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What Role Do Employees Play In Organizational Reputation?

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Submitted to the Program of Organizational Dynamics, College of Liberal and Professional Studies in the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania
Advisor: John Eldred, ABD

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Abstract
The purpose of this capstone is to gauge what role employees play in organizational reputation through a review of the reputation literature, interviews with reputation management practitioners, and my own experience as advising clients in organizations about how to manage reputation. This study first analyzes the current and past literature on reputation and how the understanding of reputation and its influences, particularly stakeholders, has evolved to include employees. The aim of this paper is to understand better how reputation practitioners view employees' role in forming reputation and if this understanding is leading to any changes in how they manage organizational reputations.

Keywords
organizational reputation, reputation management

Comments
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IN
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ABSTRACT

The purpose of this capstone is to gauge what role employees play in organizational reputation through a review of the reputation literature, interviews with reputation management practitioners, and my own experience as advising clients in organizations about how to manage reputation. This study first analyzes the current and past literature on reputation and how the understanding of reputation and its influences, particularly stakeholders, has evolved to include employees. The aim of this paper is to understand better how reputation practitioners view employees' role in forming reputation and if this understanding is leading to any changes in how they manage organizational reputations.

ACKNOWLEDGEMENTS

I want to sincerely thank and acknowledge everyone who helped me with this capstone. First, I would like to than my capstone advisor, John Eldred, who guided and encouraged me through this journey. His encouraging words and guiding thoughts helped bring this project to the finish line. Thank you also to Janet Greco who served as my capstone reader. As a former reputation management practitioner, long before that phrase was used, she provided a true understanding and appreciation for my topic, in addition to all her helpful notes. Thank you also to my work colleagues who often served as my “guinea pigs” for course material and surveys, and were always interested in my work. I also am grateful for my many professors and classmates who enriched my experience enormously. Special thanks to Dr. Alan Barstow and the entire Organizational Dynamics staff. I am most grateful to the participants in my interviews for this capstone. They all were incredibly honest, open and forthright in their answers, and expressed a keen interest in my work.

Most of all, I want to thank my family for their support over these past six years. It was a long journey for them and for me. It involved sacrifices. They often gave up evening events and engagement due to class times. They were a tremendous motivating force. Thank you all for your love and support.

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CHAPTER ONE

INTRODUCTION

Risk comes in all shapes and sizes. At its worst, it can shutter an organization. In less dire situations, it creates unnecessary hiccups in everyday operation. Risk is often a byproduct of change – a change in leadership or location; a change in product or service mix – as it is part of genuine crises or catastrophic events. It's an equal opportunity challenge – meaning risk is inherent across all entities, organizations and sectors. Even the most well-respected organizations and most admired companies are "at risk." And that means there's no escaping it.

What protects or vaccinates against risk is reputation. A positive reputation is built over time and involves many different factors. These include exceptional products or services, a well-respected and experienced management team, a steadily rising share price, or even minimal crises or service interruptions.

As a reputation management professional, my work often starts with a question to an organization's senior leaders -- What keeps you up at night? The most common answers are an unanticipated or sudden crisis such as an oil spill for a major oil company, a product tampering incident at a well-known commercial bakery, an older nursing home resident with dementia wondering off campus or accusations of resident abuse at a developmental disability home. These and many more are what makes organizational leaders worry. Each leader is vulnerable to these risks, which are most often existential threats.

A positive reputation is always at risk. Most organizations have worked hard to establish good reputations by taking actions like building a strong board and a unique service model for a non-profit organization, or creating distinct products and services and identifying niche and growing markets for for-profit organizations. Yet, all this hard work and success can come tumbling down, sometimes in minutes or hours due to an unanticipated crisis. On the other hand, if well managed, a good reputation provides a competitive advantage. For non-profit organizations, it can drive donor acquisition and retention, and play a role in attracting top talent and influential board members. Good corporate reputations lead to revenue growth, new partnerships or share price increases.

But, how are these positive or negative reputations formed? Who are the primary stakeholders who influence and create positive reputations? For many years, the study of reputation focused largely on external stakeholders – customers, shareholders, donors, special interest groups and community groups. (Gotsi et al, 2001) Internal stakeholders, particularly employees, were largely left out of the reputation equation. Therefore, this capstone will focus on one of the most important but overlooked stakeholders - employees. Its topic is the role of employees in forming organizational reputations.

Capstone Overview

Over the course of the last six years in the Organizational Dynamics program at the University of Pennsylvania, I have focused on assimilating my learning into my work. Courses on culture and organizational change have helped me become better informed about the definitions and drivers behind these concepts so that I can better advise my clients. Understanding issues like organizational power and politics as well as the future of work shed light on how external factors are now influencing organizational operations. My goal in this capstone is to further the understanding about employees' role in reputation management. With this new understanding I hope to shed light on how this important stakeholder audience can be better harnessed and leveraged for the good of the organization.

In this chapter I will give an overview of the capstone's purpose, the current state of the literature on the topic, an overview of my research approach and the intended target audience, followed finally by an analysis and summary of the research findings and concluding thoughts on the implications of the research on my professional practice.

Background and Context

In college I studied English and my roommate studied linguistics. As an English major, I was a strict constructionist about what words were English and what words or expressions were slang. His "rule of thumb" was always that if you understand what someone is saying then it is a word. This was a more liberal linguistic interpretation.

As I conducted my preliminary research into the topic of organizational reputation, I kept thinking of these conversations because much of the literature was dominated by a discussion of the definition of reputation and whether it had the same or different meaning than terms like image and identity. For me this discussion strikes me as irrelevant, particularly from the stakeholder point of view. As a communications practitioner, rarely do I enter into a discussion of the definition of reputation with clients or their stakeholders. What is most important to them is how stakeholders view an organization and what attributes they assign as important. I am interested in expanding this area of research further in order to advance and to broaden the corporate reputation discussion to focus more intently on employees. This new understanding will be very useful in my daily work with clients because it will illuminate how employees influence reputation from within an organization and how that gets reflected externally. What is most important for communications and organizational professionals is to understand these influences, if they want to reap some of the benefits of positive reputation like employee engagement, employee attraction and retention, sales growth, profit growth and productivity growth. (Chun 2015) Conversely, practitioners also need to understand how negative factors influence employees and, thereby, reputation.

Literature Review

In scanning through the literature focused on corporate reputation, there are three major themes which emerged. First, researchers divide the study of reputation into time periods (Money et al., 2017), second, definitional characteristics or schools of thought (Podnar and Golob, 2017) and finally definitions based on stakeholder perceptions (Post et al, 1996).

Time Period

In researching the history of corporate reputation chronologically, Money et al. (2017) set out to bring some order to the literature focused on corporate reputation. They cite the reason for their effort to bring order as the fact that, "CR (corporate reputation) research is often criticized as being ambiguous, loosely scattered across various disciplines and difficult to conduct due to the intangible nature of the concept." (p.193) They then go on to characterize each of the three main chronological time periods. These time periods are 1940-1990, 1990-2006 and 2006 to the present. These researchers use time periods based on the prevailing management theory at the time. The earliest and most rudimentary time period (1940-1990) sees corporate reputation as a strategic asset linked only to financial performance (Money et al., 2017). The next time period (1990-2006) posits that corporate reputation is more about perception and begins to introduce the parallel concepts of image and identity into the academic discussion. The final time period leading to the present or at least 2017 when Money et al. did their work mostly ties corporate reputation to new concepts like corporate social responsibility, while also beginning to examine the underlying drivers and outcomes of reputation.

Definitional and Schools of Thought

The second major theme in the corporate reputation literature was the focus on the definition of corporate reputation and its confusion with other similar terms like image and identity. The earliest pioneers in the study of reputation were Fombrun and Van Riel (1997). These researchers based in New York and the Netherlands founded the preeminent journal in this space called *Corporate Reputation Review* (1997). Podner and Golob (2017) state, “Despite more than 20 years of systematic research on corporate reputation, image and identity, the field appears to be stagnant regarding the definitions of the key terms and the relationship between them.” (p.186) Other researchers agree including Fombrun and Van Riel (1997), Walker (2010), Gotsi (2001) and Barnett et al. (2006). Yet, despite this dearth of research, each researcher advances his or her preferred definition of corporate reputation.

Walker (2010) conducts the most comprehensive literature review in an attempt to arrive at a consensus definition. He conducts a meta-analysis of the corporate reputation literature and culls the literature down to include 54 of the most significant articles and one book, as measured primarily by the frequency of citation and the quality of the journal. This group of articles is analyzed for common themes; one of which is the need for a comprehensive and well-accepted definition of corporate reputation. Podnar and Golob (2017) agree with this assessment when they say, “Given Walker’s (2010) review, it appears that every new generation of research starts almost from scratch in the attempt to resolve the fundamental question of how to define corporate reputation and its relation to related terms, or they circumnavigate this question to avoid opening a Pandora’s Box of confusion” (p. 186).

