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# **Destruction and Reconstruction of Corporate Reputation in the International Business Network Context**

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## **ABSTRACT**

*The purpose of this study is to illustrate how a firm's corporate reputation can be destroyed by the actions of business partners and other network actors, and what the company can do to reconstruct its reputation. The study case exemplifies the importance of reputation and close interactions with foreign business partners in developing countries. Secondary data of a Nordic-based MNC, Stora Enso, is collected, interpreted, and analyzed. We observed issues surrounding the reputation change of the MNC, while focusing on the actions of their business partners. The paper provides empirical insights into the process of reputation destruction and its reconstruction process, caused by critical events related to a child labor incident in Pakistan. The study shows that a firm's reputation is strongly influenced by carefully selecting business partners at the outset of international investment. The case also shows that interactions with business partners are crucial for successful reputation reconstruction.*

**Keywords:** *Business networks, Reputation, Critical events, MNCs, International business markets.*

## **INTRODUCTION**

In today's turbulent business environment, where companies are competing in the marketplace while simultaneously striving to create desired network positions, the reputation of the firm plays an important role. Corporate reputation offers a source of differentiation on the market (Allen 1984, Horner 2002), promised quality of products and services (Klein & Leffler 1981), means for increasing sales (Shapiro 1982), and a source of superior financial performance (Roberts & Dowling 2002). Besides these advantages, a strong reputation can also be a risk reduction mechanism (Diamond 1989), e.g. when choosing business partners. A good reputation also gives a perception of credibility (Ganesan 1994) and a source of

attractiveness for prospective employees (Gatewood et al. 1993), as well as for business partners (Dollinger et al. 1997, Koporcic et al. 2017).

Corporate reputation has been defined as “the public’s affective evaluation of a firm’s name” (Fombrun 1996, Fombrun & Shanley 1990, in Rhee & Valdez 2009, p. 146), which characterizes its continuity. Thus, after an understanding of corporate reputation has been developed, it is thereafter evolving and changing over time, during which, e.g., reputation destruction and reconstruction events can take place. These critical events and processes dealing with reputation can have both negative and positive outcomes on a firm and its connected business partners. Negative outcomes can, for example, include loss of current and potential contracts with business partners, loss of financial capabilities, and skilled employees. Some examples of the creation and destruction of corporate reputation, as described by Dowling (2004) include the cases of Enron and Johnson & Johnson (J&J). These large American companies have built their strong corporate brands during the 20<sup>th</sup> century. Both companies used their reputation in a way that enabled them to achieve a competitive advantage in industries where they operate. Enron built its reputation in the energy trading industry and was ranked as the 25<sup>th</sup> Most Admired Company in the U.S. based on the annual Fortune poll in 2001. However, it seemed like its reputation was created on loose foundations, resulting in its bankruptcy at the end of 2001. Around the same time, J&J created its reputation focusing on a strong socially responsible behavior, which only reconstructed and positively reinforced its reputation in the 1980s, after a close investigation during the Tylenol crises (Dowling, 2004).

Especially when investing abroad and choosing foreign business partners, industrial companies are facing many challenges, caused by cultural, social, and ethical differences involved in the development of business relationships. However, by interacting with business partners and other entities, companies can both influence the corporate reputations of their business partners and can also be influenced by other entities, like NGOs and the Media. As a consequence, business interactions and network relations have a direct influence on a firm’s reputation building processes (Koporcic & Törnroos 2019, Koporcic & Halinen 2018). When firms act and interact in foreign business networks, their reputation rests mainly within the embedded network that they develop in their foreign markets.

The lack of business relationship and network research on reputation change in international markets provides the main motivation for this study. The purpose is to illustrate how corporate reputation can be affected by the actions of a company itself or its international partners and other entities and what actions a company can apply in order to reconstruct its reputation. Our decision to focus on international business markets is based on the fact that industrial companies represent key actors of the dynamic global marketplace, where the largest MNCs operate.

