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Understanding the Relationship Between Country Reputation and Corporate Reputation

Minsoo Kim
University of Tennessee, Knoxville, mkim41@vols.utk.edu

To the Graduate Council:

I am submitting herewith a thesis written by Minsoo Kim entitled "Understanding the Relationship Between Country Reputation and Corporate Reputation." I have examined the final electronic copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science, with a major in Communication and Information.

Candace L. White, Major Professor

We have read this thesis and recommend its acceptance:

Elizabeth A. Foster, Sally J. McMillan

Accepted for the Council:
Carolyn R. Hodges

Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)

Understanding the Relationship Between Country Reputation and Corporate Reputation

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Abstract

Increasing attention has been paid to the relationship between country reputation and corporate reputation by both public and private sectors. This study aims to contribute to a better understanding of the relationship by investigating the factors that influence and are influenced by country reputation. In particular, this study examines (a) the impact of country reputation on foreign consumers' attitudes toward brand and product purchase intentions, (b) the relationship between corporate reputation on country reputation, and (c) the mediating role of product image. Key findings of the study include the positive impact of corporate reputation on country reputation, and the mediating effects of product image between corporate reputation and country reputation.

Keywords: Country reputation, Corporate reputation, Country of Origin (COO)

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Chapter 1

Introduction

Globalization caused competition not only between multinational corporations (MNCs), but also between nations. Thus, nations now compete with other nations and "communicate to the international audience as to how good they are" (Fan, 2010, p. 102). As corporate brands add value to the products and services offered by the company (Harris & de Chernatony, 2001), favorable nation brands may provide the nations with a competitive advantage in the global market. (Anholt, 2002, 2007). Although a nation brand has more complex dimensions and diverse stakeholders than a corporate brand, many scholars acknowledged that a nation brand can also be managed and improved (e.g., Anholt, 2007; Fan, 2010). However, whereas corporate branding is studied extensively, nation branding is still under examined both conceptually and empirically. According to Fan (2010), the purpose of nation branding is to enhance country reputation. Thus, investigating the factors that influence and are influenced by country reputation can contribute to a better understanding of nation branding.

Furthermore, the impact of country reputation (country image) on international consumers' decision making is largely examined by previous studies under the country of origin (COO) framework (e.g., Godey et al., 2012; Rezvani et al., 2012), and increasing attention has been paid to the relationship between country reputation and corporate reputation (Newburry, 2012). Several scholars initially suggested a two-way influence between country reputation and corporate reputation (e.g., Nebenzahl, Jaffe, and

Lampert, 1997), and several studies have explored how country reputation influences reputation of corporations of a country (e.g., Newburry, 2012). However, only few studies examined the other side of the coin, namely the influence of corporate reputation on country reputation or inverse COO effect (e.g., Lopez, Gotsi, & Andriopoulos, 2009; White, 2012). Moreover, the factors that link country reputation and corporate reputation remain unknown.

In light of the above discussion, the purpose of this study is three-fold: (a) to examine the impact of country reputation on foreign consumers' attitudes toward brand and product purchase intentions, (b) to examine the impact of corporate reputation on country reputation (inverse COO), and compare the effects of two constructs on consumers, and (c) to see if product image of a country mediates the impact of corporate reputation on country reputation. This study argues that favorable corporate reputation leads to a positive product image of a country, and in turn, leads to favorable country reputation. The findings will therefore provide empirical support for inverse COO effect, and provide both public and private sector practitioners with implications of how to make a strategic association for mutual benefit.

Chapter 2

Literature Review

During the last two decades, increasing attention has been paid to nation branding by marketing (e.g., Anholt, 2002; Fan, 2006) and public relations scholars (e.g., Wang, 2006). According to Dinnie (2015), nation brand is defined as “the unique, multidimensional blend of elements that provide the nation with culturally grounded differentiation and relevance for all of its target audiences” (p. 5). This definition acknowledged the multidimensional nature of nation brand and emphasized the importance of target audiences. Fan (2010) offered a broader definition by defining nation brand as “the total sum of all perceptions of a nation in the minds of international stakeholders” (p. 98). However, although scholars recognized that nation brand exists, there is a disagreement about the concept of nation branding (Fan, 2010).

Kaneva (2011) reviewed 186 studies about nation branding that were published between 1997 and 2009, and differentiated the studies into three categories: technical-economic, political, and cultural approaches. The technical-economic approach views nation branding as a way of gaining competitive advantage in the global market. Similarly, the political approach views nation branding as a tool to advance nations’ interest. On the other hand, the cultural approach focuses on nation branding’s discourses related to national identity and culture. While acknowledging the multifaceted nature of nation branding, Kaneva (2011) defined nation branding as “a compendium of discourses and practices aimed at reconstituting nationhood through marketing and branding paradigms” (p. 118). Of the publications reviewed, more than half (57%) studies focused on technical-economic approach.