Despite the widespread confusion about the definitions of reputation, image and identity, another classification method emerges in the literature, focused on whether the terms are synonymous or differentiated (Gotsi, 2001). In his comprehensive literature review, Gotsi states:

> "The literature review has indicated that throughout the years definitions offered for the term corporate reputation by marketing academics and practitioners could be broadly merged into two dominant schools of thought. These include the analogous school of thought, which views corporate reputation as synonymous with corporate image, and the differentiated school of thought, which considers the terms to be different..." (p. 2).

Gotsi's thinking helps to advance the study of reputation such that future researchers will now need to make it clear whether they belong to the analogous or differentiated school. For my purposes, I identify with the analogous school, based on my view that stakeholders, especially employees, are indifferent to these definitional idiosyncrasies.

<u>Stakeholders</u>

The final theme in the literature is the most recent thinking which focuses on stakeholders (Chun, 2005; Post and Griffin, 1997). Edward Freeman in his groundbreaking research and book, *Strategic Management: A Stakeholder Approach* (1984) is the first to advance the idea of stakeholders as an organizing management concept for the organization. He advances this organizational theory as a means of responding to the largely growing complexity of the external forces on the organization. He believes that by organizing management strategies and actions around stakeholders, managers can better respond to these new existential forces.

Other researchers build on Freeman's work and focus on the way stakeholders influence and define reputation. Post and Griffin (1997) state, "This suggests corporate reputation is a synthesis of the opinions, perceptions, and attitudes of an organization's stakeholders. The `estimation' in which the organization is held is reflected in the views of employees, customers, suppliers, investors, community members, activists, media, and other stakeholders" (p. 138). This stakeholder-based approach acknowledges the influence of both internal and external stakeholders. Chun (2005) advances the thinking by cautioning against focusing unduly on one stakeholder's view rather than the collective opinions of all stakeholders. He states, "This is because current measurement scales of reputation have focused on rankings or mainly on one stakeholder's view only, rather than comparing various stakeholders' views" (p. 93). And finally, Chun also acknowledges how reputation impacts outcomes by pointing out, "Corporate reputation affects the way in which various stakeholders behave towards an organization, influencing, for example, employee retention, customer satisfaction and customer loyalty" (p. 91).

This stakeholder view of reputation is a more nuanced understanding of reputation and the one that I prefer because it includes all the key influencers. This recent focus, however, is largely still measured by external attributes used in rating scales in two leading business publications: Fortune Magazine's *America's Most Admired Corporations* and the Financial Times *World's Most Respected*

Companies (Chun, 2005). While these rankings only survey CEOs, they did introduce several new criteria for quantifying "Most Admired" such as financial soundness, long-term investment value, people management, social responsibility, use of corporate assets, quality of management, quality of products/services, innovation and global competitiveness. Yet, they are still incomplete according to Chun (2005) who states, "The Fortune measure assesses little beyond financial performance, even though reputation should not be judged on performance alone" (p. 99).

Another predominant ranking system or index is the American Customer Satisfaction Index (theASCI.org). It is the only national cross-industry measure of customer satisfaction in the United States and is based on customer evaluations of the quality of goods and services purchased in the United States and produced by domestic and foreign firms with substantial U.S. market shares. The ACSI measures the *quality* of economic output as a complement to traditional measures of the *quantity* of economic output. The ACSI was started in the United States in 1994 by researchers at the University of Michigan, in conjunction with the American Society for Quality in Milwaukee, Wisconsin, and CFI Group in Ann Arbor, Michigan. Yet, this index also focuses narrowly on just one stakeholder group. And, while this is a very important and significant stakeholder, it is still just a single dimension of reputation.

This final theme of the reputational literature parallels begins to broaden the discussion of reputation by illuminating the role that all stakeholders and more recently, employees, play in the formation of organization's reputations.

Thanks to the work of Helm (2010), Gotsi et al (2001), Cravens and Oliver (2006) and Saxton (1998), employees were now being considered as playing an important role in how organizational reputations are built.

Assumptions

I am making four major assumptions in my capstone research. First, as a corporate reputation practitioner and a business owner concerned with our own corporate reputation, I bring a practitioners' bias to my research question. Like most of my clients, I have previously focused on external audiences in my work.

Second, they are concerned about how these stakeholders view the corporation and are not focused on the definition of corporate reputation.

Third, I subscribe to the analogous definitional school of corporate reputation, primarily because as I stated earlier, I believe that stakeholders do not see a distinction in terms like reputation, image and identity.

My last assumption is that employees are an important stakeholder group and one which needs to be leveraged better for the benefit of an organization's reputation.

These are my biases as I embark on this research project. I will work hard to keep them at bay so as not to sway the research outcomes.

Methods

As a communications practitioner, I deal in reputations every day. In fact, our profession increasingly is being characterized as the practice of reputation management. If this is true, that reputation can be managed, then the practitioners' perspective or point of view is very important. These professionals are the key decision makers or gatekeepers who decide which audiences get the most attention. Therefore, I want to understand how they view employees' role in organizational reputation.

In-Depth Interviews

I intend to conduct 12-15 in-depth interviews with leading reputation management professionals at a mix of large and small corporate (public and private) and non-profit organizations. These individuals' titles vary. Some are called chief communications officers while other are called public relations vice presidents, but each has reputation management as part of their job portfolio. Post and Griffin (1997) state, "Public affairs departments, whatever their name, share a broad responsibility to manage corporate reputation and image" (p.165).

In these interviews, I will design a topic or discussion guide which will ask them first about their personal histories and how they believe their organization is viewed by external and internal audiences. The heart of the interview will be a series of questions related to how they define corporate reputation and why; if they measure corporate reputation; if they see a difference in the terms: image, identify and reputation; what role employees play in organizational reputation; how aware are employees of their influence; and whether that influence is increasing or decreasing and why.

According to Myers (2009), “By far the majority of interviews conducted by qualitative researchers in business and management are individual one-on-one interviews” (Myers, 2009, p. 126). Yet, while most interviews are unproblematic, there can be pitfalls in the selection of interview subjects. Myers (2009) outlines a few problems but those most relevant for my study are elite bias and the Hawthorne Effect. In elite bias, a researcher may only interview people of high status and will therefore fail to gain an understanding of the broader situation. With the Hawthorne Effect, the very nature of the interview may create bias due to its intrusiveness and its ability to change the situation (Myers, 2009). Finally, confirmation bias (Sleekers et al, 2019) is another risk for me because, as a practitioner, I identify closely with other practitioners and share many of the same experiences. Therefore, I need to be flexible and open to new ideas and lines of inquiry. A well-constructed yet flexible topic guide will be important to guard against these influences.

CHAPTER TWO

LITERATURE REVIEW

In this chapter, I will review the published literature on three topics which are foundational to my research into the question of how employee stakeholders influence corporate reputation. Specifically, I will examine the evolution of the term, reputation, and how its definition has developed and evolved. I will ultimately arrive at a definition that I will use in this capstone. Second, I will explore the history and evolution of stakeholder theory. This is important because until relatively recently, employees were not highly valued within stakeholder theory. The more recent literature now demonstrates the role that employees play as stakeholders but does not make a direct link between their stakeholder role and corporate reputation. The literature review therefore identifies important gaps as they relate to my research question, thus opening the way for new research among practitioners with regard to how they view the way that employee stakeholders influence corporate reputation. The outcome of this research will make a twofold contribution – first, to the reputation literature and second, to the practice of reputation management.

Reputation

In scanning through the literature focused on corporate reputation, there are three major themes which emerged. Researchers divide the study of reputation into time periods (Money et al., 2017); definitional characteristics or schools of thought (Podnar & Golob, 2017); and definitions based on stakeholder perception (Post et al, 1996).

Time Period

In researching the history of corporate reputation chronologically, Money et al. (2017) set out to bring some order to the literature focused on corporate reputation. They cite the reason for their effort to bring order as the fact that CR (corporate reputation) research is often criticized as being ambiguous, loosely scattered across various disciplines and difficult to conduct due to the intangible nature of the concept (Money et al, 2017). They then go on to characterize each of the three main chronological time periods. These time periods are 1940-1990, 1990-2006 and 2006 to the present. The earliest and most rudimentary time period (1940-1990) sees corporate reputation as a strategic asset, often only linked to financial performance (Money et al., 2017). The next time period (1990-2006) posits that corporate reputation is more about perception and begins to introduce the parallel concepts of image and identity into the academic discussion. The final time period leading to the present or at least 2017 when Money et al. did their work mostly ties corporate reputation to the prevailing management theory while also beginning to examine the underlying drivers and outcomes of reputation.