The paper starts by reviewing the theoretical background on corporate reputation, by focusing on the issues of its destruction and reconstruction processes. Next, it reviews the literature on business relationships and embedded networks in international business, especially noting their relatedness to reputational issues. The paper further presents and discusses the specifics of the methodology, followed by a case study of MNC Stora Enso in Pakistan. The discussion and case analysis with conclusions are thereafter presented and discussed in relation to the previous theoretical framework. Finally, theoretical and managerial implications are presented, and suggestions are made for future research.

## **THEORETICAL BACKGROUND**

### ***Corporate reputation destruction and reconstruction***

Corporate reputation, as a construct, has been studied in various disciplines, starting from marketing, human resource management, strategy, general management, corporate social responsibility (CSR), and economics. Theoretical reviews of corporate reputation and its various definitions have been written since the late 1990s by scholars such as Caruana (1997), Gotsi & Wilson (2001), Barnett et al. (2006), Highhouse et al. (2009), Walker (2010), Bitektine (2011), Abratt & Kleyn (2012), Clardy (2012), and Dowling (2016). However, the origin of the concept of reputation dates as far as the 14<sup>th</sup> century. It comes from the Latin verb *reputare*, meaning that “a reputation is an assessment made by a person of another person or entity” (Dowling 2016, p. 208).

The corporate reputation concept consists further of multi-actor perspectives, such as the perspective of business partners (that focuses on value relationships), of investors (that focuses on evaluating the investment potential of the firm), an employees’ perspective (that focuses on evaluating a firm as an employer), a consumers’ perspective (that focuses on evaluating the firm as a provider of products and services), and the general public’s perspective (that focuses on evaluating firm’s behavior on the market). However, the question arises: if a company has various and different perspectives on corporate reputation, can those be combined into an overall evaluation, or different perspectives should be evaluated separately? (Walker 2010, Dowling 2016).

While this is an important question to acknowledge, in this article we focus on corporate reputation as an overall perception and evaluation of a single corporation, which is perceived by the firm’s current and potential business partners, as well as other external entities (Abratt & Kleyn 2012). As Dowling (2004, p. 20) simplifies: “A corporate reputation is an overall evaluation that reflects the extent to which people see the firm as substantially ‘good’ or ‘bad’. Good reputations foster trust and confidence, bad ones do not.” These perceptions or evaluations are, however, built over time (Gotsi & Wilson 2001), during which reputation damaging events and potential reconstruction processes can take place.

When notable critical events occur, in rapidly changing global business environments, the corporate reputations of involved firms are often at risk to be damaged. In some situations, reputation deconstruction is unavoidable, after which the MNC is facing challenges of reputation reconstruction. And although reputation reconstruction seems to be similar to reputation construction (or creation), these two processes need to be detached from each other. First of all, reconstruction can only occur after a specific critical event that has destroyed the reputation of a corporation (i.e. a reputation-damaging event). Secondly, it often involves the reaction of the affected firm’s business partners and other actors that are surrounding the firm in question. Furthermore, during and after a reputation destruction event, the firm with a damaged reputation tries to repair its damaged trust and loyalty of all of its relevant business partners and also towards other entities and the public. However, when a new firm acting on a specific international market is creating its initial reputation, there is a different process occurring in the network where it operates. The firm starts with almost no reputation (since it just came to exist on the market) and starts to choose its own ways of reputation building (Rhee & Valdez 2009). These processes often include the choice of first business partners and products or services with which the firm is going to attract its customers and build its position and reputation in the business network (Agndal & Chetty 2007; Johanson & Vahlne 2009).

Thus, as a way to deal with reputational dynamics and change in business networks, we next discuss the importance of network embeddedness in international business markets. As Koporcic & Halinen (2018) argue, reputation is a result of continuous interactions with the firm's business partners and other actors within its business network. Just as the founder of the Virgin Group, Richard Branson, advise managers, companies should build their corporate brands focusing on the development of their positive reputation, instead of focusing on specific products and/or services. In other words, firms should focus their activities on the development of the firm's (corporate) reputation, through close interactions with business partners and key actors residing in their embedded network of actor firms (Koporcic & Törnroos 2019).

