Institute of Insurance Economics

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Reputation: Opportunities and threats for corporations in the age of digital opinion making

A preliminary multidisciplinary study as a basis for further research and development projects

Prof. Dr. Peter Maas
Martin Bieler
Lukas Fischer
Christopher Schumacher

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Institute of Insurance Economics, University of St. Gallen, Switzerland.
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Executive Summary

An organization's reputation is an extremely valuable, albeit intangible, asset. A company reputation reflects the sum of stakeholders' expectation of a firm's behavior and performance in the future, based on stakeholders' observations and perceptions of prior behavior. In that vein, when the reputation of a firm is damaged, stakeholders' belief in a positive future falter – with potentially grave consequences for the business. If important consequences of reputation such as consumer loyalty or investors' willingness to inject capital take a hit, this may put the organization's existence at risk. Therefore, understanding and proactively managing reputation risks is an essential capability for any business.

The digital transformation yields both new challenges and opportunities regarding reputation risk management. On one hand, boundary-free and consistently available means of communication among stakeholders facilitates a dynamic and potentially global dissemination of news and opinions. Online firestorms, once unleashed, are hard to tame. On the other hand, current technological means allow the dynamic tracking of reputation aspects and predictive analyses of how they will unfold. Given these developments, the possibilities to manage reputation risks are ever-increasing, while the necessity to do so is equally on the rise.

Against this backdrop, the present research set out to gather and consolidate state of the art reputation, reputation risk, and reputation risk management research. To that end, a systematic literature review was conducted which focused on conceptualizations and definitions of the phenomenon in a risk management context. The analysis reveals that to date, a variety of definitions and conceptualizations exist which have led to a fragmented body of literature. Given these ambiguities, limited empirical evidence on reputation risk management exists. What is more, frameworks to manage reputation risks are lacking.

A series of expert interviews confirms that due to these ambiguities, managers consider the management of reputation risk as challenging and fuzzy. The present work takes a first step in alleviating this fuzziness by defining reputations as *dynamically changing, organization-related evaluations by various stakeholders, which they use as the basis for inferences about future behavior and performance of these organizations.* It thus provides a steppingstone toward empirical research and the development of management guidance.

The present research gives rise to the notion that the development of dynamic frameworks for the management of reputation risk are necessary and suggests that those could be facilitated by regularly updated and interconnected digital platforms. It furthermore provides important signposts for such future research.

Management-Zusammenfassung

Die Reputation eines Unternehmens hat einen hohen, wenn auch immateriellen Wert. Reputation beschreibt die Erwartungen von Stakeholdern an das zukünftige Verhalten eines Unternehmens, welche sich aus Beobachtungen und Wahrnehmungen vergangenen Verhaltens ergeben. Wenn die Reputation eines Unternehmens beschädigt wird, leidet das Vertrauen verschiedener Stakeholder in eine positive Zukunft. Mögliche Konsequenzen wie eine Reduktion der Kundenloyalität oder eingeschränkte Investitionsbereitschaft von Kapitalgebern können Unternehmen schwer treffen und sie sogar in ihrer Existenz bedrohen. Somit ist das proaktive Management von Reputationsrisiken eine essenzielle unternehmerische Fähigkeit.

Die digitale Transformation verstärkt die Herausforderungen in Bezug auf Reputationsrisiken, bietet aber auch neue Möglichkeiten für deren Management. Die globale Vernetztheit und Dynamik von Informationsströmen machen es fast unmöglich, „virale“ Meinungen unter Kontrolle zu bringen. Gleichzeitig erlauben heutige technologische Möglichkeiten das dynamische Nachverfolgen von Reputationsaspekten und vorausschauende Analysen zu deren weiterer Entwicklung. Somit rückt die Prävention von Reputationsrisikofällen mehr in den Fokus.

Vor diesem Hintergrund hat die vorliegende Grundlagenstudie das Ziel, den Stand der Forschung zu Reputation, Reputationsrisiken und zu deren Management zusammenzutragen und zu konsolidieren. Hierzu wurde eine systematische Literaturanalyse mit Fokus auf das Reputationskonzept und dessen Definition durchgeführt. Diese legt offen, dass in der Literatur verschiedenste Definitionen und Interpretationen des Reputationskonzepts existieren. Als Konsequenz dieser Unsicherheiten sind empirische Arbeiten zum Management von Reputationsrisiken spärlich gesät, außerdem gibt es bisher kaum verwertbare Vorschläge für Rahmenkonzepte zu deren Management.

Eine Reihe von Experteninterviews bestätigt diese Unsicherheiten, durch welche das Management von Reputationsrisiken als große, kaum greifbare Herausforderung wahrgenommen wird. Ein erster Schritt zu einer größeren Tangibilität des Konstruktes ist die in dieser Studie erarbeitete Definition von Reputationen als *sich dynamisch wandelnde, organisationsbezogene Evaluationen verschiedener Stakeholder, auf deren Basis sie Rückschlüsse zu zukünftigem Verhalten und Leistungen dieser Organisationen ziehen*.

Die vorliegende Studie deutet darauf hin, dass die Entwicklung von Rahmenwerken zum dynamischen Management von Reputationsrisiken notwendig und möglich ist, sowie dass diese durch regelmäßig aktualisierte, digitale Plattformen ermöglicht werden könnten. Die Studie erarbeitet und festigt das Fundament, auf dem empirische Forschung durchgeführt werden muss.

1 Literature Review

The present chapter introduces the extant literature within the fields of reputation and reputation risk. Within a few decades, a substantial body of research has evolved that discusses these concepts from a variety of perspectives. In order to structure the present study and lay a foundation for subsequent research, this chapter is intended to give a multi-disciplinary overview of the relevant literature streams and integrate those from the perspective of organizational risk management.