Money's chronological characterization method demonstrates how the existential realities in each time period influenced the predominant management theory at the time which became the "yardstick" for measuring reputation. For example, in the Post World War II-time period, corporations increasingly began to emphasize profitability and growth. This theory was popularized by University of Chicago economist Milton Friedman's landmark article, *The Social Responsibility of Business Is to Increase Its Profits* (Friedman, 1970) in the New York Times Magazine. In this article, he argued that businesses have no other social purpose but to earn a profit for its owners and shareholders. This view was predominant for two or three generations and it was the primary criteria for a positive corporate reputation. The most admired corporations were those that made the most money. Corporate reputation was based on success and little else. By contrast, today, businesses are heavily influence by external social pressures and for the public's desire for businesses to solve more of society's social ills. This change is particularly evident by a shift in corporate priorities from profits alone to an additional focus on corporate social responsibility (Ussem, 2020). Just last year, the Business Roundtable, an organization made up of the largest company CEOs in America, signed a pledge to stop focusing exclusively on their shareholders and start caring more about their workers, communities and country. This shift was starkly evident in the summer of 2020, after the brutal slaying of George Floyd, when companies scrambled to support social movements like Black Lives Matter among others.

Definitional and Schools of Thought

The second major theme in the corporate reputation literature was a sharper focus on the definition of corporate reputation and its confusion with other similar terms like corporate image and corporate identity. The earliest pioneers in the study of reputation were Fombrun and Van Riel (1997). These researchers based in New York and the Netherlands founded the preeminent journal in this space called *Corporate Reputation Review* (1997). Other researchers including Podner and Golob (2017) observe, “Despite more than 20 years of systematic research on corporate reputation, image and identity, the field appears to be stagnant regarding the definitions of the key terms and the relationship between them” (p.186). Other researchers agree including Fombrun and Van Riel (1997), Walker (2010), Gotsi (2001) and Barnett et al. (2006).

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Despite the widespread disagreement about the definitions of reputation, image and identity, another classification method emerges in the literature, focused on whether the terms are synonymous or differentiated (Gotsi, 2001). Gotsi’s comprehensive literature review indicates that definitions could be broadly categorized into two schools of thought – analogous which views corporate reputation as synonymous with corporate image, and differentiated which considers the terms to be different.

Gotsi's thinking helps to advance the study of reputation, image and identity such that future researchers will now need to make it clear whether they belong to the analogous or differentiated school.

Another group of researchers seeks to clarify the meaning of the terms identity, image and reputation. Highouse et al (2009) first acknowledge the importance of corporate reputation's positive impact on customer satisfaction and loyalty, employee attraction and retention, firm equity and investor awareness, while also pointing out how poorly understood the reputational construct is. They point to the confusion between the terms organizational identity, corporate image and corporate reputation as the reason for the misunderstanding. Highhouse et al (2009) conclude that reputation is primarily concerned with answering the question of what do stakeholders collectively think of the organization, whereas identity is concerned with what are we as an organization and image is focused on what does the organization want others to think about the organization. These researchers open the door to the concept of stakeholder influence on reputation.

Stakeholders

The final theme in the literature is the most recent research which focuses on stakeholders (Chun, 2005; Post & Griffin, 1997). These researchers, while they delve into some definitional discussion about the similarities and differences between reputation, image and identity, they instead focus primarily on the way stakeholders influence and define reputation. Post and Griffin (1997) observe, "This suggests corporate reputation is a synthesis of the opinions, perceptions, and attitudes of an organization's stakeholders. The `estimation' in which the organization is held is reflected in the views of employees, customers, suppliers, investors, community members, activists, media, and other stakeholders" (p. 138). This syncretic, stakeholder approach acknowledges the influence of both internal and external stakeholders. Chun (2005) advances the thinking further by cautioning against focusing unduly on one stakeholder's view rather than the collective opinions of all stakeholders. He maintains, "This is because current measurement scales of reputation have focused on rankings or mainly on one stakeholder's view only, rather than comparing various stakeholders' views" (p. 93). And finally, Chun also acknowledges how reputation impacts outcomes by stating, "Corporate reputation affects the way in which various stakeholders behave towards an organization, influencing, for example, employee retention, customer satisfaction and customer loyalty" (p. 91).

This stakeholder view of reputation provides a more nuanced understanding of reputation, as it broadens the influencer pool to include all stakeholders. Other current corporate reputation indices like *Fortune* Magazine's Most Admired Companies, which rates companies on eight criteria still only surveys a limited number of external stakeholders like senior executives, outside directors and financial analysts (Highhouse et al, 2009). Similarly, *Fortune* Best Companies to Work For and the American Customer Satisfaction Index are just a one dimensional views. These ranking are only done by employees or customers and is a strict measure of just happiness, perks or product satisfaction. These rankings like many others give an incomplete picture of reputation because each one excludes many significant stakeholders.

Stakeholders

Next, I reviewed the literature and the emergent history of the term, stakeholder, since it is increasingly the focus of reputational studies. The term stakeholder first appears in the literature in a 1963 Stanford Research Institute (SRI) memo, although Preston and Sapienza (1990) report that a statement by a Harvard University professor in 1932 did use the term “stakeholder” to identify four groups that affected the organization. In the 1963 Stanford Research Institute memo, stakeholders were defined as “those groups without whose support the organization would cease to exist” (Freeman, 2010, p.31). Since 1963, business theorists helped launch the term, stakeholder, into the modern business lexicon. Yet, the term was still mostly used to describe shareholders or stockholders, or those who had an ownership stake in the company (McCorkindale, 2016).

For the most part this owner-only view of stakeholders continued to be advanced as previously mentioned by academics like Milton Friedman from the University of Chicago. In his 1970 article he emphatically pointed out that the “social responsibilities of business” are notable for their analytical looseness and lack of rigor. His article was a clear reaction to the growing movement in business at the time to become more socially responsible, specifically to its external stakeholders like special interest groups, in the form of corporate social responsibility programs (CSR).

The first widely advanced definition of stakeholders comes in 1984 by Edward Freeman in his groundbreaking book, *Strategic Management: A Stakeholder Approach* (1984). Freeman, now a professor at the Darden School of Business at the University of Virginia, was earlier working at the Wharton School of the University of Pennsylvania. After graduate studies in philosophy at Washington University in St. Louis, Freeman accepted an appointment at the Wharton School on the research staff of the Busch Center, then run by Russell Ackoff (Freeman at al., 2010). Ackoff, one of the earliest systems theorists, encouraged Freeman and another colleague, James Emshoff, to pursue their ideas about stakeholders in a new splinter group called the Wharton Applied Research Center. Its mission was to serve as "Wharton's window to the world" (Freeman et al, 2010). This new center was organized like a consulting firm and its divisions focused on developing expertise and recruiting new external clients to try their ideas.

In those early days the National Science Foundation funded a new Library of the Future project which used the idea of getting stakeholder input into radical system design. While this was a worthwhile exercise, thoughts quickly turned toward how to make the concept of stakeholders more relevant to business (Freeman et al, 2010). The first real such project was to use stakeholder theory to assess the strategic direction of a large Mexican brewer which was at a loss for how to deal with the government and many other key stakeholders. This early focus was used mainly as a way of organizing the thinking about the external environment, or systems design.

Intrigued by the idea of stakeholders as an organizing systems concept, several faculty members at Wharton including Ackoff and colleagues, Eric Trist, Howard Permutter and Alan Shapiro, organized a faculty seminar to discuss the concept further (Freeman et al, 2010). Freeman, still a junior researcher without even a faculty appointment, attended the seminar and began to wonder about not just the normative issues but also issues of ethics, justice and values. As a philosopher, he was amazed that in every conversation at the seminar, none of these issues were discussed.

Freeman and Emshoff next prepared a working paper entitled, "Stakeholder management" (Emshoff and Freeman, 1978). The paper was sent out to a mailing list of companies and others, and at some point in 1978, human resource executives from AT&T came to the Applied Research Center to discuss a four-week seminar for their "leaders of the future." According to the AT&T executives, "how to manage the external environment" ranked high on the list of skills needed by these "leaders of the future." (Freeman et al, 2010). The course was successfully delivered and this new approach to managerial strategy and decision-making began to attract other interested researchers.