On the other hand, in response to the lack of clarity about the concept of nation branding, Fan (2010) suggested to distinguish between national identity and nation brand identity. According to Fan, national identity is defined by people inside the nation, whereas nation brand identity is defined by people outside the nation. Fan (2010) argues that nation branding should concern the image and reputation of nations that are held by foreigners, and defined nation branding as “a process by which a nation’s images can be created or altered, monitored, evaluated and proactively managed in order to enhance the country’s reputation among a target international audience” (p. 101). As Fan (2010) noted, country reputation lies at the center of nation branding. Country reputation is often used interchangeably with country image (e.g., Bromley, 1993), and there are also different notions to describe nation branding, such as country branding, destination branding, or place marketing (Passow, Fehlmann, & Grahlow, 2005).

As corporate brand conveys its value to customers, nation brand could convey its value and attributes to foreigners (Anholt, 2002; Kotler & Gertner, 2002). Hence, favorable country reputation can provide a competitive advantage to its nation in the global market. Those competitive advantages include attracting tourists, investors, and foreign consumers (Dinnie, 2015). Recent studies have empirically examined the potential of nation branding (e.g., Kalamova & Konrad, 2010; Shani, Chen, Want, & Hua, 2009). For example, Kalamova and Konrad (2010) found that foreign direct investment (FDI) is largely driven by nation brand of a host country. More specifically, their findings indicated that the volume of FDI into a host country rises by 27 percent as its nation brand index increase by one point. Furthermore, Shani, Chen, Want, & Hua (2009) explored how nation branding contributes to repositioning of a nation, and found the positive impact of promotional video on image change of China as a travel destination.

Country of Origin (COO) Framework

To understand nation branding, country of origin (COO) effect is suggested as a theoretical framework for this study. Country of origin (COO) is one of the most important factors that has an impact on foreign consumers' decision-making behavior (Baldauf, Cravens, Diamantopoulos, & Zeugner-Roth, 2009). Previous studies have found that consumers use COO as an extrinsic cue to evaluate products (e.g., Hong & Wyer, 1989, Li & Wyer, 1994, Godey et al., 2012) and services (e.g., Cronin & Bullard, 2015). Empirical findings indicate that COO positively influences a number of consumer level outcome variables, such as perceived product quality (e.g., Li & Wyer, 1994), brand equity (e.g., Baldauf, Cravens, Diamantopoulos, & Zeugner-Roth, 2009), trust (e.g., Michaelis, Woisetschlager, Backhaus, & Ahlert, 2008), and purchase intention (e.g., Rezvani et al., 2012).

Previous studies noted that the COO effect can be explained by a halo or a summary construct (e.g., Han, 1989, Nebenzhal, Jaffe, and Lampert, 1997). For example, Nebenzhal, Jaffe, and Lampert (1997) suggested a dynamic process of COO effect by integrating a halo and a summary construct. According to the process, at first, consumers use COO to evaluate a foreign country's products when they have no experience with that country's products (halo effect). Then, after a foreign country's products are introduced in the market, a halo effect is gradually replaced by a summary effect. That is, as consumers' experiences increase, their perceptions about the attributes of products of that country are formed, and the newly formed perceptions play a summary role in evaluating the country.

Some argued that the focuses of COO and nation branding research are different (e.g., Fan, 2006; 2010). For example, Fan (2006) contended that nation branding encompasses the country's overall image including political and cultural factors, whereas COO is only related to economic dimension. As Papadopoulos and Heslop (2003) noted, the country's overall image had not been considered in majority of COO studies. However, recent COO studies have started to include political and cultural aspects in their measurement of the COO effect (e.g., Kang & Yang, 2010, Phillips, Asperin, & Wolfe, 2013). For instance, Kang and Yang (2010) found the positive impact of country reputation (overall country image) of South Korea on American consumers' attitudes and purchase intentions regarding South Korean products. Roth and Diamantopoulous (2009) also argued that "the focus of COO research has gradually shifted from evaluating differences in product evaluations and preferences based on the mere notion of the national origin of a product to a more complex construct, namely the image of the countries under consideration" (p. 726).

In a similar way, recent COO studies started to identify diverse perspectives in regard to COO constructs (e.g., Roth and Diamantopoulos, 2009; Wang, Li, Barnes, & Ahn, 2012; Josiassen, Lukas, Whitwell, & Assaf, 2013). Although scholars use different definitions and categorizations, there is a general consensus among scholars that 'overall country image' and 'product image' (of a country) are two distinct constructs. More specifically, the underlying assumption of 'overall country image' is that the COO effect stems from whole image of a country. The other stream of research assumes that the COO effect stems from consumers' perceptions about the products of a country. As noted earlier, overall country image perspective is relatively new, and still less is known about its impact. Therefore, regarding country reputation as overall image of a country, this study examines whether favorable country reputation brings competitive advantage to a host country in the global market.

Country Reputation and Corporate Reputation

According to Newburry (2012), the relationship between country reputation and corporate reputation is one of the most important contemporary issues among reputation and international business scholars. Some corporations with favorable country reputations (e.g., German companies) can have competitive advantages in the global market despite their low corporate reputation. On the other hand, corporations from countries with unfavorable country reputation try to overcome their associations with the countries by focusing on corporate reputation. For example, China is challenged to sell Chinese brand products because of its unfavorable country reputation (Chinen and Sun, 2011). In this regard, understanding the relationship between country reputation and corporate reputation will provide implications for both governments and corporations.