To that end, a consistent taxonomy is introduced. As in almost all areas of reputation research, ambiguities abound, the authors consolidate extant definitions of reputation and reputation risk and delineate them against constructs that are often mentioned in connection with – and, often, even confused with.

1.1 Reputation

Reputation had been a central concern for managers for quite a while. Gardberg & Fombrun (2002) observed that the importance of reputation is increasing due to four major trends: (1) globally linked markets, (2) media congestion and fragmentation, (3) the appearance of ever more vocal constituencies and (4) the commoditization of industries and products. Interestingly, roughly 20 years later, if anything, these trends have increased in importance, and therefore, managing reputation is of higher importance than ever before. Nevertheless, in spite of its significant relevance for the sustainable success of organizations, corporate reputation research is a relatively young field of inquiry. Much of the seminal research was conducted no more than three decades ago, with 1997 seeing the inception of the area's leading research journal "Corporate Reputation Review." At the same time, a broad range of disciplines spanning areas such as marketing, organizational management, organizational strategy or risk management have dealt with the topic from various perspectives (Benn, Abratt, & Kleyn, 2016; e.g. Brown, Dacin, Pratt, & Whetten, 2006; Walsh, Beatty, & Shiu, 2009; Weigelt & Camerer, 1988).

With various research streams tackling the issue of reputation within their respective paradigms, an inconsistent landscape of conceptualizations and definitions has arisen (Clardy, 2012). Consequently, means for making tangible and operationalizing the reputation construct, such as its measurement and frameworks for risk management, are lacking up to the present day (ibid.; Scandizzo, 2011). Along the same lines, lower-order constructs that build upon some conceptualization of reputation have to deal with the latter's vagueness. As this literature review will show, reputation risk is one of the research streams that suffers accordingly (Gatzert, 2015).

1.1.1 Reputation: Definition

A phenomenon that characterizes much of reputation research is the huge variety of definitions that exist for the term. Thus, many papers begin by attributing significant space to the development of a reputation definition. These definitions emphasize specific aspects of the reputation concept and are often not readily applicable to inquiry conducted from a slightly different angle (cf. most literature mentioned in this chapter).

The aim of considering reputation from a certain focus is apparent: In its most generalizable form, definitions of reputation that attempt to be all-encompassing tend to be hard to process while at the same time being too vague to derive action in a specific context. This is exemplified by the following definition:

"A corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's relative standing both internally with employees and externally with its other stakeholders" (Gardberg & Fombrun, 2002, p. 304).

While one might argue that the definition has many correct elements, in its totality, it is both very abstract and vague. As reputation is a topic with significant practical relevance, other authors have attempted to go the opposite direction and facilitate practitioners' understanding. Yet, closer scrutiny of these endeavors raises concerns of oversimplification, as the following examples reflect:

"It is nothing more than how the organization is perceived by a variety of people" (Low & Cohen Kalafut, 2002).

"*A corporate reputation is a set of attributes ascribed to a firm, inferred from the firm's past actions*" (Weigelt & Camerer, 1988).

While both definitions are easily understood and intuitively correct, they are vastly different. Low and Cohen Kalafut (2002) conceptualize reputation as something that is construed by people, an interpretation which might raise the question of whether only individuals can form a reputation of another entity. At the same time, stating that reputation "is nothing more than how [it] is perceived" raises the question as to how it even differs from the construct of "perception," as well as what dimensions of a reputation are perceived or why that perception matters. Weigelt and Camerer's (1988) definition takes a very different angle and focuses on reputation as a consequence of "past actions." For one, the definition neglects to specify an agent who forms this set of attributes. Another key difference to the prior definition is that rather than perception, which is based on various psychological processes, it talks about inference, a rational process that leads to high cognitive certainty about a focal object's attributes.

Furthermore, current literature argues that more than just a firms' past actions, for instance, changes in the environment or actions by competitors, may contribute to an organization's reputation (Ali, Lynch, Melewar, & Jin, 2015; Barnett, Jermier, & Lafferty, 2006).

As exemplified by the above definitions, oversimplification of the construct may be of as little use as attempting to develop definitions that encompass all of its elements. In trying to develop a definition that is of practical relevance, authors contributing to different fields have thus developed definitions that assume a specific disciplinary focus. Marketing research has thus emphasized the relevance of customers as the key stakeholders (Walsh et al., 2009), while the finance and operational risk literature focuses on the adverse financial outcomes that may be a result of reputation (Scandizzo, 2011). From these endeavors, we conclude that a definition of reputation needs to consider the role different stakeholders and different issues may play for the reputation concept. A definition needs to either focus on specific sub-groups or acknowledge the relevance of dynamic contexts for an organization's reputation. Table 1 provides an overview of seminal definitions in various literature streams.

In order to achieve a solid fundament for the present research, a definition of reputation is determined. Considering all definitions listed in Table 1, it is apparent that several attributes of the reputation construct are mentioned repetitively. First, all but one definition include wording indicating that an organization's or firm's reputation is being considered. Second, nine out of thirteen definitions indicate that reputation is the result of some evaluation (also judgment; assessment; representation) process. Thus, reputation is an intangible phenomenon construed by varying agents. As five definitions addressing the temporal dimension indicate that construal may dynamically change, no reputation is set in stone. Regarding those agents forming reputation, there is lacking consent within academia. Some authors consider reputation as the accumulation of all perceptual representations different stakeholders have of a company, thus, subscribing to the notion that there is one ascertainable and potentially measurable reputation for any entity (Barnett et al., 2006; Fombrun & Rindova, 1996). After decades of not being able to pinpoint what exactly constitutes "the" reputation of a firm, newer advancements, however, have begun arguing that there is more than one reputation per company – in fact, there may be infinite ones phenomenologically determined by individual stakeholders on respective issues (e.g., Eckert, 2017). For instance, one customer may perceive a firm as consistently manufacturing high-quality products, while at the same time being negligent on societal issues. This stakeholder would hold two vastly different views of the company's reputation. Other customers may, based on the respective information they have available, perceive these dimensions quite differently; even if the information available to the customers were equal, they might weigh their respective importance differently. Accordingly, we propose that a company has various reputations that are individually determined by various stakeholders, on various issues, and at various points in time. A reputation management tool therefore needs to dynamically consider these dimensions.

