measures of performance operationalized as (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention are introduced. While these relational outcomes have been widely studied (e.g., Palmatier et al., 2006), scholars have accorded only limited attention to how firm strategies influence social interactions of firm relationships with different stakeholders.

Satisfaction. Stakeholder satisfaction can be defined as a stakeholder's overall affective evaluation of firm performance (Crosby, Evans, and Cowles 1990; Johnson and Fornell 1991; Reynolds and Beatty 1999). Stakeholders' satisfaction metrics are developed based on the discrepancy between stakeholders' expectation of products or services of a firm and subsequent performance (Oliver 1980). Firm reputation can serve as an initial reference point before stakeholders experience and develop their exchange relationships with a firm. In other words, the discrepancy between firm reputation and outcomes of firm strategies, and firm performance, would determine the level of satisfaction in stakeholders' minds, and satisfaction should be positively related to FR.

Commitment. In this study, stakeholder commitment is defined as an enduring desire to maintain a valued relationship (Moorman, Zaltman, and Deshpande 1992, p.316). Stakeholders' commitment reflects the enduring desires of stakeholders to maintain their relationships with the firm and, accordingly, their commitment cannot

FIGURE 3-1
HYPOTHESIZED MODEL OF THE FIRM STRATEGIES, FIRM REPUTATION, AND PERFORMANCE LINKAGES



exist without irreplaceable values that are delivered by firms (Anderson and Weitz 1992; Mooreman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994). For example, a franchisee may be committed to its franchise system because of the transaction costs that would be incurred if they were to switch systems (i.e., switching costs, firm specific investments, alternative search costs, etc.). Another franchisee may have a strong emotional connection with its franchise system and want to grow together with the firm. Consumers also have many different reasons governing why they are committed to a firm and a brand. One consumer may like to express his or her characteristics and personality by making a commitment to a particular firm. Another consumer with low variety-seeking tendencies may prefer to patronize products and services from a particular firm out of habit. Like examples from franchisees and consumers, each stakeholder group differs in its reasons for committing to their exchange relationships with a firm.

The effect of a strong reputation leads to a high level of stakeholder commitment as consumers' value-associations and transactions are closely related to firm reputation (Roberts and Dowling 2002). Reputation in interorganizational relationships can help a firm determine dependability and reliability of its partnering firm (Smith and Barclay 1997). Firms with good reputation are more likely to attract and keep committed stakeholders than firms with low reputations (Fombrun and van Riel 1997; Greyser 1999; Hall 1992). Thus, firm reputation should be positively associated with stakeholders' commitment to the firm.

Word-of-Mouth (WOM) Intention. Stakeholders' WOM intentions refer to their willingness to refer a firm to other stakeholders (Brown and Reingen 1987; Reynolds and Beatty 1999). WOM communication plays an important role in shaping stakeholders' attitudes and behaviors (Anderson 1998). Through the social ties of stakeholders, referral information travels from one group to another group and is disseminated to the broader social system (Brown and Reingen 1987). It is possible that the impact of WOM communication expands to change attitudes and behaviors of some stakeholder groups. For example, franchisees that work closely with their franchisors can spread their impressions from their experiences to the end consumers. Or franchisees may share their experiences with their franchise systems to future potential franchisees. Franchise systems often require potential or new franchisees to be trained in a current operating unit, which provides the franchisees a perfect opportunity to communicate with potential franchisees, and help shape their attitudes and behaviors towards the firm. As an example, in B2B situations, before a firm negotiates with a new franchisee partner, the testimonials of previous business partners play an important role in bringing a closure to the contract. Strong reputation of a firm is likely to garner positive WOM communication.

Purchasing Intention. A stakeholders' purchasing intention may be defined as the willingness to remain in the existing exchange relationship with the firm. Subjective certainty of stakeholders toward a firm impacts intentions and confidence in their judgment on the quality of firm performance (Howard and Sheth 1969; Howard 1989). Bennett and Harrell (1975) suggest that confidence plays a major role in predicting intentions to buy. Firm reputation not only provides assurance of the quality of products or services, but also the overall values and culture of the firm. Thus, firm reputation provides confidence in stakeholders' minds to develop and continue exchange relationships with the firm.

Drawing from the logic of firm-and-stakeholder relationship development, firms' exchange relationships with stakeholders are the consequences of firm reputation present in the marketplace (Berman, et al 1999). Thus, I propose the following relationships between firm reputation and relational consequences:

H1: The greater the level of reputation perceived by franchisees (i. e., internal FR), the stronger the franchisees' perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

H2: The greater the level of reputation perceived by consumers (i. e., external FR), the stronger the consumers' perceptions of (a) Satisfaction , (b) Commitment , (c) WOM Intention, and (d) Purchasing Intention.

The Linkages between Firm Strategies and Relational Consequences

Standardization. Standardization is an important strategy that determines the success of a franchise firm in the global marketplace. Even though standardization seems most feasible in settings where market infrastructure is well developed, firms are able to market standardized products and services in many different countries, where the infrastructure may not be as evolved. As the global marketplace becomes more homogenized, firms increasingly strive to control the quality of products and services, strengthening their relationships with stakeholders globally (Sorenson and Wiechmann 1975; Jain 1989). Franchise systems do this in order to strengthen their relationships with their respective stakeholders.

From firms' strategic viewpoint, one of the primary drivers for the "standardization of the business format" is to minimize unnecessary monitoring costs

(Kaufmann and Eroglu 1998).[29] Franchise contracts emerge as an efficient organizational tool for minimizing agency (including monitoring) costs, while affording the opportunity for franchisees to employ their knowledge of local markets to produce local services efficiently for the mutual benefit of the firm and franchisees (Mathewson and Winter 1985). Since production and distribution occur at many different locations, franchisors face uncertainty regarding the actual actions of all their franchisees or about particular pieces of information because continual observation is very costly (Rubin 1978). Moreover, franchise systems can gain efficiencies in the marketplace by using standardized operations (Norton 1988). Thus, standardization is a logical and efficient way for franchisors to control agency problems while delivering quality products and services in many different locations.

However, franchisees may have different opinions about the standardization of their franchise systems. Previous organizational cynicism studies have found that employees have negative feelings, such as contempt, frustration, and hopelessness toward their employers when they violate psychological contracts (Andersson and Bateman 1997). Firms' efforts to change and to improve qualities of products and services in the marketplace can engender cynicism (Dean, Brandes, and Dharwadkar 1998). Thus, franchisors' enforcement of standardization in franchise systems may engender cynicism from their franchisees. In particular, when entrepreneurial franchisees have a great desire for autonomy (Kaufmann and Dant 1996; Stanworth et al., 1996), the contradictory

[29] The most common ways to differentiate between types of franchisees are "product, trademark, and retail franchising" versus "business format franchising" (see Vaughn 1974). In the "product, trademark, and retail" format, franchise systems lease the trademark to their franchisees for contracted periods (e.g., gasoline retailing, automobile dealers, insurance salespeople), whereas in the "business format," franchise systems provide more operational support and training. Franchisees of "business-format" systems must adhere to a strict format or operating procedures (e.g., fast food restaurants).

perspectives on standardization may lead to deleterious effects. Since franchisees invest a large stake of their individual wealth in their franchise systems and deliver value in the marketplace as ambassadors of their franchisors, they have certain expectations to follow the instructed processes (Stanworth et al., 1996) as standardization may impose some limits on franchisee decision-making authority (e.g., Minkler 1992). The franchisees' desire for autonomy (Dant and Gundlach 1998) may make them less satisfied with their firms when the level of standardization increases. As a result, firms' relationships with their franchisees are expected to be negatively influenced by standardization. Thus:

H3: The greater the level of firms' standardization, the weaker the franchisees' perception of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

In order to enhance consumers' perceptions of a franchise system's quality, the employment of standardization in franchise systems is critical (e.g., Morgan & Murgatroyd, 1994; Swiss 1992). The main motivation behind franchisors' instructions to franchisees to follow standard operating procedures is to ensure consistent products and services at all outlets and to continuously improve quality of products and services. Standardization can reduce the gap in service quality perceptions between service providers and consumers (e.g., Parasuraman, Berry, and Zeithaml 1991). Job standardization can lead to more congruent service quality perceptions because it helps eliminate uncertainty and variability in the consumer value creation processes (Klein 1991; Hsieh, Chou, and Chen 2002). If franchise systems offer products that contain a large component of services in the market, then their exchange relationships with consumers would be greatly influenced by standardization of firm strategy. Thus:

H4: The greater the level of firms' standardization, the stronger the consumers' perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intentions.

Innovativeness. Firms' innovativeness refers to the ability to create and implement new ideas, products, and processes (Hult and Ketchen 2001). In franchise systems, innovativeness is often linked to firms' willingness to accept and apply innovative ideas from their franchisees. Historically many innovative ideas adapted by franchise systems have been generated by franchisees. Stanworth and Curran (1999) have argued that "franchisees can make a substantial contribution to franchise system innovation in ways ranging from developing new products or services to pioneering ways of adapting to local conditions (p.338)." Some of the most popular products McDonalds sells were initially proposed by their franchisees. For instance, the Egg McMuffin breakfast sandwich, the Big Mac, and kid-friendly Happy Meals all originated from franchisees' ideas. Therefore, much of the current success of McDonalds can be attributed to the innovative ideas that were created by franchisees (Forbes 2007). Franchisees have strong incentives to develop offerings that fit local demands through local adaptation. While managers in company-owned units are compensated largely based on a fixed salary, franchisees make their money by reducing operational costs and satisfying consumers (Bradach 1998; Seawright et al., 2012).

However, franchisees' ability to advocate new ideas is limited by this discretion and willingness on the part of franchisors to accept innovative ideas from their franchisees. Sorenson and Sørensen (2001) found that firms are better able to learn through experiments and exploitation (i.e., the incremental improvements in existing routines). In other words, franchise systems are better able to acquire and diffuse innovative ideas generated through company-owned units versus those found in 'exploration' (i.e., the development of new routines) from franchised-owned units. Thus, firms may in fact prefer to have high levels of innovativeness from managers in company-owned units while desiring low levels of innovativeness from their franchisees. Furthermore, franchisees may not welcome firms' enforcement of, additional equipment purchases resulting from the implementation of 'innovative' ideas. When firms keep to a low level of innovativeness, they are more likely to sustain their positive firm-franchisee relationships. Thus:

H5: The greater the level of firms' innovativeness, the weaker the franchisees' perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intentions, and (d) Purchasing Intentions.

Innovativeness is one of the key consequences of market orientation (Kirca, Jayachandran, and Bearden 2005). Even though firms' innovativeness may have a negative impact on firm-franchisee relationships, firms may be able to strengthen their relationships with consumers through their innovations. For example, the innovativeness of Domino's pizza has caused the company to aggressively introduce new menus in all U.S. operating units since 2008, and 85% of the Domino's menu is new (ToledoBlade.com, 2012). Sales in the Domino's franchise system have dramatically risen since these innovations. Firms' innovativeness reflects consumers' desire for irreplaceable and inimitable value. Thus, consumers are more satisfied and committed to a firm that has a high level of innovativeness. Consumers are more willing to spread good publicity for the firm, and retain the existing relationship through their continued patronage. Therefore:

H6: The greater the level of firms' innovativeness, the stronger the consumers' perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention

Communication. Communication helps shape the perceptions of obligations between parties in exchange relationships (Mohr and Nevin 1990). In this study, firm-level communication strategy refers to firms' propensity and willingness towards effective communication with their franchisees. Since channel communication mediates the relationship between channel structures and performance (e.g., the strength of contractual relationships in marketing channels and performance) (Mohr and Nevin 1990), franchisors' communication strategy with their franchisees is critical for franchise systems to succeed in the marketplace.

Communication represents one of the main mechanisms that firms use to minimize information asymmetry in franchise systems (e.g., Bleeke and Ernst 1994). Even though goals, values, and visions of franchise systems are chiefly created by franchisors, their franchisees are the main implementers of accomplishing these goals of franchise systems. Communication reduces role conflict and ambiguity (Nygaard and Dahlstrom 2002), promotes mutual problem solving, and creates synergy between partners (Cummings 1984). For instance, AlphaGraphics Inc., a print shop franchise system, reduced its operational problems and improved its performance by installing a telephone hotline to obtain franchisees' feedback (Gassenheimer, Baucus, and Baucus 1996). Communication between firms and franchisees provides franchise systems with intelligence, prior warning, and a greater awareness of the firm or competitive environment (Rice 2008). Communication remains a critical feedback mechanism in regards to performance (Anderson and Narus 1990) and it fosters confidence in the continuity of the relationship (Anderson and Weitz 1989). Mohr and Spekman (1994) also surmised that the availability of information allows people to complete tasks more effectively while increasing their level of satisfaction. Franchisors' communication strategy helps both franchisors and their franchisees to obtain enhanced competitiveness in the marketplace.

Moreover, effective communication can elevate the system-wide learning activities. With the help of the communication between firms and franchises, a uniform identity of franchise systems under the identical brand can be created across all operating units. As a result, franchisees ought to experience less confusion since the variation of products and services across all operating units is minimized through channel communication. Franchisors' efforts to communicate with their franchisees will increase organizational commitment (e.g., Leiter and Maslach 1988; Mathieu and Zajac 1990). The relational strength between franchisors and their franchisees will therefore enhance. Thus,

> H7: The greater the level of firms' communication with their franchisees, the stronger the franchisees' perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

When franchisors and their franchisees communicate effectively, the end consumers experience less confusion. Communication helps franchisors coordinate the firm identities of their franchise systems under the identical brand across all operating units. The gap between consumers' expectation of the brand and the realization of delivered products and services is likely to be small since effective communication helps the system integration and the variation across all operating units is minimized. Thus, franchisors expect their communication strategy in channel management to enhance the value that is delivered to the end consumer.

> H8: The greater the level of firms' communication with their franchisees, the stronger the consumers' perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

Interaction Effects between Firm Strategies and Firm Reputation on Performance

The proposed relationships between firm strategies and firms' exchange relationships with their stakeholders are expected to be strengthened by the firms' reputation. One of the main drivers for franchise systems to employ particular firm strategies (i.e., Standardization, Innovativeness, and Communication) is the protection of their intellectual property which includes brands, trade names, and business formats. Firms with a strong reputation in the marketplace acknowledge that their strategies have helped foster their relationships with stakeholders. Conversely, firms with low reputation may have less incentive to implement such firm-level strategies to minimize shirking behaviors of franchisees. The latter firms may attempt to generate profit through the initial investments and on-going royalties and advertising fees from franchisees rather than through managing the overall firm reputation. Since monitoring franchisees is costly, franchisors may act opportunistically to enjoy franchisees' resources without being a good leader and strategic partner to their franchisees. In other words, both franchisors and franchisees have to face double-sided moral hazards in the franchise systems[30] (Lafontaine 1992; Lal 1990).

[30] Single-sided moral hazard occurs between a risk-neutral principal (franchisor) and a risk-averse agent (franchisee) engaged in a contract (i.e., one side takes advantage of the situation). However, a double-sided moral hazard problem is caused when both parties engage in opportunistic actions (e.g., imperfect monitoring by franchisors and shirking behaviors by franchisees) (Mathewson and Winter 1985).

Standardization allows franchisors to effectively control franchisees' behavior and to reduce monitoring costs associated with policing their franchisees even when the geographic distance between the parties is great (Kaufmann and Eroglu 1998). Standardization negatively influences the development of franchisor-franchisee relationships by reducing the autonomy of entrepreneurial franchisees to operate their franchised units (e.g., Dant et al., 2013; Grunhagen and Mettelstaedt 2005), and the magnitude of the negative association between Standardization and firms' performance as perceived by the franchisees is relatively stronger for franchisors with stronger internal firm reputation. For example, a franchise system with a strong reputation should be able to address and confront the agency problems (i.e., shirking or free-riding) of franchisees more easily by using its reputational power over its franchisees compared to other systems with weak reputations. Reputable franchisors that recognize the importance of intangible assets (e.g., brands, trade names, and business formats) would view implementation of standard procedures in their franchise systems as a key driver to market competitiveness. The search costs associated with seeking qualified prospective franchisees is relatively lower than franchisors with weak reputations. Thus, reputable franchisors are more likely to employ and enforce Standardization strategy within their franchise system, even though they are likely to experience low Satisfaction, Commitment, WOM Intention, and Purchasing Intention from their franchisees. This suggests:

Double-sided moral hazards refer to a two-sided hidden action between franchisors and their franchisees due to differing incentive issues for both parties (Lafontaine 1992).

H9: The greater the internal firm reputation perceived by the franchisees, the stronger the negative association between Standardization strategy and franchisee perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

Innovativeness is also expected to negatively influence the development of franchisor-franchisee relationships due to the long and frustrating process of implementing integrated innovative ideas in all operating units. More reputable firms should have a greater impact from Innovativeness on relational consequences with franchisees than franchisors with a lower reputation. In order for franchisors to introduce new products and policies based on franchisees' innovative ideas, they have to follow strict decision rules and to develop new products and policies that can be monitored and measured before rolling them out throughout their franchise systems (Forbes 2007). Reputable franchisors are expected to be better at playing the role of orchestrator of knowledge integration and socialization of franchisees (e.g., Dhanasai and Parkhe 2006); however, the actualization of franchisee generated ideas will likely be low because of their stricter standards. Once rolled out, even if the benefits from innovative ideas are not very promising franchisees will still have to use their own resources in implementing these innovations, which will likely cause increased frustration. Thus, the negative association between Innovativeness and firms' performance perceived by franchisees becomes stronger as internal firm reputation of franchisors is greater.

H10: The greater the internal firm reputation perceived by the franchisees, the stronger the negative association between Innovativeness strategy and franchisee perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

Communication in marketing channels allows both franchisors and franchisees to understand their expectations based on shared contracts. Effective communication helps franchisors to learn more about local markets, support their franchisees more effectively, reduce information asymmetry of franchisees, and run national marketing promotions in cooperation with their franchisees. Franchisors with a strong reputation are likely to be willing to invest in developing infrastructure needed to create an organizational climate that fosters communication in their marketing channels. Simply but, franchisors with a weak reputation will likely feel that the rewards from solving a moral hazard problem of their franchisees are less than the costs associated with minimizing such problems in their franchise systems. Thus, if firm reputation is high, then the linkages between Communication and relational consequences would be stronger.

> H11: The greater the internal firm reputation perceived by the franchisees, the stronger the positive association between Communication strategy and franchisee perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

The positive association between franchisors' strategies (i.e., Standardization, Innovativeness, and Communication) and the relational performance consequences perceived by consumers will be strengthened as external firm reputation increases. Standardization enhances the uniformity of products and services and the delivery of consistent quality of products and services to the consumers. Innovativeness increases the market competitiveness of franchise systems by enhancing operational efficiency and providing innovative (and presumably desired) products and services to the ultimate consumers.

The expectations of consumers for competent products and services across different outlets under the same brand name will be higher for franchise systems with a strong external reputation. In order to maintain the consistency of value proposition, franchisors have to develop marketing channel strategies, such as Standardization, Innovativeness, and Communication with their franchisees, to meet with consumers' expectations in the marketplace. When consumers' expectations are met, relational performance consequences (i.e., satisfaction, commitment, WOM intention, and purchasing intention) in franchisor-consumer relationships will be strengthened. Thus, the association between firms' strategies in their franchise systems (i.e., Standardization, Innovativeness, and Communications) and firms' perceived performance with consumers becomes stronger as external firm reputation enhances. Thus,

H12: The greater the external firm reputation perceived by the consumers, the stronger the positive association of Standardization strategy and consumer perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

H13: The greater the external firm reputation perceived by the consumers, the stronger the positive association of Innovativeness strategy and consumer perceptions (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

H14: The greater the external firm reputation perceived by the consumers, the stronger the positive association of Communication strategy and consumer perceptions of (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

METHOD

Data Collection

Research Context. Franchise systems in the food and beverage industry were chosen to test the proposed hypotheses firm strategy-FR-relational consequence linkages. In franchise systems, the channel members, *franchisees*, provide products and services and encounter consumers on a daily basis. Potential franchisees select a particular franchise system to join due to its FR in the consumer market. In addition, the representative names of firms and brands for both *franchisor firms* and *franchisees* are identical in the consumer market since *franchisees* use their franchisor's brand names and logos during the contract period to serve consumers. Studying franchise systems minimizes consumers' confusion related to differentiating reputations of different brands for manufacturers, service providers, and retailers. Finally, it is convenient to identify *franchisees* in franchise systems since contact information of different franchise outlets can be easily found in either systems' websites or secondary sources (e.g., YellowPages). One particular industry, the food and beverage industry, is selected since every industry has different characteristics, norms, and cultures that may influence variances between firms. The food and beverage industry is an industry in which franchising is a popular form of governance structure. Thus, the prospective survey participants for the *consumer* level survey can be easily approached. Franchise systems in the food and beverage industry regulate their franchisees to strictly follow standard procedures in order to offer qualified products and services to the end consumers (Dant and Schul 1992). Since the research goal is to investigate firm strategy-FR-relational consequence linkages, surveying the food and beverage industry seemed most logical. Moreover, the food and beverage industry follows the business format franchising[31] where the strategies of Standardization, Innovation, and Communication are most utilized.

The firm strategies employed in the hypotheses (i.e., are most appropriate for "business format" franchise systems. In addition, prospective franchisee and consumer-

[31] The two most common ways to distinguish different types of franchisees is "product, trademark, and retail franchising" and "business format franchising" (Vaughn 1974). In "product, trademark, and retail franchising", firms lease their brands and trade names to the franchisee during the contractual period (e.g., gasoline retailing, automobile dealers, and insurance salespeople). In "business format franchising," firms provide more extensive services and support, and franchisees follow the format and operating procedures that are provided by firms.

level survey participants can be conveniently approached for franchise systems in the food and beverage industry. Thus, firms, their franchisees, and consumers in the food and beverage industry are surveyed in this study.