Previous studies proposed that there is a two-way influence between country image and brand of a country (e.g., Nebenzhal, Jaffe, and Lampert, 1997). That is, brand of a host country is not only affected but also can affect a host country's reputation. As Anholt (2002) argued, consumers' perceptions about a corporation can improve or even change the reputation of a host country. However, in contrast to the COO effect on corporations, the inverse COO effect has received limited attention. In recent years, few studies have examined the inverse COO effect (e.g., Lopez, Gotsi, & Andriopoulos, 2009; White, 2012). For instance, Lopez, Gotsi, and Andriopooulos (2009) conceptually proposed that corporate image positively influences country image when consumers are aware of the corporate brand and the country. Further, White (2012) empirically tested the inverse COO effect. The findings indicated that knowledge of the COO of a brand positively influences the country image of a host country. Moreover, the study found a significant increase in positive country image after the COO of a brand is known to the participants. The inverse COO effect may explained by a summary effect in that consumers' knowledge and experience with a country's brand influences their perceptions about the country. Newburry (2012) also noted that "consumer experience with foreign products and their companies is a key source of information regarding the home countries of these companies since they often have little direct exposure to the countries themselves" (p. 248). For instance, consumers' experiences with Disney may have a positive impact on international consumers' perceptions about the United States. Therefore, based on such findings, this study examines how corporate reputation of a company influences country reputation of a host country.

Furthermore, there is a disagreement between scholars about the importance of COO and brand (e.g., Usunier, 2006; Josiassen & Harzing, 2008). The argument here is about whether brand image blurs the effect of COO. A recent study by Kang and Yang (2010) found that the effects of country reputation on consumers' product attitude and purchase intention are blurred by overall corporate reputation. However, still less is known about which cue is more important in what context.

Mediation Effect of Product Image

As noted earlier, overall country image and product image are distinct. However, there is a relationship between consumers' perceptions about a country's products and their perceptions about the country (Roth & Romeo, 1992). Several studies found that the effects of overall country image on product evaluations and purchase intentions are mediated by product image (e.g., Wang, Li, Barnes, & Ahn, 2012; Josiassen et al., 2013). The current study, however, examines if the effect of corporate reputation on country reputation is mediated by product image. For instance, BMW's favorable reputation may influence consumers' perceptions about German products, and this in turn has an impact on the overall image of Germany. In the global market, international consumers are more likely to experience foreign countries indirectly through multinational corporations' products.

Hypotheses

In light of above discussion, the following hypotheses and a research question are proposed:

Hypothesis 1a: Country reputation positively influences foreign consumers' attitude toward a brand of a host country.

Hypothesis 1b: Country reputation positively influences foreign consumers' purchase intentions of the products of a host country.

Hypothesis 2: Corporate reputation of a company positively influences reputation of a host country

RQ: What is the relationship between country reputation and corporate reputation?

Hypothesis 3: Product image (of a country) mediates the effect of corporate reputation on country reputation.

Chapter 3

Method

Contexts

The current study explores the impact of corporate reputation on country reputation (inverse COO), and compared the effects of country reputation and corporate reputation on international consumers' perceptions about brands and products. However, the level of influence a company exerts on country reputation (inverse COO effect) may differ depending on the context. Previous studies found that the effect of COO on the consumers' decision making significantly decreases in the presence of additional information and other extrinsic cues (e.g., Verlegh & Steenkamp, 1999). Similarly, this study argues that the effect of inverse COO may reduce when consumers have additional information to assess reputation of a country. In other words, consumers are more likely to use a company as a reference if they have little information about the country. On the other hand, they are less likely to use a company if they have enough information about the country. In this regard, the use of several different countries is essential to better understand the conditions under which corporate reputation can contribute to country reputation.

Sweden, Germany, and South Korea are chosen for the current study. The reputation of Germany, in the minds of American consumers, may have complex dimensions and diverse components, because of strong historical and economic ties between Germany and the United States. The reputations of Sweden and South Korea, on the other hand, are assumed to be more based on their native companies, due to relatively weak connection with American consumers. Furthermore, Sweden, Germany, and South Korea have different level of reputation among international consumers. In particular, each country represents a country with high, medium, and low reputation. According to *Reputation Institute's* 2015 reputation index, Sweden ranked in 3th, followed by Germany (15^{th}) and South Korea (36^{th}). A pretest with a convenience sample (N=91) assessed reputation of these countries and confirmed the difference in reputation among the countries.

In addition, a company from each country is selected. Actual companies are used rather than fictitious alternatives since participants might have to buy the product. In particular, this study focuses on automobile companies. Automobile companies are known to be highly associated with their countries. Volvo is selected to compare its effect of reputation with the reputation of Sweden, and Kia is selected for South Korea. Unlike Sweden and South Korea, two companies, Audi and Volkswagen, were selected for Germany to check if any confounding effect of the recent Volkswagen emission scandal exists. In 2015, Volkswagen violated the Clean Air Act by installing an illegal software in its diesel cars. The purposefully programmed software allow vehicles to meet emission standard during the testing in a laboratory, but in the real world. It is claimed that around 11 million cars worldwide are affected. All four companies sell their automobiles in the United States, and their automobiles are well known by American consumers. Each company and its COO were known to the participants in the study.

