Organizational Reputation for Customers: Key Insights on Leveraging Reputation in Global Markets

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INTRODUCTION

International Business (IB) research and practice have long recognized the strategic value of organizational reputation for achieving valuable firm-level outcomes. Yet, the translation of favorable reputation into valuable organizational outcomes in global markets depends on whether national (vs. individual) culture is modeled. We provide a framework of customer-based 'organizational reputation' comprising three distinct reputational facets: product & service efficacy, market prominence, and societal ethicality, with organizational character forming a higher-order 'halo effect'. Individual (vs. national) culture plays a significant moderating role in translating reputation into customer-specific outcomes and these insights have implications on how MNEs can form and leverage their reputation in global markets.

Organizational reputation is a strategic asset leading to numerous firm-level benefits. Yet, until recently, most IB research has utilized national culture, based on membership in a nation-state, as a grouping variable to study cultural variation among countries. On the other hand, an 'individual culture' perspective views culture as a distinct web of significance or meaning that involves sense-making, meaning-making or production that goes beyond the constraints of group membership (Gould & Grein, 2009). In this cross-cultural research, individual culture is seen as a constructivist process of evolving adaptations to ecological and socio-political influences in which an individual's mental cognitive structures are dynamically organized. That is, these cognitive structures are containers of thoughts and feelings that guide an individual's behavior in a way that is coordinated with pertinent cultural systems of practices and meanings.

While cultural stability reflects broadly shared national-cultural values, its assumptions are challenged when environmental changes and situational contingencies stimulate cultural adaptation and change. National culture fails to adequately account for either intra-cultural variations or global-level variables that influence national and individual culture. This is not to say that national culture would disappear, but rather people would likely construct their own elective identities. Indeed, prior studies reveal that county-level peculiarities such as institutions and national culture directly affect the reputations of organizations (e.g., Deephouse, Newburry, & Soleimani, 2016); furthermore, these peculiarities also shape the formation of the reputational judgment of a company based on its activities (Borda et al., 2017). Yet, the translation of favorable organizational reputation into valuable organizational outcomes would be in-
fluenced by national culture versus individual culture contexts. So, how can MNEs develop and leverage their reputations based on national (vs. individual) culture, taking into account the context-dependence of both the formation of reputation and the translation of reputational capital into valuable organizational outcomes?

To answer the focal question and provide evidence-based recommendations, we first offer a conceptual framework of organizational reputation that reconciles differing perspectives of reputation. We focus on customers as one stakeholder group. Based on the conceptual framework, we discuss key questions on how MNEs can develop and leverage their reputations based on national (vs. individual) culture, emphasizing the context-dependence of the translation of reputational capital into valuable organizational outcomes and how they shape firm reputation-building strategies. In this paper, we focus on how MNEs can develop and leverage their 'reputational capital' into customer-specific outcomes in global markets.

ORGANIZATIONAL REPUTATION FOR CUSTOMERS—A CONCEPTUAL FRAMEWORK

At the core of debates on the definition of organizational reputation lies the crucial difference between three clusters of meaning: Reputation-as-awareness, reputation-as-asset, and reputation-as-assessment. 'Reputation-as-Awareness' is stakeholders' collective perceptual representation reflecting broad visibility of the firm, irrespective of judgment or evaluation (‘being known’). 'Reputation-as-Asset' is stakeholders' judgments of particular attributes or characteristics of the firm (‘being known for something’). Finally, 'Reputation-as-Assessment', is stakeholders' overall assessment of the organization’s favorability and attractiveness (‘generalized favorability’).

We integrate the three differing perspectives around the definition offered by Fombrun (2012), that organizational reputation is "a collective assessment of a company’s attractiveness to a specific group of stakeholders relative to a reference group of companies with which the company competes for resources" (p. 100; italicized for added emphasis). We conceptualize organizational reputation as a superordinate multidimensional construct, comprised of three distinct first-order dimensions: Product & Service Efficacy (PSE), Market Prominence (MP), and Societal Ethicality (SE), all influenced by the 'halo effect' of the second-order construct of Generalized Favorability (see Figure 1). We review the components of our conceptualization below. A recent study by Agarwal, Stackhouse, & Osiiyevskyy (2018) empirically validates this superordinate multidimensional construct of organizational reputation.