### ***Business relationships and network embeddedness in international business markets***

International business (IB) researchers have used the interaction and network approach to study how MNCs are developing their international activities across borders. This especially concerns business-to-business (B2B) firms. Researchers from the Uppsala School of International Business were among the first to stress the importance of interaction in connected business relationships of MNCs that are embedded in business networks (Johanson, Forsgren, & Holm 2015; Johanson & Mattsson 1988; Johanson & Vahlne 1990; 2009; 2011).

The business network perspective stresses both the role of interaction in dyads as well as network connectedness in its theorizing. These main characteristics of business networks also closely deal with learning, commitment, and trust, as well as relationships and adaptive processes in developing business market relations across borders (Johanson & Mattsson 1998; Turnbull & Valla 1986). In addition, the network perspective highlights the processes in IB as relational and changing between actors that are connected in diverse markets with each other for mutual value-creating investments (Johanson & Holm 2002).

A specific character in the IB-networking process is the embedded character of the international MNC (Dicken, Forsgren & Malmberg 1994; Johanson & Holm 2002). The embedded character rests on the idea that business development is carried out through interactive connected relationships (i.e. at least "semi-externally") rather than inside corporations (i.e. internally). This embedded nature is often related to subsidiaries that are acting in different markets with customers as well as suppliers across the globe.

The embeddedness of international business firms can be of different types. The first one is *relational* embeddedness which describes which actors are connected to each other and how. A second type is denoted as *structural* embeddedness describes how links, ties, and bonds are structured and change in the network. These two types have been articulated by Uppsala scholars (Johanson & Holm 2002). These two types are closely linked and intertwined, like two sides of a coin. When relationships change, the structure of the network also changes. However, in this paper, we also take into account the additional role of cultural embeddedness (Hall 1974; Zukin & DiMaggio 1990; Holden 2004; Hess 2004), for understanding the role of reputation and its dynamics in international business processes. Some issues related to the objectives set in this paper above are next explicated. Cultural embeddedness closely relates to how relationships between an MNC subsidiary in a specific country is affected by cultural norms and business practices in that specific market (Hess 2004). He defines the concept as follows: "Embeddedness basically signifies the social relationships between both economic and non-economic actors (individuals as well as

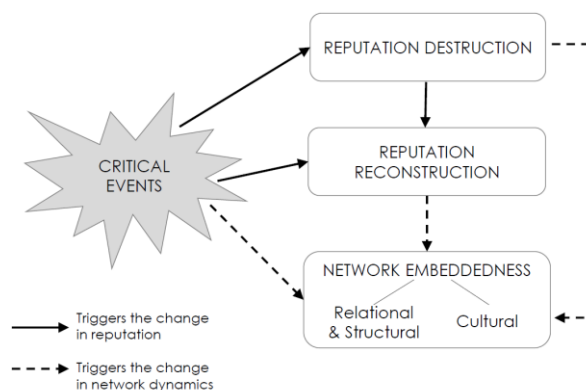
aggregate groups of individuals, i.e., organizations), and economic activity is grounded in 'societal' structures". Cultural embeddedness refers more straightforwardly to; "the role of shared collective understandings in shaping economic strategies and goals" (Zukin & DiMaggio 1990, p. 17).

How business relationships and firms' codes of conduct differ between countries, is an issue to note, while dealing with this phenomenon. A more specific perspective aligned with culture deals with ethical issues, i.e. what is considered to be an appropriate and correct way of doing business. The business perspective of culture differs between countries, especially between developed western markets and developing countries. The reputation process and dynamics of an MNC and how it is embedded in a specific market can have a bearing on its other international operations and networks. In this manner, a snowball effect can have severe consequences for a multinational. This is noted also to be an issue related to embeddedness as "firms are embedded in wider business networks, which extend far beyond the boundaries of the individual company" (Halinen & Törnroos 1998, p. 189).