In conclusion, we propose that:

- a reputation is a set of beliefs about a company
- based on information asymmetry, these beliefs are judgments of organizations' future action and performance
- an organization has more than one reputation at any point in time
- these reputations are stakeholder- and issue-dependent
- reputations change over time

Thus, consolidating previous findings, we propose the definition:

Reputations are dynamically changing sets of beliefs formed by various stakeholders to enable inferences regarding an organization's future performance and actions in various issues.

Definition *Reputation…*	**Reputation as a […] based phenomenon**		**Author(s)**
	collectively	**individually**	
… is a stakeholder's overall evaluation of an organization over time		x	(Abratt & Kleyn, 2012)
…is a collective judgment by observers of a firm based on assessments of the financial, social and environmental impacts attributed to the corporation over time	x		(Barnett et al., 2006)
... is a set of cognitions based on both beliefs and attitudes in the mind of the general public (or in various sub-groupings thereof)	x		(Clardy, 2012)
… is a collective view held by all stakeholders of the company; the de facto accumulation of image and identity	x		(Davies, Chun, da Silva, & Roper, 2001)
… is a relatively stable, issue and stakeholder group specific aggregate perceptual representation of a company's past actions and future prospects compared against some standard by external stakeholders		x	(Eckert, 2017)
… is a collective representation of a firm's past actions and results that describes the firm's abilities to deliver valued outcomes to multiple stakeholders	x		(Fombrun & Rindova, 1996)
... is the overall evaluation or judgment about an organization	-	-	(Ponzi, Fombrun, & Gardberg, 2011)
… is a value judgment about the company's attributes	-	-	(Haslam, 2004)
… refers to value judgments about and organization's qualities, trustworthiness and reliability	-	-	(Abimbola & Kocak, 2007)
… is nothing more than how the organization is perceived by a variety of people	-	-	(Low & Cohen Kalafut, 2002)
… is a relatively stable, issue-specific aggregate perceptual representation of a company's past actions and future prospects compared against some standard	x		(Walker, 2010)
… is the customer's overall evaluation of a firm based on his or her reactions to the firm and / or its representatives or constituencies and / or known corporate activities.		x	(Walsh et al., 2009)
… is a set of attributes ascribed to a firm, inferred from the firm's past actions	-	-	(Weigelt & Camerer, 1988)

Table 1 - Overview of seminal reputation definitions

1.1.2 What corporate reputation is not

While the previous chapter has attempted an introduction of what reputation is, to avoid confusion, it is also necessary to gain an understanding of what it is not. The present chapter introduces the key constructs of corporate image, identity, and brand, which are often used interchangeably with reputation and among one another. Introducing their respective meanings and delineating them enables a consistent taxonomy, thus enabling a reliable inquiry into the respective fields.

Similar to research on corporate reputation, there is a large body of literature dealing with the three previously mentioned concepts; nevertheless, consensus on their meaning remains vague (Abratt & Kleyn, 2012; Davies et al., 2001). Thus, differences among them become exposed in those papers which integrate all of the concepts and attribute clear definitions, as well as works that focus on one of the constructs in an endeavor to establish a definition.

Figure 1 introduces core delineation dimensions that are prevalent in extant literature. First, the locus of perception differs among the three concepts, in that identity is primarily perceived by internal stakeholders such as employees, while (product) brand addresses external stakeholders like customers. Corporate image consists of both an internal and external dimension (Cretu & Brodie, 2007).

Firms have varying degrees of control over their identity, image, and brand. While a product, employer, or other brand can be proactively designed, communicated, and managed, the same is not necessarily true for the other constructs (Keller, Parameswaran, & Jacob, 2011). Identity, for example, often rests on a corporate culture, which is influenced by the purpose of the company as well as its history (Gioia, Patvardhan, Hamilton, & Corley, 2013; Oertel & Thommes, 2018), while the organizational image can be influenced by relevant initiatives, it does however to a large extent also rest on elements that cannot be directly controlled by the firm (Hatch & Schultz, 1997; Sutton & Callahan, 1987).

We agree with the view of Davies et al. (2001), who state that reputation is the de facto accumulation of image and identity and further suggest that an organization’s brand equally contributes to this cumulative view. This necessarily entails that reputation itself cannot be managed directly, it is the logical consequence of the above-mentioned constructs in the perception of relevant stakeholders (Ali et al., 2015; Rindova, Williamson, Petkova, & Sever, 2005). Even more so, it is vital for organizations to consistently track changes in the reputational landscape in order to proactively undertake measures that will only feed into reputation with some time lag. This is in line with the general consensus that reputation is forward-looking as it is considered as a stakeholder's inference about future actions of the organization (Abimbola & Kocak, 2007; Barnett et al., 2006; Fombrun & Rindova, 1996). Consequently, key stakeholder behavioral outcomes of corporate reputation include trust, loyalty, and engagement, which are substantial predictors of future business profitability (Kumar & Pansari, 2016; Vivek, Beatty, & Morgan, 2012).