GENERALIZED FAVORABILITY: REPUTATION AS ORGANIZATIONAL CHARACTER

Customers assess a company’s reputation through the lens of its organizational character (Love & Kraatz, 2009) (or ‘reputation for character’: Mishina, Block, & Mannor, 2012) (see Figure 1). This is because they tend to anthropomorphize organizations as conscious actors and are concerned about their suitability as exchange partners. At the second-order 'assessment' level, generalized favorability is used as a quick proxy and heuristic triggering a 'halo effect' to activate asset constructs of PSE, MP, and SE. This overall judgment (i.e., overall appeal) reflects perceptions of the firm’s core identity, i.e., central, distinctive, and enduring traits based on the identity the company hopes to project to stakeholders.

A firm can project both individualistic organizational identity and collectivist organizational identity (Brickson, 2005), the former focusing on whether or not the firm is driven to succeed compared to its rivals and demonstrating efficiency in maximizing organizational interests; the latter focusing on the collective welfare of generalized stakeholders. The bases of both identities are rooted in stakeholders' perceptions of organizational trust – ability, benevolence, and integrity (Mayer, Davis, & Schoorman, 1995). Built on integrity-based trust, firms project their collectivist organizational identity, to what Love and Kraatz (2009) call the 'organizational character' of a firm, in that stakeholders ascribe positive reputations to firms that appear to possess integrity, credibility, and transparency and those that adhere to a set of ethical principles. This view is consistent with previous operationalizations of the firm’s reputation, reflecting the firm’s emotional appeal, 'generalized favorability', sympathy, credibility, and fairness. A key question is: How can MNEs build 'organizational character' for customers and how can they project their organizational identity across national (vs. individual) cultures?

Agarwal and Osiiyevskyy (2019) reveal that organizational character drives customer-company trust, customer-company identification, and positive word-of-mouth intention across countries. With respect to individual culture (i.e., self-construal), the cited study found that customers high on interdependent self-construal are more likely to self-identify with highly reputable companies, whereas customers high on independent self-construal are more responsive to the reputational 'halo effect' for trust, identification, and word of mouth intention. In short, MNEs should build and leverage their 'organizational character' across both national and individual cultural groups. MNEs can leverage this 'halo effect' in global markets high on independent self-construal by projecting their individualistic orientation identity.

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1 Barnett, Jermier, & Lafferty (2006) suggested organizational reputation primarily consists of three distinct clusters of meaning: reputation-as-awareness, reputation-as-asset (some attribute of value), and reputation-as-assessment. Subsequently, Lange, Lee, & Dai (2011) found similar clusters as those of Barnett et al. (2006), labeling the three conceptual clusters as 'being known' (awareness construct), 'being known for something' (asset construct), and 'generalized favorability' (assessment construct). This three-cluster framework was introduced in Agarwal et al. (2018), based on integration of the reviews by Barnett et al. (2006) and Lange, Lee, & Dai (2011).
REPUTATION FOR PRODUCT AND SERVICE EFFICACY (R-PSE)

This dimension of reputation refers to customers’ perceived value of products and services that includes not just functional and aesthetic benefits but also relational equity reaped during the exchange process. Based on ability-based trust, firms project their individualistic organizational identity, to what Love and Kraatz (2009) call the ‘technical efficacy’ perspective on reputation (or ‘reputation for capability’: Mishina et al., 2012), characterizing a firm’s ability to fulfill stakeholders’ material needs. These material needs are coupled with consequences and tangible organizational outputs. Technical efficacy logic implies that reputational change distils down to performance change directly relevant to stakeholders (i.e. instrumental logic: how does this affect me personally?). This view is consistent with prior research and may be reconciled with some dimensions of organizational reputation (e.g., quality of products/services, value for money).