In addition, time and processual change is an inherent part of network embeddedness, as well as reputation dynamics. Evolution and/or revolution relate network embeddedness to the nature of change in network relationships, and can also relate this process to the context of reputation destruction and reconstruction in which it occurs. "It is a process of events and activities that unfold over time, and it describes how things change" (Van de Ven, 1992, p. 170). The process can take many forms and "It may be incremental or it may involve dramatic, revolutionary changes. The stability of business networks and incremental change processes have been emphasized in studies of industrial markets (see e.g. Håkansson 1982; Turnbull & Valla 1986; Easton & Axelsson 1992; Håkansson & Snehota 1995). Revolutionary changes have been seen as possible but unusual" (Halinen & Törnroos 1998, p. 188). This is closely connected to the dynamics of reputation change and should be understood as such.

Following this line of reasoning, we contend here that the role of reputation as a network phenomenon is related to the embeddedness concept. This relationship can furthermore be described through critical events that are affecting corporate reputation destruction and/or reconstruction in an embedded international network. A specific event (or events) that are causing a change in business relationships and corporate reputation means, consequently, that adaptive mechanisms within the network come into play. Next, we present a conceptual framework that embodies the dynamics of reputation change with network embeddedness in international business markets.

**Figure 1. An analytical model of the study**



In the business network settings, a company is operating in a specific international business market, while interacting with its close business partners and other entities. Thus, when a negative critical event occurs in its focal and embedded network, it triggers a change in the firm's (and potential other actors') reputation. However, the network is the place where dynamics and change happen after the critical event has occurred. In other words, through interactions with embedded business actors and communication with external entities, the company can repair its reputation, i.e. reconstruct it. This results, again, in a change of relational, structural, and/or cultural embeddedness of the network. To summarize, both reputation destruction and reconstruction processes will take place in business network settings after an entry process to new markets. Destruction is triggered by a critical event, after which the process of change starts, to reconstruct the corporate reputation. All actors from an embedded business network are often involved in the above-mentioned processes. The early aftermath after entry to new markets is a sensitive process, as some issues might not be noted as important, or discovered at the time of planning entry and developing business relationships in the market.

## **METHODOLOGY**

This explorative qualitative case study applies process research methodology (Halinen & Törnroos 2005; Pettigrew 1997) to capture the unfolding processes of both construction and destruction of a corporate reputation (i.e. how a firm's value and meaning for business partners and potential others is developing over time) and how it can be influenced by interaction within the established business network. The case study aims to frame the researched phenomena and provide an extensive investigation of the case and involved actors (Eisenhardt 1989; Yin 2003; Beverland & Lindgreen 2010). It also allows identifying a specific time frame during which the critical event has occurred and triggered the process of reputation change. As such, time is a significant factor to consider in this research since it deals with reputation change as it unfolds over time in its context (see Pettigrew 1997). In addition, the time period, within which the critical event has occurred, can illustrate a pressure mechanism for managerial decision-making processes and reactions (or lack of reaction) to the process of reputation change.

We have conducted a text/content analysis of publicly available documents related to the case through desk research (Gummesson 2000, p. 125-126). The collected textual data that has been analyzed includes discussions in the online media outlets of Swedish television channels Veckans Affärer and TV 4, Swedish news journal Svenska Dagbladets, and Finnish business periodic Kauppalehti, as well as news from Finnish main national TV channel Yle. In addition to that, we have analyzed the company's publicly available documentation, which covered the event in focus. In total, 48 company documents and 55 news articles have been analyzed (see Appendix 1 and 2). Utilization of secondary data (see e.g. Eriksson & Kovalainen, 2008), such as company documents available at the company's web site and news columns, is useful in presenting and analyzing this case. Those artifacts are available through open access and allow investigating events in the order of their occurrence. Therefore, for this specific study, secondary data of a Nordic-based MNC, Stora Enso, was collected. Thus, we observed issues surrounding reputation destruction and reconstruction during collaboration within the network, while focusing on the interaction processes with business partners that occurred within a timeline of September 2012 - November 2015.