Sampling and Data Collection

An online panel survey of American adults via Amazon Mturk was employed. While some scholars have expressed concerns about the use of Mturk due to low reliability issues (e.g., Rouse, 2015), others have found the data obtained from Mturk valid and reliable for research (e.g., Holden, Dennie, & Hicks, 2013). A total of 398 participants were surveyed (n=398), who were paid $0.5 as an incentive. To reduce the effects of participants' prior associations with countries and automobile companies, such as knowledge or experience, participants were randomly assigned to answer survey questions about one of four contexts: (a) Sweden - Volvo, (b) Germany - Audi, (c) Germany - Volkswagen, (d) South Korea – Kia. Table 1 shows the sample composition of each context.

Table 1. Sample Composition.

Context	*Overall*	*Gender*		*Age*	*Education*		*Income*	
		Male	*Female*		$\geq 4\ year$	$< 4\ year$	$\geq \$50K$	$< \$50$K
(a)	100	56	44	36.27	58	42	49	51
(b)	99	58	41	35.23	53	46	45	54
(c)	100	47	53	35.49	48	52	47	53
(d)	99	49	50	36.6	53	46	44	55
Total	398	210	188	35.89	212	186	185	213

Note: (a) Sweden, (b) Germany-Audi, (c) Germany-Volkswagen, (d) South Korea-*Kia*

Measures

To demonstrate and assess their reliability and validity, the research instruments were pre-tested. Scales that were found to be reliable and valid in previous studies were used (e.g., Passow, Fehlmann, & Grahlow, 2005). All constructs were measured by multiple items on a 7-point Likert scale ranging from ‘strongly disagree’ to ‘strongly agree’ and a 7-point semantic differential scale. Country reputations were measured by 17 items that were modified from Fombrun-RI Country Reputation Index (Passow et al., 2005). Product images were measured by 5 items that are adopted from a study by Wang, Li, Barnes, and Ahn (2012). Organizational reputations were measured by 19 items that are adopted from Harris-Fombrun Reputation Quotient (Fombrun and Gardberg, 2000). Attitudes toward brands were measured on a 7-point semantic differential scale using five items adopted from the previous study (Spears & Singh, 2004). Purchase intentions were measured using 3-item scale including consumers’ intention to buy, likelihood of purchase, and probability of purchase. Last, participants responded to the following two statements on a 7 point Likert scale from ‘strongly disagree’ to ‘strongly agree’: “I am aware of the Volkswagen’s emission scandal”, and “I have read a lot about the Volkswagen’s emission scandal”. The average score of these items represent Volkswagen’s emission scandal awareness. All scales showed good reliabilities to test the hypotheses (see Appendix for a list of items and reliability measures).

Procedure

In order to test the proposed hypotheses, AMOS with Maximum Likelihood estimation (Arbuckle, 1996) was used. In particular, structural equation modeling (SEM) was used for this study. SEM is found to be appropriate when relationships between constructs could be considered simultaneously (Hair, Black, Babin, & Anderson, 2010). Before the analysis, mean score of each construct is calculated: country reputation, product image, corporate reputation, brand attitude, purchase intention, and Volkswagen's emission scandal awareness.

Chapter 4

Results

Descriptive Statistics

Table 2 provides descriptive statistics along with correlations for the measures. As a result, and as expected, the country reputation of Sweden appeared to be the highest (M=5.57, SD=.87) and country reputation of South Korean appeared to be the lowest (M=5.01, SD=.90). However, unlike country reputation, product image associated with Germany (M=5.82, SD=.97) appeared to be higher than Sweden (M=5.54, SD=.98), while product image associated with South Korea appeared to be the lowest (M=4.91, SD=1.31).

Hypotheses Tests

H1 proposed a positive effect of country reputation on (a) attitude toward a brand originated from the country, and (b) purchase intention about the products. According to the results and in support of H1a, reputation of country showed a significant positive impact on attitude toward a brand originated from the country: Sweden → Volvo brand attitude (B=.458, $S.E.$=.122, $C.R.$=3.745, $Beta$=.352, $p<.001$), Germany → Audi brand attitude (B=.315, $S.E.$=.152, $C.R.$=2.064, $Beta$=.204, $p<.05$), Germany → Volkswagen brand attitude (B=.447, $S.E.$=.162, $C.R.$=2.761, $Beta$=.267, $p<.01$), and South Korea → Kia brand attitude (B=.589, $S.E.$=.135, $C.R.$=4.366, $Beta$=.404, $p<.001$).

Table 2: Descriptive Statistics and Correlations for Measures.

Sweden-Volvo	*Mean(SD)*	*1*	*2*	*3*	4	*5*
(1) country reputation	5.57(.87)	1				
(2) product image	5.54(.98)	.75	1			
(3) corporate reputation	5.08(.87)	.553	.609	1		
(4) brand attitude	5.61(1.13)	.352	.462	.74	1	
(5) purchase intention	4.26(1.52)	.321	.386	.599	.621	1
Germany-Audi						
(1) country reputation	5.43(.80)	1				
(2) product image	5.81(.87)	.683	1			
(3) corporate reputation	5.17(.85)	.480	.529	1		
(4) brand attitude	5.75(1.23)	.204	.408	.787	1	
(5) purchase intention	4.64(1.54)	.288	.284	.645	.684	1
Germany-Volkswagen						
(1) country reputation	5.28(.95)	1				
(2) product image	5.82(.97)	.819	1			
(3) corporate reputation	4.72(1.08)	.319	.311	1		
(4) brand attitude	5.01(1.59)	.267	.249	.853	1	
(5) purchase intention	3.84(1.80)	.324	.216	.689	.752	1
South Korea-Kia						
(1) country reputation	5.01(.90)	1				
(2) product image	4.91(1.31)	.768	1			
(3) corporate reputation	4.89(.81)	.514	.594	1		
(4) brand attitude	5.34(1.32)	.404	.496	.685	1	
(5) purchase intention	4.1(1.62)	.269	.392	.646	.661	1