With keen interest from additional corporate executives, Freeman and Emshoff wrote two new papers. The first was a conceptual paper making the case for why managers needed a management approach for thinking about stakeholders. In this 1981 paper, they advanced the first definition of stakeholders as, "any group or individual that can affect or is affected by the achievement of a corporation's purpose" (Freeman et al, 2010, p. 54). This broad definition of stakeholders continues to be a source of debate even today, since some researchers insist on a narrower or more specific definition (Mitchell et al, 1997).

All of this early work was compiled in Freeman's radical book, *Strategic Management: A Stakeholder Approach,* (1984) In his preface, Freeman points out the book's purpose:

> "This book is about a concept which begins to turn managerial energies in the right direction: the concept of 'stakeholder." Simply put, a stakeholder is any group or individual who can affect, or is affected by, the achievement of a corporation's purpose" (Freeman, 1984, Preface).

This seminal textbook launched the study of stakeholder theory and management in the literature. Freeman's approach provides a new theory for how managers need to organize and respond strategically to the growing and important influence of stakeholders. Interestingly, as groundbreaking as this work was, this theory is still almost exclusively focused on the external world.

In *Strategic Management* (1984) Freeman first builds the case for a new approach to strategic management. He believes that this new model is necessary due to the increasing complexity of the external environment. No doubt influenced by Ackoff's theories of wicked messes (Mitroff, 2019), Freeman details the transition from the production view of the firm, characterized by simply taking product and services to market (See Figure 1), to the managerial view of the firm (See Figure 2). The managerial

Figure 1 – Production View of the Fi

view of the firm recognized the separation of ownership and control, as banks, shareholders and other institutions financed the emergence of the modern corporation (Freeman, 1984). He asserts that in the past owner-manager-employee only needed to worry about satisfying customers but in 1984 with the rise of external forces like government, consumer advocates, environmentalists, etc., managers needed a new framework for how to manage these multiplying forces.

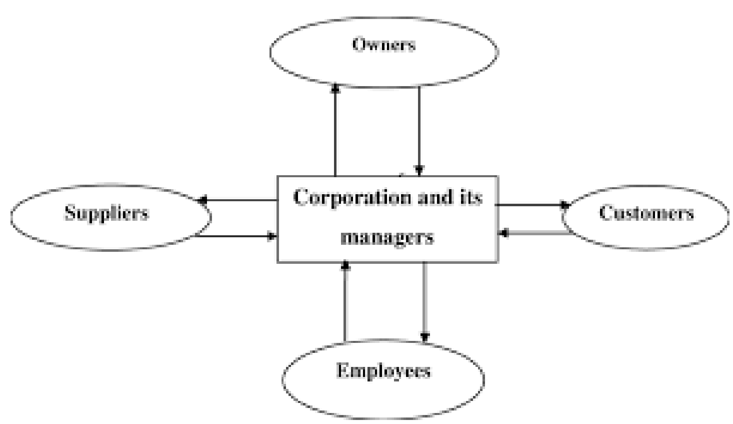

Figure 2 – Managerial View of the Firm

Freeman calls this new framework – stakeholder management. (1984) and he defines it as, "...the necessity for an organization to manage the relationships with its specific stakeholder groups in an action-oriented way" (Freeman, 1984, p. 53).

In the subsequent chapters of his book, he provides a practical framework for decision-making. He observes that stakeholder theory can be useful in integrating concepts like the role of the corporation in social systems and the social responsibility of business around the concept of organizational strategy or how organizations can configure themselves with the external environment (Freeman, 1984, p. 43-44).

In one of his most significant contributions Freeman proposes a stakeholder map (see Figure 3) wherein he begins to organize stakeholders into a system with the firm at the center surrounded by its stakeholders.

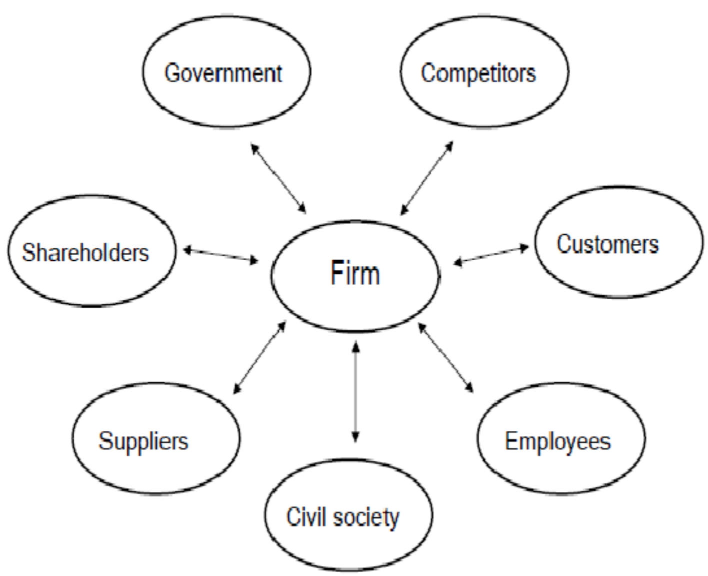

Figure 3- Freeman's Stakeholder Map

For the first significant time in the literature, Freeman also begins to identify not just external stakeholders but also internal stakeholders specifically employees. Freeman (1984) comments, “Stakeholders include employees, customers, suppliers, stockholders, banks environmentalists, government and other groups who can help or hurt the corporation” (Freeman, 1984, Preface).

Freeman provides the earliest and most comprehensive understanding of stakeholders and why organizations need to pay more attention to them, as the external organizational world continues to change and become more complex. This definition is very broad and places equal weight on all stakeholders without providing a method to prioritize stakeholders. Most stakeholders are given an equal weight by him, particularly in his earliest work. This broad, un-prioritized definition risks confusing organizational priorities rather than offering a clear path to better management. In addition, he pays too little attention to employees as key stakeholders and provides few strategies for how best to manage employee stakeholder needs.

James Stieb provides the most comprehensive critique of Freeman’s work in his 2008 article, “Assessing Freeman’s Stakeholder Theory” (2008). As he notes, “The articles explaining, extoling, defending and sometime critiquing stakeholder theory are too numerous to list (2008, p. 401). In explaining why, a critique is necessary, Stieb pays a backhanded compliment to Freeman when he says that a critique is necessary because “…stakeholder theory is arguably one of the most prominent and well-known theories of business management to ever come out of a philosophical school or way of thinking” (2008, p. 402).

Stieb's critique focuses mostly on Freeman's later works such as *Stakeholders theory of the corporation,* (2002) and *Managing for stakeholders* (2008). In these books Freeman advances his view that business' focus must shift from managerial capitalism, or a focus just on profits, to stakeholder capitalism, or a focus on creating value for all constituents. This shift, according to Stieb, means giving stakeholders the decision-making power rather than shareholders. Stieb sees this as an attack on capitalism and the free market, despite Freeman never putting it in these exact terms. Stieb seems interested in resurrecting the Milton Friedman argument that the social responsibility of business is to make money for its owners.

Stieb's analysis is a misinterpretation of Freeman. Freeman argues that we must re-conceptualize the firm around the question: For whose benefit and at whose expense should the firm be managed? (Freeman, 2002). He seeks to broaden the definition of value and who reaps value from the corporation. This is not a zero sum game. Rather, Freeman is recognizing all of the influences – internal and external – on the corporation and calling for management strategies which seek to respond to these influences in order to create value for all its stakeholders, including shareholders. Freeman is not opposed to the laissez-faire model of capitalism, instead he is recognizing the reality of how stakeholders influence organizations and therefore arguing for a better management system or approach – one which will fuel organizational growth and development.

Identifying and Prioritizing Stakeholders

The next question raised in the literature not as a critique of Freeman but as an expansion of his thinking is how best to identify and to prioritize stakeholders. Ronald Mitchell, Bradley Agle and Donna Wood (1997) and Robert Phillips (2003) provide a typology for how to identify and prioritize stakeholders. The question of how to identify and then prioritize stakeholders is an important one because it helps sharpen the definition of stakeholders which can lead to even more focused and actionable management strategies. Mitchell, Agle and Wood (1997) provide one of the earliest methodologies for how to identify stakeholders. They, too, acknowledge the contributions of Freeman and how his stakeholder theory has become embedded in management scholarship and in managers' thinking (1997, p. 853). But, they raise two key questions, asked but not adequately answered by Freeman. These questions are who (or what) are the stakeholders of the firm? And to whom (or what) do managers pay attention? The first question identifies the need for a normative theory of stakeholder identification, to explain logically why managers should consider certain classes of entities as stakeholders, while the second questions calls for a descriptive theory of stakeholder salience, to explain the conditions under which managers do consider certain classes of entities as stakeholders (Mitchel et al, 1997, p. 853).