The gathered data has been framed in chronological order by focusing on the interactions before, during, and after the major triggering event of reputation destruction connected to the relationship with SE's Pakistani business partner. During text analysis, we have done a search of documents on the SE website with the search words "Bulleh Shah" or "Pakistan", after which we have focused on the key issues related to the case study in the relevant documents. We applied the same keywords in search of media articles in addition to "Stora Enso" and "child labor." The most relevant texts were selected and analyzed further. First, we read and extracted relevant parts of the texts describing SE's actions 1) before entering into relationships with Bulleh Shah, 2) during the major triggering event and 3) the company's communication after the reputation-destructing event began to develop. We identified major issues of the case corresponding to the proposed framework of reputation change and network embeddedness. We reconstructed the event where in spite of the risk of child labor, SE has engaged in relationships with Pakistani business partner, which came to light due to media attention. As the next stage of analysis, we identified reputational threats for the company and how they were reflected in SE's communication with media and investors. Finally, we highlighted the evidence of the reputational effects on the whole business network of current and potential partners. For example, SE's response to the critical event ended up in the introduction of the new Code of conduct aimed at business partners. It is worth noticing that the media have not revealed any related information or new details consenting to this case after 2015 as this scandal was resolved. The detailed findings from the reconstructed case are presented in the following chapter.

## **A CASE STUDY OF A MNC IN PAKISTAN**

The MNC in focus, Stora Enso (SE), with operations in the forest-related industries, is one of the largest companies based in Finland and Sweden. In September 2012, Stora Enso announced new investments in Pakistan, and the event was presented in a positive light by highlighting aspects of growth and credibility in attempts to construct a positive reputation for SE.

During 2012-2013 the company has ordered and received an external consultancy report, where not only the risk of child labor was identified, but also the fact that child labor was used by suppliers and could, therefore, be part of the business network of industrial firms operating on the Pakistani market. During that time, the report has been kept for internal purposes only and was not posted publicly until 2014. Furthermore, despite the report highlighting the risk of child labor, the investment in Pakistan still took place in May 2013 and the company continued to build its reputation by emphasizing the efforts to detect social problems in the country and actions to improve the situation. At the same time, right before the investment took place, the vice president of the Global Responsibility for the division in charge of the investment has resigned. One of the reasons for their resignation, as highlighted by the media, was his different view on the sustainable development of the company (Kanninen 2013).

A main critical event happened on 6<sup>th</sup> of March 2014, when the Swedish business magazine, *Veckans Affärer* and TV channel 4 in Sweden announced publicly that Stora Enso knew about the risk of child labor is a part of its business network in Pakistan, and despite knowing this risk fact, continued with their operations in the country. At first, the company mostly denied the presence of child labor in their business network and admitted only one case of child labor in its supply chain. Furthermore, poor communication, in this case, was also



caused by the PR manager of the company who claimed that if the company had not been present in the country the children would end up engaging in prostitution. This negative example was a try of the PR manager to demonstrate that this deconstruction of the reputation was unavoidable and could potentially even result in something positive. However, by highlighting the awareness of the negativity of the situation in the country that is emerging, with low social status and a devastating future of children, a negative spiral continued concerning the company and its activities in Pakistan.

This event also raised concerns from different investors, who questioned the continuation/maintenance of their relationships with the company. This was mostly due to a lack of the company's actions in connection to the main critical event that could reconstruct its reputation. The upcoming negative reputation of Stora Enso was, therefore, both directly and indirectly influencing the reputation of its close business partners in other markets. Thereby the event lowered the investors' and partners' trust in the company and placed it on a red list for investors, who demanded the SE to provide clear explanations about how they would correct the situation (Jakobsson & Alestig 2014). Furthermore, the shareholders also raised concerns about the company's code of conduct and deemed it impossible to accept child labor, which goes against the values of the society in which they operate. Expectations of the company's actions to correct the situation were also voiced by the shareholders (Tapiola 2014).