With regards to product and service efficiency, a key question is – How important is R-PSE for customers and how can MNEs build reputational capital across national (vs. individual) cultures? Agarwal & Osiyevskyy (2019) report that this reputational dimension is a crucial predictor of customer-company trust, identification, and word of mouth intention. Yet, of course, this translation turns out to be context-specific. Research in self-construal theory (Markus & Kitayama, 1991) suggests that individuals with independent self-construal pursue promotion goals (vs. prevention goals) that deliver technical efficacy and minimize the discrepancy between their current and desired end states. Consequently, the impact of R-PSE on valuable organizational outcomes is likely to be stronger among individuals with high independent (vs. interdependent) self-construal. This significant moderating effect at the individual culture level only (and not at the national culture level) was confirmed in Agarwal & Osiyevskyy (2019).

REPUTATION FOR MARKET PROMINENCE (R-MP)

This dimension of reputation refers to the firm’s current and future performance and leadership in product/market growth relative to a reference group of companies. Market prominence is the extent to which a firm is widely recognized among stakeholders in its organizational field, and the extent to which it stands out relative to the competition. Here also, a ‘technical efficacy’ perspective of Love and Kraatz (2009) (or ‘reputation for capability’: Mishina et al., 2012) implies that firm actions projecting individualistic organizational identity (based on ability-based trust) may themselves affect reputation because of their inherent implications for performance change. This view is consistent with prior research and may be reconciled with some dimensions of organizational reputation (e.g., leadership and vision).

With regards to reputation for market prominence, one key question is: How important is R-MP for customers and how can MNEs build reputational capital across national (vs. individual) cultures? Addressing this question, prior research suggests that: (1) R-MP is a significant positive driver of customers’ trust and word of mouth intentions; and (2) the impact of R-MP appeals to customers with high interdependent (vs. independent) self-construal who value perceptions of diverse actors (e.g., institutional intermediaries, high-status actors) in the organizational field (Agarwal & Osiyevskyy, 2019).

REPUTATION FOR SOCIETAL ETHICALITY (R-SE)

This dimension of reputation refers to customers’ evaluation of a firm’s engagement in social and environmental responsibility towards the betterment of society in general. This perspective draws from neo-institutional theory and is consistent with the ‘symbolic conformity’ perspective of Love and Kraatz (2009) holding that organizations, embedded within a broader institutional environment, adopt structures and practices embodying normative values and cultural beliefs of stakeholders in response to field-level pressures to gain legitimacy and support. Rooted in benev-
olfence-based trust, firms project their collectivist organizational identity for the collective welfare of generalized stakeholders. This view is also consistent with prior research and may be reconciled with the dimensions of social and environmental responsibility and good employer/workplace environment.

With regards to R-SE, one key question is: How important is R-SE for customers and how can MNEs build reputational capital across national (vs. individual) cultures? Here, the available evidence suggests that R-SE positively affects the reputational outcomes across national cultures. Yet, the impact of R-SE is much stronger among individuals with high interdependent (vs. independent) self-construal because their knowledge about others is relatively more elaborate and distinctive than self-knowledge, giving them a relational processing advantage and making them more empathetic towards society at large.

IMPLICATIONS FOR MNEs IN GLOBAL MARKETS

Table 1 summarizes key features of managing reputation across countries when adopting a national- vs. individual-culture perspective. The most notable insight is that country as a proxy of national culture does not seem to matter for profiting from reputation when appropriate individual-level variables are taken into consideration. There is a considerable within-country variation on cultural values influencing the 'elective identity' of customers, which yield significant individual-level heterogeneity trumping the 'country' effect. That said, Beugelsdijk, Kostova, & Roth (2017) argue that to abandon the country as the 'unit of analysis' may be too far-fetched, similar in spirit to throwing the baby with the bathwater. There is a need for IB scholars and practitioners to explore other containers of culture (e.g., socio-economic status, globalization index, economic freedom) and break out of the dominant "country equals culture" paradigm.