Data Source. The multilevel approach is applied to conduct surveys from franchisors, their franchisees, and consumers since the empirical studies aim to understand three constituencies of franchise systems with a holistic view (Dant 2008). The empirical results reported below are based on a multi-level sample survey of 29 franchisors, 210 franchisees belonging to their franchise systems (average of 7 franchisees per system), and 925 consumers (average of 32 consumers per system). In the first phase I selected target franchise systems in the food and beverage industry based on Bond's franchise guide and Enterprise magazine. I developed a list of contact information with 146 franchise systems that operate in the U.S. market. A total of 146 franchise systems was individually contacted via email and/or phone. Of there, 62 executives or marketing directors responded after the initial contact. Once they agreed to participate in the franchisor survey, an email along with the URL of the online survey site was sent out. In order to survey qualified key informants, the respondents' positions and their levels of knowledge were prescreened, and their willingness to participate in the survey using the online survey instrument was ascertained (Campbell 1955). In the recruitment, I incentivized franchisors by providing a customized report for their franchise system. Of the 62 franchisors, 29 franchisors finally agreed to participate in the on-line based survey. The response rate based on the pre-committed sample is 47%, which is above the acceptable levels (greater than 40 percent) for surveying executives (e.g., Anderson and Narus 1990; Heide and John 1990; Mohr and Spekman 1994).

After the first phase of the data collection was completed, the second phase of the data collection was developed by generating a franchisees list for the 29 participating franchise systems. I asked franchisors whether they would cooperate in administering the surveys to their franchisees and consumers. Three franchisors out of 29 franchisors endorsed the survey by sending out the recruiting emails directly to their franchisees. The recruitment email was sent out along with the URL of the online survey site for the franchisee-level survey. Then I called each franchised outlet to recruit franchisees to participate in the franchisee-level online survey. Unfortunately at this point, participation remained low. Only 67 franchisees participated in the online survey; nine of which had to be dropped due to the incomplete surveys. Subsequently, individual franchisees were contacted via phone and questionnaire items were read through the phone. Each survey took about fifteen to twenty minutes, and one third of the contacted franchisees participated in the survey. Overall, 58 franchisee-level surveys were done online, and 152 surveys were completed through landline communication.[32] A total of 210 franchisees level surveys were completed.

The last phase of the data collection was aimed at consumers. A total of 498 consumer-level data surveys were collected from students in a large, Midwestern university and 427 were collected in publicly accessible locations in nearby metropolitan Midwestern cities.[33] The off-classroom surveys were conducted on an individual

[32] For the franchisee-level surveys, a MANOVA test was conducted to examine a multivariate effect of the data collection method using Internal Reputation, Franchisees' Satisfaction, and Franchisees' Financial Performance as dependent variables (F (3, 206) = .84, n.s.). The test result confirms that there is no statistically significant difference between the survey data collection method in the franchisee dataset. Hence, data from both groups were combined and treated as a homogenous sample for subsequent inferential analysis.

[33] For the consumer-level surveys, a similar MANOVA test was conducted to test a multivariate effect of the data collection method using External Reputation and Consumers' Satisfaction as dependent variables (F (2, 922) = .78, n.s.). The test result once again confirms that there is no statistically significant difference between

intercept basis. In the selection process, the respondents for the consumer survey were asked whether they had patronized one of the 29 franchise brands in the past. If potential respondents qualified, then a short consumer survey was handed out. Three individuals had to be approached for every consumer-level survey on average. A total of 925 usable consumer level surveys were used in this analysis.

In order to test the nonresponse bias of the sample, a telephone survey was undertaken on a random sample of marketing executives in firms and franchisees who did not participate in the survey. The short survey that contained the most representative item from each construct was created to survey the non-responders over the phone (Hill, et al., 1997). Finally, 6 firms (20% of the total firm-level sample) and 30 franchisees (14% of the total franchisee-level sample) participated in the phone survey. No statistically significant differences between responders and non-responders to the questionnaire were detected.[34]

Measures.

Variables employed in the surveys to franchisors, franchisees, and consumers are listed in Appendix J. We showcase the inter-item correlations for measures employed in franchisee and consumer surveys, respectively (Appendices L and M). To test the model, three different levels of data have been employed. Appendix J provides a complete list of measurement items and the factor loadings for each construct used in the study. Table 3-

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the survey data collection method in the consumer dataset. Hence, data from both groups were combined and treated as a homogenous sample for subsequent inferential analysis.

[34] In order to test the non-response bias, a MANOVA test was conducted to test the group difference between respondents and non-respondents using all ten latent construct variables (Appendix E) as dependent variables ($F(10, 23) = .23$, n.s.). The test result confirmed that there is no statistically significant difference between the respondents and non-respondents in the franchisor dataset. Also, a similar test was conducted to test the non-response bias for the franchisee dataset (Appendix F). The group mean differences for fifteen latent construct variables were compared for respondents and non-respondents, and there was no significant difference between two groups ($F(15, 224) = 1.26$, n.s.). Hence, data from both groups were combined and treated as a homogenous sample for subsequent inferential analysis.

1 displays the descriptive statistics and inter trait correlations of all study variables in all three levels (i.e., firm (franchisor), franchisee, and consumer). The Cronbach's alpha indices indicated that the construct measures were psychometrically sound. More specifically, for all constructs, no coefficient alpha values are lower than the conventionally acceptable value of .70, and the average variance extracted (AVE) of all constructs is greater than .50 (Anderson and Gerbing 1988; Bagozzi 1991; Hair et al., 2010). Discriminant validity of all latent constructs is supported since the AVE for each pair of constructs exceeds the squared correlations, the shared variance, between them (Fornell and Larcker 1981, pp.45-46; See Table 3-1). After assessing their psychometric properties the multi-item scales shown in Appendix A were subsequently collapsed into construct scores for inferential analyses.

Firm-Level Strategies. Three firm strategies; Standardization, Innovativeness, and Communication were employed as the firm-level dependent variables in this study. Executives and marketing managers in franchise systems were asked to assess these firm strategies. All items in the measurement model were anchored with a 7-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (7).

Standardization. Standardization was measured by employing the Job Standardization scale developed by Hsieh, Chou, and Chen (2002). The five-item Standardization scale was modified to address standard procedures in "business-format" franchise systems (α = .83, AVE = .61).

Innovativeness. Innovativeness of franchise systems was measured by using an adapted Innovation scale from Hurley and Hult (1998). The five - item scale for

TABLE 3-1
DESCRIPTIVE STATISTICS AND INTER-TRAIT CORREALTIONS FOR ESSAY 3

Variable	N	Reliability	AVE	Mean	s.d.	1	2	3	4	5
Franchisor-level										
1. Standardization	29	.78	.61	6.17	.70	—				
2. Innovation	29	.89	.83	5.88	.96	.53**	—			
3. Communication	29	.93	.90	5.52	.84	.43*	.42**	—		
Franchisee-level										
1. Satisfaction	210	.93	.90	5.35	1.39	—				
2. Commitment	210	.81	.71	5.06	1.33	.49**	—			
3. WOM Intention	210	.85	.79	4.53	1.31	.72**	.62**	—		
4. Purchasing Intention	210	—	—	4.88	1.61	.70**	.31**	.47*	—	
5. Internal Reputation	210	.93	.90	5.63	1.02	.42**	.19**	.37**	.17*	—
Consumer-level										
1. Satisfaction	925	.95	.93	5.57	1.25	—				
2. Commitment	925	.82	.73	4.06	1.19	.65**	—			
3. WOM Intention	925	.94	.93	5.29	1.48	.51**	.66**	—		
4. Purchasing Intention	925	—	—	4.41	1.34	.61**	.68**	.63**	—	
5. External Reputation	925	.81	.68	5.37	1.09	.61**	.62**	.50**	.60**	—

* $p < .05$; ** $p < .01$ (two-tailed tests)

Innovativeness was modified to tap into firms' orientation and willingness to accept innovative ideas from franchisees (α = .85, AVE = .83).

Communication. Communication was measured by employing the Interorganizational Communication scale from Anderson and Weitz (1992). Since the interest of this study is firms' strategies on Communication with their franchisees not their end consumers, this five-item scale of Communication seemed most appropriate (α = .71, AVE = .90).

Internal Reputation. Franchisees' perspectives on FR of firms were measured by employing a five-item internal reputation scale adapted and modified from Wang et al., 2006 and Fombrun, Gardberg, and Sever 2000. Since the available firm reputation scales did not adequately capture the nature of firms' internal reputations in the business market, the scale was modified. For example, the original item of "customers' overall perceptions of total experience in the firm are rather good" was modified to "my overall perceptions of total experience with this franchise system are very good." The coefficient alpha was .93 and the variance extracted was estimated as .90.

External Reputation. Consumers' perspectives on firms' reputation in the marketplace were measured by employing a five-item external reputation scale (Fombrun, Gardberg, and Sever 2000; Wang et al., 2006; α = .81, AVE = .68) that was also adapted and modified. One scale item had to be dropped due to its low factor loading on the construct. Even though internal reputation measures and external reputation measures are extracted from firm reputation literature, the scales were carefully modified to tap into FR in two different markets.

Relational Performance. Four different relational consequences of FR were used as dependent variables: (a) Satisfaction, (b) Commitment, (c) WOM Intention, and (d) Purchasing Intention.

***Satisfaction*.** Both franchisees and consumers evaluated their satisfaction with their firms and brands. The four item scale of satisfaction ($\alpha_{\text{franchisees}}$ = .93, AVE $_{\text{franchisees}}$ = .90; $\alpha_{\text{consumers}}$ = .95, AVE $_{\text{consumers}}$ = .94) adapted from Crosby, Evans, and Cowles (1990) and Ganesan (1994). One of four items in the satisfaction construct was dropped in order to meet the minimum requirement for reliability at both levels. Each scale item was modified to fit the context of the survey participants.

Commitment. Commitment measures were again adapted from Chaudhuri and Holbrook (2002), Crosby, Evans, and Cowles (1990) and Ganesan (1994). Three out of the six-item scale were converted into the Commitment construct ($\alpha_{\text{franchisees}}$ = .81, AVE $_{\text{franchisees}}$ = .71; $\alpha_{\text{consumers}}$ = .82, AVE $_{\text{consumers}}$ = .73). Three identical scale items from each franchisee and consumer level were dropped to meet the minimum requirements for reliability.

***WOM Intention*.** Four WOM Intention measures were adapted from File, Judd, and Prince (1992). Three items of the scale were converted into a WOM Intention construct for both the franchisee and consumer-level dataset ($\alpha_{\text{franchisees}}$ = .85, AVE $_{\text{franchisees}}$ = .79; $\alpha_{\text{consumers}}$ = .94, AVE $_{\text{consumers}}$ = .93). The fourth item had to be dropped to ensure adequate psychometric property of these measures.

***Purchasing Intention*.** A manifest scale from Hellier et al. (2003) was adapted to measure Purchasing Intention (Mean $_{\text{franchisees}}$ = 4.88; Mean $_{\text{consumers}}$ = 4.41).

ANALYTICAL APPROACH

How the franchisors' key strategies of Standardization, Innovativeness, and Communication and stakeholders' perceptions on FR interact and derive four different relational performance consequences of Satisfaction, Commitment, WOM Intention, and Purchasing Intention was integrated from the perspectives of two key stakeholder groups (i.e., franchisees and consumers). Since the individual-level stakeholders' perspectives are nested within firms, the hierarchical linear modeling (HLM) full maximum likelihood was used to estimate the models using Stata 11. (e.g., Hirst et al., 2011; Lam, Kraus, and Ahearne 2010; Palmatier 2008). Several researchers in the franchise context have employed the HLM method reflecting the uniquely nested structure in franchisor-franchisee relationships (e.g., Akremi, Mignonac, and Perrigot 2010; Liao and Chuang 2004). Compared to the classical method of using the ordinary least squares (OLS) regression, the HLM regression can correct for standard errors that are correlated within a firm among its franchisees and its consumers. Even though the coefficient betas that are estimated using OLS and HLM are very similar, the HLM technique attends to the sources of errors more rigorously than OLS by considering the clustering of data within groups (Raudenbush and Bryk 2002), thereby leading to more refined hypothesis testing. The initial model only included the four main effects and did not include the three interaction effects between FR and franchisors' strategies (Appendix K). The initial model and the final model that include both the four main effects and the three interaction effects were subsequently compared. The chi-square difference test was carried out compare the results of the two models and evaluate the improvement of fit. The final model and the results of the franchisee-level study and the consumer-level study are presented in Table 3-2 and Table 3-3, respectively. The random effects were included and estimated in the models but are not reported to simplify the presentation in Table 3-2 and Table 3-3.

In the franchisee-level study, the final model (*See* Appendix K) includes three hypothesized interactions using the main effects of firm (three firm strategy variables) and franchisee (Internal Reputation) level variables and random slope effects as the initial model. The proportion of variance explained ranges from 5% to 32% of the variance in the four relational consequences of franchisees (Table 3-2). Having four main effects and three interaction terms in the model significantly improves model fit, and all the changes of fit indices from the initial model are significant. In the consumer-level study (Table 3-3), the final model include three hypothesized interactions using the main effects of firm (three firm strategy variables) and consumer (External Reputation) level variables and random slope effects as the initial model. The proportion of variance explained ranges from 13% to 26% of the variance in the four relational consequences (see Table 3-3). Once again, compared to the fit indices from the initial model, the final model that includes four main effects and three interactions significantly improves model fit.

HLM Results

The Relationship between Firm Reputation and Its Consequences. Hypotheses 1 and 2 test the relationship between firm reputation and its consequences from the perspectives of two different stakeholder groups. In the franchisee - level study, H1 predicted that Internal Reputation is positively associated with perceptions of the four relational consequences associated with their franchisees. Internal Reputation indeed has

TABLE 3-2
HLM RESULTS FOR THE STRAETGY, REPUTATION, AND PERFORMANCE LINAKGES
FROM FRANCHISEES' PERSPECTIVES

Variable	(a) Satisfaction			(b) Commitment			(c) WOM Intention			(d) Purchasing Intention			Hypotheses
Intercept	1.85	*	(.38)	2.51	*	(1.17)	4.64	*	(1.71)	3.72	*	(.92)	
Simple Effects													
Internal Reputation	.49	**	(.08)	.25	*	(.11)	.47	*	(.11)	.29	*	(.06)	H_1
Standardization	-.16	**	(.06)	-.36	*	(.19)	-.53		(.38)	-.28	*	(.13)	H_3
Innovativeness	.24	**	(.15)	.07		(.13)	-.21		(.17)	.03		(.11)	H_5
Communication	.07		(.13)	-.21		(.14)	.76	*	(.44)	-.04		(.12)	H_7
Interaction Effect													
Standardization x Internal Reputation	.18	**	(.04)	.10	*	(.03)	.13		(.11)	.19	**	(.02)	H_9
Innovativeness x Internal Reputation	-.28	**	(.05)	.01		(.02)	.07		(.12)	-.01		(.01)	H_{10}
Communication x Internal Reputation	.03		(.02)	-.01		(.01)	.13	*	(.07)	.04	**	(.01)	H_{11}
Proportion of variance explained	.32			.07			.13			.05			
-2 Log likelihood	299.29			317.49			319.69			273.58			
Change in fit index	31.21** (d.f. =3)			13.01** (d.f. =3)			25.48** (d.f. =3)			18.38** (d.f. =3)			

* p < .05, ** p < .01 (two-tailed tests)

TABLE 3-3
HLM RESULTS FOR THE STRAETGY, REPUTATION, AND PERFORMANCE LINAKGES FROM CONSUMERS' PERSPECTIVES

Variable	(a) Satisfaction			(b) Commitment			(c) WOM Intention			(d) Purchasing Intention			Hypotheses
Intercept	6.47	**	(1.36)	2.51	*	(1.53)	1.46	*	(.77)	6.62	*	(2.36)	
Simple Effects													
External reputation	.17	**	(.13)	.47	*	(.30)	.29	**	(.11)	.27	*	(.13)	H_2
Standardization	. 56	**	(.21)	.36	*	(.21)	.16	*	(.09)	.16	*	(.09)	H_4
Innovativeness	.07		(.08)	.07		(.12)	- .03		(.08)	.28		(.21)	H_6
Communication	.89	**	(.21)	- .21		(.15)	.28	**	(.12)	.67	*	(.31)	H_8
Interaction Effect													
Standardization x External Reputation	- .07	*	(.03)	- .11	*	(.05)	.08	**	(.01)	.09	*	(.05)	H_{12}
Innovativeness x External Reputation	.02		(.02)	.01		(.02)	.02	*	(.01)	.06	*	(.04)	H_{13}
Communication x External Reputation	.15	**	(.04)	- .01		(.02)	- .01		(.01)	.13	*	(.06)	H_{14}
Proportion of variance explained	.15			.26			.13			.20			
-2 Log likelihood	931.87			1106.35			1131.05			1157.06			
Change in fit index	9.71* (d.f. =3)			8.28* (d.f. =3)			23.44** (d.f. =3)			14.38** (d.f. =3)			

* p < .05, ** p < .01 (two-tailed tests)

a significantly positive relationship with all four consequences: (a) Satisfaction $(H1a: \hat{\gamma} = .49, p < .01)$, (b) Commitment $(H1b: \hat{\gamma} = .25, p < .05)$, (c) WOM Intention $(H1c: \hat{\gamma} = .47, p < .05)$, and (d) Purchasing Intention $(H1d: \hat{\gamma} = .29, p < .05)$ (Table 3-2). Hence, H1a, H1b, H1c, and H1d are accepted. These findings show that franchisees' perceptions of firm reputation are important intangible firm assets in establishing firm-franchisee relationships in the long run, and are likely to significantly boost franchisees' engagement with their franchisors in a proactive manner.

In the consumer-level study, H2 predicted that External Reputation is positively associated with perceptions of the four relational consequences toward the franchisor they patronize. External Reputation has a significantly positive relationship with all four consequences: (a) Satisfaction $(H2a: \hat{\gamma} = .17, p < .01)$, (b) Commitment $(H2b: \hat{\gamma} = .47, p < .05)$, (c) WOM Intention $(H2c: \hat{\gamma} = .29, p < .01)$, and (d) Purchasing Intention $(H2d: \hat{\gamma} = .27, p < .05)$ (*See* Table 3-3). Hence, H2a, H2b, H2c, and H2d are also supported. Like franchisees' perceptions on Internal Reputation of their franchise systems, consumers' assessments on firms' External Reputation determine consumers' willingness to establish firm-consumer relationships. If a firm wants to retain its existing consumers and hopes to develop a long-term relationship with them, then having a strong external reputation in the marketplace seems to help. In sum, firms with strong reputations have a better chance of satisfying their key stakeholders than firms with weak reputations. When a firm has a good reputation in stakeholders' minds, stakeholders are more likely to be committed to the firm, more willing to spread positive word-of-mouth to other stakeholders about the firm, and more likely to retain their transactional relationships with the firm.

The Relationship between Firm Strategies and Consequences. The relationships between the three key firm strategies in franchise systems: Standardization (H3 and H4), Innovativeness (H5 and H6), and Communication (H7 and H8), and the four consequences of firm reputation are also tested by HLM. Three firm strategies are included in the model as firm-level variables. In the franchisee-level study (Table 3-2), both the H3 and H5 predicted a negative relationship between Standardization and Innovativeness and the four consequence variables, while H7 proposed a positive relationship between Communication and consequences. First, three out of the four consequences associated with H3 are supported. Standardization is significantly and negatively related to franchisees' Satisfaction ($H3a$: $\hat{\gamma} = -.16, p < .01$), Commitment ($H3b$: $\hat{\gamma} = -.36,\ p < .05$), and Purchasing Intention ($H3d$: $\hat{\gamma} = -.28, p < .05$); however, the relationship between Standardization and WOM Intention of franchisees is not found to be significant ($H3c$:: $\hat{\gamma} = -.53,\ n.s.$). Second, none of four effects associated with H5 were supported. Even though the relationship between Innovativeness and franchisees' Satisfaction was statistically significant, the direction was opposite from the prediction ($H5a$: $\hat{\gamma} = .24, p < .01$). The associations between Innovativeness and the three other consequence variables were not significant. Lastly, among the Communication strategy's effects only the WOM Intention of franchisees (H7c) is supported. Firms' willingness to communicate effectively with their franchisees was found to be positively associated with franchisees' WOM Intention ($H7c$: $\hat{\gamma} = .76, p < .01$).

The consumer-level study (Table 3-3) proposed that all three firm strategies (i.e., Standardization (H4), Innovativeness (H6), and Communication (H8)) are positively related to four consequence variables. First, Standardization (H4) is positively and significantly related with all four relational consequences. Standardization is positively related to consumers' Satisfaction ($H4a: \hat{\gamma} = .56,\ p < .01$.), Commitment ($H4b: \hat{\gamma} = .36, p < .05$), WOM Intention ($H4c: \hat{\gamma} = .16, p < .05$) and Purchasing Intention ($H4d: \hat{\gamma} = .16, p < .05$). Second, the relationships between Innovativeness and consumers' relational sentiments toward firms (H6) were not found to be significant. Finally, three out of the four consequences for Communication (H8) were supported, excluding the relationship between Communication and consumers' Commitment ($H8b$: $\hat{\gamma} = -.21, n.s.$). The effective communication strategy between a firm and its franchisees is positively associated with consumers' Satisfaction ($H8a$: $\hat{\gamma} = .89,\ p < .01$), WOM Intention ($H8c: \hat{\gamma} = .28, p < .01$), and Purchasing Intention ($H8d: \hat{\gamma} = .67, p < .05$).