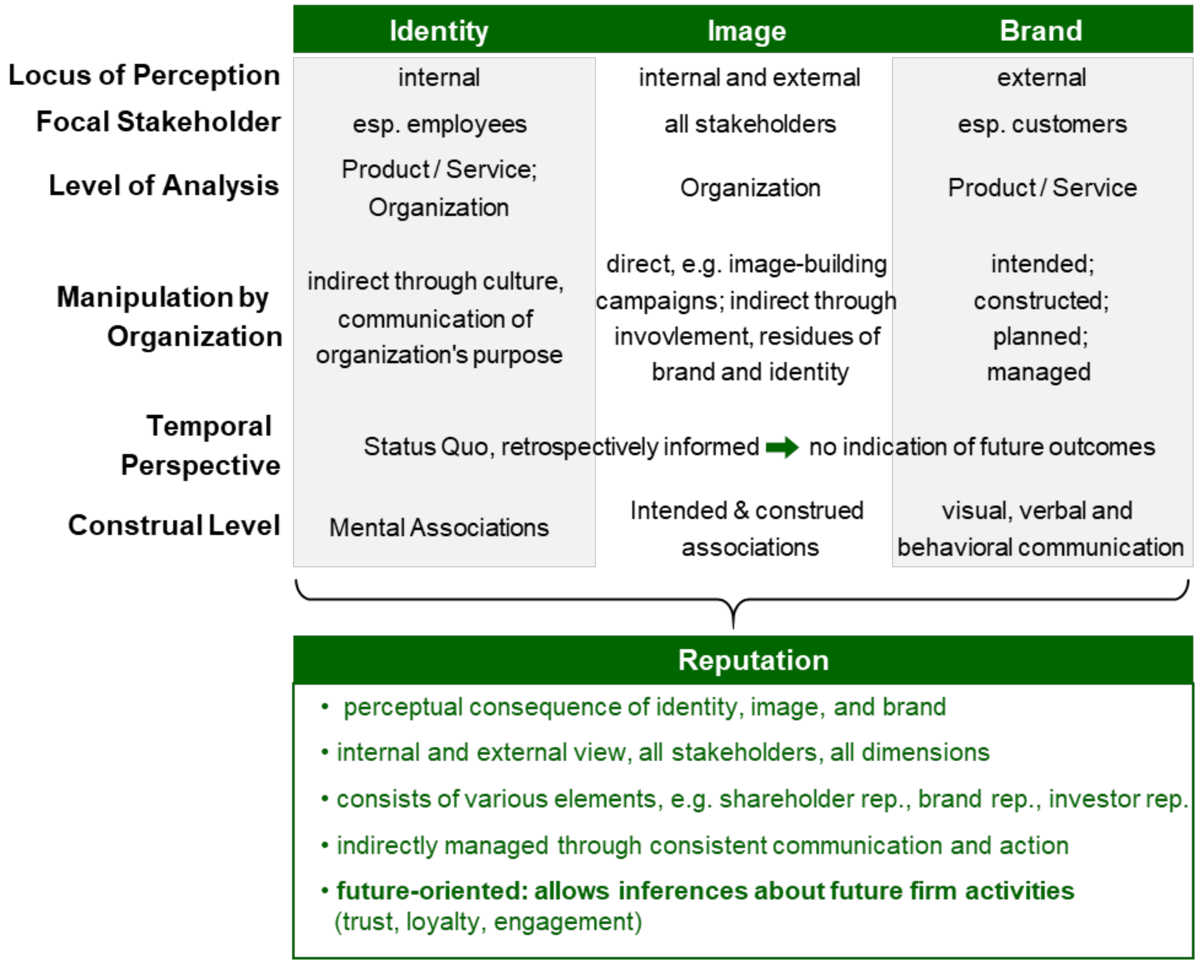

Figure 1 - Delineation of reputation and related constructs

1.2 Reputation Risk

In their seminal paper, Weigelt and Camerer (1988) propose that reputation is based on incomplete information. If stakeholders had full information, reputation, which the authors consider as inferences or beliefs about a company, would be replaced by knowledge. Therefore, reputation is linked to stakeholders' uncertainty and thus, with the inferences potentially being incorrect, yields risk (see also Scandizzo, 2011). The present chapter discusses the literature that has evolved considering reputation risk.

Reputation risk is conceptualized as the range of possible gains and losses in reputational capital (Fombrun, Gardberg, & Sever, 2000), which may consist of various elements. Ali et al. (2015) introduce some of the key consequences of corporate reputation, which include future financial performance and key customer outcomes such as loyalty, trust, and commitment. Other authors see similar outcomes and state that risk results since if the reputation of a firm takes damage, these performance outcomes are jeopardized (Gatzert, 2015; Gatzert, Schmit, & Kolb, 2016; Walsh et al., 2009).

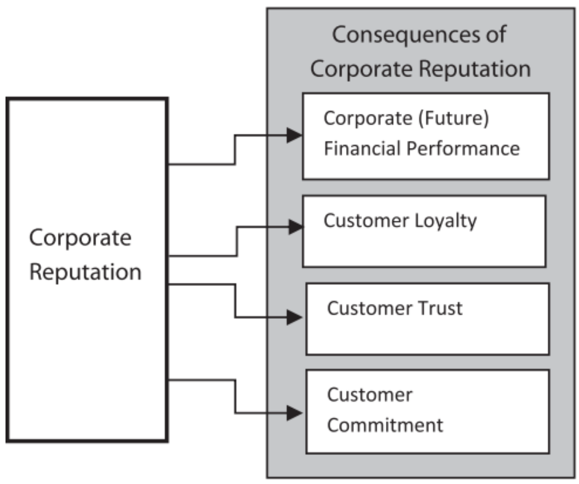

Figure 2 - Key consequences of corporate reputation (Ali et al., 2015)

Gatzert (2015) postulates that a financial impact of a reputation risk event may be measured as the delta between a firm's share price before and after the event, minus the actual monetary impact this event had. Thus, the reputation damage reflects in the belief component of shareholder's evaluation of future company performance. Beyond that, revenue loss, for instance, as a result of increased contract cancellations, may result (ibid.), which reflects the changed customer behavioral outcomes discussed before. Taking a positive stance on the matter, Raithel and Schwaiger (2015) state that changes in reputation may lead to increased labor productivity and thus support financial outcome.