Note: All correlation coefficients are significant at $p<0.01$

On the other hand, in terms of H1b, only the reputation of Germany has a statistically significant influence on purchase intention of Audi cars (*B*=.299, *S.E.*=.142, *C.R.*=2.108, *Beta*=.155, *p*<.05). The effects of country reputation on purchase intentions of Volvo, Volkswagen, and Kia cars were not significant. (See Figure 1).

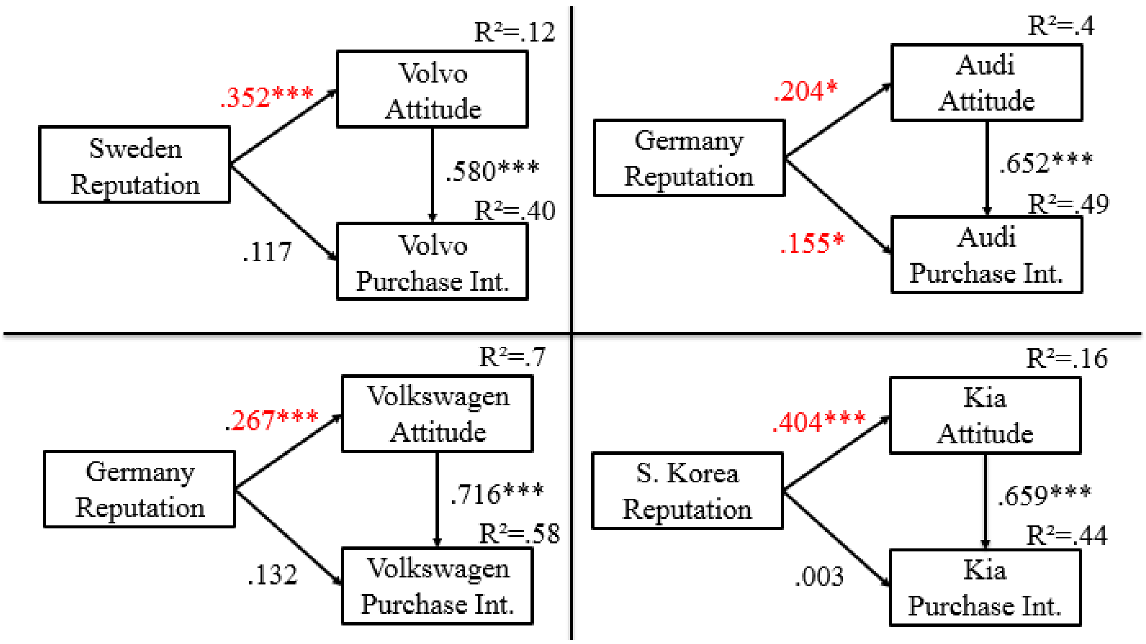

Figure 1: Effect of Country Reputation on (a) Attitude Toward a Brand Originated from the Country, and (b) Purchase Intention about the Products. ***=p<0.001, *=p<0.05

H2 predicts that reputation of a company originated from the country positively influences the reputation of the country. As shown in the Table 3, H2 is supported in all contexts: Volvo Rep → Sweden Rep (*B*=.551, *S.E.*=.084, *C.R.*=6.596, *Beta*=.553, *p*<.001), Audi Rep → Germany Rep (*B*=.451, *S.E.*=.083, *C.R.*=5.410, *Beta*=.480, *p*<.001), Volkswagen Rep → Germany Rep (*B*=.281, *S.E.*=.084, *C.R.*=3.344, *Beta*=.319, *p*<.001), Kia Rep → South Korea Rep (*B*=.574, *S.E.*=.097, *C.R.*=5.935, *Beta*=.514, *p*<.001).

Table 3: Effect of Corporate Reputation on Country Reputation

IV	*DV*	*B*	*S.E.*	*C.R.*	*Beta*
Volvo Rep	Sweden Rep	.551	.084	6.596	.553***
Audi Rep	Germany Rep	.451	.083	5.410	.480***
Volkswagen Rep	Germany Rep	.281	.084	3.344	.319***
Kia Rep	S. Korea Rep	.574	.097	5.935	.514***

Note: R^2 of the reputation of Sweden was 31 percent, R^2 of the reputation of Germany (Audi) was 23 percent, R^2 of the reputation of Germany (Volkswagen) was 10 percent, R^2 of the reputation of South Korea was 26 percent. ***=p<0.001