In sum, four hypotheses (H3a, H3b, H3d, and H7c) are supported in the franchisee-level study, while seven hypotheses (H4a, H4b, H4c, H4d, H8a, H8c, and H8d) are supported in the consumer-level study (see Table 3-4). Even though Standardization reduces franchisees' Satisfaction, Commitment, and Purchasing Intention, it enhances consumers' Satisfaction, Commitment, WOM Intention, and Purchasing Intention. The influence would appear to be that "Business-format" franchise systems should standardize their processes to maintain the quality of goods and services in order to gain consumer patronage. However, franchisees continue to be dissatisfied by the standardized processes. Apparently, franchisees view standardization of systems to

TABLE 3-4
SUMMARY OF EMPIRICAL FINDINGS

		Hypotheses	Predicted Direction	Result
		Franchisee Hypotheses		
H1	a	Internal FR → Satisfaction	+	Supported
	b	Internal FR → Commitment	+	Supported
	c	Internal FR → WOM Intention	+	Supported
	d	Internal FR → Purchasing Intention	+	Supported
H3	a	Standardization → Satisfaction	−	Supported
	b	Standardization → Commitment	−	Supported
	c	Standardization → WOM Intention	−	*Rejected*
	d	Standardization → Purchasing Intention	−	Supported
H5	a	Innovativeness → Satisfaction	−	*Rejected*
	b	Innovativeness → Commitment	−	*Rejected*
	c	Innovativeness → WOM Intention	−	*Rejected*
	d	Innovativeness → Purchasing Intention	−	*Rejected*
H7	a	Communication → Satisfaction	+	*Rejected*
	b	Communication → Commitment	+	*Rejected*
	c	Communication → WOM Intention	+	Supported
	d	Communication → Purchasing Intention	+	*Rejected*
H9	a	Internal FR x Standardization → Satisfaction	+	Supported
	b	Internal FR x Standardization → Commitment	+	Supported
	c	Internal FR x Standardization → WOM Intention	+	*Rejected*
	d	Internal FR x Standardization → Purchasing Intention	+	Supported
H10	a	Internal FR x Standardization → Satisfaction	+	*Rejected*
	b	Internal FR x Standardization → Commitment	+	*Rejected*
	c	Internal FR x Standardization → WOM Intention	+	*Rejected*
	d	Internal FR x Standardization → Purchasing Intention	+	*Rejected*
H11	a	Internal FR x Innovativeness → Satisfaction	+	*Rejected*
	b	Internal FR x Innovativeness → Commitment	+	*Rejected*
	c	Internal FR x Innovativeness → WOM Intention	+	Supported
	d	Internal FR x Innovativeness → Purchasing Intention	+	Supported

TABLE 3-4 (CONTINUED)
SUMMARY OF EMPIRICAL FINDINGS

Hypotheses			Predicted Direction	Result
		Consumer Hypotheses		
H2	a	External FR → Satisfaction	+	Supported
	b	External FR → Commitment	+	Supported
	c	External FR → WOM Intention	+	Supported
	d	External FR → Purchasing Intention	+	Supported
H4	a	Standardization → Satisfaction	+	Supported
	b	Standardization → Commitment	+	Supported
	c	Standardization → WOM Intention	+	Supported
	d	Standardization → Purchasing Intention	+	Supported
H6	a	Innovativeness → Satisfaction	+	*Rejected*
	b	Innovativeness → Commitment	+	*Rejected*
	c	Innovativeness → WOM Intention	+	*Rejected*
	d	Innovativeness → Purchasing Intention	+	*Rejected*
H8	a	Communication → Satisfaction	+	Supported
	b	Communication → Commitment	+	*Rejected*
	c	Communication → WOM Intention	+	Supported
	d	Communication → Purchasing Intention	+	Supported
H12	a	External FR x Standardization → Satisfaction	+	*Rejected*
	b	External FR x Standardization → Commitment	+	*Rejected*
	c	External FR x Standardization → WOM Intention	+	Supported
	d	External FR x Standardization → Purchasing Intention	+	Supported
H13	a	External FR x Standardization → Satisfaction	+	*Rejected*
	b	External FR x Standardization → Commitment	+	*Rejected*
	c	External FR x Standardization → WOM Intention	+	Supported
	d	External FR x Standardization → Purchasing Intention	+	Supported
H14	a	External FR x Innovativeness → Satisfaction	+	Supported
	b	External FR x Innovativeness → Commitment	+	*Rejected*
	c	External FR x Innovativeness → WOM Intention	+	*Rejected*
	d	External FR x Innovativeness → Purchasing Intention	+	Supported

be there to monitor franchisees' operations in the marketplace, and seem to feel that their autonomy and entrepreneurial desires are stifled by such a firm strategy. Firms' Innovativeness is positively associated to franchisees' Satisfaction, even though consumers' relational sentiments to firms are not influenced by Innovativeness. Franchisees' suggestions and contributions have to be integrated by their franchisors. Thus, franchisees are more likely to be satisfied with firms when firms are more accepting of franchisees' innovations in their franchise systems. However, firm-consumer relationships are not influenced by firms' Innovativeness. Firms' strategy on Communication with their franchisees is significantly related to franchisees' WOM Intention. Communication strategy also strengthens firms' relational sentiments regarding consumers' Satisfaction, WOM Intention, and Purchasing Intention. When firms proactively communicate with their downstream channel members like franchisees, their endeavors of communication with the franchisee group seem to influence the value positioning in consumers' minds as well.

Interaction Effects of FR in the Relationship between Firm Strategies and Consequences. The interaction effects of FR and the three key firm strategies in franchise systems: Standardization (H9 and H12), Innovativeness (H10 and H13), and Communication (H11 and H14), and four consequences of firm reputation were also tested by HLM. In particular, the franchisee-level study (Table 3-2) proposes that interaction effects between firm strategies (i.e., Standardization (H9), Innovativeness (H10), and Communication (H11)) and Internal Reputation will significantly influence the four consequence variables. First, three interaction effects between Standardization and Internal Reputation (H9) were supported: (1) the interaction effect on Satisfaction

($H9a$: $\hat{\gamma} = .18, p < .01$), (2) the interaction effect on Commitment ($H9b$: $\hat{\gamma} = .10, p < .05$), and (3) the interaction effect on Purchasing Intention ($H9d$: $\hat{\gamma} = .19, p < .01$); however, the interaction effect of Standardization and Internal Reputation does not appear to exert an influence on franchisees' WOM Intentions ($H9c$: $\hat{\gamma} = .13,\ n.s.$). The stronger the Internal Reputation, the stronger becomes the negative impact of Standardization on franchisees' Satisfaction, Commitment, and Purchasing Intention. Second, H10 was not supported. Even though the interaction effect between Innovativeness and Internal Reputation on franchisees' Satisfaction was statistically significant, the direction was opposite from that proposed ($H10a$:: $\hat{\gamma} = -.28, p < .01$). It appears that the stronger the Internal Reputation, the weaker is the positive impact of Innovativeness on franchisees' Satisfaction. There were no significant interaction effects of Innovativeness and Internal Reputation on three other consequence variables. Third, two out of four hypothesized interaction effects of Communication and Internal Reputation (H11) were supported. As Internal Reputation enhances, so too does the impact of Communication on franchisees' WOM Intention ($H11c$: $\hat{\gamma} = .13, p < .05$) and Purchasing Intention ($H11d$: $\hat{\gamma} = .04, p < .01$). The interaction effects of Communication and Internal Reputation on Purchasing Intention (H11d) is found to be significant while the main effect of Communication did not have any significant influence on Purchasing Intention (H7d). But the interaction effects of Communication and Internal Reputation do not have a significant influence on franchisees' Satisfaction or Commitment.

Like the franchisee-level study, the interaction effects between three firm strategies (i.e., Standardization (H12), Innovativeness (H13), and Communication (H14)) and External Reputation were proposed for the consumer-level study. The findings are as follows (Table 3-3). First, two interaction terms of Standardization and External Reputation (H12) were supported, and this result shows that the impact of Standardization on WOM Intention ($H12c$: $\hat{\gamma} = .08, p < .01$) and Purchasing Intention ($H12d$: $\hat{\gamma} = .09, p < .05$) are enhanced as External Reputation rises. However, contrary to a prior expectation, the interaction effect between Standardization and External Reputation has a negatively significant impact on consumers' Satisfaction ($H12a$: $\hat{\gamma} = -.07$, $p < .05$) and Commitment ($H12b$: $\hat{\gamma} = -.11, p < .05$). As consumers' perceptions on External Reputation rise, the strength of the positive influence of Standardization on Satisfaction and Commitment seems to decline. These are surprising effects since the positive influence of Standardization on Satisfaction and Commitment decreases when franchise systems have strong reputation. Second, the stronger the External Reputation, the stronger is the impact of Innovativeness of firms on Word-of Mouth Intention of consumers ($H13c$: $\hat{\gamma} = .02, p < .05$) and Purchasing Intention ($H13d$: $\hat{\gamma} = .06, p < .05$). There were no significant interaction effects between Innovativeness and the two other consequence variables of Satisfaction and Commitment. Lastly, two out of the four interaction effects of Communication and External Reputation (H14) were supported. As External Reputation with consumers grows, the impacts of Communication on Satisfaction ($H14a$: $\hat{\gamma} = .15$, $p < .01$) and Purchasing Intention ($H14d$: $\hat{\gamma} = .13$, $p < .05$) become stronger. But, the interaction effects between Communication and External Reputation on consumers' Commitment and WOM Intention are not found to be significant.

In sum, five interaction effects (H9a, H9b, H9d, H11c, and H11d) are supported in the franchisee-level study (Table 3-2), while six interaction effects (H12c, H12d, H13c, H13d, H14a, and H14d) are supported in the consumer-level study (Table 3-3). In general, the stronger FR among both stakeholder groups, the stronger the impact of Standardization on stakeholders' relational sentiments, but the weaker the impact of Standardization on consumers' Satisfaction (H12a) and Commitment (H12b). Even though none of the proposed main effects between Innovativeness and firm performance in consumers' perspectives were supported (H6), the result shows that the impact of Innovativeness on WOM Intention (H13c) and Purchasing Intention (H13d) increases if Internal Reputation increases. Consumers' intentions to "spread the word" out to other stakeholders is more likely to be influenced by Innovativeness of franchise systems as consumers' assessment of firm reputation becomes stronger. As franchisees' judgment of Internal Reputation increase, the influence of the Communication strategies of firms increases franchisees' WOM Intention (H11c) and Purchasing Intention (H11d) toward their focal firm. Firms' communication strategy toward their franchisees has a greater impact on consumers' Satisfaction (H14a) and Purchasing Intention (H14d) when consumers rate the external reputation of franchisors strongly.

CONCLUSIONS

This study seeks to broaden our understanding of the roles of firm strategies and firm reputation in firm-stakeholder relationships. I have developed the linkages among firm strategies, firm reputation, and firm performance by integrating both agency theory and stakeholder theory. In this study, firms' strategies with their marketing channels are linked to the development of exchange relationships with their franchisees as well as the end consumers. In essence, then, the study sheds light on how firms can optimize their reputations with two distinct stakeholder groups through strategies focused on just stakeholder group.

Theoretical Implications.

In this study, the impact of firm strategies in marketing channel management has been hypothesized to influence firms' exchange relationships with multiple stakeholder groups. Freeman (1984, p.101) developed a typology to answer "what does a firm stand for," and within the typology, the five different firm-level strategies discussed were the following: (1) specific stakeholder strategy, (2) stockholder strategy, (3) utilitarian strategy, (4) Rawlsian strategy, and (5) social harmony strategy.[35] Based on the Freeman typology (1984), previous studies have emphasized "stockholder strategy" by focusing on optimizing returns to stockholders (more broadly, the market value of the firm) (Clarkson 1995; Hillman and Keim 2001; McWilliams and Siegel 2001). Even though previous literature on stakeholder-oriented strategic approaches has discussed various firms' social performance, the consequences of firms' strategic orientation were generally related to just financial performance (Berman et al., 1999; Orlitzky, Schmidt, and Rynes 2003). In marketing literature, "specific stakeholder strategy" has often been discussed to understand optimizing the returns to a small set of stakeholders like consumers (Luo and Bhattacharya 2006; Maignan and Ferrell 2004).

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[35] Freeman developed a typology of five generic enterprise level strategies which can be seen as achieving "fit" among stakeholders, values, and social issues. First, *specific stakeholder strategy* refers to the actions of the firm that maximize benefits to one or a small set of stakeholders. Second, the essence of *stockholder strategy* is to maximize benefits to stockholders (broadly financial stakeholders). Third, *utilitarian strategy* refers to firms' actions that try to improve benefits for a greater number of stakeholders and potentially raise the general welfare of society. Forth, *Rawlsian strategy* refers to firms' strategy to raise the level of the least well-off stakeholder and promote equal opportunity to all stakeholders. Finally, *social harmony strategy* refers to firms' actions to gain consensus from society, and the principles of social harmony comes from values of communitarianism (Freeman, 1984, p.101-110).

However, the findings of this study involve a discussion of stakeholder management from using the "stockholder strategy" and the "specific stakeholder strategy" to using the "utilitarian strategy," or a hybrid form of strategies. According to Freeman (1984), the "utilitarian strategy" states that the existence of firms is to create value to a wide range of various stakeholder groups. This study examined how firm strategies specific to marketing channel members, like franchisees, affect firms' exchange relationships with franchisees and consumers. The investigation of a wide range of effects on various stakeholders using the "utilitarian strategy" is more realistic and robust from a theoretical standpoint. For instance, the notion that firms' communication strategy toward their franchisees may influence firms' relationship with their end consumers is supported by the results, as opposed to the influence of communication merely directly targeted to a stakeholder group. Moreover, issues like standardization in franchise systems can be an important consideration for various stakeholder groups (e.g., Government, suppliers, or consumer interest groups). From franchisors' perspective, the establishment of standardized procedures in their franchise systems is closely related to their performance in the marketplace. Even though franchisees may feel standardized procedures forced upon them by firms violate their sense of autonomy, standardization helps consumers form the initial referential points for their expectations. Standardization in franchise systems also influences regulators to monitor work standards in the labor market (e.g., the U.S. Department of Labor and the U.S. Small Business Administration) and qualities of products and services that are acceptable for the regulations (e.g., the U.S. Consumer Product Safety Commission and the U.S. Food Safety and Inspection

Service). Franchisors effectively reduce the amounts of resources that Government has to expend to regulate individual business owners in the marketplace.

By examining the agency and stakeholder theories of the firm, this study attempts to construct a paradigm that explains the marketing channel and branding strategies of a firm. Proposed hypotheses suggest how firms can manage their reputation by balancing the interests of various stakeholder groups. As an implication for both theory and business practice, the integration of agency and stakeholder theories suggests that firms can prioritize the importance of key stakeholders' interest to their organizations. Firms can develop long-term strategies and daily operational strategies to avoid conflict between objectives and interests from different stakeholder groups. The interaction results revealed in this study clearly show that it does not make sense to deal with individual stakeholder groups in isolation.

Since the interests of each stakeholder group vary, developing consistent strategies that are tailored to the interests of each stakeholder group is difficult (Scott and Lane 2000). Even with strategies developed through stakeholder analysis, the practical implementation of these strategies in the marketplace may be nearly impossible to implement. Managers may be able to cluster the trade-off values among different stakeholder groups. Firms can analyze how strategies directed at a specific stakeholder group may influence other stakeholder groups that share similar interests. Or if firms' strategies regarding a specific stakeholder group are in conflict with interests of another stakeholder group, then firms need to attempt to develop a strategy that balances the welfare of both stakeholder groups in an equitable fashion. It is possible that creditors and institutional investors want firms to minimize costs and long-term investments but firms' investments in franchise systems benefit suppliers and franchisees. Thus, this study furthers the relevance and implications of stakeholder theory to broader topics in strategic management.

Managerial Implications

Firm reputation is a key driver to firms' relationships with both franchisees and consumers. In addition, firm reputation plays an important role as a moderator for firm strategy and relational consequences with stakeholders. When a firm intends to tailor positioning strategies differently for each stakeholder group, it may choose to delineate the market approach suitable for the interests of each stakeholder group involved. But then its reputation may be jeopardized in the long run. When firms employ strategies for a specific stakeholder group, it is important for firms to derive their strategies based on a coherent and cohesive view by considering all stakeholders involved. It may then prove easier for firms to find a way to explain the legitimate reasons for firms' actions in the marketplace, even though individual stakeholder groups may view a particular firm's actions with mixed feelings.

Firms' standardization strategies have different directional impacts for franchisees and consumers. *Franchisees* are not as favorable toward firms' standardization strategies and the franchisees' satisfaction, commitment, and purchasing intentions are negatively related to standardization. The general rule in franchise contracts provides franchisors the right of complete or substantial control over their franchisees under the premise that they are businesses started by the franchisors who then recruited franchisees for business expansion. Franchisors often set qualifications for the franchisees' employees and the standards for their demeanor. For example, the pizza chain, Domino's has specific employment hiring requirements for all pizza delivery employees throughout its franchise system. Specifically, Domino's has standards that are focused on employees' personal hygiene, which address facial and dyed hair, jewelry, tattoos, fingernails, nail polish, body piercing, and clothing. Domino's enforcement of these standards can even lead to the termination of its franchise contracts with franchisees that violate such standards. As a result, Domino's franchisees are likely to experience frustration through the substantial controls placed upon them by their franchisor because of the implementation of such standards.

However, standardization positively influences *consumers'* satisfaction, commitment, WOM intention, and purchasing intentions. Standardization is a critical matter for (franchising) firms. Standardization allows firms to reduce monitoring costs and deliver quality-assured products and services throughout their franchise systems. It is understandable from a firm perspective as to why franchisees may not favor standardization. However, firms need to explain the unrealized benefits that franchisees will receive in the long run. When firms present the legitimate reasons why certain strategies have to be employed through effective communication, franchisees may be better able to accept the chosen actions of firms.

Moreover, the above associations become stronger as firm reputation increases. Contrary to our expectation, the interaction effects between standardization and firm reputation are found to be significantly positive for *franchisees'* satisfaction, commitment, and purchasing intention. Similar patterns of positive interaction effects are found for *consumers*' WOM intention and purchasing intention. However, the negative interaction effects of standardization and external firm reputation are found for *consumers*' satisfaction and commitment. It is possible that consumers' expectations for purchasing standard products and services from reputable firms are high. It is much more difficult for reputable franchisors to enhance consumers' satisfaction and commitment through their standardization strategy compared to franchise systems with low reputation. At the same time, consumers are more likely to have a favorable view and repeatedly visit reputable franchisors that deliver uniform products and services to them. These findings also show that utilizing standardization strategy is critical, but more challenging for reputable franchisors. Having a strong reputation in the marketplace helps franchisors to utilize their standardization strategy more effectively, since firm reputation is one of the sources of franchisors' power.

The Innovativeness of franchisors positively influences franchisees' satisfaction. Franchisees may feel that the innovativeness of franchisors supports their operations since franchisees are likely to be more innovative while they search for their own answers through their experiments in franchised units. However, this association between innovativeness and franchisees' satisfaction decreases as internal firm reputation increases. Firms' innovativeness is more useful for franchisors with low internal reputation. In this study, using Hurley and Hult (1998)'s scales, innovativeness strategy is measured by the acceptability and openness of franchisors toward innovative ideas in the franchise system. Innovativeness strategy of each franchise system can be expected to be different and may even change over time. For example, McDonalds' previously had a high level of innovativeness and many of its popular menu items were developed by franchisees' innovative ideas. However, McDonalds' later changed its innovativeness strategy since it found it more efficient to conduct firm-level in-house innovation rather than accepting, testing, and launching franchisees' innovation ideas in their operating units. This reversal may have been caused by the size of the franchise system or the re-structuring of governance. It is well accepted that vertically integrated governance allows a firm to be more efficiently reflected in the marketplace than in a hybrid system like the franchising structure. However, Domino's pizza continues to have a high level of innovativeness towards the acceptance of franchisees' innovative ideas. Since testing the new pizza dishes and promoting the new menu in all operating units does not seem too costly for the franchisor to roll out, relatively speaking, Domino's pizza can presumably still keep its strategy for innovativeness.

Also, the kinds of innovation acceptable/desirable for each stakeholder group may be different. From a consumer perspective, "product" attributes of innovation are likely to be considered to be the most important, while the "operationally efficient" attributes of innovation are expected to be considered more important for the franchisees. Thus, the different aspects of innovation may have different impacts from the perspectives of different stakeholder groups.

Firms' communication strategies positively influence their relationships with franchisees' WOM intentions. Franchisees believe their firms are reliable when the firms are willing to hear franchisees' opinions and issues. Franchisees sense that they have a shared mutual understanding of their business and are more willing to talk about their system when firms communicate effectively. The results show that when firms employ adequate communication strategies with their franchisees, those franchisees are more willing to spread WOM about their positive experiences with their franchise systems. Firms' communication strategies with their channel members also exhibit statistically significant impacts on consumers' satisfaction, WOM intention and purchasing intention. This clearly demonstrates that firms' channel relations influence firms' relationship with other stakeholder groups as well. A firm that has the ability and the willingness to communicate with one stakeholder group can reach a separate stakeholder group by utilizing this ability conscientiously. The magnitude of the impact between communication and firm performance with consumers (that is, consumer satisfaction and purchasing intentions) increases as firm reputation increases.

Limitations and Further Research

Despite some notable findings, this empirical study has some limitations that raise opportunities for future research. First, unidimensional FR measures are adopted in this study to compare the overall FR from the perspectives of two different stakeholder groups (i.e., franchisees and consumers). By employing multi-dimensional FR measures, our understanding on why firm strategies have different impacts on different stakeholder groups can be advanced. It would be valuable to measure FR with multiple dimensions from various stakeholders and to examine which dimensions of FR are considered the most important (e.g., Fraj-Andres, Marinez-Salinas, and Matute-Vallejo 2009). In particular, we may understand why the interaction between standardization and external reputation has positive effects on satisfaction and commitment while the interaction has negative effects on WOM Intention and purchasing Intention.

Second, there is a possible sample selection bias associated with any typical multilevel approach to analysis. A larger sample study at the franchisor and franchisee level may have helped find more significant effects in this study, and a potential explanation for a lack of support on proposed hypotheses has to do with the relatively small sample sizes. Since there are only 29 different franchisors and about seven franchisees representing each franchise system, the sample that is used in this study may not represent the characteristics of franchisees in large franchise systems. In particular, as revealed during phone interviews, different franchisees even within the same franchise system had different attitudes and expectations from their franchisors. These differences may be related to franchisees' differential expectations and motivations as to why they joined their franchise systems. Some viewed joining the franchise system as an easy investment, some perceived their relationship with the franchisor as a partnership, and yet others complained about being abused by their franchisors with asymmetric power and unfair contracts. Thus, an expanded sample size may provide different findings on the linkages among firm strategies, firm reputation, and firm performance.