In responding to these questions, Mitchell et al first examine the broad and narrow definitions of stakeholders. They believe that Freeman offers the broadest definition – "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). Mitchell and his colleagues see this definition as too broad and one which includes virtually everyone. At the other end of the definitional spectrum is Clarkson (1994) who uses risk to narrow the definition. He believes that stakeholders must invest some form of capital, human or financial, something of value, in a firm. This puts them at risk of losing something. No matter which definition is preferred, Mitchell et al (1997) believe that no individual organizational theory answers every question about stakeholder identification and salience. Mitchell et al provide a new theory which evaluates the stakeholder-manager relationship systematically, both actual and potential, in terms of the relative absence or presence of all or some of the attributes of power, legitimacy and now, urgency.

The researchers define power in the classic Weberian way – "power is the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance" (Mitchell et al, 1997, p. 865). An accepted definition of legitimacy is provided by Suchman's (1995) synthesis of Parsons (1960), Scott (1987) and DiMaggio and Powell (1983). It is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1997, p. 574). Finally, urgency is defined simply as the degree to which stakeholder claims call for immediate attention.

Mitchell et al (1997) then point out that these attributes are variable and not always in a steady state. At certain times stakeholders may possess some, most or all of these qualities. This stakeholder typology model allows managers to begin to prioritize and to organize key stakeholders. The highest priority stakeholders are those stakeholders possessing power, legitimacy and urgency.. Stakeholders with fewer attributes require less attention.

In applying their theory to employees, it is clear that employees possess power, legitimacy and urgency in varying degrees and at different times in an organization's life cycle. Employee legitimacy is the most "steady state" attribute, since few doubt the need for employees in an organization. External factors such as the strength or weakness of the job market and competition for key skills are just some examples of how employee power and urgency could fluctuate. In a tight labor market, employees are in high demand and thus can exert more power. The opposite is true in a saturated or stagnant labor market.

Employees as Stakeholders

Early research provided a more general treatment of stakeholder groups and did not focus on any one specific stakeholder segment (Freeman, 1984). Instead, the literature established the foundation for the theory in response to the fast-paced and changing external world. Managers were seeking answers as to how to organize the multiple demands being placed on them from many different stakeholder groups.

Later research began to examine how to identify stakeholders and how to prioritize these stakeholder groups using constructs like power, legitimacy and urgency (Mitchell et al, 1997) Using these three attributes, employees began to emerge as a high priority stakeholder group because of their undisputed legitimacy but also because of the power and urgency which they could assert on an organization.

Once acknowledged as important and influential stakeholders, one group of researchers led by Bridges et al (2003) and Bridges and Harrison (2003) began to look at how committed employees have a bottom-line impact on firm performance and tested whether employees were aware of their impact on corporate reputation. Specifically, Bridges and Harrison observed through a study of multiple North Carolina companies' employees that 71% of employee respondents perceive their companies to be more focused on shareholders and customers than employees (Bridges and Harrison, 2003). Twenty-nine percent of respondents reported that their company focuses equally on all stakeholders. The researchers also noted that employees who see their company focusing equally on all stakeholders including employees will realize a higher employee commitment to the firm (Bridges and Harrison, 2003). This finding is important because it not only shows the importance of employees as stakeholders but it also shows how by focusing on the employee stakeholder, companies can improve their bottom lines which Helm (2007) observes as one of ten key factors that also improves their corporate reputation.

Frederick Reichheld in his bestselling book, *The Loyalty Effect* (1996), places an even greater emphasis on employees. He eschews any hierarchy of customers, employees and investors. Instead, by studying several companies across multiple industries, he shows that the success of these companies occurs when customer loyalty, employee loyalty and investor loyalty (Reichheld, 1996) are aligned. When these three forces are in sync and companies focus and foster this loyalty, businesses thrive by creating not only profit but value. This value can then translate into a more positive corporate reputation.

But how aware are employees of their value and impact on corporate reputation, and what, if any, difference does it make?

Helm (2010) delved more deeply into the relationship between employee stakeholders and their awareness of their impact on corporate reputation. She first acknowledges that corporate reputation is critical for cultivating stakeholder relationships and that corporate reputation results from an organization's interactions with stakeholders, particularly the role employees play in reputation management. Yet, as she points out, no one has ever studied whether employees have any self-awareness of this impact, since it is essentially an extra-role assignment or not in their job description. Her research surveyed 439 employees working in one of Fortune's Most Admired Companies. She measured how pride, job satisfaction, affective commitment and perceived corporate reputation influenced this awareness. Overall, she found that pride was the most influential factor in employee's awareness of their role in influencing corporate reputation. Thus, employees are aware of their impact on corporate reputation but how they directly impact corporate reputation is left unanswered.

Each of the foregoing studies breaks new ground in beginning to show some linkage between employee stakeholders and corporate reputation. Cravens and Oliver (2006) expand on this understanding using a resource-based approach. They posit that employees are the first step in reputation creation, since they are primarily responsible for the creation of products and services sold to customers and consumers. This strong alliance between employees and reputation creates a competitive advantage for organizations. In addition, employees are also the primary communicators to customers and therefore play another important role as chief communicator. Alsop (2004) calls employees the “primary interface” with customers, suppliers and other key partners and their actions, both positive and negative, affect how the company is perceived. Given the importance of the employee’s role, Cravens and Oliver (2004) recommend both the use of the balanced scorecard method to measure and to reward employee contributions to reputation. Yet, few organizations include reputation in their balanced scorecard. Their study of 175 companies in the Fortune 1000 using the balanced scorecard method revealed only 64 firms using any metric related to reputation.

Finally, Cravens and Oliver (2004) believe that managers play a critical role in communicating to employees the importance of enhancing corporate reputation. This role typically falls on the shoulders of corporate reputation management professionals. They carry most of the job responsibility for how an organization is perceived both internally and externally, yet their perceptions have not yet been studied in the literature.

Gaps in the Literature

Given this gap in the literature, my research will focus on whether practitioners view employees as influencing corporate reputation. In this chapter, I have reviewed the literature on corporate reputation and how it is defined. I have examined the literature on stakeholder theory and employees as stakeholders. As noted already, extant research has not specifically focused on how reputation management professionals view the role of employees in influencing reputation. This gap in research is what I will investigate further in my own primary research among corporate reputation practitioners in subsequent chapters, offering a unique and actionable way to understand employee influence on reputation. While a full-scale, quantitative survey among employees is beyond the scope of this capstone, this new research will fill in gaps in the literature and how it can be applied in the practice.

CHAPTER THREE

METHODOLOGY

In the previous chapter it was well established that there is a growing consensus around the definition of corporate reputation in the literature, as a synthesis of the opinions, perceptions and attitudes of an organization's stakeholders. The history and importance of stakeholders, particularly customers and investors, were also established as significant players in forming the reputation of organizations. In more recent history, employees were also added to the important stakeholder list. And, while researchers have established that employees are aware of their influence on reputation, it is far less evident who within organizations plays the primary role for shaping the opinions of employees, and how communications or public relations professionals, now known as corporate reputation practitioners, view employees' role in forming corporate reputations. This will be the focal point of this study.

The term reputation management and reputation management practitioner is a relatively new professional title or position. Until now, within organizations, the management of an organization's reputation was seen as within the province of the marketing, public relations or advertising departments, as these departments focused on external stakeholders, while managing employees as stakeholders was a separate and distinct function mostly managed by the human resources department. Yet, when internal reputation management did exist within a department's responsibility, it was often seen as a minor responsibility or a subset of another major responsibility. For example, the public relations department principally focused on external audiences such as the news media or special interest groups while the advertising department focused on driving consumer demand for products and services. Similarly, in public companies, the investor relations department focused on shareholders and financial analysts following the company (Khan, 2019). One reason given for the less important role given to internal reputation management is because most organizations categorize functions as either product/service related or administrative, and reputation management involves both. It is therefore unlike any other department (Khan, 2019) and most organizations are not structured to manage this type of bifurcated organizational function.

In this study I chose to focus on communications or public relations practitioners. In my professional experience these professionals most often bear the bulk of the responsibility for overall organizational reputation. Marketing professionals are focused primarily on the reputation of specific, or multiple products or services. And, while these product and service reputations are key factors in an organization's overall reputation, they offer a narrower view of reputation. The public relations or reputation management professional is concerned with the overall corporate reputation.

While a large study asking employees how they influence the formation of corporate reputation is outside the scope of this capstone, a study of reputation management practitioners was conducted to ascertain how they define reputation and how important a role these practitioners see employees playing in the formation of reputation. These practitioners, holding titles like Chief

Communications Officer, Vice President or Director of Communications or Public Relations, were also asked whether they had the primary responsibility for managing an organization's reputation or whether it was a shared responsibility. They typically manage this reputation by reactively responding to negative or sudden events such as leadership change, product recalls, environmental disasters, financial malfeasance or sexual harassment as well as managing more planned, positive events like revenue growth, successful product launches and industry awards. These executives increasingly may also have primary responsibility for internal communications with goals around employee satisfaction, loyalty and reducing turnover. Because of their central role in managing organizational reputations, these practitioners were selected as the foundation for this research.