RQ1 explored the relative importance of country reputation on brand attitudes and purchase intentions compared to the reputation of the company. In particular, RQ1 examined to what extent country reputation influences brand attitudes and purchase intentions along with the corporate reputation. Overall, the findings indicated that, when the reputation of the companies were added to the model, the positive effect of country reputations on brand attitudes and purchase intentions are blurred, which were initially statistically significant. More specifically, the positive effect of the reputation of Sweden on attitude toward Volvo became insignificant (*B*=-.106, *S.E.*=.105, *C.R.*=-1.014, *Beta*=-.082, *p*=.311), the positive effect of the reputation of Germany on attitude toward Volkswagen became insignificant (*B*=-.008, *S.E.*=.092, *C.R.*=-.086, *Beta*=-.005, *p*=.931), and the positive effect of the reputation of South Korean on attitude toward Kia became insignificant (*B*=.102, *S.E.*=.125, *C.R.*=.815, *Beta*=.070, *p*=.415). On the other hand, the positive effect of the reputation of Germany on attitude toward Audi became negative, when the reputation of Audi is added (*B*=-.347, *S.E.*=.104, *C.R.*=-3.342, *Beta*=-.225, *p*<.001). Furthermore, the positive effect of the reputation of Germany on purchase intention of Audi cars became insignificant (*B*=.165, *S.E.*=.165, *C.R.*=1.000, *Beta*=.086, *p*<.317). (See Figure 2)

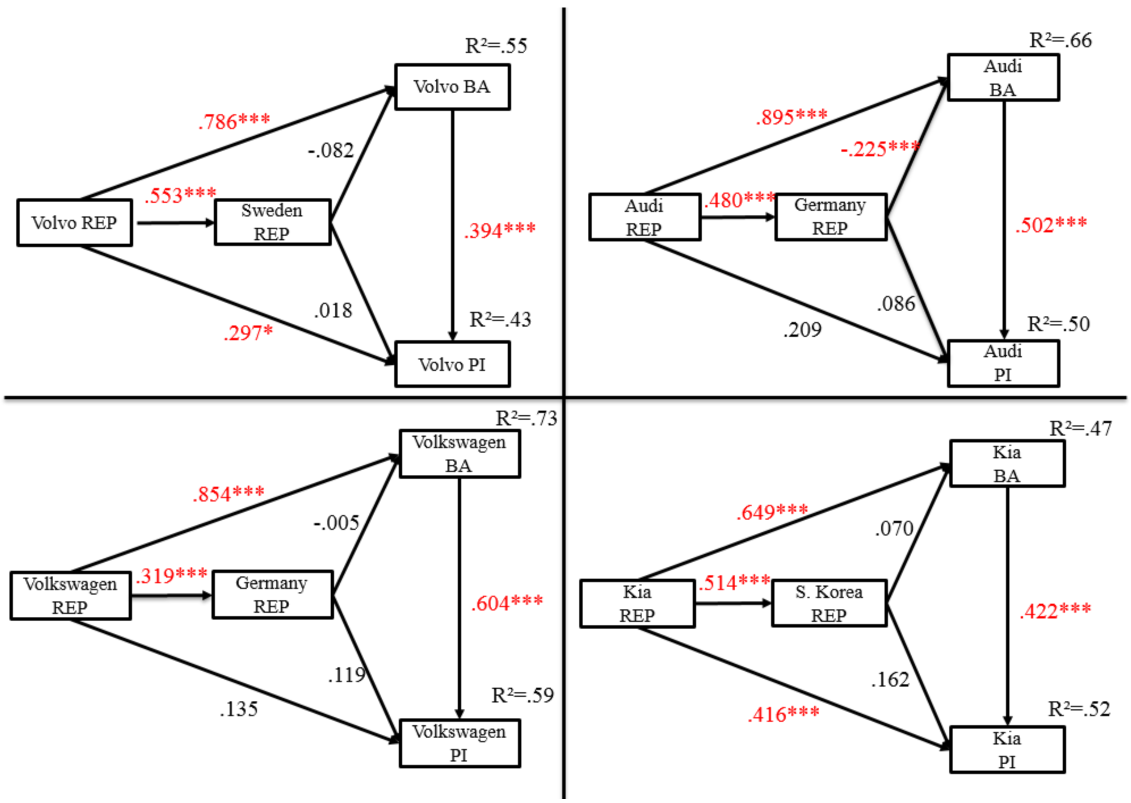

Figure 2: Importance of Country Reputation on Brand Attitudes and Purchase Intentions Compared to the Reputation of the Company. ***=p<0.001, **=p<0.01, *=p<0.05

Additionally, the reputations of the companies led significantly to participants' attitude toward brands in all contexts. However, only the reputation of Volvo and Kia led significantly to participants' purchase intentions about Volvo and Kia cars respectively. The reputation of Audi and Volkswagen have no significant effect on purchase intentions toward Audi and Volkswagen cars. Moreover, the addition of corporate reputation contributed to the explanatory power of brand attitude. 43 percent more variance in attitude toward Volvo are explained, 62 percent more for Audi, 66 percent more for Volkswagen, and 31 percent more for Kia. However, the addition of corporate reputation did not contribute much to purchase intentions. (See Figures 1 and 2).