Moreover, discriminant validity of channel strategies could not be tested due to the small franchisor sample of only 29. For instance, regarding the standardization strategy, it is difficult to see how franchisors would monitor their franchisees without use of effective communication. Intuitively, effective communication can be expected to help franchisors execute standardization in franchise systems. In short, the independence of each construct for the franchisor-level variables could not be clearly verified in the study given the small sample size.

Fourth, although this study avoided potential common method biases by collecting data from two different sources in each model (e.g., the firm and franchisee datasets were employed for the franchisee-model), the direct measures of how stakeholders evaluate standardization, innovativeness, and communication is not contained in the model. The possibility of a gap between firms' assessment of their channel strategies in their franchise systems and stakeholders' assessment on firms' strategies in the marketplace cannot be ruled out. Future studies may benefit from a direct measure of firms' standardization, innovativeness, and communication strategies from various stakeholder groups of franchise systems and compare them with the self-assessments of firms presented here.

Despite these limitations, the findings contribute to the understanding of stakeholder management. Franchisees are unique to franchise systems, and they are a special stakeholder group that can be examined from various perspectives. Franchisees can be considered as an investor that brings capital resources to their franchisors, as an employee that brings labor resources in franchise systems, as a marketing channel member in value delivery systems, and as a consumer in the B2B market. It is valuable to discuss how franchisees are different from other stakeholder groups, how firms' strategies for their franchisees influence the perceptions of other stakeholder groups, and how firms' strategies for other stakeholder groups may influence the perceptions of their franchisees. Future research should replicate this study by comparing franchisees with other stakeholder groups, such as capital investors (e.g., stockholders or institutional owners), employees, and downstream channel members of the multi-channel structures. This expanded stakeholder analysis should further our understanding of stakeholder management in the franchise context.

Furthermore, future studies should test non-linearity of channel strategies. In both franchisee and consumer models, the innovativeness related hypotheses were not supported. The lack of support on such hypotheses may have been caused by the non-linear relationships between channel strategies and relational performance consequences.

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APPENDIX A

RESULTS: DESCRIPTIVE STATISTICS AND ANTECEDENTS OF FIRM REPUTATION

Proposed Relationships			Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability -Adjusted Average	X2 for Association (d.f.=1)	95% CI Lower Bound	95% CI Upper Bound	File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test
Accounting, Economics, & Finance Antecedents												
Accounting FP	→	Reputation	50	14,062	.058	.056	.078	462.91	.06	.10	9,930	164.33 (49)
Accounting FP	→	CSR	109	35,452	.117	.127	.158	879.80	.15	.17	17,590	188.80 (108)
Accounting FP	→	Others	6	557	.212	.223	.184	99.33	.10	.27	41	11.27 (5)
Accounting FP	→	Overall FR	165	50,071	.103	.108	.136	918.78	.13	.15	29,450	283.09 (164)
Market FP	→	Reputation	7	1,835	-.004	-.003	.004	31.46	-.04	.05	290	51.77 (6)
Market FP	→	CSR	5	1,876	.134	.143	.063	73.49	.02	.11	517	123.89 (4)
Market FP	→	Others	—	—	—	—	—	—	—	—	—	—
Market FP	→	Overall FR	12	3,711	.054	.057	.034	102.03	.00	.07	602	117.57 (11)
Liability	→	Reputation	5	2,092	.174	.181	.030	192.07	-.01	.07	198	166.86 (4)
Liability	→	CSR	7	1,904	-.026	-.025	-.005	49.01	-.05	.04	269	95.77 (6)
Liability	→	Others	—	—	—	—	—	—	—	—	—	—
Liability	→	Overall FR	12	3,996	.057	.061	.025	104.13	.00	.07	375	118.10 (11)
Risk	→	Reputation	9	4,087	-.072	-.071	-.059	140.43	-.09	-.03	145	53.95 (8)
Risk	→	CSR	15	3,061	.020	.005	-.025	77.41	-.06	.01	593	40.54 (14)
Risk	→	Others	—	—	—	—	—	—	—	—	—	—
Risk	→	Overall FR	24	7,148	-.015	-.023	-.058	223.26	-.08	-.02	1,350	60.97 (23)

APPENDIX A (CONT.)
RESULTS: DESCRIPTIVE STATISTICS AND ANTECEDENTS OF FIRM REPUTATION

Proposed Relationships			Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability -Adjusted Average	X2 for Association (d.f.=1)	95% CI		File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test
									Lower Bound	Upper Bound		
Management Antecedents												
Ownership	→	Reputation	16	7,100	.176	.197	.029	176.07	.01	.05	850	48.41 (15)
Ownership	→	CSR	4	927	.468	.510	.539	265.51	.47	.60	284	27.89 (3)
Ownership	→	Others	5	535	.290	.290	.300	46.29	.21	.38	78	15.00 (4)
Ownership	→	Overall FR	25	8,562	.246	.266	.100	330.82	.08	.12	1,995	73.95 (24)
Networking	→	Reputation	24	4,057	.049	.051	.066	42.19	.04	.10	592	40.82 (23)
Networking	→	CSR	—	—	—	—	—	—	—	—	—	—
Networking	→	Others	7	2,497	.230	.237	.251	156.16	.21	.29	343	30.78 (6)
Networking	→	Overall FR	31	6,554	.090	.093	.137	121.45	.11	.16	823	48.08 (30)
Human Resources	→	Reputation	3	3,247	- .096	- .095	- .184	—	—	—	—	—
Human Resources	→	CSR	30	9,995	.022	.023	.036	148.06	.02	.06	1,048	54.02 (29)
Human Resources	→	Others	—	—	—	—	—	—	—	—	—	—
Human Resources	→	Overall FR	33	13,242	.011	.012	.073	119.59	.05	.09	975	47.37 (32)

APPENDIX A (CONT.)

RESULTS: DESCRIPTIVE STATISTICS AND ANTECEDENTS OF FIRM REPUTATION

Proposed Relationships	Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability-Adjusted Average	X2 for Association (d.f.=1)	95% CI Lower Bound	95% CI Upper Bound	File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test
Marketing Antecedents										
Price Premium → Reputation	1	107	.090	.097	.097	—	—	—	—	—
Price Premium → CSR	—	—	—	—	—	—	—	—	—	—
Price Premium → Others	2	495	.277	.275	.092	—	—	—	—	—
Price Premium → Overall FR	3	602	.215	.216	.094	5.18	.01	.17	22	8.18 (2)
Cost → Reputation	4	1,221	.029	.027	.052	3.31	-.01	.11	14	6.91 (3)
Cost → CSR	—	—	—	—	—	—	—	—	—	—
Cost → Others	—	—	—	—	—	—	—	—	—	—
Cost → Overall FR	4	1,221	.029	.027	.052	3.31	-.01	.11	14	6.91 (3)
Product Strategy → Reputation	50	8,429	.244	.265	.145	173.93	.12	.17	6,510	133.23 (49)
Product Strategy → CSR	31	26,932	.238	.253	.145	561.53	.13	.16	6,198	129.82 (30)
Product Strategy → Others	14	5,982	.068	.068	.121	86.45	.10	.15	636	41.93 (13)
Product Strategy → Overall FR	95	41,343	.211	.224	.141	818.96	.10	.17	34,281	304.99 (94)
Visibility → Reputation	26	13,379	.084	.086	.105	247.47	.09	.12	2,395	80.95 (25)
Visibility → CSR	14	4,885	.085	.086	.097	92.10	.07	.13	540	26.22 (13)
Visibility → Others	4	709	-.403	-.400	-.167	—	—	—	—	—
Visibility → Overall FR	43	18,819	.047	.049	.131	321.54	.12	.15	5,845	126.22 (42)
Brand Equity → Reputation	22	7,016	.505	.567	.472	1,546.43	.45	.50	9,906	163.90 (21)
Brand Equity → CSR	2	261	.315	.317	.324	—	—	—	—	—
Brand Equity → Others	4	561	.125	.125	.075	—	—	—	—	—
Brand Equity → Overall FR	28	7,838	.437	.486	.439	1,739.12	.39	.47	8,010	254.83 (27)

APPENDIX A (CONT.)

RESULTS: DESCRIPTIVE STATISTICS AND ANTECEDENTS OF FIRM REPUTATION

Proposed Relationships	Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability-Adjusted Average	X2 for Association (d.f.=1)	95% CI		File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test
							Lower Bound	Upper Bound		
Control Variables										
Age → Reputation	7	9,243	.047	.050	.008	25.20	-.01	.03	16	7.95 (6)
Age → CSR	1	282	.060	.061	.061	—	—	—	—	—
Age → Others	6	1,478	-.015	-.015	-.009	15.41	-.06	.04	21	8.50 (5)
Age → Overall FR	14	11,003	.021	.023	.007	27.18	-.01	.03	18	17.66 (13)
Size → Reputation	27	14,946	.057	.063	.039	22.51	.02	.06	316	30.46 (26)
Size → CSR	30	7,476	.169	.171	.119	104.20	.10	.14	1,448	63.25 (29)
Size → Others	—	—	—	—	—	—	—	—	—	—
Size → Overall FR	57	22,422	.116	.120	.065	95.24	.05	.08	3,188	93.70 (56)
Competitiveness → Reputation	20	3,012	.163	.180	.155	70.77	.11	.19	557	49.51 (19)
Competitiveness → CSR	18	3,772	-.028	-.037	.049	8.93	.02	.08	371	32.43 (17)
Competitiveness → Others	—	—	—	—	—	—	—	—	—	—
Competitiveness → Overall FR	38	6,784	.073	.077	.096	56.39	.07	.12	434	35.71 (37)
Prior FR → Reputation	8	26,380	.441	.448	.303	2,402.98	.29	.32	7,169	139.36 (7)
Prior FR → CSR	23	2,753	.018	.021	.044	22.78	.01	.09	100	12.86 (22)
Prior FR → Others	—	—	—	—	—	—	—	—	—	—
Prior FR → Overall FR	31	29,133	.127	.131	.347	749.14	.34	.36	9,148	157.61 (30)
Prior CSR → Reputation	13	4,400	.266	.272	.257	288.72	.23	.29	1,226	140.36 (12)
Prior CSR → CSR	2	708	.287	.287	.289	—	—	—	—	—
Prior CSR → Others	—	—	—	—	—	—	—	—	—	—
Prior CSR → Overall FR	15	5,108	.269	.275	.262	346.92	.23	.29	1,729	68.70 (14)

APPENDIX B

RESULTS: DESCRIPTIVE STATISTICS AND CONSEQUENTS OF FIRM REPUTATION

Proposed Relationships		Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability-Adjusted Average	X2 for Association (d.f.=1)	95% CI Lower Bound	95% CI Upper Bound	File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test	
Accounting, Economics, & Finance Consequents												
Reputation	→ Accounting FP	109	9,955	.160	.164	.331	327.82	.31	.35	19,879	314.66	(108)
CSR	→ Accounting FP	58	12,366	.124	.129	.113	124.28	.10	.13	3,188	54.93	(57)
Others	→ Accounting FP	1	138	.358	.375	.375	—	—	—	—	—	
Overall FR	→ Accounting FP	115	22,459	.217	.224	.211	983.93	.20	.23	40,248	662.04	(114)
Reputation	→ Market FP	21	1,312	-.010	-.010	-.049	40.63	-.11	.01	192	23.97	(20)
CSR	→ Market FP	80	21,720	.108	.110	.002	44.39	-.01	.02	1,248	59.94	(79)
Others	→ Market FP	—	—	—	—	—	—	—	—	—	—	
Overall FR	→ Market FP	101	23,032	.083	.085	-.001	39.12	-.01	.01	1,010	54.83	(100)
Reputation	→ Liability	1	131	.232	.283	.283	—	—	—	—	—	
CSR	→ Liability	1	131	-.036	-.041	-.041	—	—	—	—	—	
Others	→ Liability	—	—	—	—	—	—	—	—	—	—	
Overall FR	→ Liability	2	262	.098	.121	.124	—	—	—	—	—	
Reputation	→ Risk	12	3,875	-.087	-.091	.068	261.29	.04	.10	1,757	69.19	(11)
CSR	→ Risk	5	1,127	-.181	-.195	-.043	47.45	-.10	.02	648	13.75	(4)
Others	→ Risk	—	—	—	—	—	—	—	—	—	—	
Overall FR	→ Risk	17	5,002	-.115	-.122	.025	125.72	-.01	.05	2,525	82.94	(16)

APPENDIX B (CONT.)
RESULTS: DESCRIPTIVE STATISTICS AND CONSEQUENTS OF FIRM REPUTATION

Proposed Relationships		Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability-Adjusted Average	X2 for Association (d.f.=1)	95% CI Lower Bound	95% CI Upper Bound	File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test
Management Consequents											
Reputation	→ Ownership	—	—	—	—	—	—	—	—	—	—
CSR	→ Ownership	2	906	.095	.095	.096	—	—	—	—	—
Others	→ Ownership	—	—	—	—	—	—	—	—	—	—
Overall FR	→ Ownership	2	906	.095	.095	.096	—	—	—	—	—
Reputation	→ Networking	20	6,080	.155	.177	.206	254.50	.18	.23	1,228	58.11 (19)
CSR	→ Networking	—	—	—	—	—	—	—	—	—	—
Others	→ Networking	—	—	—	—	—	—	—	—	—	—
Overall FR	→ Networking	20	6,080	.155	.177	.206	254.50	.18	.23	1,228	58.11 (19)
Reputation	→ Human Resources	19	6,548	.069	.070	.317	649.75	.29	.34	827	47.84 (18)
CSR	→ Human Resources	5	721	.238	.253	.202	81.44	.13	.28	57	12.95 (4)
Others	→ Human Resources	—	—	—	—	—	—	—	—	—	—
Overall FR	→ Human Resources	24	7,269	.104	.108	.305	670.26	.28	.33	1,341	60.78 (23)

APPENDIX B (CONT.)
RESULTS: DESCRIPTIVE STATISTICS AND CONSEQUENTS OF FIRM REPUTATION

Proposed Relationships		Number of Raw Effects	Total N	Simple Average	Average r Adjusted for Reliability	Sample-Weighted Reliability-Adjusted Average	X2 for Association (d.f.=1)	95% CI Lower Bound	95% CI Upper Bound	File Drawer N (Using Two-Tailed Test)	Q Statistics for Homogeneity Test	
Marketing Consequents												
Reputation	→ Price Premium	17	29,487	.057	.058	.110	358.69	.10	.12	1,143	56.05	(16)
CSR	→ Price Premium	—	—	—	—	—	—	—	—	—	—	
Others	→ Price Premium	2	214	.410	.410	.422	—	—	—	—	—	
Overall FR	→ Price Premium	19	29,701	.094	.095	.113	375.67	.10	.12	1,520	64.53	(18)
Reputation	→ Cost	10	20,129	-.042	-.042	.020	270.92	.01	.03	1,250	39.72	(9)
CSR	→ Cost	—	—	—	—	—	—	—	—	—	—	
Others	→ Cost	—	—	—	—	—	—	—	—	—	—	
Overall FR	→ Cost	10	20,129	-.042	-.042	.020	270.92	.01	.03	1,250	39.72	(9)
Reputation	→ Product Strategy	22	4,418	.132	.144	.157	107.64	.13	.19	544	39.12	(21)
CSR	→ Product Strategy	7	685	.005	.010	.001	25.52	-.08	.08	46	15.75	(6)
Others	→ Product Strategy	—	—	—	—	—	—	—	—	—	—	
Overall FR	→ Product Strategy	29	5,103	.102	.112	.072	125.74	.04	.10	1,180	57.21	(28)
Reputation	→ Brand Equity	19	5,641	.507	.538	.528	1,554.02	.31	.35	10,533	168.98	(18)
CSR	→ Brand Equity	11	4,263	.340	.355	.276	321.52	.10	.13	1,544	64.87	(10)
Others	→ Brand Equity	7	2,167	.558	.578	.628	846.87	.59	.67	1,702	68.01	(6)
Overall FR	→ Brand Equity	37	12,071	.467	.491	.457	2,492.69	.44	.47	33,635	301.86	(36)

APPENDIX C

STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Agarwal, Ganco, & Ziedonis (2009)	447	7	from .03 to .19	Reputation	Patient litigation histories	Concurrent: Age, HR, Competitiveness, network Consequents: Product strategy	447 firms in the U.S. semiconductor industry		V		Alliances & Industry	Management
Ahearne, Bhattacharya, & Gruen (2005)	178	2	.31 & .46	Other (Image)	Four items of 7-point Likert scale on external image of the company using a scale from Vergami & Bagozzi (2000)	Consequents: Brand equity	178 physicians to investigate the pharmaceutical industry	V			Consumers (B2B market)	Management
Anderson & Frankle (1980)	14	18	from -.42 to .85	CSR/CSP	Social responsibility voluntary disclosures (Dichotomized)	Consequents: Market FP	Fortune 500 companies listed on the NYSE form 1972-1973 in various industry			V	Stockholders	Accounting
Anderson & Weitz (1989)	681	3	from -.03 to .48	Reputation	Two items on negative reputation by asking replacement of existing sales representatives	Consequents: Networking	681 sales agent or manufacturer's representative in the member of the Electronic Representatives Association (ERA)	V			Consumers & Industry (B2B market)	Marketing
Aupperle et al., (1985)	from 166 to 228	6	from -.17 to .13	CSR/CSP	Forced-choice self-report survey based on Carroll's (1979) concept of concern for society; Use of social forecasting, having a CSR committee on the corporate board	Concurrent: Accounting FP, risk	Large firms in the Forbes 1981 directory whose CEOs responded to self-report survey	V			Internal Employees	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Balvers, McDonald, & Miller (1988)	1182	3	from .1 to .22	Reputation	"Top 25" institutional investor and Big Eight CPA firms as classification	Consequents: Price premium, networking	Initial public offerings from 1981-1985: The IPO Reporter and OTC Daily Stock Price Record			V	Stockholders & marketing intermediately	Accounting
Barnett & Salomon (2006)	61	5	from -.01 to -.04	CSR/CSP	Varies by mutual funds	Consequents: Market FP	67 Funds tracked by the Social Investment Forum			V	Stockholders	Management
Barth & McNichols (1995)	850	7	from -.15 to -.08	CSR/CSP	Estimates of firm cost (e.g., capital cost, estimated costs, total present worth cost) due to liabilities of Superfund sites	Consequents: Market FP	Firms with Superfund site data from EPA filings and Environmental Data Resources Inc. (based on Records of Decision)			V	Stakeholder	Accounting
Basdeo et al. (2006)	215	8	from -.59 to .23	Reputation	*Fortune* magazine's survey of "America's Most Admired Corporations"	Antecedents: Product strategy, Competitiveness, visibility, accounting FP	215 firm-year observations based on 37 firms competing over a 7-year period in 10 industries that spanned manufacturing, services, & retailing			V	Industry & Stockholders	Marketing
Bauer, Derwall & Otten (2007)	275	1	-.03	CSR/CSP	Varies by mutual funds	Consequents: Market FP	Canadian ethical and conventional mutual funds of Canadian equities			V	Stockholders	Interdiscip-linary
Beatty (1989)	2215	1	.252	Reputation	Big Eight/non-Big Eight CPA firms as classification	Consequents: Price premium	IPOs from IPO's registration statement and amedments and Going Public from 1975-1984: The IPO Reporter			V	Stockholders	Accounting

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Bello (2005)	126	1	.08	CSR/CSP	Varies by mutual funds	Consequents: Market FP	Socially responsible domestic equity funds in Morningstar database; monthly return data on the DSI 400 from KLD			V	Stockholders	Finance
Benjamin & Podolnu (1999)	735 8	9	from -.05 to .48	Reputation	Wineries' status by affiliating with appellations of a given position in the overarching status hierarchy	Concurrent: Prior reputation, age, size, product strategy Consequents: Price premium	7358 products made by over 500 wineries affiliated with 73 different appellations from 1980 to 1991 (based on the *Connoisseur's Guide to California Wine*)			V	Customers & Industry	Management
Berens, van Riel, & van Bruggen (2005)	178	3	from .33 to .61	CSR/CSP	Two items on CSR associations adapted from Fombrun, Gardberg, & Sever's reputation quotient scale	Concurrent: Product strategy Consequents: Brand equity	A field experiment. Potential customers of the large financial services provider		V		Customers	Marketing
Berman et al (1999)	486	10	from -.4 to .22	CSR/CSP	KLD ratings in 5 categories: employee relations, diversity, local communities, environment, product safety/quality	Concurrent: Product strategy Consequents: Accounting FP	Top 100 firms on the 1996 Fortune 500 list that were publicly traded 1991-1996			V	Internal Employees, Community, & Stockholde	Management
Blacconiere & Patten (1994)	47	1	.36	CSR/CSP	Annual Report disclosures related to five aspects of environmental performance	Consequents: Accounting FP	Impact after Union Carbide's chemical leak in Bhopal, India on similar companies			V	Stockholders	Accounting