<u>In-Depth Interviews of Communications Practitioners</u>

I chose to conduct thirteen in-depth, qualitative interviews with communications professionals, using a combination of convenience sampling and critical case sampling (Hancock et al, 2009). This combined sampling approach is characterized by the availability of interviewees in a certain time period and who hold a certain position in the organization. In this case, I sought senior reputation management officials.

In each interview I offered confidentiality and committed to reporting my findings in aggregate, by industry or by sector, and not by individual. The participants were selected based on a desire to have a cross-section of industries, to represent public and non-public companies and non-profit and for-profit organizations. Each of the participants was in the senior leadership of the organization and appeared to have some responsibility for corporate reputation. The respondents were recruited by email between December 1, 2020 and January 15, 2021 and if they agreed to an interview, the interview was scheduled. Twenty emails were distributed. Thirteen responded and were scheduled. Due to the practical limitations of the Corona Virus not allowing in-person interaction, all interviews were conducted by telephone. Each interview lasted approximately 30-40 minutes and copious notes were taken.

The Interview Topic Guide

The interviews were conducted using a semi-structured format of open-ended questions, organized by topic area. This method was selected based on a desire for more in-depth follow-up questions when key issues were raised. A 21-question topic or discussion guide was used to conduct each interview. The topic guide was divided into four topic areas.

The first section asked for each participant's professional history such as the number of years working for the organization; how many employees worked in the organization; and whether it was a public, private, for-profit or non-profit organization. In the second section, a series of warm-up, general questions were asked. These questions queried each participant about how they believed their organization was viewed externally and internally. I also asked them for some adjectives or key words to describe the organization. The term, reputation, was deliberately not introduced in this section so as not to bias latter responses.

In the third section I asked about their level of responsibility in regard to shaping opinions about the organization and whether they had the primary responsibility or if it was a shared responsibility. If shared, I asked who else had the responsibility and whether the shared roles were clearly delineated. This was also where I first introduced the concept of organizational reputation. I asked each practitioner how they define reputation, and whether they view it as the same as image and identify. As a follow-up, I asked why or why not. I also asked whether they see reputation as static or changing.

The fourth section drilled down into the key issues of how practitioners viewed the role of employees in forming corporate reputation. The first question in this section asked how important a role employees play in forming reputation. I followed up with a question about how what they see as the benefits of a positive reputation for employees and whether they believe that employees are aware of their role in reputation building. I also queried them about whether this employee role is growing or declining in importance and why. Last, I asked whether they had any specific programs or strategies to encourage a positive corporate reputation among employees. At the end of each interview, I asked participants if they had anything else to add and then I provided them with an overview of my research question.

Conclusion

This exploratory study among reputation management practitioners used a qualitative research methodology. The method included a purposeful participant sample with semi-structured interviews of 13 participants to understand how they viewed employees’ role in forming organizational reputations. Data analysis was conducted based on transcribed interview responses using thematic analysis. Chapter 4 details the predominant research themes and interview results.

CHAPETER FOUR

DATA COLLECTION AND ANALYSIS

In Chapter Three the methodology for sample selection and the questions in the topic guide were discussed. The sampling method was a combination of convenience and critical case sampling. These methods were selected due to the need to recruit participants in a certain period of time, in this case during the month of December 2020, and to recruit participants who were senior reputation management professionals.

For each interview copious notes were taken for each response and specific transcriptions were done for particularly significant quotes that illustrated important findings. The data was analyzed using a combination of manifest and latent analysis (Hancock et al, 2009) first to describe what was said and second to interpret what was meant by the participants. I chose not to sort the participants answers quantitatively by organization size, number of employees, or for-profit or non-profit due to what would amount to very small data samples. Instead, I chose to identify trends in the data, according to number of participants expressing the same, similar or different views.

Sample Participants

Thirteen interviews were completed with communications and reputation management practitioners. For purposes of this research, despite differing titles, I considered communications and public relations practitioners as reputation management professionals. As Table One illustrates, the average tenure of interviewees at their current company was eight years with four respondents having over ten years' experience. With regard to the number of employees, seven practitioners have over 100,000 employees in their organizations, four have between 3,000 and 50,000 employees and two have fewer than 50 employees. In Table Two, eight practitioners were from for-profit companies and five were from non-profit organizations. Similarly, seven companies are publicly-traded, four are not publicly-traded and two are organized as partnerships.

Table 1 – Average Tenure of Interviewees

Interviewees	Years at Company	# of Employees
Interview A	4	215,000
Interview B	3	500,000
Interview C	17	186,000
Interview D	9	5,000
Interview E	14	186,000
Interview F	7	30,000
Interview G	18	3,100
Interview H	4	170,000
Interview I	4	40
Interview J	5	11,500
Interview K	1	15
Interview L	19	120,000
Interview M	3	120,000
AVERAGE TENURE	8	

Table 2 – Organizational Status

Interviewees	Publicly Traded (Y/N)	For Profit/Non-Profit
Interview A	Y	FP
Interview B	Y	FP
Interview C	Y	FP
Interview D	N	NP
Interview E	Y	FP
Interview F	N	NP
Interview G	Y	FP
Interview H	Y	FP
Interview I	N	NP
Interview J	N	NP
Interview K	N	NP
Interview L	N	FP
Interview M	N	FP

Section One – External and Internal Views

In the first section of the topic guide, reputation management professionals shared their opinions on how each organization was viewed externally and internally by its various stakeholder groups. For the most part, each person easily articulated an external view of the organization. Professionals from the organizations with more than 100,000 employees articulated these views by stakeholder group. For example, the representative from a very large media company stated, “That depends on who you are asking about. For customers, we were viewed negatively in the past, since we never invested in customer service. Now, after making these investments, we are viewed more positively." For one of the non-profit professionals from a large, family foundation, they responded with words like "family-run" to describe the external view of the organization.

Turning to the internal views of the organizations, most expressed positive views of the organization from its employees. One person from a large healthcare insurance organization used words like "diverse" and "inclusive" to describe the workforce's view of the organization. Another professional from an international consulting firm shared that their workforce believes that it is a great place to work.

<u>Section Two – Managing Reputation within the Organization</u>

Due to their central role as reputation management professionals, when asked about their role in shaping opinions about the organization, each responded that they had a role in this responsibility. Of the 13 who responded to the question of whether that responsibility was shared or not, only two said that they had the primary or sole responsibility for shaping opinions. One respondent said that it varies by division and only three participants, unprompted, delineated the responsibility between internal and external stakeholders, saying that the human resources department had the task of shaping employee or internal opinions about the organization.

In a follow-up question about who else shared the responsibility, ten people gave answers which included other internal professionals such as the Chief Marketing Officer, Product Managers and Divisional (versus corporate) Communications professionals. One person from a major university stated that it was the primary responsibility of the university president and similarly, one from a private foundation said that it was shared with the Executive Director and the Chair of the Board.

Delving more deeply into these roles, another follow-up question asked those who said the responsibility was shared, whether those roles were clearly delineated. The same three participants who stated that the human resources department has responsibility for internal opinions about the organization also remarked that these roles were clearly defined. The remaining ten people all stated that the roles and responsibilities, when shared, were not clearly delineated.

Section Three – Reputation, Image and Identity

The next series of questions in this section introduced the terms reputation, image and identity into the discussion. The topic guide asked each person for a definition of reputation. Only two participants gave a “textbook-like” definition using terms like “who you want to be and who you are” or “how decisions we make contribute to how people view us.” Several mentioned the word “brand” as a way to define reputation and still others focused on negative attacks on reputation as the best way to define the term. “We are defined by crisis” was one example of this view. Practitioners clearly see reputation as primarily formed by external stakeholders and existential forces like crises. None of the respondents mentioned employees as part of reputation’s definition.

Many different words are often used to describe reputation, as documented earlier in the literature review. These words include image and identity. To clarify whether there was any misunderstanding in the use of terms, the topic guide also asked how each person defined these terms and whether they saw them as distinct or the same. Most believed that these terms were “variations of the same thing” or “all under the brand umbrella” or “many points of intersection.” A few saw slight differences, using a stakeholder approach. One described identity as “the lighthouse” which doesn’t move over time and described reputation as the result of “many daily decisions.”