After these negative critical events, the company had to try to reconstruct its reputation by engaging in several communication and interaction events with its existing business partners in an embedded network. These interactions included focal actors from Finland/Sweden and Pakistan in the first place. As a result of the company's partners' concerns, SE implemented a new code of conduct for its suppliers, where restrictions concerning child labor are outlined (Stora Enso 2014). The implemented code of conduct is used up to now (i.e. 2019). In addition, the company's suppliers also have to sign a supplier's declaration confirming that they consent to the code of conduct and will act accordingly. Communication of the company's actions towards a more responsible business has also increased after these previous critical happenstances, with a hope it will positively influence SE's reputation in the eyes of its business partners. Reputation reconstruction actions are the following:

First, the company's communication concerning responsibility became more specific by clearly outlining their actions and responding to the values of each of its business network actors. Second, several communication tools that enabled more interaction were implemented, such as a feedback program "speak up" encouraging all the business network actors to report on any misconduct or violations of SE's code of conduct (Stora Enso 2016).

In the aftermath of the focal critical event presented by the Media, the company also conducted a structural reorganization. For example, the head of the renewable packaging division, who was directly engaged in interactions with Pakistani suppliers, was fired, and the CEO of the company publically announced his resignation. Later on, about half a year after the critical event, the PR manager who was largely involved in the critical event also left the company and the division responsible for both CSR and communications was divided into separate divisions, namely Global Responsibility and Global Communications. Finally, the company stopped working with several subcontractors in Pakistan, in order to strengthen its reconstructed reputation further.

This specific critical event, thus, presumably encouraged Stora Enso to act more responsibly within its global business network. However, at the end of 2015, SE was still on the blacklist of some of its shareholders, such as the Swedish state pension fund, who discontinued their work with the company after the event (Veckans Affärer 2015). This might be due to a lack of trust in the company, even after its action to reconstruct its reputation. Furthermore, it should be stressed that in mid-2017 the company stopped its investment in Bulleh Shah Packaging altogether, leaving the Pakistani company Packages Ltd. with the full ownership of the company. Despite stopping with its investment, Stora Enso stressed continuing to support two community investment programs, providing financial help to community organizations, and trying to leave a positive contribution to Pakistani society (Stora Enso 2017).

To summarize the case, Table 1 describes the conceptual framework as applied to the case study. Usage of the child labor event has triggered SE's reputation destruction. Further miscommunication during the focal critical event added to reputation destruction. Thus, several business network actors have demanded explanations and the event itself lowered their trust in SE. Pressure from business network actors in connection to the company's miscommunication has led the company to consider reputation reconstruction. Thereby, the change of internal company structure has taken place, with the core representatives involved in the focal critical event leaving the company. Despite attempts of reputation reconstruction, initial reputation destruction also led to network changes, in particular, few business network actors, e.g. investors, have ceased their business relationships with the company. In attempts to further reconstruct its reputation, the company has made changes in communication towards network actors, e.g. a new code of conduct for suppliers, feedback programs, etc., and thus also changed its organizational culture towards a more proactive one in terms of communication.

**Table 1. Analysis of the empirical data**

| <i>Elements of the conceptual framework</i> |                                  | <i>Exemplification from the case</i>   |  |
|---|----------------------------------|--|--|
| <b>Critical events</b>                      | <b>Reputation destruction</b>    | - Child labor used in the supply chain led to reputation destruction                     |  |
|   | <b>Reputation reconstruction</b> | - Miscommunication during the critical event period enhanced the need for reconstruction |  |
|   | <b>Network embeddedness</b>      | <b>Relational &amp; Structural</b>   | - Change of internal company structure<br>- Change in network actors (drop-out)    |
|   |                                  | <b>Cultural</b>  | - Change of organizational communication and culture in relation to network actors |