Last, H3 predicts that the impact of corporate reputation on country reputation is mediated by product image. As shown in Table 3, corporate reputations significantly influences the reputations of countries. However, once the mediator is included, the relationships between corporate reputations and country reputations are no longer statistically significant in all contexts. (See Figure 3). Thus, using Baron and Kenny's (1986) procedure, findings indicate that product image fully mediates the impact of corporate reputation on country reputation in this study.

Additionally, it is found that Volkswagen's emission scandal awareness has a statistically significant negative impact on reputation of Volkswagen (B=-.162, $S.E.$=.054, $C.R.$=-3.019, $Beta$=-.290, p<.01), and attitude toward Volkswagen both directly (B=-.323, $S.E.$=.076, $C.R.$=-4.252, $Beta$=-.393, p<.001) and indirectly through reputation of Volkswagen (B=-.130, $S.E.$=.043, $C.R.$=-3.025, $Beta$=-.159, p<.01). However, the findings indicated that Volkswagen's emission scandal has no significant effect on other variables, such as reputation of Germany, product image of Germany, or purchase intention of Volkswagen cars.

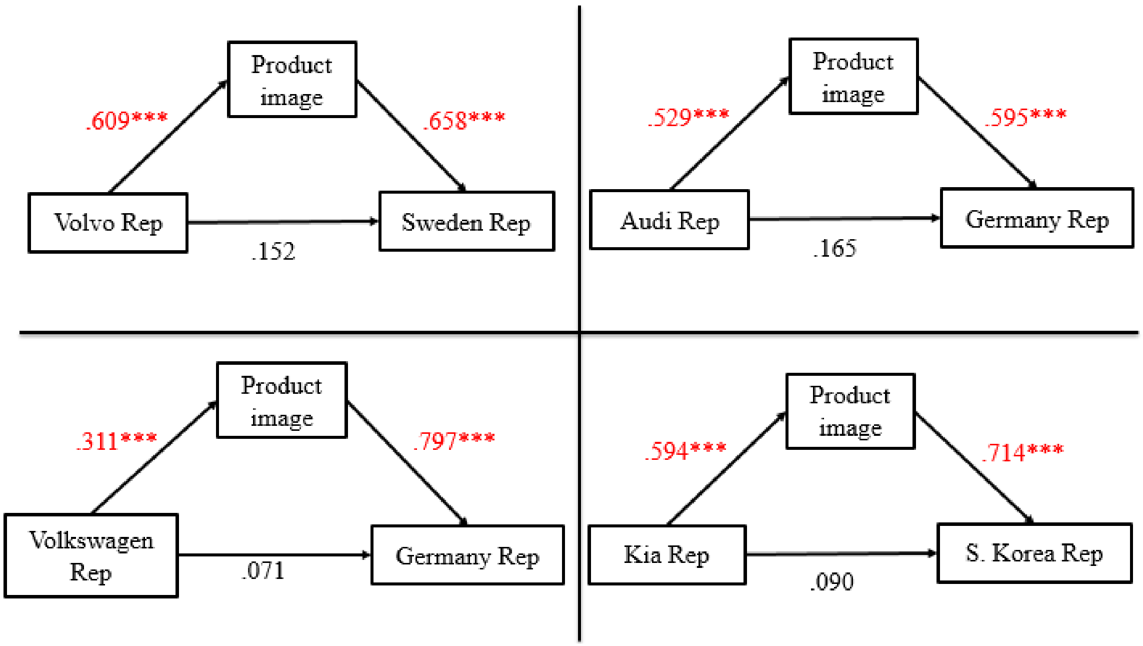

Figure 3: Mediation Effect of Product Image. ***=p<0.001

Chapter 5

Discussion

Overall, the findings of the current study provide empirical evidence that the reputation of a company can contribute to building favorable country reputation. However, the level of contribution was not consistent between contexts. Corporate reputation seems to better predict country reputation when international consumers have weaker connection with a host country. The result indicate that Volvo and Kia accounted for more variances in reputation of countries than Audi or Volkswagen accounted for reputation of Germany. Furthermore, this study identified the process how reputation of a company contributes to country reputation. As findings indicate, companies positively influence general image of products of host countries, in turn contribute to whole image of countries.

Implications

First, the findings show a positive impact of favorable country reputation on international consumers' attitude toward the brand of a country. While previous country of origin studies extensively tested and supported the effect of country image on consumers, most studies limited their focuses on product-related country image. As a result, there was a gap between nation branding and traditional country of origin approach. In regard to multi-dimensions of nation branding, the findings of the study will provide a link between nation branding and country of origin framework. Moreover, nation branding can benefit from overall country image perspective of COO studies in that nation branding lacks theoretical foundation.

Second, this study provides empirical support for the existing research that examined the impact of brand on the image of its country (e.g., Lopez, Gotsi, & Andriopoulos, 2009; White, 2012). In particular, the findings of the current study indicate that reputation of a company positively influences reputation of its country. The results are consistent across all countries and corporations in the study. Such findings suggest that positive association with companies with favorable reputation can enhance reputation of the country. Although the level of association between companies and their countries is determined by companies (Keller, 1993), both entities can benefit from the strategic association. Among the four examples used in the study, Volvo makes the most strategic effort to associate itself with its country. The Volvo website (www.volvocars.com/intl) focuses on "made by Sweden" slogan, and attempts to transfer a positive value of Sweden to itself by emphasizing "In Sweden, we put people first". As Sweden enhances its reputation by association with Volvo, Volvo utilizes its country's reputation. However, neither Audi, Volkswagen, nor Kia actively associate themselves with their countries. This is perhaps because Audi and Volkswagen are already well known by international customers as German companies. In case of Kia, as Paul Jawaroski and Fosher (2003) argued, disassociation with its country may beneficial due to a unfavorable reputation of South Korea. Although companies from countries with low reputation have difficulties in the global market, strategic association with their nations is important in the long term perspective. As aforementioned, there is a two-way interaction between corporate reputation and country reputation. As favorable corporate reputation contributes to enhancing country reputation, favorable country reputation contributes to improving corporate reputation.