An additional few questions in this section asked professionals if they see reputation as steady or changing, thus, teasing out the concept of whether it can be impacted by internal or external factors, and asking whether they actively measure reputation. This question elicited a strong and almost unanimous response. Twelve participants believe that reputation is constantly changing. Comments like “It goes up in smoke in a minute,” “Easy to disappear overnight,” or “Always at risk.” Each of these participants again mentioned crisis events or forces in one way or another, indicating an overarching focus on external stakeholders and issues that could impact the organization. The one professional who disagreed was from a private family foundation who said that “It doesn’t change quickly in a 75-year-old organization." She said that people remember the old negatives and that moving to the positives is slow and takes time.

The final question in this section asked whether these companies and organizations actively measure reputation and if so, how? Here too, the responses were almost unanimous with twelve stating that they do measure reputation in one way or another, and only one person saying that it is not measured. For the consumer product or service companies, three mentioned Net Promoter Scores, a measure of whether customers would recommend a company, as the primary means of measurement. One participant from a large media company mentioned the annual J.D. Powers rankings. Others mentioned paid subscriber reputation monitoring tools like TrendKite. One cited how his company sought recognition in the Fortune Magazine Most Admired Companies list and only one mentioned internal audience measurements like employee satisfaction and engagement surveys.

Section Four – Employees' Role in Forming Organizational Reputation

The key section of the topic guide focused on gauging the opinions of participants on how important a role employees play in forming organizational reputation. This section asked about the benefits, if any, of positive employee attitudes, employee awareness of their role, whether that role is becoming more or less important and why. The final question asked what, if anything, these professionals are doing to encourage a positive employee view of the organization.

Without exception all thirteen reputation management professionals agreed that employees play an important role in forming organizational reputation. The most common refrain in response to this question was the word, “essential.” Others words to describe this role were “significant” or “huge.” While not all the participants hailed from customer or client service-oriented organizations, those that did mentioned how their employees are the front-line workforce or brand ambassadors for the company. One typical response was, “We are in people’s homes every day, what could be more personal.” Or, from a major healthcare company with 35,000 employees, it was stated this way, “We have either 35,000 attractors or detractors.” And from a major university, a participants said, “These are our most important brand ambassadors.”

The cited benefits of positive feelings about the organization included attributes like attracting employees, reducing employee turnover, improving the quality of the workforce, helping to sell more products or services or even attracting students to the university.

One professional from a major airline called this the “virtuous circle,” meaning that “When you take care of your employees, they will take care of your customers and the company will be the beneficiary.” This caring attitude was embedded in the company culture which propelled this major airline to enjoy the industry’s best reputation, according to the J.D. Powers airline rankings.

Others cited internal engagement benefits like “contributing energy and enthusiasm” to the organization or “driving a more productive workforce.” Pride was often mentioned as a byproduct of positive internal feelings about the organization. One non-profit even mentioned that these positive feelings can also assist in fundraising.

The next question asked whether these professionals believed that employees were aware of their role in forming organizational reputations. This question seemed to catch most participants off guard. Most said that they had never considered the idea and were surprised by the question. While the question sparked some feelings of regret because it seemingly exposed their lack of attention to employees' role, it also ignited a new realization among the professionals about how important employees are in forming reputations.

Overall, the responses to the employee awareness question were largely split between those who responded "yes" (five), those who responded "maybe" (4), those who responded "somewhat" (3) and only one who responded "no." Among the five that responded affirmatively to the question, each cited the fact that their organizations make employees aware of their reputation-forming role. One typical response was, "Yes, because we make them aware and have now invested millions in educating them." The only respondent who answered "no" to the question and who represents a major healthcare organization used the same rationale for why employees are not aware of their role. He said, "Because we don't tell them that they are important."

As mentioned earlier, this question also led to a new realization among participants that more needs to be done to leverage the positive benefits that employees can bring to an organization's reputation. This newfound awareness led to expanded responses about the need to invest more resources in cultivating a positive organizational reputation among employees.

Awareness is a powerful driver of change. It leads to the knowledge and understanding that a person can influence an outcome. Such is true with employee awareness of their role in forming an organization's reputation. As Helm (2010) pointed out, employees are aware of their role in reputation, primarily as a source of pride, particularly when they work for an externally, well-regarded organization.

All thirteen interviewees believe that the role of employees in forming reputation is becoming increasingly important. Most remarked with comments like "definitely more important" or "more important due to their tremendous potential." One person chided organizations by stating, "Companies still don't get it." The overall tone of these responses affirms the earlier responses about employees' self-awareness of their role. It stands to reason that a more aware employee is also one who has an increasing level of importance.

The interviews also explored the reasons for this growing importance of employees. There was a strong consensus on this question too. All thirteen respondents cited social media in one way or another as the primary driver for this growth in employees' role. "Every employee now has a platform thanks to Facebook and Twitter," was a typical reply. Another common response was "One disgruntled employee can negatively post about the company or call the media." Once again, these professionals are clearly still primarily focused on how employees' impact the external reputational environment.

And, while most organizations have adopted social media policies prohibiting the posting of opinions by employees as employees, employees also know that they can comment as private individuals. This gives employees a new tool to air both positive and negative comments. So, unlike at any time in the past, this direct link to the public empowers all employees to be either reputational advocates or naysayers.

The final topic guide question asked whether organizations had internal programs, methods or strategies to cultivate a positive organizational reputation among employees. The professionals all responded affirmatively to this question but in three broad categories. The first were formal, structured programs such as employee ambassadors. These programs are largely used to train employees on how to respond and post positive messages on social media and were more common among the sample's larger organizations in the healthcare, professional services and utility sectors. In each case, employees need to volunteer for the program, be accepted into it and then receive training.

While these programs are focused on teaching internal stakeholders, they are also encouraging these employees to adopt and to project positive views of the organization to external stakeholders.

The second category cited was internal groups of employees formed around issues like diversity and inclusion, culture or community service. Several large organizations value giving back to the community as an important part of its culture and thus have teams of employees who volunteer in the community. Two organizations dedicate a full-day of companywide volunteering each year. These efforts were cited as ways to encourage pride in the organization and to reinforce its culture.

The final program category was those focused on more frequent communication or training senior and middle managers on how to more effectively communicate positive organizational messages to employees. One cited a weekly “Friday Note” from the executive director to all employees, while another commented on how they train managers to be good communicators and also rate communication as part of performance reviews.

Summary

The responses from the reputation management professionals provided valuable insights into my research question: What role do employees play in forming an organization’s reputation? The organizations represented in the sample of thirteen professionals deliberatively crossed a range of organizational sizes, industry sectors and non-profit and for profit organizations. The group averaged eight years at their respective organizations and most had a significant responsibility in shaping the organizations reputation. Table 3 summarizes the responses to the key questions about employees’ roles in reputation.

Table 3 Responses to Key Questions about Employees' Role in Reputation

	Very Important/Essential	Very Aware	Somewhat Aware	Not Aware	Increasingly Important
Role of Employees	**13 of 13**				
Employee's Awareness of Important Role		**10 of 13**	**2 of 13**	**1 of 13**	
More/Less Important Role					**13 of 13**

The primary themes that emerged from the interviewees were:

1. Most professionals did not have a formal definition for reputation and defined it in crisis or issues management terminology. These professionals immediately launched into examples of how reputation can be damaged by negative events cited in the media or on social media. Each answered the question by describing their role as primary in protecting the reputation of the organization against negative attacks. Unlike the literature where there are many definitions of reputation, these professionals rarely referred to a textbook definition.

2. Reputation professionals are measuring reputation but mostly among external stakeholders only. Each organization measures its reputation externally using several different methods including qualitative methods like customer focus groups, online reviews or press clippings. Consumer product reputation professionals cited third-party raters such Net Promoter Scores, J.D. Power Rankings or even Fortune Magazine's Most Admired Companies.

Interestingly, only one of the participants mentioned any internal form of measurement related to reputation.

3. Employees play an essential role in forming an organization's reputation. Every professional interviewed stated this fact. The responses to this question were the most consistent with several participants using words like "essential" or "huge role" to answer the question. Yet, while mentioning how important employees are in reputation management, there was an undertone of regret due to the lack of attention that this role gets in the organization. This observation did lead to a new realization about how important employees are in reputation management.

4. Employees are aware of their role in forming reputation and there importance in that role is increasing. Twelve of the thirteen interviewees believe that employees are either somewhat aware or aware of their role in forming an organizations' reputation. Only one believed that employees were not aware. And, due to this awareness, an employee's role is increasingly important. This importance largely stems from an employee's new found power with access to social media to provide positive or negative comments about the organization.