Beyond empirically tested consequences, various authors argue that reputation in itself is an asset that predicts the future performance and survival of firms. Thus, taking reputational damage constitutes a risk, notwithstanding any consequences (Benn et al., 2016; Scandizzo, 2011).

In line with the analysed definitions, we propose the following definition of reputation risks:

Reputation risks are the risks of direct and indirect consequences in relation to the changed perceptions and beliefs of various stakeholders regarding the organization's future performance and behavioral patterns.

1.3 Measurement and Framework

Nearly as much as the concept itself, the measurement of reputation has concerned academics and practitioners alike. While there are widely known approaches for the quantification of measurement, such as Fortune's list of the Most Admired Companies (in the US and globally), they have been subject to significant criticism (Newburry, Deephouse, & Gardberg, 2019). As they only consider a very narrow selection of elite stakeholders (business leaders in the respective fields) and make their rankings available to a broad audience afterwards, some authors argue that these lists make reputation rather than measure it (Clardy, 2012; Gardberg & Fombrun, 2002).

Consequently, other measures have been proposed that may be a better fit to capture what reputation various stakeholders attribute to an organization. The approaches to tackling these issues have been vastly different. Some measurement tools try to be as thorough and extensive as possible and as a result, require a lot of data points (e.g., Davies et al., 2001). Such approaches are being criticized for being too extensive to be practical. On the one hand, it is assumed that a static survey is never able to fully capture all dimensions of reputation, on the other hand, surveys with 49 items can only be conducted in very rare and often hypothetical cases. If a survey on another topic includes a reputation scale, it will often have to be reduced to only a few items (Ponzi et al., 2011; Walsh et al., 2009). Fombrun and colleagues (2000), who developed the Global Reputation Quotient, acknowledged the virtue of brevity and established the "RepTrak Pulse," a short form of their highly influential scale which reduces its initial 32 items to merely four (Fombrun et al., 2000; Ponzi et al., 2011). While this concise scale has been applied by academics in various fields, one has to acknowledge that it will not be sufficient to inform a sensitive reputation management tool.

While a classic approach to the measurement of reputation is often to ask the respective stakeholders, as the overview of some of the most discussed means of measuring reputation shows (Table 2), this approach has severe limitations regarding stakeholders who cannot or do not want to participate in relevant surveys. Furthermore, surveying stakeholders generates limited sample sizes, is often retrospective, and means significant effort for stakeholders and the organization.

Therefore, it would be desirable to include other data sources. Deephouse (2000) was one of the first to attempt the establishment of a reputation score with non-survey data by screening media coverage of various organizations, coding significant words, and thus deducting a reputation score. While at the turn of the millennium, this approach certainly meant a lot of effort and would have brought with it various challenges regarding implementation in businesses, today, the ability to dynamically collect and analyze big data and visualize them in order to draw conclusions is possible. Thus, while developments in communication means and social media have led to a much more dynamic development of corporate reputations, that same development also provides a valuable pool of additional information to organizations (Pfeffer, Zorbach, & Carley, 2014; Toubiana & Zietsma, 2017). In a recent article, Etter, Ravasi, and Colleoni (2019) thus introduce a framework for the incorporation for those to date mostly untapped sources of information in reputation management.

It seems likely that future reputation management tools will be big data applications that have the capabilities to not only determine a company's current reputation but also assess planned activities in terms of their expected reputational impact. Moving in that direction, we conclude that measurement approaches that become more successful than the ones listed in this study, need to be concise, dynamic, context-sensitive, and leverage contemporary technologies effectively.

Author(s)	Tool Name / Description	Analysis Frame	# Items	Data Source
(Deephouse, 2000)	Coefficient of Media-Favorableness; coding and evaluation of media coverage	Public Media Coverage	-	Newspaper Reports
(Gardberg & Fombrun, 2002)	Global Reputation Quotient	Individual Perception	32	Survey: Customers
(Turban, Forret, & Hendrickson, 1998)	Employer Perception and Reputation Scale	Employer Attractiveness	6	Survey: Applicants
(Behrend, Baker, & Thompson, 2009)	Prestige Scale	Individual Perception	5	Survey: Customers
(Lassar, Mittal, & Sharma, 1995)	Brand Equity Scale measuring associations with a brand	Individual Perception	17	Survey: Customers
(Davies et al., 2001)	Assessment of feelings held toward a company by virtue of personification metaphors	Organizational Personality Traits	49	Survey: Individuals
(Slaughter, Zickar, Highhouse, & Mohr, 2004)	Multidimensional measure of perceptions of organization personality	Organizational Personality Traits	33	Survey: Individuals
(Ponzi et al., 2011)	RepTrak Pulse; short form of Global Reputation Quotient	Individual Perception	4	Survey: Customers
(Walsh et al., 2009)	Customer-Based corporate reputation scale	Individual Perception	15	Survey: Customers
Fortune	World's Most Admired Companies	Managers' Perception	9	Survey: Business Executives

Table 2 - Overview of Reputation Scales

Given the above-stated relevance of reputation risks for the companies' survival, it comes as a surprise that within the work on enterprise risk management and its financial impact, there is rarely any mentioning of reputation (or brand/image, for that matter) (e.g. Dickinson, 2001; Hoyt & Liebenberg, 2011). Only very recently, first strides have been made at developing reputation risk management frameworks that could provide the basis for the incorporation into enterprise risk management (ERM) landscapes (Eckert, 2017; Gatzert & Schmit, 2016).