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary			Stakeholder Perspectives	Discipline
								Self	Third	Secondary		
Boyd, Bergh, Ketchen (2009)	107	7	From -.79 to .71	Other (Prominence)	The number of nominations from each recruiter	Antecedents: Visibility, product strategy, price premium, brand equity, HR	Multiple sources on 107 business schools including *U.S. News & World Report* and Gourman Report & surveys of 1600 corporate recruiters		V	V	Consumers & Industry (B2B market)	Management
Brown (1997)	259 & 234	1	.14 & -.01	CSR/CSP	Fortune magazine ratings of "responsibility to community and environment", controlling for "halo effect" of past financial performance; comparison of top vs. bottom quartile of ratings	Concurrent: Market FP	Comparison of FP of high & low rated companies using pooled data for 1982-1987 (before stock market crash) and for 1988-1992			V	Stockholders	Interdiscip-linary
Brown (1998)	from 149 to 197	13	from -.10 to .17	CSR/CSP	Fortune magazine ratings of "responsibility to community and environment", controlling for "halo effect" of past financial performance; comparison of top vs. bottom quartile of ratings	Consequents: Market FP	Fortune annual survey for >4 years from 1982-1991. Survey data adjusted by Brown and Perry (1994)			V	Stockholders	Interdiscip-linary
Brown & Dacin (1997)	148	2	.09 & .44	CSR/CSP	Two CSR associations (i.e. Corporate giving & Community involvement)	Consequents: Brand equity, product strategy	University undergraduates in a lab-type environment		V		Consumers (B2C market)	Marketing

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Brown & Dacin (1997)	127	2	-.02 &.21	CSR/CSP	Two CSR associations (i.e. Corporate giving & Community involvement)	<u>Consequents</u>: Brand equity, product strategy	University undergraduates was randomly assigned one of 12 well-known companies in six industries		V		Consumers (B2C market)	Marketing
Brown & Perry (1994)	234	40	from -.45 to.63	CSR/CSP	Fortune magazine ratings of "responsibility to community and environment", controlling for "halo effect" of past financial performance; comparison of top vs. bottom quartile of ratings	<u>Consequents</u>: Accounting FP	Firms listed among 'American's most admired corporations' in the February 10, 1992 issue of *Fortune*			V	Stockholders	Management
Capraro & Srivastava (1997)	23	1	.53	Reputation	Fortune product & service quality	<u>Antecedents</u>: Product strategy	23 firms that show their equitrend quality assessment		V		Consumers & Industry	Interdiscip-linary
Carmeli & Tishler (2004)	99	42	from -.19 to .64	Reputation	Managerial capabilities, human capital, internal auditing, labor relations, organizational culture, & perceived organizational reputation	<u>Concurrent</u>: size, Competitiveness <u>Consequents</u>: HR, product strategy	99 survey responses from the Israeli local authorities including 24 cities, 56 local councils, & 19 regional councils	V			Communities	Management
Carson, Madhok, & Wu (2006)	125	2	-0.1 & -0.11	Reputation	Three items on firm reputation in the industry level	<u>Concurrent</u>: Product strategy <u>Consequents</u>: Networking	125 managers in highly R&D intense industries based on the National Science Foundation's 1999 Survey of Industrial Research and Development	V			Consumers & Industry (B2B market)	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Chaney & Philipich (2002)	284	1	.14	Reputation	The client that is audited by Author Andersen's Houston Office	Consequents: Market FP	Client firms of Author Andersen when the Enron audit failure on auditor reputation became public			V	Stockholders	Accounting
Chen, Ganesan, & Liu (2009)	153	3	From -.13 to .48	Reputation	The annual survey of "America's Most Admired Companies" by Fortune magazine	Concurrent: size, liability Consequents: Product strategy	153 Consumer Product Safety Commission (CPSC) recalls from 1996 to 2007 including 115 passive recalls & 38 proactive recalls			V	Stakeholders	Marketing
Chen & Metcalf (1980)	18	2	.27 & -.02	CSR/CSP	CEP measure of environmental performance	Consequents: Accounting FP	Pulp and paper industry firms reviewed by CEP			V	Stockholders	Accounting
Chun & Davies (2010)	128	12	from .36 to .65	Reputation	Integrity, empathy, warmth, & conscientiousness	Concurrent: Brand equity, HR	128 employees including 40 had worked for A prior to the merge 64 for B and 24 had joined since the merger	V			Employees	Marketing
Claycomb & Frankwick (2010)	174	5	from .001 to .23	Reputation	2 items on a manufacturer's perceptions of a supplier's reputation for fairness are adapted from Anderson & Weitz (1992)	Concurrent: Networking Consequents: Risk	Purchasing professionals in buyers' firms that are listed in the Institute for Supply management (ISM): rubber & plastic, fabricated metal, industrial machinery, electronic equipment, transportation equipment, & instruments industries		V		Consumers (B2B market)	Marketing
Clemens (2006)	76	6	from -.04 to .42	CSR/CSP	Survey completed by high-ranking executive about environmental performance, investments and consciousness	Concurrent: Size, product strategy Consequents: Accounting FP	Small private firms from a 2003 survey of steel industry scrap yards (46% response rate)	V			Government & Stakeholders	Interdiscip-linary

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Collins (2007)	2280	11	from -.04 to .35	Reputation	4 item scale measuring the extent to which respondents believed that other students and friends held the firm in high regard	Antecedents: Size, HR, brand equity, visibility, prior reputation, CSR Consequents: HR	253 firms that had registered to recruit on campus during the 2002-2003 academic year		V		Employees & Consumers (B2C market)	Management
Combs & Ketchen (1999)	94	9	from -.34 to .34	Reputation	4 items of the brandname reputation scale that ask the expert panel to compare the focal firm to all other food service operations in the industry	Concurrent: Accounting FP, HR, product strategy Consequents: Networking	Restaurant chains that were publicly held between 1992-1995		V		Industry & Stockholder	Management
Cretu & Brodie (2007)	377	3	from .37 to .8	Reputation Other (Image)	4 items of the brand image scale are adapted from Low & Lamb (2000): 4 items of reputation scale are derived from various studies in marketing & management	Consequents: Brand equity, product strategy	An established business market where three large manufacturers sold shampoo products to a large number of hair salons		V		Consumers (B2B market)	Marketing
David, Bloom, & Hillman (2007)	730	13	from -.08 to .56	CSR/CSP	KLD's community, diversity, employee relations, environment, product quality ratings by adding the strengths and subtracting the weaknesses for a composite measure	Antecedents: Competitiveness, ownership, Accounting FP, Market FP Concurrent: Visibility Consequents: Product strategy	Firms that have active engagements with their investors: Matching data from the IRRC, KLD, & Governance variables from Compact Disclosure, Spectrum 13f filing from 1991-1998			V	Stakeholders	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Davidson & Worrell (1988)	96	1	.03	CSR/CSP	Event of 5 types of corporate crimes; bribery, criminal fraud, tax evasion, illegal political contributions or antitrust violations of price-fixing and bid-rigging. Event day is the Wall Street Journal announcement	<u>Consequents</u>: Market FP	Fortune's list of 800 largest corporations			V	Stockholder	Management
Davies, Chun, & Kamins (2010)	56	3	from -.25 to .7	Reputation	The Corporate Character Scale (Davies et al., 2003) are measured on a five-point Likert-type scale	<u>Concurrent</u>: Age, size <u>Consequents</u>: Accounting FP	56 business units (branches or regions of the same organization) in 9 service firms		V		Consumers (B2B & B2C market)	Management
Davis, Golicic, & Marquardt (2008)	142	2	.68 & .75	Other (Image)	5 items of brand image are adapted from Aaker (1996) and are modified	<u>Concurrent& Consequents</u>: Brand equity	142 managers in a third party logistics firm in North America		V		Consumers (B2B market)	Marketing
Davis, Golicic, & Marquardt (2008)	71	2	.65 & .75	Other (Image)	5 items of brand image are adapted from Aaker (1996) and are modified	<u>Concurrent& Consequents</u>: Brand equity	71 consumers of a third party logistics firm in North America		V		Consumers (B2B market)	Marketing

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Davis, Golicic, & Marquardt (2008)	142	2	.68 & .75	Other(Image)	5 items of brand image are adapted from Aaker (1996) and are modified	Concurrent& Consequents: Brand equity	142 managers in a third party logistics firm in North America		V		Consumers (B2B market)	Marketing
Deephouse (1997)	265	3	from .15 to .44	Reputation	Media coverage as media reputation and capital adequacy & asset quality as financial reputation	Consequents: Accounting FP	265 banks in Minneapolis that had media coverage in the two daily newspapers from 1988-1992			V	Consumers	Interdiscip-linary
Deephouse (2000)	265	3	from -.12 to .14	Reputation	Media coverage: the Twin Cities' two metropolitan dailies, The *Minneapolis Star Tribune* & The *Saint Paul Pioneer Press*	Concurrent: Accounting FP, Competitiveness Consequents: Accounting FP	265 banks in Minneapolis that had media coverage in the two daily newspapers from 1988-1992			V	Consumers	Management
Deephouse & Carter (2005)	553 & 265	8	from -.31 to .55	Reputation Other(Legitimacy)	*Public Reputation* is measured by media coverage as positive, negative, or neutral followed by Dominick's (1981) study of network news coverage of business: *Financial Reputation* is measured using the asset quality ratio calculated from the Call Report data	Antecedents: Networking, Accounting FP, age, size	Commercial banks in the Minneapolis-Saint Paul Metropolitan Area, USA during 1985-1992			V	Stakeholders	Management

APPENDIX C (CONT.)

STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Dimov, Shepheard, & Sutcliffe (2007)	104	8	from -.34 to .59	Reputation	A reflection of past performance based on both evidence of past investment activity and media visibility	Concurrent: Competitiveness, Networking, size, HR, Account FP Consequents: Product strategy	Venture Capital firms that are listed in Thomson Financial's VentureXpert and have invested in at least 20 portfolio firms from 1997-2002			V	Consumers, Partners & Industry (B2B market)	Interdiscip-linary
Doh, Howton, Howton, Siegel (2010)	121	6	from -.25 to .36	CSR/CSP	KLD data that evaluate CSR and corporate social *ir*responsibility (CSiR)	Concurrent: Accounting FP, size Consequents: Market FP	the Calvert and Domini social indices & KLD data from 2000 to 2005: mainly in the pharmaceutical preparations & services, computer programming & data processing industries			V	Stakeholder	Management
Dooley & Lerner (1994)	86	1	.10	CSR/CSP	CEO self-reported orientation towards employees, community, and government	Concurrent: Accounting FP, size Consequents: CSR/CSP	Fortune 500 industrial and service firms for which EPA pollution data was available and CEO completed survey	V		V	Stakeholder	Interdiscip-linary
Dowell, Hart, & Yeung (2000)	107	6	from -.23 to .30	CSR/CSP	Investor responsibility research center survey of multinational environmental policy into 3 categories: local (the corporate adheres to local standards only), U.S. (applies U.S. standards wherever it does business), or stringent global (firm's internal standards higher than any national standard)	Concurrent: Product strategy, visibility, liability, ownership, size Consequents: Accounting FP	S&P 500 multinational corporations-with manufacturing or mining SIC codes, and operations in countries with GDP per capita below $8000			V	Consumers, Government, & Industry	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Falkenreck & Wagner (2010)	50	8	from .2 to .61	Reputation	3 items of corporate reputation scale are adapted from Fombrun (1996) and Morgan & Hunt (1994)	Antecedents: Brand equity, visibility, product strategy Consequents: Brand equity	B2B consumers of a Hospital medical devices provider in five countries (i.e., Finland, Germany, Spain, Australia, & Russia) participate in the telephone survey		V		Consumers (B2B market)	Interdiscip-linary
Fombrun & Shanley (1990)	154	13	from -.39 to .49	Reputation	Data on charitable giving & existence of a foundation	Antecedents: Accounting FP Market FP, size, ownership, visibility, CSR, product strategy	Companies from Fortune's 1985 corporate reputation survey with data available on charitable giving and other factors (154 of the 292 firms)			V	Stockholder	Management
Francis, Reichelt, & Wang (2005)	3994	4	from .04 to .1	Reputation	Auditors' reputation	Consequents: Price premium	The pricing of Big 5 industry leadership in the U.S. audit market from 2000-2001			V	Consumers & Industry (B2B market)	Accounting
Galaskiewicz (1997)	67	6	from -.57 to .73	CSR/CSP	Corporate charitable contribution	Concurrent: Size, ownership, Competitiveness Consequents: Accounting FP	Companies in Minneapolis-St.Paul metropolitan area with >=200 employees from 1979-81	V			Internal Employees, Community, & Industry	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Galaskiewicz (1997)	73	6	from -.50 to .77	CSR/CSP	Corporate charitable contribution	Concurrent: Size, ownership, Competitiveness Consequents: Accounting FP	Companies in Minneapolis-St.Paul metropolitan area with >=200 employees from 1987-89	V			Internal Employees, Community, & Industry	Management
Godfrey, Merrill, & Hansen (2009)	178	6	from -.01 to .43	CSR/CSP	Socrates data which contain 41 separate binary items measures along six social dimensions including community involvement, corporate governance, employee relations, environmental stewardship, diversity, & product quality	Concurrent: Accounting FP, size Consequents: Market FP	Firms that appear from 1991-2002 in the Socrates dataset & events that are appeared in *Wall Street Journal* from 1992-2003			V	Stockholder	Management
Goll & Rasheed (2004)	62	2	.24 & .21	CSR/CSP	Response to three survey questions adapted from Aupperle (1984), regarding the importance they place on three dimensions of "discretionary social responsibility"	Consequents: Accounting FP	159 large manufacturing firms in Business Week's top 1000 companies (1985) participated. Subsample analyzed had 70% or more of total sales in one 4-digit SIC.	V			Stakeholders	Interdiscip-linary
Gray (1987)	450	2	-0.14 & -0.15	CSR/CSP	Average Occupational Safety & Health Administration (OSHA) inspection rate; EPA regulation on annual operating cost associated with pollution control	Consequents: Product strategy	Annual productive growth of the entire U.S. manufacturing sector, divided into 450 separate industries from 1958 to 1978			V	Government & Industry	Economic

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Graves & Waddock (1994)	430 & 453	7	From -.06 to .15	CSR/CSP	Kinder, Lydenberg, Domini (KLD) social audit	Concurrent: Accounting FP Consequents: Ownership	S&P 500, for which institutional ownership and CSP data available (Only Accounting FR are 430; Others are 453)			V	Institutional Owners	Management
Grewal, Charkravarty & Saini (2010)	107	9	from -.01 to .44	Reputation	Newly developed reputation scale with five items	Antecedents: Market FP, networking, product strategy, Competitiveness, price premium	B2B electronic markets based on the online magazine *Net Market Makers*	V			Consumers & Industry (B2B market)	Marketing
Gunthorpe (1997)	45	1	.2	Reputation	Announcement in the Wall Street Journal of illegal or unethical behavior: that the firm or its senior management is under investigation, the object of a law suit, or that an indictment has been issued	Consequents: Market FP	Firms reported on in Wall Street Journal			V	Stockholder	Interdiscip-linary
Hansen, Samuelsen, & Silseth (2008)	264	5	from .15 to .78	Reputation	3 items of corporate reputation scale adapted from Selnes (1993)	Concurrent: Networking, product strategy Consequents: Brand equity	A telephone survey of business customers of a European telephone company		V		Consumers (B2B market)	Marketing

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Hansen & Wernerfelt (1989)	60	1	.6	Reputation	Survey Of Organizations (SOO) survey items of employee perceptions of welfare and working conditions	Consequents: Accounting FP	Firms across industries; 47 came from the SOO data and the rest from a similar instrument used by the Forum Corporation (1974)		V		Employees	Management
Helm (2007)	657	2	.31 & .55	Reputation	Formative scale of corporate reputation with 10 items	Consequents: Brand equity	Individual investors of a well-known international consumer goods producer		V		Investors	Interdiscip-linary
Hill et al. (2007)	33	1	.6	CSR/CSP	Companies appearing in at least 2-3 screened mutual funds	Consequents: Market FP	Companies later held in screened mutual funds in the US, Asia, and Europe, compared with market benchmarks			V	Stockholder	Interdiscip-linary
Hillman & Keim (2001)	308	2	-.29 & .24	CSR/CSP	KLD ratings across 9 categories; (1) categories representing CSR to primary stakeholders (employee relations, diversity issues, product issues, community relations, and environment)& (2) representing social issues (alcohol/tobacco/ gambling, military, nuclear power, international)	Consequents: Accounting FP	Firms rated by KLD, which are primarily from the S&P 500)			V	Stakeholders	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Hoffer, Pruitt, & Reilly (1988)	29	1	.12	CSR/CSP	Automobile safety recalls from 1975-1981 from the National Highway Traffic Safety Administration (NHTSA) & WSJ	Consequents: Market FP	The cumulative excess returns (day -5 to +5 from the safety recall announcements) by the Univ of Chicago's Center for Research in Security Prices for Big 3 auto firms			V	Stockholder	Economics
Houston Johnson (2000)	208	4	from .49 to .01	Reputation	Fortune's "America's Most Admired Corporations" survey	Concurrent: Accounting FP, liability Consequents: Networking	Firms that announce the formation of their Joint Venture from 1993-1994			V	Industry & Stockholders	Marketing
Hull & Rothenberg (2008)	69	6	from -.17 to .33	CSR/CSP	KLD ratings	Concurrent: Accounting FP, risk, Competitiveness, product strategy Consequents: Accounting FP	Firms that are listed in a combined datasets of KLD, Compustat, and other non-CSP data from 1998-2001			V	Industry & Stockholders	Management
Ingram & Frazier (1983)	27	1	.00	CSR/CSP	Prevalence of discussion of environmental quality control in the President's letter of the Annual Report	Antecedents: Accounting FP	Firms in metal manufacturing industry			V	Stockholder	Interdiscip-linary
Jarrell & Peltzman (1985)	22	1	.25	Reputation	Product recall announcements, which are major safety recalls in the case of automobile companies	Consequents: Market FP	Big three auto firms (GM, Ford, Chrysler)			V	Stockholder	Economics
Jensen & Roy (2008)	904	10	from -.07 to .32	Reputation	Firms' decisions on the choice of Big 4 auditor	Antecedents: Ownership, Accounting FP, risk, liability, visibility	Publicly traded manufacturing and nonfinancial service firms that are headquartered in the U.S.			V	Stakeholder	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Johnson & Greening (1999)	252	50	from -.30 to .23	CSR/CSP	KLD ratings of responsible behavior towards communities, women and minorities, employee relations, product quality, & environmental performance	<u>Antecedents</u>: Accounting FP, ownership, size	A random sample of firms from KLD database (mostly Fortune 1000 firms)-with managerial, institutional ownership data			V	Stakeholder	Management
Jones, Jones, & Little (2000)	399	1	.38	Reputation	*Fortune* magazine's survey of "America's Most Admired Corporations"	<u>Consequents</u>: Market FP	Firms that are listed in the Fortune data for the 1987 & 1989 (excluding firms in banking, insurance, and utility industries)			V	Stakeholder	Interdiscip-linary
Jones & Murrell (2001)	51	1	.22	CSR/CSP	Inclusion in Working Mother list, selected according to following criteria: salaries in relation to competitors, advancement opportunities available to women, on-site child care, family benefits such as maternity leave, job sharing, flextime	<u>Consequents</u>: Market FP	Firms that made *Working Mother* magazine's list of the top family-friendly companies for the first time between 1989-1994			V	Stockholders	Management
Kang, Mahoney, & Tan (2009)	123	3	from -.09 to .47	Reputation	3 items of reputation enhancement scales are adapted from Stuart et al., (1999)	<u>Concurrent</u>: Competitiveness, size <u>Consequents</u>: Networking	Taiwanese OEM (parts and component) suppliers in information technology and bicycle industry	V			Buyers & Industry	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Kang & Yang (2010)	530	2	.68 & .69	Reputation	14 items of corporate reputation scale are adapted and modified from the Harris-Fombrun Reputation Quotient	Consequents: Brand equity	American consumers		V		Consumers (B2C market)	Interdiscip-linary
Karpoff, Lee, & Vendrzyk (1999)	98	1	.21	CSR/CSP	News announcement in Dow Jones News Retrieval Service under six categories: investigations, indictments, suspensions, settlements, guilt, & acquittals	Consequents: Market FP	U.S. defense contractors (mostly large firms) that are suspected or committed (alleged) procurement fraud from 1983 to 1995			V	Stockholders	Economics
Karpoff & Lott (1993)	71	1	.27	CSR/CSP	Announcement of corporate crimes or fraud (against customers, suppliers, employees or investors) reported by the Wall Street Journal	Consequents: Market FP	Firms reported on in Wall Street Journal			V	Stockholders	Economics
Karpoff, Lott, & Wehrly (2005)	423	1	.25	CSR/CSP	Announcement in the Wall Street Journal that a firm is being investigated, accused or has settled charges of an environmental violation	Consequents: Market FP	Firms reported on in Wall Street Journal			V	Stockholders	Economics

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Keh & Xie (2009)	351	5	from .41 to .61	Reputation	3 items of corporate reputation scale adapted from Weiss et al., (1999)	Consequents: Price premium, brand equity	Firms that have contractual relationships with three Chinese firms in different B2B service industries		V		Consumer & Industry (B2B market)	Marketing
Khurana & Raman (2004)	15817	1	.03	Reputation	Big Four/non-Big Four auditors	Consequents: Cost	Nonfinancial firms (SIC codes other than 6000-6999) in the U.S.			V	Stockholders	Accounting
Khurana & Raman (2004)	579	1	.003	Reputation	Big Four/non-Big Four auditors	Consequents: Cost	Nonfinancial firms (SIC codes other than 6000-6999) in the U.K.			V	Stockholders	Accounting
Khurana & Raman (2004)	945	1	.02	Reputation	Big Four/non-Big Four auditors	Consequents: Cost	Nonfinancial firms (SIC codes other than 6000-6999) in Australia			V	Stockholders	Accounting
Khurana & Raman (2004)	2176	1	.02	Reputation	Big Four/non-Big Four auditors	Consequents: Cost	Nonfinancial firms (SIC codes other than 6000-6999) in Canada			V	Stockholders	Accounting
Kim, Bach, & Clelland (2010)	132	8	from -.09 to .33	Reputation	Symbolic reputation for environment uses the Wall Street Journal coverage on firms' activities on 'environmental', 'toxic', 'pollution', and 'Superfund': Performance reputation uses an asset-based 'market-to-book ratio' by using a firm's investment in pollution-reducing equipment and processes	Antecedents: Product strategy, CSR Consequents: Accounting FP	Five manufacturing industries that report to the federal Environmental Protection Agency's (EPA) Toxics Release Inventory (TRI) such as paper products, chemicals, petroleum & coal, primary metals, & transportation equipment			V	Industry, Government, & Stockholders	Interdiscip-linary