This study has strategic implications for global marketing (see Table 2). First, MNEs must effectively distinguish between vertical market segments, which exist within national borders (i.e. cross-national analysis), and horizontal market segments, which exist across a group of countries that share certain characteristics (i.e. cross-cultural analysis). Between the two, cross-cultural analysis provides greater opportunities for strategy standardization within segments that transcend multiple countries. Global market segmentation must address the possibility of attitudinal and behavioral heterogeneity and homogeneity within and across countries and cultures. Globalization and global culture reshapes individuals' 'personal' cultures, thereby strengthening the etic validity of horizontal global segments and providing greater opportunities for standardization in leveraging firm reputation capital. In reality, however, a delicate balance must be struck between vertical and horizontal market segmentation strategy.

Second, the phenomenon of 'halo effect' in the minds of customers is generally stable and diagnostic in differentially activating the three facets of reputation. The stability relating to the 'halo effect' is called into question only in the event of a 'corporate crisis', in which case adjustments may occur if plausibility concerns arise. That is, a strong 'organizational character' is often quite resilient in acting as a buffer in protecting organizational reputation. Regardless of whether the firm emphasizes vertical or horizontal segmentation strategy, organizational character is paramount as it significantly impacts customer-specific outcomes. MNEs should, therefore, build, protect, and leverage organizational character in global markets as a matter of priority. As firm reputations become generalized due to the halo effect, they become increasingly decoupled from firm specific efforts and investments that generated them in the first place, thus requiring less investment in maintenance.

Third, the three dimensions of organizational reputation, Product & Service Efficacy (PSE), Market Prominence (MP), and Societal Ethicality (SE), have distinct effects on customer-level reputational outcomes, each positively affecting customer-company trust, customer-company identification, and word-of-mouth. Hence, all three reputational aspects matter. However, the impact of R-PSE, R-SE, and R-RE on customer-level reputational outcomes varies significantly by type of individual culture but not national culture, when both are simultaneously modeled. The impact of (a) R-PSE is stronger for independent self-construal customers; (b) R-RE is stronger for interdependent self-construal customers; and (c) R-SE is stronger for interdependent self-construal customers. The implication being MNEs pursuing horizontal segmentation strategy should emphasize 'technical efficacy' for global customers that show strong independent self-construal. This is typically done by consistently offering tangible and relational value to customers that demonstrates firm competence (e.g., product & service quality, customer orientation, customer value, CRM). However, one caveat firms need to note is that the definition of perceived value varies by culture and country. Subsidiary-level market research is, therefore, critical.

At the same time, MNEs need to balance 'technical efficacy' with 'symbolic conformity' for global customers that show interdependent self-construal. Here, firms need to track customers' perceptions of value delivered to generalized stakeholders, the natural environment, and society in general, corresponding to the stakeholder dimensions of CSR. Recent trends indicate companies are stepping outside their traditional parameters and lending their voices to political and social issues, even when these issues do not strongly align with their core business. Companies are expected to not only deliver on financial performance and superior products and services but also to take a moral stand on pressing issues and make a positive contribution to society.

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Table 1. Managing Reputation Across Countries: National and Individual Culture Perspectives