5. Most organizations have formal or informal programs to encourage a positive organizational reputation among employees. Because the interviewed professionals believe that employees are increasingly important with regard to reputation management, most of the interviewees' organizations have launched internal programs like interest groups or ambassador programs, or

external programs like volunteer days or employee volunteer groups to enhance employees' positive feelings about the organization.

All of these themes will be explored for their implications on how important are employees in forming organizational reputation in Chapter 5.

CHAPTER 5

SUMMARY AND CONCLUSIONS

This capstone's purpose was to advance an understanding of the role employees play in organizational reputations. As a reputation management practitioner for the last 38 years, I have primarily focused on how external stakeholders influence and shape reputations. My advice and counsel continues to focus primarily on how organizations can inform and educate customers, community groups, special interest groups, investors. and elected and appointed government officials to buy a product or service, or support a concept or idea. My work rarely zeroes in on employee stakeholders as a key audience and how they act in building, detracting or enhancing an organization's reputation. This largely forgotten stakeholder group was the focus of my research. Specifically, I was interested to learn how reputation management professionals, embedded inside organizations, viewed and valued the employee stakeholder audience and what role employees play in shaping an organization's reputation.

To determine how reputation management officials viewed the employee audience, I decided to ask the internal experts. I conducted 13, qualitative interviews with corporate and non-profit reputation management officials. The interview topic guide was informed by existing literature about stakeholders and specifically employees as important stakeholder influencers.

Early on in my research, I learned that reputation is a term with many definitions that are widely debated in the literature. Some use an expansive definition while others focus more narrowly. The evolution of the term was first defined in time periods and by what was the prevailing understanding of what was most important, largely, to the corporation. At first reputations were primarily tied to profitability or revenue – the more profitable the company; the better its reputation. Later, the definitions expanded to include concepts like perception and other terms like image and identity began to become part of the discussion. While profitability continues to be a defining factor, other influences like the management team's reputation began to dominate. The final time period tied reputation to new management concepts like corporate social responsibility. Most recently, this trend was further supported in 2019, when the Business Roundtable and more than 200 CEOs signed a new "Statement of the Purpose of the Corporation." This new mission statement shifted away from defining the corporation's purpose as serving shareholders and instead embraced the corporation's purpose as to serve all stakeholders, including employees, equally.

Although stakeholder equality was new for the Business Roundtable, the earliest advocate of a stakeholder view of the organization was advanced and refined by Edward Freeman. Acknowledging the growing complexity of organizations, thanks to the work of Russell Ackoff, his stakeholder theory cast a wider net by including all the stakeholders who impact an organization. While his earliest work tended to focus just on external audiences like customers, investors and special interest groups, his later work began to focus on employees as a significant stakeholder audience. This employee focus was then further studied by other researchers.

Employees began to emerge as an important stakeholder audience in works by Frederick Reichheld who examined stakeholders through a loyalty lens. Reichheld found that fostering greater employee, customer and investor loyalty results in significant growth in organizational profitability and value.

Cravens and Oliver put an even finer point on the importance of employees by pointing out that employees are the first step in the creation of reputation, since they are the creators and producers of the products and services sold to customers. They were also one of the first to point out that fostering positive employee attitudes about the organization is the responsibility of internal reputation management officials. Yet, they acknowledge that because reputation is widely considered and intangible asset that it is difficult to assess the benefits of an increased expenditure. They suggest the use of the balanced scorecard approach to measure organizational reputation, and that this equation include measures like employee satisfaction and turnover and product quality ratings. By adding these measures to the balanced scorecard, reputation becomes a more tangible, measurable and, thereby, respected, organizational asset. Thus, a potential new proportional equation for measuring a positive organizational reputation based on employee stakeholders may look something like:

High employee satisfaction/engagement + Low Employee Turnover + High Product/Service Quality Scores = Positive Organizational Reputation

This equation may help to reverse what Saxton (1998) points out that most organizations do not focus enough time and resources on employees because no single department “owns” the responsibility.

Reputation management professionals across the board believe that employees are an essential part of reputation management. Several survey participants told stories of how employees are the first line of contact with customers and therefore, are the face of the organization. They interact directly not just with customers, but also investors, special interest groups, community groups, elected officials and regulators. These interactions are critical to the net impression conveyed about the organization. Despite expressing these sentiments, these same reputation management officials never mentioned employees as a significant stakeholder group when asked to define reputation.

In teasing out a definition of reputation from these practitioners, most defined reputation in defensive or reactive terms of protection from risk or crisis rather than in more proactive terms. They cited negative external events as the best way to define reputation. According to these respondents, managing crisis was the best way to protect a reputation. Each acknowledged how long-held positive reputations can be destroyed overnight by negative events such as product recalls, fraud charges, mismanagement or harassment charges. This focus on crisis events demonstrates how reputation professionals are still more focused on external stakeholders and largely overlook the importance of employees.

This missed opportunity of focusing time and resource on employees was highly evident in responding to a question about how aware employees are of their influence on reputation. Most practitioners never intentionally considered this question, although most, when confronted with the question, acknowledged that employees were likely aware of their influence. The question itself prompted a new realization among these professionals about the important, albeit undervalued, role of employees in reputation management. In probing further, officials also admitted that employee reputational influence is increasing, largely due to the power of social media, which gives every individual a voice or megaphone for expressing positive or negative opinions about the organization.

In every interview reputation professionals began to recognize how significant a role employees play in building and enhancing organizational reputations, while also admitting how relatively little time and resources are placed on cultivating positive employee attitudes about the organization.

Reflections and Next Steps

Speaking directly to a cross-section of reputation management professionals was a tremendous learning experience. Hearing first-hand accounts of how like-minded practitioners understand reputation was very rewarding for me personally and professionally. For the most part, all of these officials were extremely forthright and honest about their organizations and experiences which enriched this study tremendously.

This study also opened up a new potential realization for me and my consulting firm. It leads me to consider a new practice area focused on employees as key stakeholders in reputation management. Like the professionals interviewed, our firm focuses disproportionately on external stakeholder audiences. And, while we have done some internal communications work, it was often narrowly focused on communicating some new employee benefit program, management change or merger. With a new understanding of the increasingly import role that employees play in organizational reputation, I hope to expand our offerings to include this new focus area.

<u>Conclusion</u>

This paper confirms that according to reputation management professionals, employees play a critical role in organizational reputation. Yet, these same professionals have largely overlooked employees as a significant stakeholder audience in terms of focus and resources. One area for further research would be to identify why these same professionals have overlooked the employee audience. Is this due to top-down pressure to focus primarily on revenue-generating stakeholders like customers and shareholders? Is the new focus equally on all stakeholders just “lip service”? Are profits for corporations and fundraising for non-profits really still the dominant focus areas? More research could help to find answers to these questions. However, for now, by asking questions about the role of employees in building or enhancing reputation, a new awareness sprung forth in the minds of these professionals. My hope is that this awareness will lead to new actions and that employees will become an even more highly valued reputational asset than in the past.

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APPENDIX

Interview Topic Guide

Topic Guide for Reputation Practitioners

Research Question: how do reputation management executives view the role of employees in forming corporate reputation?

Name: **Organization:**

Background

1. How long have you been a communications professional at your current organization?

2. Describe your company/organization (revenue, income, employees, industry)?

Warm Up

1. How do you think others view your organization?”

2. What are two to three adjectives that you think those outside your organization would use to describe it?

3. What are two or three adjectives that you think those inside your organization would use to describe it?

Defining/Measuring and Managing Reputation

1. What has been your level of responsibility in your organization with regard to shaping opinions about the organization?

2. Who else has responsibility for shaping opinions in your organization?

3. Would you say that you have primary responsibility for (corporate reputation)?

4. If others have responsibility, are the responsibilities clearly delineated? If so/not, how?

5. How do you define corporate reputation?

6. How do you view the terms corporate identity, corporate image and corporate reputation? Are they all the same or different?

7. How is/isn't image and identity the same/different?

8. Do you see corporate reputation as steady or static or changeable? How/why?

9. Some researchers have defined and measured corporate reputation according to certain characteristics like quality of products, treatment of employees and financial performance. Do you see these measurements as valuable and useful in defining and measuring reputation? Why/why not?

10. Do you measure your organization's reputation? If so, how? If not, why not?

Employees Role in Forming Corporate Reputation

1. What role do employees play in forming your corporate reputation?

2. What are the benefits of a positive corporate reputation for employees?

3. Do you believe that employees are aware of their influence on corporate reputation? Why/why not?

4. Are employees becoming more or less important in influencing corporate reputation? Why?

5. What factors are making them more or less important?

6. Assuming that a positive corporate reputation is desired, what methods/strategies do you use with employees to cultivate this positive reputation?

Anything else you want to tell me?

Thank you