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Kim & Hyun (2011)	388	7	from -.05 to .57	Other (Image)	5 items of corporate image scale are adapted from various sources	Antecedents: Networking, price premium, visibility, product strategy Consequents: Brand equity	Korean software purchasing companies' perspectives on Application Services Providers (ASP) in Korean IT software market		V		Consumer & Industry (B2B market)	Marketing
Kim, Richard, McFarland, Kwon, Son, & Griffith (2011)	120	8	from -.24 to .34	Reputation	3 items of brand reputation from Retailer's perspectives, which are adapted from Lassar, Mittal, and Sharma (1995)	Concurrent: Risk, Competitiveness, networking Consequents: Product strategy	Women's fashion apparel manufacturers that offer a single brand to the market in South Korea	V			Supply chain system	Marketing
King (2008)	143	2	-.02 & .19	Reputation	The annual survey of "America's Most Admired Companies" by Fortune magazine	Concurrent: Visibility Consequents: CSR	Publicly traded firms that face the concessions to boycotts from 1990-2005			V	Stockholders	Management
Lai, Chiu, Yang, & Pai (2010)	179	5	from .15 to .72	Reputation CSR/CSP	3 items of corporate reputation scale are adapted from Wang et al., (2006): 5 items of CSR scale measure are adapted from Maignan et al., (1999)	Consequents: Prior reputation, brand equity, Market FP	Purchasing managers of Taiwan manufacturing and service companies		V		Suppliers & Industry	Interdiscip-linary
Lichtenstein, Drumwright, & Braig (2004)	969	2	.2 & .03	CSR/CSP	5 items of perceived CSR scale are adapted from various works	Consequents: Brand equity	The end consumers across the four stores		V		Consumers (B2C market)	Marketing

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary			Stakeholder Perspectives	Discipline
								Self	Third	Secondary		
Love & Kraatz (2009)	123 2	5	from -.05 to 88	Reputation	The "most admired companies" ranking within the industry by *Fortune*. *Fortune* uses firms' raw reputation scores to create reputational hierarchies within industries	Antecedents: Accounting FP, HR, size, prior reputation	Downsizing announcement in the *New York Times*, the *Wall Street Journal*, and several wire services from 1977-1994 matching with the *Fortune* 100			V	Industry & Stockholders	Management
Luo & Bhattacharya (2006)	339	11	from -.04 to .78	CSR/CSP	*Fortune* magazine ratings of a company's activities and status related to its perceived societal or stakeholder obligations	Concurrent: Product strategy, size, visibility, Competitiveness Consequents: Accounting FP, Market FP, brand equity	Companies rated by *Fortune* that also have marketing data available from American Customer Satisfaction Index(ASCI)			V	Stakeholders	Marketing
Luo & Bhattacharya (2009)	541	3	from -.13 to .11	CSR/CSP	*Fortune* magazine's survey of "America's Most Admired Corporations"	Concurrent: Product strategy, visibility Consequents: Risk	Ac comprehensive secondary data set including COMPUSTAT, *Fortune*, and the CRSP			V	Stakeholders	Marketing
Martins (2005)	98	1	-0.05	Reputation	Perceived identity-reputation discrepancy	Consequents: Product strategy	Business school that had been ranked in the "top-50" in *Business Week's or US News & World Report's* rankings as of 1996 and other publications	V	V		Stakeholders	Management
McGuire et al., (1988)	131	24	from -.49 to 44	CSR/CSP	Fortune magazine ratings of "responsibility to community and environment" in Most Admired Corporation Survey	Concurrent& Consequents: Accounting FP, Market FP, liability, risk	131 firms from the 1983 Fortune ratings on corporate social responsibility			V	Stakeholders	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
McGuire, Schneeweis & Branch (1990)	131	44	from -.51 to .78	Reputation & CSR/CSP	Average of eight dimensions in Fortune's Most Admired Corporation Survey: (1) quality of management, (2) quality of product, (3) innovation, (4) investment value, (5) financial soundness, (6) attract people, (7) social responsibility, (8) use of assets, & (9) average quality rating	Antecedents & Consequents: Accounting FP, Market FP, liability, Risk	131 firms from the 1983 Fortune 500 ratings on firm reputation and firm performance data (1977-1984)			V	Stockholders	Management
McMillan & Joshi (1997)	64	3	.33	Reputation	*Fortune* magazine ratings of "Most Admired Corporation Survey"	Consequents: Accounting FP	64 firms in various industries			V	Stockholders	Interdiscip-linary
McWilliams & Siegel (1997)	22	1	.02	Reputation	U.S. Department of Labor presents annual award to firm with high-quality affirmative action policy (around 6 firms receive awards per year)	Consequence: Market FP	Firms receiving award from the U.S. department of labor (Research method validitation of Wright et al., (1995))			V	Gov't & Stockholders	Management
McWilliams & Siegel (1997)	21	1	.07	Reputation	Major settlement announcement by firm found guilty of discrimination against underrepresented minority employees	Consequence: Market FP	Large U.S. firms (Research method validitation of Wright, et al., (1995))			V	Employees & Stockholders	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
McWilliams & Siegel (2000)	524	2	.36 & .4	CSR/CSP	Domini 400 Social stock Index	<u>Consequence</u>: Market FP	Firms in the S&P 500 and Domini 400 Social stock Index			V	Stockholders	Management
Menguc & Ozanne (2005)	140	6	from -.21 to .35	CSR/CSP	Survey based on 10 Valdex Principles of environmental management and commitment to the natural environment	<u>Consequents</u>: Accounting FP	Large Australian manufacturing firm whose CEO or equivalent executive responded to survey (29% response rate)	V			Industry	Interdiscip-linary
Mill (2006)	N/A	1	.06	CSR/CSP	Range of ethical screening criteria	<u>Consequence</u>: Market FP	Family Charities Ethical Trust (FCE) in the UK after adopting social screening versus 3 conventional "control" funds (Solus UK Groth, ISIS UK Growth & Income, & Martin Currie IF Income)			V	Stakeholders	Interdiscip-linary
Mishina, Dykes, Block, & Pollock (2010)	194	5	from -.14 to .16	Reputation	*Fortune*'s "America's Most Admired Corporations" survey	<u>Concurrent</u>: Accounting FP, Market FP <u>Consequents</u>: CSR	All S&P 500 manufacturing firms between 1990-1999			V	Stakeholders	Management
Muller & Kraussl (2011)	354	14	from -.02 to 39	CSR/CSP	Social responsibility & irresponsibility based community relations, corporate governance, diversity, employee relations, environment, human rights, and product	<u>Concurrent</u>: Accounting FP, size, visibility, product strategy, liability <u>Consequents</u>: Market FP, CSR	Firms that are reported in the KLD for each year from 2000-2004 in 12 different industries			V	Stakeholders	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Nehrt (1996)	50	10	From -.35 to .43	CSR/CSP	Timing and intensity of environmentally beneficial investments in paper manufacturing to reduce chlorine content	Concurrent: Accounting FP, product strategy, Competitiveness, cost	Producers of chemical bleached paper pulp in 8 countries (Brazil, Canada, Finland, France, Portugal, Spain, Sweden, & U.S.) listed in Pulp and Paper International's 1992 annual review of the largest 150 paper companies in the world.			V	Employees, Gov't, & Industry	Management
Newburry (2010)	117	4	From -.01 to .75	Reputation	4 items of firm reputation scales are adapted from the Reputation Institute	Concurrent: Brand equity, Accounting FP Consequents: Brand equity	Consumers who participated in the Reputation Institute's reputation survey from 2006-2008		V		Consumers (B2C market)	Interdiscip-linary
Ngyhen (2010)	445	2	.51 & .53	Reputation	5 items tapping firms' capability to fulfill promises, fairness, environmental responsibility, comparison to their competitors, & global evaluation	Antecedents: Product strategy, Brand equity	Canadian consumers in the financial service sector		V		Consumers (B2C market)	Interdiscip-linary
Nicholls-Nixon & Woo (2003)	26	10	From -.22 to .41	Reputation	The possession of biotechnology expertise in biotechnology by peer evaluation	Antecedents: Product strategy, HR, size, Accounting FP, networking	Firms in the report *Biotechnology in the U.S. Pharmaceutical Industry* from 1981-1991.		V		Industry	Management
Obloi & Canrron (2011)	72	1	0.12	Reputation	The difference between the number of positive and negative ratings of selling parties in online auction site	Consequents: Price premium	More than 2000 auctions of three new mobile phone models on Allegro, the largest Polish online auction site			V	Consumers (B2C market)	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
O'Neill et al., (1989)	157	4	from -.05 to .13	CSR/CSP	Self-report measure using forced-choice response to rank priorities	Concurrent: Accounting FP, risk	157 Board of Directors in companies from Fortune magazine's most admired companies.	V			Board of Directors	Interdiscip-linary
Pava & Krausz (1996)	106	13	from -.21 to .79	CSR/CSP	Council for Economic Priorities (CEP) report as being socially-responsible	Concurrent: Accounting FP, risk	Firms rated by the CEP along with matched control firms from 1985-1991			V	Stockholders	Interdiscip-linary
Peltzman (1981)	16	1	.67	CSR/CSP	Event is an initial complaint by FTC of false advertising	Consequents: Market FP	Consumer good firms with major FTC cases concerning false advertising			V	Stakeholders	Economics
Pfarrer, Pollock, & Rindova (2010)	310 7	6	from -.07 to .24	Reputation	*Fortune*'s "America's Most Admired Corporations" survey	Concurrent: Accounting FP, visibility, ownership Consequents: Market FP	Matched-sample data on 291 firms from 1991-2005 in the top 25 of either the *Fortune* "Most Admired Corporations" list or in the *Wall Street Journal/Harris Interactive* ranking			V	Stockholders	Management
Philinne & Durand (2011)	282	34	From -.14 to .89	Reputation CSR/CSP	Overall reputation as the raw score of reputation; ranked reputation based on the intraindustry relative positioning measure; the corporate environmental disclosures	Antecedents: Accounting FP, size, age, visibility, prior reputation, CSP	Firms that filed Toxic Release Inventory while listed as America's Most Admired firms in *Fortune*'s annual survey from 2001-2004			V	Government, Consumers, & Stakeholders	Management
Raman & Wilson (1994)	539	1	.1	Reputation	Big Eight/non-Big Eight auditors	Consequents: Price premium	Cities with population over 25,000 to investigate the relationship between governmental audit procurement and seasoned bond prices from 1984-1987	V			Consumers & Industry (B2B market)	Accounting

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Rao (1994)	917	2	.13 & .79	Reputation	Victories and Contest winning	Consequents: Risk	Survival (Exit rate) in Automobile industry during 1895-1912 from Standard Catalogue of Cars			V	Industry	Management
Rao, Chandy, & Prabhu (2008)	165	20	from -.28 to .59	Other (Legitimacy)	Four different types of legitimacy including historical, scientific, market, and locational legitimacy	Concurrent: Product strategy, age, size Consequents: Accounting FP, networking	Newly launched product that are approved by the Food and Drug Administration in 2002			V	Industry, Gov't, & Stockholders	Marketing
Rindova, Williamson, Petkova, & Sever (2005)	107	13	from -.79 to .71	Other (Prominence & Perceived quality)	The relative prominence of business schools among corporate recruiters as a stakeholder group: Perceived quality is measured as the average of recruiters' ratings of a school on 13 attributes related to student quality	Antecedents: Brand equity, product strategy, HR, visibility Consequents: Price premium	107 U.S. business schools rated by 1600 corporate recruiters in Harris Interactive in 2000		V		Stakeholders	Management
Roberts & Dowling (2002)	314 1	2	.37 & .2	Reputation	The annual survey of "America's Most Admired Companies" by Fortune magazine	Concurrent: Accounting FP	*Fortune* 1000 firms from 1984-1998			V	Stockholders	Management
Ruf et al (2001)	488	6	from -.06 to .12	CSR/CSP	KLD ratings	Consequents: Accounting FP	Matching firms on KLD's SOCRATES and COMPUSTAT from 1991-1995			V	Stockholders	Interdiscip-linary

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Russo & Fouts (1997)	486	6	from -.06 to .16	CSR/CSP	Data on environmental performance (criteria including compliance records, expenditures, & other initiatives used to meet protection organizations)	<u>Concurrent</u>: Accounting FP, visibility, size, Competitiveness <u>Consequents</u>: Accounting FP	Large US firms rated by the Franklin Research and Development Corporation (FRDC) on environmental performance			V	Industry, Gov't, & Stockholders	Management
Sauer (1997)	400	2	from .01 to .011	CSR/CSP	Domini 400 Social stock index	<u>Concurrent</u>: Market FP	Average Monthly Return: Domini 400 Social stock index, S&P 500 firms, and CRSP Value Weighted Market Indexes			V	Stockholders	Finance
Saxton (1997)	98	15	from -.03 to .93	Reputation	Three dimensions of corporate reputation scales are adapted from Fombrun & Shanley (1990): *Product quality, Management, & Financial performance*	<u>Concurrent</u>: Brand equity, product strategy, Competitiveness, Accounting FP <u>Consequents</u>: Networking	Firms that have long-term contractual relationship with their partners in eight countries--Canada, U.S., U.K., Germany, France, Japan, Malaysia, & India		V		Alliances & Industry	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Saxton & Dollinger (2004)	77	12	from -.04 to .43	Reputation	Reputation measure for **product quality** (return rate, quality, technology, repeat business, reliability, value, customer relationships), for **management** (experience, integrity, ability to attract, retain & train employees, decision-making capabilities, good neighbor in community, environmental responsibility, innovativeness), for **financial performance** (effective use of assets, value as a long-term investment, financial soundness)	Consequents: Market FP, HR, product strategy, networking	Firms that engaged in acquisitions from Canada, US, UK, Germany, France, & Japan (industry scope is restricted)	V			Employees, Industry, & Consumers	Management
Schnietz & Epstein (2005)	416 & 189	5	from -.22 to .11	CSR/CSP	KLD rating	Concurrent: Competitivenes size, risk, product strateg Consequents: Market FP	Fortune 500 firms in 1999			V	Stockholders	Interdiscip-linary
Seifert, Morris, & Bartkus (2003)	from 52 to 68	28	from .003 to .45	CSR/CSP	Charitable giving data from the Foundation Center	Antecedents& Concurrent: Accounting FP	US publicly held firms with charity information available from the Foundation Center, with matched pair of high ($5M+) vs. low donors			V	Stockholders	Interdiscip-linary

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Shane & Spicer (1983)	72	24	from -.34 to .15	CSR/CSP	The Council on Economic Priorities (CEP) reports on environmental performance distinguishing low vs. high polluters	Consequents: Market FP	Industrial companies studied by the CEP from 1970-1977			V	Stockholders	Accounting
Shamsie (2003)	48	9	from -.7 to .64	Other (Dominance)	Market share: the measure of the dominance of a firm over its industry from 1987-1994	Antecedents: Product strategy, visibility	Market leaders from 48 consumer goods industries (e.g., food, apparel, furniture, machinery)based on Off-the-Shelf Industry Reports & a wide variety of sources			V	Consumers & Industry	Management
Smith & Barclay (1997)	338	3	from -.24 to -.18	Reputation	Three items on professionalism, ethical standards, customer orientation	Consequents: Networking	338 sales representatives in the computer industry	V			Consumers & Industry (B2B market)	Marketing
Spyropoulou, Skarmeas, & Katsikeas (2010)	138	3	from .32 to .34	Other(Image)	Three items on brand image, awareness, & personality	Antecedents: Product strategy Consequents: Accounting FP	Greek exporting manufacturers	V			Consumers & Industry (B2B market)	Marketing
Srivastava et al. (1997)	10	1	.67	Reputation	*Fortune* magazine ratings of "Most Admired Corporation Survey"	Consequents: Accounting FP	10 portfolios are constructed based on 205 firms from 1988-1990			V	Stockholders	Interdiscip-linary
Standifird (2001)	102	12	From -.12 to -.05	Reputation	The positive and negative feedback ratings of the seller on eBay web-site	Consequents: Price premium, cost	3Com Palm Pilot Vs sellers in eBay web-site with the same product description from January 3-January 16, 2000			V	Consumers	Management

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Staw & Epstein (2000)	94	16	from .03 to .45	Reputation	*Fortune* magazine ratings of "Most Admired Corporation Survey"	Antecedents: Product strategy, Accounting FP, HR, size, Competitiveness	The largest (in terms of sales) U.S. industrial corporate in 1995			V	Employees & Stockholders	Management
Stice (1991)	98	1	.31	Reputation	The settlements of audit-related litigation of Big Right audit firms	Consequents: Risk	Client firms of both Big 8 auditors and non-Big 8 auditors from 1990-1984			V	Consumers & Industry (B2B market)	Accounting
Suh & Houston (2010)	201	2	.53 & .42	Reputation	3 items of firm reputation scale	Consequents: Brand equity, Networking	Randomly selected managers in buyer companies		V		Suppliers (B2B market)	Marketing
Surroca, Tribo, & Waddock (2010)	696	19	from -.11 to .49	Reputation CSR/CSP	Corporate reputations are based on *Fortune* magazine ratings of "Most Admired Corporation Survey": Corporate responsibility performance is based on KLD ratings	Antecedents: Reputation, product strategy, HR, liability, Accounting FP, size, risk	Industrial firms included in at least one year of the 2002-2004 Sustainalytics Platform database (known as Siri Pro)			V	Stakeholders	Management
Swaminathan & Moorman (2009)	230	10	from -.07 to .47	Reputation	*Fortune* magazine ratings of "Most Admired Corporation Survey"	Concurrent: Networking Consequents: Market FP	Multiple sources of data including SDC Joint Ventures & Strategic Alliances database from 1988-2005 in Software industry			V	Stockholders	Marketing
Teoh & Wong (1993)	128 2	1	.02	Reputation	Big Eight/non-Big Eight auditors	Consequents: Market FP	Client firms of both Big 8 auditors and non-Big 8 auditors from 1973-1988			V	Stockholders	Accounting
Teoh & Wong (1993)	134	1	.21	Reputation	Big Eight/non-Big Eight auditors	Consequents: Market FP	Client firms that have switched from Big 8 to non-Big 8, or vice versa from 1973-1988			V	Stockholders	Accounting

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION
BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary: Self	Data Perspectives: Primary: Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Turban & Cable (2003)	245	5	from .06 to .5	Reputation	*Fortune* magazine ratings of "Most Admired Corporation Survey"	Concurrent: HR Consequents: Brand equity, HR	1999 Universum survey over 2700 MBA students at 32 top business schools on the ideal workplace		V		Consumers & Employees	Management
Turban & Greening (1996)	161	7	from -.05 to .25	Reputation	Rating of corporate reputation by undergraduate management students	Antecedents: Accounting FP, CSP	Large US firms rated both by KLD and Fortune, excluding those firms whose reputation and attractiveness was not well known to pilot test undergraduate management students and faculty		V	V	Consumers & Employees	Management
Verschoor (1998)	376	1	.15	CSR/CSP	Indication in an Annual Report of a commitment to ethics or describes the importance of an ethics standard or code of conduct	Concurrent: Accounting FP	S&P 500 that are included in the 1996 Business Week 1000			V	Employees & Stockholders	Interdiscip-linary
Waddock & Graves (1997)	469	14	from -.12 to .17	CSR/CSP	Kinder, Lydenberg, Domini (KLD) ratings	Antecedents: Accounting FP Consequents: Accounting FP	S&P 500			V	Stockholders	Management
Wagner, Lutz, & Weitz (2009)	537	3	from -.7 to .4	CSR/CSP	3 items of CSR belief that are adapted from Handleman and Arnold (1999)	Antecedents: Risk, product strategy Consequents: Brand equity	537 undergraduate students participated in a survey on a hypothetical retail company, Power-Mart		V		Consumer (B2C market)	Marketing
Weber, Willenborg, & Zhang (2008)	83	4	from .01 to .08	Reputation	KPMG auditor in Germany	Consequents: Accounting FP, Market FP	Client firms that have switched from KPMG to others and stayed with KPMG after ComROAD fraud scandal from 1998-2003			V	Stockholders	Accounting

APPENDIX C (CONT.)
STUDIES INCLUDED IN A META-ANALYSIS OF ASSOCIATION BETWEEN FIRM REPUTATION AND PERFORMANCE

Study	N	# of r	R	Reputation Type	Reputation Measure	Antecedents /consequents Measure	Sample	Data Perspectives: Primary Self	Data Perspectives: Primary Third	Data Perspectives: Secondary	Stakeholder Perspectives	Discipline
Weiss, Anderson, & MacInnis (1999)	258	7	from -.12 to .31	Reputation	The unidimensional perspective on reputation	Concurrent: Cost, size, brand equity Consequents: Networking	Managers in the electronics components industry	V			Partners & Industry (B2B market)	Marketing
Wright & Ferris (1997)	31	1	.005	CSR/CSP	Firm divestment from South Africa as reported by the Investor Responsibility Research Center(IRRC)	Consequents: Market FP	Firms on IRRC South Africa divestment list from January 1984 through December 1990			V	Stakeholders	Management
Wright et al. (1995)	34	1	.18	CSR/CSP	U.S. Department of Labor presents annual award to firm with high-quality affirmative action policy (around 6 firms receive awards per year)	Consequents: Market FP	Department of Labor news releases reported by the Wall Street Journal Index and Dow Jones News Retrieval Service			V	Stakeholders	Management
Wright et al. (1995)	35	1	.03	CSR/CSP	Major settlement announcement by firm found guilty of discrimination against underrepresented minority employees	Consequents: Market FP	Department of Labor news releases reported by the Wall Street Journal Index and Dow Jones News Retrieval Service			V	Stakeholders	Management

APPENDIX D
MEASUREMENT SCALES FOR ESSAY 2

Latent Constructs and Items	Factor loadings Franc-hisor	Franc-hisee	Cons-umer
Internal Reputation (Franchisees)**:** Reliability = .93; AVE Estimate = .90			
Adapted from Wang et al. (2006) (1 = "strongly disagree," and 7 = "strongly agree")			
and modified from Fombrun, Gardberg, and Sever 2000			
• My overall perceptions of total experience with this franchise system are very good.	—	.85	—
• My perceptions of our (this) franchise system compared to its competitors are very good.	—	.89	—
• I believe in the good long-term future for this franchise system.	—	.83	—
• I believe the market standing of this franchise system is excellent.	—	.87	—
• I believe the market visibility of this franchise system is high.	—	.77	—
External Reputation (Consumers)**:** Reliability = .81; AVE Estimate = .68			
Adapted from Wang et al. (2006) (1 = "strongly disagree," and 7 = "strongly agree")			
and modified from Fombrun, Gardberg, and Sever (2000)			
• My overall perceptions of total experience with this brand are very good.	—	—	.72
• My perceptions of our franchise (this) brand compared to its competitors are very good.	—	—	.73
• I believe in the good long-term future for this brand.	—	—	.77
• I believe the market standing of this franchise system is high.	—	—	.63
Satisfaction (Franchisees & Consumers)			
Franchisees**:** Reliability = .93; AVE Estimate = .90			
Consumers**:** Reliability = .95; AVE Estimate = .94			
Adapted from Crosby, Evans, and Cowles (1990); Ganesan (1994)			
(1 = "strongly disagree," and 7 = "strongly agree"; a = franchisee level, b = consumer level)			
• I am satisfied with this franchise system[a] (a franchised fast-food restaurant[b]).	—	.87	.95
• I am pleased with my franchisor[a] (a franchised fast-food restaurant[b]).	—	.90	.95
• The relationship quality that I have with my franchisor[a] (this brand[b]) is excellent.	—	.85	.89
Financial Performance (Franchisors & Franchisees)			
Franchisors**:** Reliability = .92; AVE Estimate = .90			
Franchisees**:** Reliability = .95; AVE Estimate = .94			
Adapted from Cavusgil and Zou (1994) (1 = "strongly disagree," and 7 = "strongly agree";			
a = franchisor level, b = franchisee level)			
• The forecast of the performance of our system[a] (my business[b]) in this year is very positive.	.38	.74	—
• We[a] (I[b]) would rate the performance of our system[a] (my business[b]) over the last five year in terms of sales growth as very successful.	.87	.89	—
• We[a] (I[b]) would rate the performance of our system[a] (my business[b]) over the last five year in terms of profits growth as very successful.	.93	.92	—

APPENDIX E
FRANCHISOR QUESTIONNAIRE

Dear Franchisor:

We would like to invite you to help us understand the factors that make your franchise system more competitive, successful, and reputable. This questionnaire is designed to help us better understand the strategies you use to develop better relationships with your franchisee partners and to serve the end consumers. This project seeks to understand what makes your franchise system attractive based on data collected from you, your franchisees and your ultimate customers.