| Organizational Reputation: Key Question (KQ)                                                                 | National Culture                                                                 | Individual Culture                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| **Characteristics**                                                                                         | Values, beliefs, norms, and behavioral patterns of a national group. A relatively stable and static construct that reflects a shared knowledge structure within a nation-state. Top-down approach. | A distinct web of significance or meaning that involves sense making, meaning making or production that goes beyond the constraints of group membership. A constructivist process wherein individuals’ cognitive structures are dynamically organized. Bottom up approach. Containers: Constellation of thoughts, feelings, & actions; frames, schemas, scripts, self-construal. |
| **Generalized Favorability: Reputation as Organizational Character**                                          | Organizational character drives customer-based organizational outcomes. Emphasize organizational character. In collectivist countries, the translation of generalized favorability (reputational ‘halo effect’) to customer-level outcomes is less pronounced. | Individuals high on independent-self-construal seem to be more responsive to the reputational ‘halo effect’ for customer-based organizational outcomes. Emphasize organizational character. MNEs can project their individualistic orientation identity in markets (or segments) that are high on independent self-construal by leveraging the ‘halo effect’. |
| **Reputation for Product and Service Efficacy (R-PSE)**                                                     | Impact of national culture on translation of R-PSE into reputational outcomes was not detected. | The impact of R-PSE on valuable customer-based organizational outcomes is likely to be stronger among individuals with high independent (vs. interdependent) self-construal. Emphasize technical efficacy. |
| **Reputation for Market Prominence (R-MP)**                                                                 | Impact of national culture on translation of R-MP into reputational outcomes was not detected. | The impact of R-MP appeals to individuals with high interdependent (vs. independent) self-construal who value perceptions of diverse actors (e.g., institutional intermediaries, high-status actors) in the organizational field. Emphasize technical efficacy. |
| **Reputation for Societal Ethicality (R-SE)**                                                               | Impact of national culture on translation of R-SE into reputational outcomes was not detected. | The impact of R-SE is much stronger among individuals with high interdependent (vs. independent) self-construal because their knowledge about others is relatively more elaborate and distinctive than self-knowledge giving them a relational processing advantage. Emphasize symbolic conformity. |

recent book ‘Customer Relationship Marketing: Theoretical and Managerial Perspectives’ (with Naresh K. Malhotra; World Scientific Publishing, 2021).

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Table 2. Practitioner Recommendations for Managing Reputation Across Countries

| Reputation Management Aspects | National Culture                                                                 | Individual Culture                                                                 |
|-------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Cultural Dynamics             | A relatively stable construct that reflects a shared knowledge structure within a nation-state and that attenuates variability in values, behavioral norms, and patterns of behaviors. | A relatively fluid construct that reflects individual-based web of significance or meaning that goes beyond the constraints of group membership. Subject to continued influence by the global culture which reshapes individuals’ ‘personal’ cultures. |
| Reputational Strategy         | Stress on managing reputation across vertical market segments in global markets: customers are assumed to be similar within a country. | Stress on managing reputation across horizontal market segments in global markets: customers within the same segment (e.g., socio-economic status) are assumed to be similar across a group of countries, but different from other segments within the same country. |
| Customization vs. Standardization of Reputational Capital | Potential for customization of reputational capital for each country. Firms need to balance national culture with individual culture, by finding opportunities for standardization. | Potential for standardization of reputational capital for each cross-country horizontal segment. Firms need to balance individual culture with national culture, by finding opportunities for customization. |

**Recommended Reputation-Building Approaches**

| Generalized Favorability: Reputation as Organizational Character | Emphasis on generalized favorability (organizational character) is recommended for relatively individualistic countries. | Across horizontal segments, generalized favorability is more likely to result in:  
- Customer-company identification for interdependent self-construal customers  
- Trust, customer-company identification and word-of-mouth intentions for independent self-construal customers |
| Reputation for Product and Service Efficacy (R-PSE) | Impact of R-PSE on customer outcomes is homogeneously positive across countries, and the strategies do not need to vary. | Across horizontal segments, the impact of R-PSE is stronger for independent self-construal customers and should be emphasized. |
| Reputation for Market Prominence (R-MP) | Impact of R-MP on customer outcomes is homogeneously positive across countries, and the strategies do not need to vary. | Across horizontal segments, the impact of R-MP is stronger for interdependent self-construal customers and should be emphasized. |
| Reputation for Societal Ethicality (R-SE) | Impact of R-SE on customer outcomes is homogeneously positive across countries, and the strategies do not need to vary. | Across horizontal segments, the impact of R-SE is stronger for interdependent self-construal customers and should be emphasized. |

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