## **DISCUSSION AND CONCLUSIONS**

The paper provides empirical insights into the process of reputation destruction and reconstruction, caused by a critical event related to an incident about child labor, which occurred in Stora Enso's supply network in its Pakistani market. The critical event occurred in 2014 when the case was disclosed by the business Media in Sweden and soon connected business entities found out about the incident and reacted negatively - showcasing the reputation destruction. One of the reasons for this has been Stora Enso's inability to interact with its foreign business partner closely enough to detect risks involved in the business collaboration. This event furthermore raised some questionable ethical issues concerning

Stora Enso's business partners in Pakistan that had to be resolved. The study shows that a firm's reputation is influenced by the choice of business partners, i.e. conducting a careful selection of potential business partners at the outset can have a positive influence on the reputation. The case also shows that interactions with the public and other actors, which occur after a critical event in the network, are equally important for reputation reconstruction after a destruction event has taken place. After the critical event, the company conducted a line of actions focused on reputation reconstruction, while trying to demonstrate their willingness to change.

Theoretical implications of this study are oriented towards business marketing and corporate branding research by studying the processes of construction and deconstruction of reputation in business networks. Additionally, this study contributes to international business research, by analyzing the specific challenges that might appear in international business markets. In other words, the case of Stora Enso's journey from its reputation destruction to reconstruction shows the relevance of these issues in IB settings. However, the case is just one illustrative presentation of how the reputation of a large MNC acting in business markets gets contaminated due to its supply relationships using child labor. Nevertheless, further empirical research is needed in order to follow up on this case. Additional research on similar types of case studies and/or potential cross-sectional data gathering of companies that have gone through a similar type of process could share more light and depth to the reputational dynamics of IB firms.

The findings show a company's response and capability to cope with a critical event that is destructing its reputation, as well as the response of its business partners, which, finally, demonstrates the hardship of corporate reputation reconstruction activities. As firms are embedded in different national and cultural markets as well as into their business networks, the role of reputation reconstruction becomes a multidimensional strategic matter where affected business partners and other entities (like the NGOs and the Media) need to be informed about forthcoming changes.

Three types of network embeddedness characteristics are proposed here when dealing with a reputation from a network perspective. The relational embeddedness is dealing with business partners that have been affected by critical events explicitly dealing with their business partners. The corporation that has a damaged reputation must deal with the issues as quickly as possible by trying to repair the disclosed problem(s) in order to regain trust with its business partners. Also, new relationships could be developed, after losing previous business partners, like in this specific case.

The second – structural embeddedness is closely related to the first one and deals with links, ties, and bonds in various countries where problems come to the fore. The problems in this specific case dealt with problems in the supply network in a specific country's market. This structure needs, in this case, to be changed and replaced with a functioning new actor web of suppliers in the country. In severe cases, the supply needs to be organized differently through other sources available to the MNC.

Cultural embeddedness issues relate to how the business culture fits into the MNC and its values and codes of conduct. In this case, the business environment concerns a developing market context with a culture that deviates quite substantially from Western, individualistic cultures (Hall, 1974; Holden 2004). The case company has, however, a long experience of international business and investments abroad, which indicates their potential ability to cope with these challenges.

As managerial implications, we suggest that firms' investments and relationship building activities in embedded international networks should acknowledge these three types of planning tools in securing their reputation development. Taking these issues as strategic instruments might considerably ease the risk of getting into situations where the reputation of the MNC is put under pressure. In addition, the paper provides suggestions for developing international business in order to keep and strengthen a firm's reputation, while constantly being aware of various issues and challenges in international markets. Finally, it illustrates the process of how a company can deal with business challenges and reconstruct its reputation. New issues relating to e.g. corporate social responsibilities, environmental management, and human rights are upcoming issues that MNCs need to tackle to a greater extent than a few decades ago. All this can have an imprint on how a company is evaluated by both its current and potential partners as well as other entities.

However, since we use an intensive, single case study approach and gather the data from secondary resources, the results of this study may lack generalizability. The secondary data is utilized for this research due to the sensitivity of the research topic, which restricts access to relevant data and looms large-scale empirical data collection to be problematic. Thus, this exploratory research offers a platform for further research on reputation development in international business markets.

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