As the model by Eccles and colleagues (2007) (Figure 3) reflects, initial attempts at developing reputation risk management frameworks on one hand yield interesting insights. The three dimensions considered in this model allow a consideration of the topic objectively, dynamically, and explicitly. Nevertheless, the recommendations concluded from the model are not sufficient to thoroughly inform risk management strategies within companies.

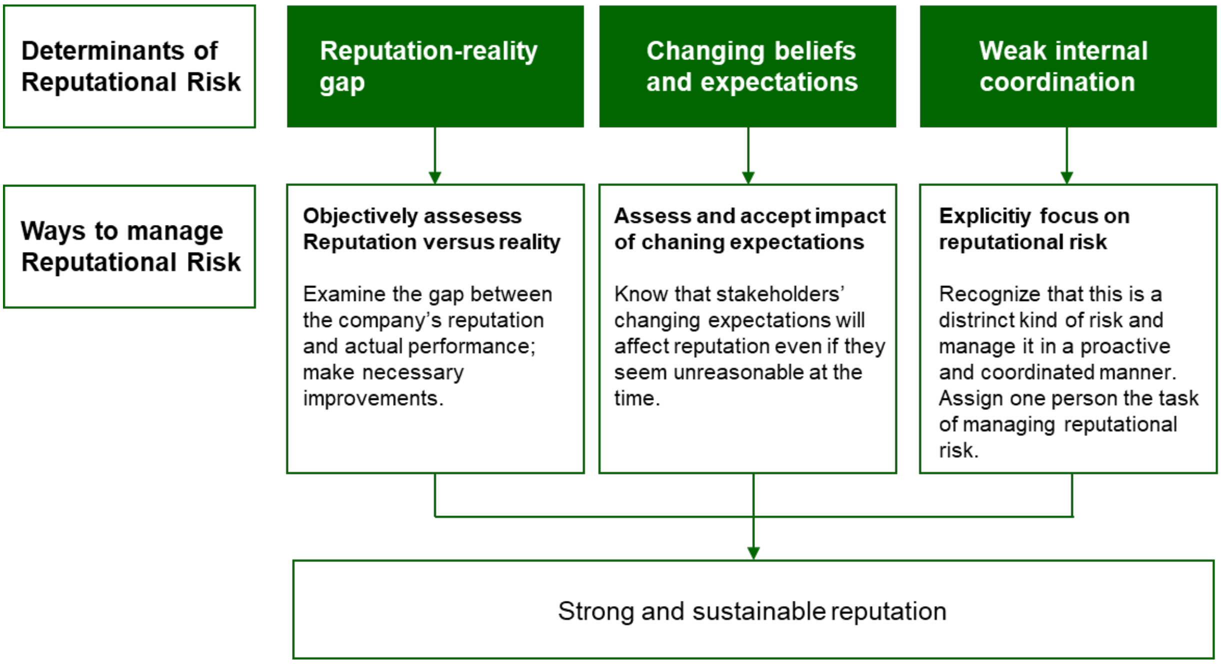

Figure 3 - Framework for the management of reputation risk (Eccles et al., 2007, p. 10)

Ten years onward, a much more specific framework based on a thorough analysis of extant measures and tools was developed by Eckert (2017) (Figure 4). This approach allows for a specific tracking of reputation along the two key dimensions of issues and stakeholder groups, acknowledging that the contexts and therefore attributes of said dimensions may differ between organizations (Eckert, 2017).

While a modern reputation framework might need to be one that is more dynamic and reflects the likelihood and impact of risk events, enabling a more proactive management of said risks, Eckert's work is the most tangible to date and provides a solid foundation for further developments.

Issues	Stakeholder groups Customer	Investor	Regulator	Supplier
Profitability	7	7	8	7
Environmental responsibility	8	8	5	5
Social responsibility	7	7	6	6
Employee treatment	7	8	5	5
Corporate governance	6	8	6	5
Product quality	7	7	7	8
Notes: The selection of the issues is based on Walker (2010) and the used stakeholder groups are often named as key stakeholder groups in previous literature (Gatzert and Schmitt, 2015; Regan, 2008; Tischer and Hildebrandt, 2014); however, this selection of issues and stakeholder groups is only an example and can be adjusted in a firm-specific way				

Figure 4 - Eckert's (2017) two-dimensional framework for reputation risk management, displaying hypothetical measurement results (1: poor – 10: excellent) for an exemplary firm's reputation

1.4 Conclusion & Research Agenda

With the importance of stakeholders, other than shareholders increasing due to their improved means to voice their concerns and organize in stronger groups across national boundaries, reputation and reputation management have become a priority for any organization. To date, research on corporate reputation, its measurement, and risks are highly fragmented. Anyone approaching research on corporate reputation needs to first establish a frame of analysis and determine the perspective the reputation concept is being approached from. For a future, a more extensive research project on contemporary, dynamic means for managing reputation risks must be pursued, the present study has done so by proposing a definition that acknowledges its context-dependent nature. In order to streamline further inquiry, reputation has been delineated from related concepts such as identity, brand, and image.

Nevertheless, it has become apparent that a research project attempting to inform a reputation risk management tool that can be leveraged by companies will require substantial effort. This is impressively reflected by three decades of research on the topic which have not yet yielded consistent measurement or management tools that are accepted by larger parts of the community. To achieve this, a research project would need to propose a framework for reputation risk management, develop measurement scales, and incorporate them in a tool that reflects the changing states of reputation over time.