More importantly, while favorable corporate reputation led significantly to country reputation, product image of a country fully mediates the impact of corporate reputation on country reputation. As consumers have more chances to experience foreign products in the globalized market, their perceptions about a country are more likely to be influenced by product experience. Therefore, when making strategic associations between nation and companies for nation branding, practitioners from both public and private sectors should also consider factors such as foreign consumers' perceptions about a host country's products, popularity of products, or attributes of products that are considered to be important (e.g., reliability or design). In other words, the degree of image fit between a company, products, and the country can reinforce or positively change the associations between a company and its nation (Lopez, Gotsi, & Andriopoulos, 2009).

Last, regarding the effects of country reputation and corporate reputation, this study found that corporate reputation blurred the effect of country reputation on attitude toward brand and purchase intention. This result is consistent with the previous study of Kang and Yang (2010). As Kang and Yang (2010) noted, consumer trend promotes strong brand preference. On the other hand, still many multinational corporations emphasize their country of origin to add value to their products (i.e., Volvo, Rolex, and Apple). Thus, the importance between country reputation and corporate reputation seems to vary depend on a number of factors, which needs to be further examined. In addition, how both cues can be managed together is more important for the future research (Josiassen & Harzing, 2008).

Limitations and Future Research

The current study has several limitations. First, this study used a sample of American adults, and assumed that they are a homogenous consumer group. However, this may overlook subcultural factors by ignoring cultural heterogeneities with in nations (Papadopoulos & Heslop, 2003). Moreover, while previous studies suggested to include various product categories in country image studies (e.g., Kaynak & Cavusgil, 1983), this study limited the scope to automobile companies. Thus, future research needs to include companies from different industries to see if the findings are applicable to different contexts.

This study used country reputation and corporate reputation to predict international consumers' decision making. However, international consumers also consider other extrinsic cues simultaneously, such as price or a place of purchase. Since the relative importance of country reputation versus other cues found to vary according to the strengths of other cues, future research may need to incorporate more variables to comprehensively understand country reputation.

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Appendix

Appendix A: List of Measurement Items and Reliabilities

Constructs	*Measurement items*
Country reputation (∝=0.946)	Country XYZ… 1. has well-developed industrial sector. 2. is a safe place in which to invest. 3. is a beautiful place. 4. has well-educated residents. 5. has a good infrastructure of roads, housing, services, and health care and communication. 6. has rich historical past. 7. has charismatic leaders. 8. communicates an appealing vision of the country to the world. 9. is a well-managed country. 10. upholds international laws. 11. is a well-respected country in the world. 12. is a well-liked country. 13. is a friendly country. 14. supports good causes. 15. is a responsible member of the international community. 16. supports responsible environment policies. 17. is a country I would like to visit.
Product image (∝=0.94)	When you think about products made in country XYZ, you generally perceive their image as 18. High quality 19. Having global brand presence 20. High workmanship 21. Reliable 22. Well-designed

	Country X, Y, Z's automobile company X1, Y1, Y2, Z1…
	23. has market opportunities.
	24. has excellent leadership.
	25. has a clear vision for the future.
	26. supports good causes.
	27. is environmentally responsible.
	28. is responsible in the community.
	29. I feel good about this company.
	30. inspires admiration and respect.
Corporate reputation	31. inspires trust.
	32. has high quality products and/or services.
(∝=0.96)	33. has innovative products and/or services.
	34. provides good value for the money.
	35. stands behind its products and/or services.
	36. rewards employees fairly.
	37. has good employees.
	38. outperforms competitors.
	39. has a record of profitability.
	40. is a low risk investment.
	41. has growth prospects.
	Overall feeling about X1, Y1, Y2, Z1…
Brand	42. Unappealing/Appealing
Attitude	43. Bad/Good
(∝=0.975)	44. Unpleasant/Pleasant
	45. Unfavorable/Favorable
	46. Unlikable/Likable

Purchase Intention (∝=0.951)	47. If I were going to purchase a car, I would consider buying this brand. 48. If I were purchasing a car, the likelihood I would purchase this brand is high. 49. The probability I would consider buying this brand is high.
Scandal Awareness (∝=0.87)	50. I am aware of the Volkswagen's emission scandal 51. I have read a lot about the Volkswagen's emission scandal

Vita

Minsoo Kim was born and raised in South Korea. He graduated from Kyung Hee University in 2014. He started his study at the University of Tennessee in Fall 2014 and finished his degree in Summer 2016. He is interested in international public relations. He hopes to pursue a Ph.D. degree in public relations in the near future.