This study is being conducted by the University of Oklahoma in the U.S and Asia Pacific Centre for Franchising Excellence in Griffith University. Your individual responses are guaranteed to be kept CONFIDENTIAL. The attached questionnaire will take around 15 minutes to complete.

By the way of an incentive, if you participate in this survey, we will provide you with a customized report on how your franchisees and your final consumers think about your system. Should this be of interest to you, please indicate this on the last page of the questionnaire.

If you choose to help us with this study, we request that you try to complete all the questions since complete sets of responses facilitate our ability to properly analyze all of our data. However, if you feel there is some risk involved in completing the survey and you are uncomfortable completing it, then you are free to exit the survey any time you wish.

Thank you in advance for assisting us with this important research.

Jean Jeon

The University of Oklahoma

APPENDIX E (CONT.)
FRANCHISOR QUESTIONNAIRE

SECTION 1: This section seeks your opinions about your strategies in general. To answer, review the statements below, and indicate your answers by checking the boxes that best reflect your opinions.

Communication
Adapted from Anderson and Weitz (1992) (1 = "strongly disagree," and 7 = "strongly agree")
- We keep our franchisees well informed about our products and what is going on in our franchise system.
- Our franchise system and our franchisees make it a point to keep each other well informed.
- We hesitate to give our franchisees too much information. (R)
- We are quite involved in operations of the franchisee-owned outlets.
- Our franchisees seek our advice and counsel concerning their operation efforts.
- Our franchisees are willing to let us see their weaknesses as well as their strengths.

Standardization
Adapted from Hsieh, Chou, and Chen (2002) (1 = "strongly disagree," and 7 = "strongly agree")
- We follow standard operating procedures in our franchise system.
- Franchisees are asked to strictly follow these operating procedures at all times.
- This standardized procedure facilitates monitoring consistency in quality of franchise operations.
- Our franchise system has standard procedures to deal with all possible situations.
- Every franchisee in our franchise system has been provided with well defined operating procedures to follow.

Innovation
Adapted from Hurley and Hult (1998) (1 = "strongly disagree," and 7 = "strongly agree")
- Innovation, based on franchisees' suggestions, is readily accepted by us.
- Our franchise system actively seeks innovative ideas.
- Innovation is readily accepted in program/ project management in our franchise system.
- Franchisees are penalized for new ideas that don't work (R).
- Innovation in our franchise system is perceived as too risky and is resisted (R).

Quantity of sustainable strategy
Adapted from Blum-Kusterer and Hussain (2001)
Please indicate whether or not your system engages in the following monitoring activities (Check all that apply)
Assessment of the impact of your products and services on (1 = "yes," and 2 = "no")
- Environment
- Society
- Climate change
- Human rights
- Animal Welfare

If yes, how frequently are you involved in such activities? (1 = "very infrequently," and 7 = "very frequently")
- Environment
- Society
- Climate change
- Human rights
- Animal Welfare

APPENDIX E (CONT.)
FRANCHISOR QUESTIONNAIRE

SECTION 2: This section seeks your opinions about how you view on the reputation of your franchise system in the market. Please review the statements below, and indicate your answers by checking the boxes that best reflect your opinions.

External reputation
Adapted from Wang et al. (2006) (1 = "strongly disagree," and 7 = "strongly agree") and modified from Fombrun, Gardberg, and Sever 2000

- Consumers' overall perceptions of total experience with our brand are very good.
- Consumers' perceptions of our franchise brand compared to our competitors are very good.
- Consumers believe in the good long-term future for our franchise brand.
- Consumers believe in the market standing of our franchise system.
- Consumers' perceptions of the market visibility of our franchise system are high.

Internal reputation
Adapted from Wang et al. (2006) (1 = "strongly disagree," and 7 = "strongly agree") and modified from Fombrun, Gardberg, and Sever 2000

- Franchisees' overall perceptions of total experience with our franchise system are very good.
- Franchisees' perceptions of our franchise system compared to our competitors are very good.
- Franchisees believe in the good long-term future for our franchise system.
- Franchisees believe in the market standing of our franchise system.
- Franchisees' perceptions of the market visibility of our franchise system are high.

SECTION 3: This section seeks to measure the overall financial performance of your franchise system.

Financial performance
Adapted from Cavusgil and Zou (1994) (1 = "strongly disagree," and 7 = "strongly agree")

- Our forecast of the performance of our system in this year (2011) is very positive.
- We would rate the performance of our system over the last five year in terms of sales growth as very successful.
- We would rate the performance of our system over the last five year in terms of profits growth as very successful.
- We would rate the performance of our system over the last five year in terms of overall profitability as very successful.
- We would rate the return on investment of our system over the last five year as very positive.

Please indicate *sales growth rates* of your outlet in the last five years by checking the appropriate category in each column. (1 = "large negative growth," 2 = "moderate negative growth", 3 = "small negative growth," 4 = "no growth", 5 = "small positive growth," 6 = "moderate positive growth", and 7 = "large positive growth")

- Last year (2010)
- Two years ago (2009)
- Three years ago (2008)
- Four years ago (2007)
- Five years ago (2006)

Was your business profitable over the last five years? (1 = "yes," and 2 = "no")

- Last year (2010)
- Two years ago (2009)
- Three years ago (2008)
- Four years ago (2007)
- Five years ago (2006)

APPENDIX E (CONT.)
FRANCHISOR QUESTIONNAIRE

SECTION 4: Demographics
This final set of questions is aimed at getting an overview of your business and information that is often provided to the prospective franchisees. We absolutely guarantee that your individual responses will never be revealed and this data will be used only in combined form for research purposes.

- Franchise Trade Name: __________
- Contact Name: _________________
- Position: ______________________
- E-mail: _______________________
- Telephone: ____________________

- Company was founded in (year): __________
- First year as franchisor was : ____________
- Actual number of Franchised Units as of 7/01/2011 _____ units
- Actual number of Company-Owned Units as of 7/01/2011 _____ units

- What is the minimum net worth required from a perspective franchise? $ __________
- What is the range of total investment required? From $ __________ to $ __________
- How much is the on-going royalty fee? __________ % or $ __________

- What is the location and duration of any initial training sessions included in the franchise fee?

	Location	Duration
A.	__________	__________
B.	__________	__________
C.	__________	__________

- Which of the following on-going services do you provide to the franchisee? (Please check all the boxes that apply)

Service	Included in Fees	At additional Cost	Not Available
Central Data Processing	☐	☐	☐
Central Purchasing	☐	☐	☐
Field Operations Evaluation	☐	☐	☐
Field Training	☐	☐	☐
Initial Store Opening	☐	☐	☐
Inventory Control	☐	☐	☐
Franchisee Newsletter	☐	☐	☐
Regional or National Meetings	☐	☐	☐
Telephone Hotline for franchisees	☐	☐	☐

☐ Yes, I am interested in receiving a customized report on how my franchisees and my final customers think about
our system.
Please email the report to: ______________________________________

Any comments for the research team?

Thank you very much for your participation in this important survey.

APPENDIX F
FRANCHISEE QUESTIONNAIRE

Dear Franchisee,

We would like to invite you to help us understand the factors that make your franchise system more competitive, successful, and reputable. The questionnaire is designed to help us better understand how franchise systems create values for the end consumers. This project seeks to understand what makes your franchise system attractive based on data collected from you, your franchisor and your ultimate customers.

This study is being conducted by the University of Oklahoma in the U.S. Your individual responses are guaranteed to be kept CONFIDENTIAL. The attached questionnaire will take around 15 minutes to complete.

If you choose to help us with this study, we request that you try to complete all the questions since such complete set of response facilitate our ability to properly analyze all of our data. However, if you feel there is some risk involved in completing the survey and you are uncomfortable completing it, then you are free to exit the survey any time you wish.

Thank you in advance for assisting us with this important research.

Jean Jeon

The University of Oklahoma

APPENDIX F (CONT.)
FRANCHISEE QUESTIONNAIRE

SECTION 1: This section seeks your opinions about how you feel about your relationship with your franchisor in general. To answer, review the statements below, and indicate your answers by checking the boxes that best reflect your opinions.

Communication
Adapted from Anderson and Weitz (1992) (1 = “strongly disagree,” and 7 = “strongly agree”)

- My franchisor keeps me well-informed about its products and what is going on in the franchise system.
- My franchisor and I make it a point to keep each other well informed.
- My franchisor hesitates to give me too much information. (R)
- My franchisor is quite involved in operations of my outlet.
- I often seek advice and counsel concerning my operation efforts from my franchisor.
- My franchisor is willing to let me see weaknesses of the franchise system as well as its strengths.

Relational commitment
Adapted from Chaudhuri and Holbrook (2002); Kumar, Hibbard, and Stern (1994)
(1 = “strongly disagree,” and 7 = “strongly agree”)

- I am committed to this franchise system.
- I would be willing to pay a higher price to join this franchise system over other brands if I had to do this over.
- I intend to acquire additional units of this franchise system in the future.
- I intend to keep interesting in the development of this brand.
- My franchisor and I have a mutually beneficial relationship.
- I enjoy working with this franchisor.
- It feels like the franchisor and I are constantly doing something for each other.
- I feel as though the franchisor and I are “in it together”.
- I feel that the values of this franchise system match my own.
- The franchisor and I get along well together.
- The franchisor and I tend to share similar values.

Brand Equity
Adapted from Yoo and Donthu (2001) (1 = “strongly disagree,” and 7 = “strongly agree”)

- I consider myself to be loyal to my franchisor.
- My franchisor would always be my first choice as a business partner.
- I will not buy another brand of franchise system if purchasing an additional outlet is available through my current franchisor.
- I feel attached to my franchise system.
- I put in quite a great deal of effort when I made the decision to join this franchise system.
- My franchise system is well accepted by the marketplace.
- Consumers have a very good impression of my franchise system.
- My franchise system offers great value for my investment.
- The brand of my franchise system is well recognized among its competing brands.
- I am acutely aware of my franchise system’s brand image.
- Characteristics unique to my franchise system are truly memorable.
- I can quickly recall the symbol or logo of my franchise system.
- I have difficulty in imaging my franchise system in my mind (R).

APPENDIX F (CONT.)
FRANCHISEE QUESTIONNAIRE

SECTION 2: This section seeks your opinions about how you feel about your franchisor's strategies in the market. To answer, review the statements below, and indicate your answers by checking the boxes that best reflect your opinions.

Innovation

Adapted from Hurley and Hult (1998) (1 = "strongly disagree," and 7 = "strongly agree")

- Innovation, based on our suggestions, is readily accepted by my franchisor.
- My franchisor actively seeks innovative ideas from its franchisees.
- Innovation is readily accepted in program/ project management in our franchise system.
- Franchisees are penalized for new ideas that don't work (R).
- Innovation in our franchise system is perceived as too risky and is resisted (R).

Quality of Product

Adapted from Cronin, Brady, and Hult (2000) and Sweeney and Soutar (2001)
(1 = "strongly disagree," and 7 = "strongly agree")

- Consumers' overall perceptions of total experience with our brand are very good.
- Consumers' perceptions of our franchise brand compared to our competitors are very good.
- Consumers believe in the good long-term future for our franchise brand.
- Consumers believe in the market standing of our franchise system.
- Consumers' perceptions of the market visibility of our franchise system are high.

Quality of Service

Adapted from Cronin, Brady, and Hult (2000) and Sweeney and Soutar (2001)
(1 = "strongly disagree," and 7 = "strongly agree")

- The quality of services that are supplied by my franchisor is excellent
- The quality of services that are supplied by my franchisor is superior to the average in this industry.
- The quality of services that are supplied by my franchisor meets high standards.
- The quality of services that are supplied by my franchisor is not consistent. (R)
- The quality of services that are supplied by my franchisor is poor relative to its competitors. (R)

Franchisee (relational) satisfaction

Adapted from Crosby, Evans, and Cowles (1990) and Ganesan (1994)
(1 = "strongly disagree," and 7 = "strongly agree")

- I am satisfied with this franchise system.
- I am pleased with my franchisor.
- I am favorably disposed toward this franchise system.
- The relationship quality that I have with my franchisor is excellent.
- I feel content with my relationship with my franchisor.

Purchase intention

Adapted from Hellier et al. (2003) (1 = "strongly disagree," and 7 = "strongly agree")

- All things considered, it is highly and likely that will purchase an additional unit from my franchisor if it is allowed?

APPENDIX F (CONT.)
FRANCHISEE QUESTIONNAIRE

Word-of-Mouth Intention

Adapted from File, Judd, and Prince (1992) (1 = “strongly disagree,” and 7 = “strongly agree”)

- I would gladly recommend to potential franchisees that they should join this franchise system.
- I would recommend this franchise system to potential franchisees without hesitation.
- I would gladly talk directly about my experience with my franchisor to prospective franchisees.
- I would like to seek out other opportunities to work with my franchisor.

Quantity of sustainable strategy

Adapted from Blum-Kusterer and Hussain (2001)
Please indicate whether or not your franchisor engages in the following monitoring activities (Check all that apply)
Assessment of the impact of your products and services on (1 = “yes,” and 2 = “no”)

- Environment
- Society
- Climate change
- Human rights
- Animal Welfare

If yes, how frequently are you involved in such activities? (1 = “very infrequently,” and 7 = “very frequently”)

- Environment
- Society
- Climate change
- Human rights
- Animal Welfare

SECTION 3: This section seeks your opinions about how you view on the reputation of your franchise system in the market. To answer, review the statements below, and indicate your answers by checking the boxes that best reflect your opinions.

External reputation

Adapted from Wang et al. (2006) (1 = “strongly disagree,” and 7 = “strongly agree”)
and modified from Fombrun, Gardberg, and Sever 2000

- Consumers’ overall perceptions of total experience with this franchise brand are very good.
- Consumers’ perceptions of our franchise brand with competitors are very good.
- Consumers believe in a good long-term future of our franchise brand.
- Consumers believe in the market standing of our franchise system.
- Consumers’ perceptions of the market visibility of our franchise system are high.

Internal reputation

Adapted from Wang et al. (2006) (1 = “strongly disagree,” and 7 = “strongly agree”)
and modified from Fombrun, Gardberg, and Sever 2000

- My overall perceptions of total experience with this franchise system are very good.
- My perceptions of this franchise system compared to competitors are very good.
- I believe in a good long-term future of our franchise system.
- The market reputation of my franchisor is excellent.
- The market visibility of our franchise system is high.

APPENDIX F (CONT.)
FRANCHISEE QUESTIONNAIRE

SECTION 4: This section seeks overall financial performance of **<u>YOUR OUTLET</u>**

Financial performance

Adapted from Cavusgil and Zou 1994 (1 = "strongly disagree," and 7 = "strongly agree")

- The forecast of the performance of my business in this year (2011) is very positive.
- I would rate the return on investment of my business over the last five year as very positive.
- I would rate the performance of my business over the last five year in terms of sales growth as very successful.
- I would rate the performance of my business over the last five year in terms of profits growth as very successful.
- I would rate the performance of my business over the last five year in terms of overall profitability as very successful.

Please indicate sales growth rates of **<u>YOUR OUTLET</u>** in the last five years by checking the appropriate category in each column. (1 = "large negative growth," 2 = "moderate negative growth", 3 = "small negative growth," 4 = "no growth", 5 = "small positive growth," 6 = "moderate positive growth", and 7 = "large positive growth")

- Last year (2010)
- Two years ago (2009)
- Three years ago (2008)
- Four years ago (2007)
- Five years ago (2006)

Was your business profitable over the last five years? (1 = "yes," and 2 = "no")

- Last year (2010)
- Two years ago (2009)
- Three years ago (2008)
- Four years ago (2007)
- Five years ago (2006)

APPENDIX F (CONT.)
FRANCHISEE QUESTIONNAIRE

SECTION 5: Classification Questions
This final set of questions is aimed at getting an overview of your business and information that are often provided to the prospective franchisor. We absolutely guarantee that your individual responses will never be revealed and this data will be used only in combined form for research purposes.

- Franchise Trade Name: ___________________
- Location of Your Outlet: __________________
- E-mail: _________________________________
- Telephone: ______________________________

- Are you a: □ Manager in company-owned units □ Manager in franchised units □ Franchisee
- If you are a *franchisee*, how many outlets do you have in this franchise system? _________
- If you are a *franchisee*, how long have you been a franchisee in this franchise system? _________

- Your Gender : □ Male □ Female
- Your Approximate Age? _____

- How many years of post high school education have you had? _____

Any comments for the research team?

Thank you very much for your participation in this important survey.

APPENDIX G
CONSUMER QUESTIONNAIRE

Dear Franchise Customer:

Thank you for your willingness to participate in this important survey on your experiences with this franchised restaurant. Please be reassured that your individual identity will never be revealed. So, please be frank.
This survey should take approximately, 10 minutes to complete.

Thank you again in advance for your cooperation.

SECTION 1: This section seeks your opinions about how you feel about this franchised fast-food restaurant business in general. To answer, review the statements below, and indicate your answers by checking the boxes that best reflect your opinions.

External reputation
Adapted from Wang et al. (2006) (1 = "strongly disagree," and 7 = "strongly agree")
and modified from Fombrun, Gardberg, and Sever 2000

- My overall perceptions of total experience with this franchise system are very good.
- My perceptions of this franchise system compared to its competitors are very good.
- I believe in the good long-term future for this franchise system.
- I believe that the market standing of this franchise system is good.
- The market visibility of this franchise system in the marketplace is high.

SECTION 2: This section seeks your opinions about your brand experiences in this franchised fast-food restaurant. To answer, review the statements below, and indicate your answers by circling the rate that best reflect your opinions.

Brand satisfaction
Adapted from Crosby, Evans, and Cowles (1990) and Ganesan (1994)
(1 = "strongly disagree," and 7 = "strongly agree")

- I am satisfied with this franchised fast-food restaurant.
- I am pleased with this franchised fast-food restaurant.
- I am favorably disposed toward this franchised fast-food restaurant.
- My experiences with this brand have been positive.

Purchase intention
Adapted from Hellier et al. (2003) (1 = "strongly disagree," and 7 = "strongly agree")

- All things considered, it is highly likely that I will actually dine at this brand of franchised fast-food restaurant again?

Word-of-Mouth Intention
Adapted from File, Judd, and Prince (1992) (1 = "strongly disagree," and 7 = "strongly agree")

- I would recommend to other people that they should dine out at this brand of franchised fast-food restaurant.
- I would recommend this franchise system to other people interested in dining out.
- I would gladly talk about my experiences with this brand of restaurants to other people.
- I would like to seek out other franchised fast-food restaurants to patronize.

Brand commitment
Adapted from Chaudhuri and Holbrook (2002); Kumar, Hibbard, and Stern (1994)
(1 = “strongly disagree,” and 7 = “strongly agree”)

- I am committed to patronizing this franchised brand.
- I would be willing to pay a higher price to dine in this franchised brand over other brands.
- I will buy this brand the next time I dine out.
- I intend to keep purchasing this brand.
- I feel that the values of this franchise system match my own.
- This brand and I appear to share similar values.

SECTION 3: Classification Questions: This final set of questions is asked so that we can combine your answers with other like-minded individuals. They are not meant to identify you. We absolutely guarantee that your individual identity will never be revealed.