A framework for reputation management risk would need to be multi-dimensional and at least consider stakeholders, issues, risk relevance (magnitude & impact), and urgency. To operationalize this framework, data sources that inform its respective assessments need to be determined. As reputation is an omni-stakeholder, omni-issue construct, data would need to be drawn from a variety of sources, actually incorporating IoT and big data opportunities for data mining (Figure 5).

Real-time	Text analytics	Big Data
Efficiently processing and synthesising real-time intelligence (e.g. pattern detection and recognition) for real-time reporting.	Uses natural language processing, sentiment analysis, and computational linguistics to identify and extract subjective information from structured and unstructured data sources.	Cost-effectively monitoring internal and external "Big Data".
Forward-looking	**Early warning and triggers**	**Actionable insights**
Taking an outside-in view to supplement findings and accessing strategic, operational and tactical business dirvers in the future.	Increasing signal-to-noise ratio to detect weak and early warning signals and avoid surprises.	Operational insights that can be easily integrated and can have direct positive effect on the business.

Figure 5 - Cornerstones of a modern risk management system including risk sensing capabilities (Deloitte & Touche, 2015)

Next, the scales which have been discussed in this literature review, even those with significant traction in research and business, have been proved to be subject to limitations. Given its context-specificity, it can reasonably be concluded that one reputation scale will not be sufficient to capture all reputations associated with an organization. Hence, separate scales may be required for stakeholder or issue segments, which would again depend on data sources: Survey data acquired from company stakeholders will need to be considered differently than a semantic analysis of (social) media chatter.

Third, a tool will need to be developed, which can actually enable businesses to manage reputation risk. This tool could reflect the above data, considering the mentioned data sources, and visualize insights for reputation managers in the form of a multidimensional dashboard.

Fourth, while the mentioned tool will enable awareness of the most relevant reputation risk and thereby their proactive prevention, some risk events are not reasonably avoidable. If a risk event takes place, rather than having to develop a response at that point in time, generic incident management strategies could be developed for individual stakeholder – issue – impact combinations considered in the framework. This would help with a mitigation of the impact as well as with a faster, more efficient recovery.

These four steps will make reputation management more tangible and replace the current confusion regarding the topic with a clear trajectory and a structure to pursue it. It will allow a consistent internal communication of reputation's relevance in all of its complexity. The present study's authors believe that establishing a framework-based tool for the management of reputation risk will give companies a competitive edge by preventing reputation risk events, or, if they happen, providing clear guidance as to their management.

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2 State-of-the-Art Analyses/ Cases

In the past, there have always been corporations which have handled their reputation particularly well or particularly bad. Although, due to their unique nature, the presented cases are not comparable to each other on every level, it can still be derived that the consequences of a reputational damage are very serious, sometimes even existential. The following cases also show in an illustrative way, how differently each corporation handles a reputational damage. While we have chosen three corporations which have suffered a reputational damage, we have also chosen one corporation, LEGO, which was on the verge of a bankruptcy and is now amongst the most respected brands and achieves one of the top places in the reputation comparison ranking. It becomes quite clear that the reputation of a company directly affects its economic power. Here, the strategies of the companies could not have been more different. For example, the Swiss bank UBS chooses a strategy in which the corporation actively tries to restore its damaged reputation by means of campaigns. So far, this strategy seems to work, even though it becomes obvious that it will take many decades to reach the initial level again. Whereas VW (Volkswagen), as a distinctive counterexample, has neither initiated admissions of guilt nor active campaigns yet and they also take no efforts, when it comes to legal issues, to reach out to consumers, the state and other central stakeholders, like suppliers. BP (formerly British Petroleum) seems to have learned from the fatal mistakes of the Deepwater Horizon crisis. These days information is not covered up anymore, but the communication takes place openly, honestly and in a transparent way.

2.1 Worst Case: UBS

The first example of a worst case is represented by the major Union Bank of Switzerland - the UBS. In summer 2007, the bank already reported difficulties in the commercial business. In the third quarter of that year the UBS reported a loss of 4.2 billion Swiss francs in total. Further multibillion tenders were following as a consequence from the US subprime crisis. The global financial crisis is not only pushing the financial institution to the edge of existence, but it is also threatening it, especially with regard to the reputation. Occasionally, the share price falls below 10 Swiss francs. Additionally, the UBS registers a horrendous cash outflow. Only in the year 2008 clients withdrew assets of over 200 billion Swiss francs. During the financial crisis, the major bank threatens to collapse, so that the bank depends on state support. The public is alarmed; the trust in the former industry leader is lost. The reputation of the entire financial sector has since been affected.

Figure 6 – Market trend of the UBS in connection with reputation events; Source: Original chart from commsLAB / fög-University Zurich, published in: Neue Zürcher Zeitung 16.10.2018 «Wie die UBS in der Krise nach ihrer Seele zu suchen begann» (C.G.Schmutz)

The bank reacts. In the next years, several PR campaigns are launched in order to revive the reputation of the ailing giant. The first attempts in the years 2008 and 2009 fail. A change of the CEO shows the first effects. Early in 2009, Oswald Grübel is designated as the new CEO. By the end of the year the UBS reports a profit for the first time. Further PR campaigns in the years 2010 ("We will not rest") and 2015 ("Does the world know that we have changed?") lead to the desired success. Unfortunately, the major bank also hits negative headlines repeatedly. For example in the Adoboli case. In the year 2011, the trader caused a loss of over 2 billion Swiss francs. Grübel takes the responsibility for it and stands down a few days later. In the year 2012 bad news about a tax dispute with the French authorities, as well as a fine due to the LIBOR manipulation, shake the financial institution again. The former flagship of the Swiss high finance still struggles with the long-term effects of the early days.