- The brand that you have patronized: ___________

- Your Gender : ☐ Male ☐ Female
- Your Approximate Age? _____
- How many years of post high school education have you had? _____

- How frequently do you eat at this franchised restaurant chain?
- How often do you dine out per week? __________
- What are your three most favorite menu items in this franchise restaurant chain? __________

Any comments for the research team?

Thank you very much for your participation in this important survey.

APPENDIX H
INTER-ITEM CORRELATIONS IN THE FRANCHISEE MODEL FOR ESSAY 2

Constructs and Items	IR1	IR2	IR3	IR4	IR5	ST1	ST2	ST3	FP1	FP2	FP3	FP4	FP5	EX	RO	TR	DD
Internal Reputation (IR)																	
IR1	—																
IR2	.77	—															
IR3	.71	.72	—														
IR4	.69	.78	.74	—													
IR5	.67	.63	.62	.69	—												
Satisfaction (ST)																	
ST1	.42	.43	.44	.44	.35	—											
ST2	.35	.36	.37	.35	.35	.76	—										
ST3	.31	.33	.31	.32	.33	.76	.83	—									
Financial Performance(FP)																	
FP1	.25	.32	.37	.32	.25	.39	.45	.33	—								
FP2	.26	.29	.31	.25	.26	.26	.38	.30	.70	—							
FP3	.20	.22	.23	.21	.21	.23	.26	.27	.64	.83	—						
FP4	.21	.28	.28	.23	.21	.26	.38	.30	.66	.81	.88	—					
FP5	.25	.28	.33	.30	.28	.24	.32	.25	.72	.83	.84	.87	—				
Experience (years) (EX)	.19	.17	.20	.26	.23	.12	.11	.10	.13	.10	.07	.10	.17	—			
Royalty (%) (RO)	.06	.11	.11	.14	.07	.05	.07	.08	.05	.04	.10	.08	.10	.06	—		
Training (days) (TR)	.11	.15	.13	.15	.15	.11	.15	.18	.11	.04	.05	.06	.10	.41	.08	—	
Dual Distribution(%)(DD)	.04	.11	.11	.13	.03	.04	.08	.00	.14	.14	.09	.13	.12	.18	-.02	-.01	—

APPENDIX I

INTER-ITEM CORRELATIONS IN THE CONSUMEER MODEL FOR ESSAY 2

Constructs and Items	ER1	ER2	ER3	ER4	ER5	ST1	ST2	ST3	FP1	FP2	FP3	FP4	FP5	EX	RO	TR	DD
External Reputation (ER)																	
ER1	—																
ER2	.77	—															
ER3	.62	.64	—														
ER4	.48	.50	.71	—													
ER5	.16	.25	.45	.56	—												
Satisfaction (ST)																	
ST1	.42	.43	.44	.44	.35	—											
ST2	.35	.36	.37	.35	.35	.76	—										
ST3	.31	.33	.31	.32	.33	.76	.83	—									
Financial Performance(FP)																	
FP1	.04	.07	.09	-.03	.01	.05	.04	.06	—								
FP2	.15	.23	.20	.12	.10	.12	.14	.15	.42	—							
FP3	.12	.25	.14	.10	.06	.09	.07	.27	.37	.82	—						
FP4	.11	.22	.10	.08	.03	.07	.07	.10	.27	.74	.90	—					
FP5	.09	.19	.12	.07	.03	.07	.04	.07	.37	.87	.88	.90	—				
Experience (years) (EX)	-.17	-.15	-.11	-.06	-.02	-.12	-.14	-.15	-.26	-.03	-.12	.07	.08	—			
Royalty (%) (RO)	.12	.08	.06	.01	-.11	.15	.14	.12	.17	.01	-.01	.04	-.10	.02	—		
Training (days) (TR)	-.14	-.10	-.06	-.03	.05	-.15	-11	-.10	.12	.03	.05	.10	-.01	.19	.08	—	
Dual Distribution(%)(DD)	-.08	-.11	-.03	-.05	-.02	-.04	-.08	-.07	.05	-.07	-.33	-.34	-.21	.07	-.04	-.10	—

APPENDIX J

MEASUREMENT SCALES FOR ESSAY 3

Constructs and Items	Factor loadings Franc-hisor	Franc-hisee	Cons-umer
Dependent Variables			
Satisfaction (Franchisees & Consumers).			
Franchisees**:** Reliability = .93; AVE Estimate = .90			
Consumers**:** Reliability = .95; AVE Estimate = .94			
Adapted from Crosby, Evans, and Cowles (1990); Ganesan (1994)			
(1 = "strongly disagree," and 7 = "strongly agree"; a = franchisee level, b = consumer level)			
• I am satisfied with this franchise system[a] (a franchised fast-food restaurant[b]).	—	.87	.93
• I am pleased with my franchisor[a] (a franchised fast-food restaurant[b]).	—	.90	.93
• The relationship quality that I have with my franchisor[a] (this brand[b]) is excellent.	—	.85	.89
Commitment (Franchisees & Consumers).			
Franchisees**:** Reliability = .81; AVE Estimate = .71			
Consumers**:** Reliability = .82; AVE Estimate = .73			
Adapted from Chaudhuri and Holbrook (2002); Crosby, Evans, and Cowles (1990); Ganesan (1994)			
(1 = "strongly disagree," and 7 = "strongly agree"; a = franchisee level, b = consumer level)			
• I am committed to this franchise system[a] (this franchised brand[b]).	—	.79	.76
• I feel that the values of this franchise system match my own[ab].	—	.64	.77
• The franchisor[a] (This brand[b]) and I tend to share similar values.	—	.84	.80
Word-of-Mouth Intention (Franchisees & Consumers).			
Franchisees**:** Reliability = .85; AVE Estimate = .79			
Consumers**:** Reliability = .94; AVE Estimate = .93			
Adapted from File, Judd, and Prince (1992)			
(1 = "strongly disagree," and 7 = "strongly agree"; a = franchisee level, b = consumer level)			
• I would gladly recommend to potential franchisees[a] (other people[b]) that they should join this franchise system[a] (this brand of franchised fast-food restaurant[b]).	—	.86	.93
• I would recommend this franchise system to potential franchisees without hesitation [a] (other people interested in dining out[b]).	—	.91	.93
• I would gladly talk directly about my experience with my franchisor to prospective franchisees [a] (with this brand of restaurants to other people[b]).	—	.64	.89
Purchase Intention (Franchisees & Consumers).			
Adapted from Hellier, Geursen, Carr, and Richard (2003)			
(1 = "strongly disagree," and 7 = "strongly agree"; a = franchisee level, b = consumer level)			
• All things considered, it is highly likely that will purchase an additional unit from my franchisor if it is allowed? [a] (dine at this brand of franchised fast-food restaurant again? [b])			
Independent Variables			
Internal Reputation (Franchisees) **:** Reliability = .93; AVE Estimate = .90			
Adapted from Wang et al. (2006) (1 = "strongly disagree," and 7 = "strongly agree") and modified from Fombrun, Gardberg, and Sever (2000)			
• My overall perceptions of total experience with this franchise system are very good.	—	.85	—
• My perceptions of our franchise system compared to its competitors are very good.	—	.89	—
• I believe in the good long-term future for this franchise system.	—	.83	—
• I believe the market visibility of this franchise system is high.	—	.87	—

APPENDIX J (CONT.)
MEASUREMENT SCALES FOR ESSAY 3

Constructs and Items	Factor loadings		
	Franc-hisor	Franc-hisee	Cons-umer
External Reputation (Consumers) **:** Reliability = .81; AVE Estimate = .68			
Adapted from Wang et al. (2006) (1 = "strongly disagree," and 7 = "strongly agree") and modified from Fombrun, Gardberg, and Sever (2000)			
• My overall perceptions of total experience with this brand are very good.	—	—	.72
• My perceptions of this brand compared to its competitors are very good.	—	—	.73
• I believe in the good long-term future for this brand.	—	—	.77
• I believe the market standing of this franchise system is high.	—	—	.63
Standardization (Franchisor) **:** Reliability = .78; AVE Estimate = .61			
Adapted from Hsieh, Chou, and Chen (2002) (1 = "strongly disagree," and 7 = "strongly agree")	.51	—	—
• Franchisees are asked to strictly follow these operating procedures at all times.	.75	—	—
• This standardized procedure facilitates monitoring consistency in quality of franchise operations.	.91	—	—
• Our franchise system has standard procedures to deal with all possible situations.	.42	—	—
• Every franchisee in our franchise system has been provided with well defined operating procedures to follow.	.57	—	—
Innovativeness (Franchisor) **:** Reliability = .89; AVE Estimate = .83			
Adapted from Hurley and Hult (1998) (1 = "strongly disagree," and 7 = "strongly agree")			
• Innovation, based on franchisees' suggestions, is readily accepted by us.	.83	—	—
• Our franchise system actively seeks innovative ideas.	.82	—	—
• Innovation is readily accepted in program/ project management in our franchise system.	.77	—	—
• Franchisees are penalized for new ideas that don't work (R).	.79	—	—
• Innovation in our franchise system is perceived as too risky and is resisted (R).	.72	—	—
Communication (Franchisor) **:** Reliability = .93; AVE Estimate = .90			
Adapted from Anderson and Weitz (1992) (1 = "strongly disagree," and 7 = "strongly agree")			
• We keep our franchisees well informed about our products and what is going on in our franchise system.	.88	—	—
• Our franchise system and our franchisees make it a point to keep each other well informed.	.92	—	—
• We hesitate to give our franchisees too much information. (R)	.90	—	—
• Our franchisees seek our advice and counsel concerning their operation efforts.	.81	—	—
• Our franchisees are willing to let us see their weaknesses as well as their strengths.	.74	—	—

APPENDIX K
MODEL SPECIFICATION FOR ESSAY 3

INITIAL MODEL

The Firm Strategy-Reputation-Consequence Linkage Model on Franchisees' Perspective

Level 1 (Franchisees)

$$(Consequences)_{ij} = \beta_{0j} + \beta_{1j}(Internal\ Reputation)_{ij} + \gamma_{ij.}$$

Level 2 (Firm: Franchisors)

$$\beta_{0j} = \gamma_{00} + \gamma_{01}(Standardization)_j + \gamma_{02}(Innovation)_j + \gamma_{03}(Communication)_j + u_{0j}$$

$$\beta_{1j} = \gamma_{10} + u_{1j}$$

- Four different consequences are employed in this study: (1) Satisfaction, (2) Commitment, (3) Word-of-Mouth Intention, and (4) Purchasing Intention

The indices of i and j denote channel members and firms.

The Firm Strategy-Reputation-Consequence Linkage Model on Consumers' Perspective

Level 1 (Consumers)

$$(Consequences)_{ij} = \beta_{0j} + \beta_{1j}(External\ Reputation)_{ij} + \gamma_{ij.}$$

Level 2 (Firm: Franchisors)

$$\beta_{0j} = \gamma_{00} + \gamma_{01}(Standardization)_j + \gamma_{02}(Innovation)_j + \gamma_{03}(Communication)_j + u_{0j}$$

$$\beta_{1j} = \gamma_{10} + u_{1j}$$

- Four different consequences are employed in this study: (1) Satisfaction, (2) Commitment, (3) Word-of-Mouth Intention, and (4) Purchasing Intention

The indices of i and j denote channel members and firms.

APPENDIX K (CONTINUED)
MODEL SPECIFICATION FOR ESSAY 3

FINAL MODEL

The Firm Strategy-Reputation-Consequence Linkage Model on Franchisees' Perspective (See Table 3- 2)

Level 1 (Franchisees)

$$(Consequences)_{ij} = \beta_{0j} + \beta_{1j}(Internal\ Reputation)_{ij} + \gamma_{ij.}$$

Level 2 (Firm: Franchisors)

$$\beta_{0j} = \gamma_{00} + \gamma_{01}(Standardization)_j + \gamma_{02}(Innovation)_j + \gamma_{03}(Communication)_j + u_{0j}$$

$$\beta_{1j} = \gamma_{10} + \gamma_{11}(Standardization)_j + \gamma_{12}(Innovation)_j + \gamma_{13}(Communication)_j + u_{1j}$$

Four different consequences are employed in this study: (1) Satisfaction, (2) Commitment, (3) Word-of-Mouth Intention, and (4) Purchasing Intention

The indices of i and j denote channel members and firms.

The Firm Strategy-Reputation-Consequence Linkage Model on Consumers' Perspective (See Table 3-3)

Level 1 (Consumers)

$$(Consequences)_{ij} = \beta_{0j} + \beta_{1j}(External\ Reputation)_{ij} + \gamma_{ij.}$$

Level 2 (Firm: Franchisors)

$$\beta_{0j} = \gamma_{00} + \gamma_{01}(Standardization)_j + \gamma_{02}(Innovation)_j + \gamma_{03}(Communication)_j + u_{0j}$$

$$\beta_{1j} = \gamma_{10} + \gamma_{11}(Standardization)_j + \gamma_{12}(Innovation)_j + \gamma_{13}(Communication)_j + u_{1j}$$

- Four different consequences are employed in this study: (1) Satisfaction, (2) Commitment, (3) Word-of-Mouth Intention, and (4) Purchasing Intention

The indices of i and j denote channel members and firms.

APPENDIX L
INTER-ITEM CORRELATIONS IN THE FRANCHISEE MODEL FOR ESSAY 3

Constructs and Items		ST1	ST2	ST3	CO1	CO2	CO3	WM1	WM2	WM3	PI	IR1	IR2	IR3	IR4	ST1	ST2	ST3	ST4	ST5	IN1	IN2	IN3	IN4	IN5	CM1	CM2	CM3	CM4	CM5
Satisfaction (ST)	ST1	—																												
	ST2	.76	—																											
	ST3	.76	.83	—																										
Commitment (CO)	CO1	.27	.14	.12	—																									
	CO2	.16	.07	.06	.59	—																								
	CO3	.33	.17	.20	.65	.46	—																							
Word-of-Mouth	WM1	.72	.57	.52	.21	.10	.35	—																						
Intention (WM)	WM2	.74	.48	.67	.21	.11	.30	.78	—																					
	WM3	.42	.28	.29	.18	.20	.31	.57	.55	—																				
Purchasing Intention	PI	.43	.44	.42	.12	.20	.16	.35	.44	.27	—																			
Internal Reputation	IR1	.41	.35	.30	.19	.10	.20	.35	.38	.26	.12	—																		
(IR)	IR2	.42	.35	.32	.07	.05	.17	.43	.42	.24	.19	.77	—																	
	IR3	.43	.37	.31	.17	.11	.22	.34	.38	.27	.19	.71	.72	—																
	IR4	.44	.35	.32	.17	.11	.20	.41	.39	.27	.24	.69	.78	.74	—															
Standardization (ST)	ST1	.01	-.02	.01	.14	.05	.07	.07	.06	.10	.10	-.02	-.09	-.02	-.09	—														
	ST2	.07	-.05	-.03	.14	.09	.22	.16	.07	.19	.03	.04	.03	.09	.05	.62	—													
	ST3	.16	.08	.12	.13	.15	.18	.19	.12	.16	.05	.23	.21	.25	.28	.38	.58	—												
	ST4	-.01	-.06	-.10	.03	-.00	.17	.06	-.00	.13	-.04	-.06	-.06	-.02	-.07	.53	.67	.46	—											
	ST5	.08	-.05	-.11	.15	.16	.24	.18	.06	.21	.01	.04	.04	.09	.03	.47	.54	.39	.71	—										
Innovation (IN)	IN1	.19	.08	.04	.07	.03	.13	.23	.15	.19	.06	.04	.04	.12	.10	.36	.25	.23	.30	.47	—									
	IN2	.18	.04	.01	.08	.03	.18	.23	.13	.22	.03	.09	.10	.13	.11	.47	.38	.31	.02	.69	.80	—								
	IN3	.09	-.01	-.05	.09	.07	.15	.17	.08	.16	.02	.01	.01	.09	.07	.50	.36	.32	.45	.61	.84	.81	—							
	IN4	.11	.18	.17	.02	-.10	-.01	.10	.13	.06	.02	.08	.07	.04	.10	.11	-.09	.21	.16	.62	.32	.31	.16	—						
	IN5	.01	.03	.03	.05	-.01	.03	.09	.11	.10	.08	-.13	-.15	-.09	-.07	.39	.11	-.02	.05	.24	.53	.27	.37	.32	—					
Communication (CM)	CM1	-.08	-.03	-.05	.01	-.08	.06	-.09	-.05	-.04	-.07	-.12	-.17	-.08	-.12	.32	.03	.03	.39	.17	.35	.40	.41	.38	.29	—				
	CM2	.13	.14	.14	.08	.02	.14	.17	.16	.13	.05	.09	.05	.12	.16	.37	.43	.63	.15	.26	.52	.47	.23	.36	.40	.57	—			
	CM3	.03	.08	.11	.01	-.11	-.03	-.01	.06	-.01	.02	-.04	-.07	-.06	-.10	.43	-.06	.06	.32	.15	.22	.44	.19	.13	.23	.64	.38	—		
	CM4	-.13	.00	-.08	-.01	-.09	-.02	-.04	-.01	.01	-.06	-.20	-.20	.17	-.13	.13	.23	.10	.30	.11	.24	.13	.20	.15	.23	.33	.45	.17	—	
	CM5	.04	.19	.16	.08	.02	.07	.08	.14	.08	.06	.05	.02	-.10	.05	.18	.20	.54	.21	.01	-.03	-.03	-.02	.16	.14	.11	.51	.28	.50	—

APPENDIX M

INTER-ITEM CORRELATIONS IN THE CONSUMER MODEL FOR ESSAY 3

Constructs and Items		ST1	ST2	ST3	CO1	CO2	CO3	WM1	WM2	WM3	PI	ER1	ER2	ER3	ER4	ST1	ST2	ST3	ST4	ST5	IN1	IN2	IN3	IN4	IN5	CM1	CM2	CM3	CM4	CM5
Satisfaction (ST)	ST1	—																												
	ST2	.90	—																											
	ST3	.85	.84	—																										
Commitment (CO)	CO1	.59	.61	.63	—																									
	CO2	.02	.02	.01	.48	—																								
	CO3	.47	.47	.46	.47	.57	—																							
Word-of-Mouth	WM1	.69	.67	.69	.62	.02	.42	—																						
Intention (WM)	WM2	.27	.30	.30	.18	.03	.13	.33	—																					
	WM3	.72	.71	.71	.68	.02	.53	.65	.27	—																				
Purchasing Intention (PI)	PI	.59	.59	.57	.53	.02	.54	.55	.22	.56	—																			
External Reputation	ER1	.77	.78	.76	.60	-.05	.45	.61	-.26	.75	.54	—																		
(ER)	ER2	.66	.69	.70	.56	-.05	.49	.53	-.21	.73	.51	.76	—																	
	ER3	.64	.63	.61	.48	.03	.42	.63	-.26	.61	.52	.62	.63	—																
	ER4	.51	.52	.50	.42	.03	.34	.50	.22	.47	.44	.48	.50	.71	—															
Standardization (ST)	ST1	.01	.05	.05	.07	-.00	.05	.01	.03	.03	.03	.03	-.02	-.07	-.10	—														
	ST2	-.06	-.04	-.05	-.05	-.06	-.05	-.05	.06	-.09	-.01	-.07	-.10	-.09	-.09	.56	—													
	ST3	.02	.04	.05	.00	.02	.06	-.01	-.04	-.01	.09	.01	-.04	-.04	-.03	.30	.52	—												
	ST4	.06	.10	.02	.14	-.10	.16	.06	.09	.04	.11	.05	.02	-.01	-.01	.50	.65	.46	—											
	ST5	.06	.11	.08	.10	-.05	.13	.00	-.00	.04	.06	.08	.04	-.01	-.01	.35	.46	.44	.70	—										
Innovation (IN)	IN1	-.10	-.07	-.08	-.05	.01	.01	-.14	.11	-.06	-.07	-.06	-.08	.15	-.15	.34	.14	.27	.32	.48	—									
	IN2	-.14	.01	-.01	.04	.03	.06	-.08	.12	-.04	-.01	-.01	-.08	-.13	-.14	.41	.28	.35	.58	.68	.83	—								
	IN3	-.08	-.01	-.02	.03	-.03	.04	-.03	.05	.00	-.07	-.01	-.06	-.10	-.07	.45	.20	.33	.44	.55	.88	.83	—							
	IN4	-.11	-.10	-.13	-.15	.09	-.05	-.12	.09	-.17	-.09	-.15	-.19	-.08	-.06	.19	-.14	.19	.07	.03	.34	.37	.30	—						
	IN5	-.12	-.07	-.08	-.02	-.05	-.04	-.05	.07	-.05	-.09	-.09	-.11	-.07	-.01	.52	.14	.01	.15	.23	.52	.35	.51	.44	—					
Communication (CM)	CM1	.06	.05	.07	.05	-.01	.10	.06	.01	.17	.03	.05	.10	.03	.05	.33	-.05	.02	.27	15	.47	.39	.49	.42	.42	—				
	CM2	-.09	-.08	-.10	-.10	-.03	-.02	-.09	.06	-.05	-.03	-.10	-.10	-.09	-.03	.37	.34	.59	.39	.30	.57	.48	.56	.56	.49	.60	—			
	CM3	.05	.05	.02	.03	.07	.10	-.01	.07	.02	.06	.02	-.02	-.02	-.04	.53	-.06	.07	.28	.15	.32	.47	.31	.69	.41	.62	.41	—		
	CM4	-.07	-.02	-.04	-.02	-.05	-.07	.03	.04	-.01	-.04	-.06	-.03	-.01	.04	.18	.18	.05	.21	-.01	.14	.03	.13	.39	.50	.32	.36	.19	—	
	CM5	.06	.06	.02	.04	.00	.07	.13	-.02	.02	.13	.02	.01	.12	.17	.22	.17	.46	.18	-.04	-.07	-.02	-.03	.41	.16	.07	.39	.31	.54	—