Key Takeaways

- *The UBS still suffers from the aftermath of the financial crisis and the resulting loss of reputation and trust.*
- *The UBS has not managed to restore calm. The bank was repeatedly affected by scandals.*
- *In the past, several initiatives and campaigns have failed. Apart from that, the UBS often acts reactively instead of managing its career proactively.*

2.2 Worst Case: Volkswagen

In the year 2014, a US study reveals increased emission values for VW vehicles in the USA. Apparently, VW already knows about the study results. However, they try to keep the scandal below the surface. VW tries to seek a solution with the EPA (Environment Protection Agency) and reluctantly starts a recall, which concerns a hundred thousand cars. In September 2015, VW admits to the EPA the manipulation of the emission values, of which over 10 billion cars are concerned. However, for the public the group keeps it a secret. As a consequence of the diesel affair, Martin Winterkorn stands down as a CEO of Volkswagen in September 2015. The new CEO, Martin Müller, promises the blunt and honest clarification and wants to redesign the group completely new. Overall, VW makes rather sparse comments regarding the diesel affair. In December 2015, VW informs its clients about measurements for the removal of the cut-off device and declares the scandal ended. Furthermore, VW promotes the purchase of new cars with a diesel exchange premium in order to put the clients in a merciful mood.

The diesel affair affects a number of stakeholders. The investors lose money because of the collapsing share price. The Land of Lower Saxony is also affected by the scandal. At times, VW loses around 7% of its market share. In addition, the group has to pay remunerations. Suppliers have to face a reduced order volume, while employees have to face restructuring and dismissals. The government builds on the political pressure, the public feels betrayed. The statement “Made in Germany” is discredited.

In the global RepTrak ranking of the companies with the best reputation, the German car manufacturer clearly falls behind. In 2015, Volkswagen occupied the 14th place. Only one year later the VW group finds itself on place 123. While the industry average of car manufacturers remains relatively constant during that time, only the reputation of VW declines.

Figure 7 – Comparison: Reputational course of VW vs. other car manufacturers

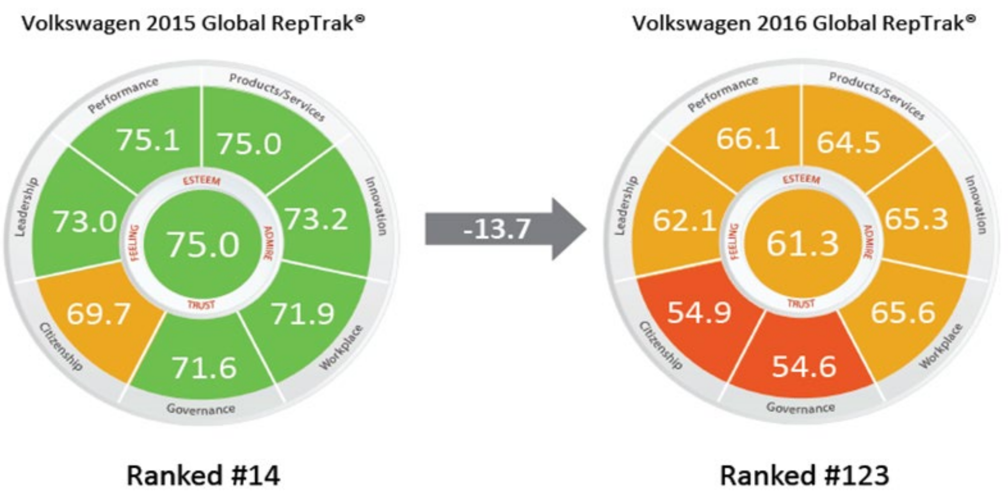

Figure 8 – VW’s drastic reputation drop (RepTrak) between 2015 and 2016

Key Takeaways

- *For years, VW deliberately kept the increased emission values of its cars a secret. When the diesel affair became public, VW was in the center of it.*
- *VW pursued an inadequate crises and communication policies. Often, significant details were hidden from the public.*
- *At any time, VW tried to keep the crisis and its impacts a secret or talk it down. The high remuneration payments added to the impaired reputation.*

2.3 Worst Case: BP

On 20.04.2010 there were two severe explosions on the oil platform Deepwater Horizon in the Gulf of Mexico, in which 11 people have died and huge amounts of oil and gas poured into the sea. While BP claims that the accident was limited and manageable, really 800.000 liters of heavy fuel oil leaked out and poured into the open sea. After another explosion on 22.04.2010, the oil rig eventually sank completely into the sea. Not before 04.08.2010, people were able to seal the oil leakage.

As a reaction to the accident, people call to boycott BP. Some petrol stations indicate fewer sales of 10-40% less after the accident. Activists set-up the fake Twitter account @BPGlobalPR, which at that time has 10 times more followers than the official BP account. The costs for BP amount to 61.6 billion dollars and more than 2.000 km of the coast is polluted. Even many years after the explosion, BP is not able to recover economically from the aftermath.

It should be noted that BP underestimated the extent of the incident at the beginning of the explosions; officially they talked it down and tried to hold the operating company of the oil rig, Transocean, responsible. In the course of the affair, the company buys Google search terms, such as "oil spill", to direct the people directly to their own website. In this context it also becomes evident that many of the pictures presented on their website were refined and subsequently edited in order to give a false impression of the disaster’s extent. As a consequence, BP suffers an extensive loss of trust. Furthermore, CEO Tony Hayward opposes the suggestions and tips of public relations specialists and has thus made some mistakes in the external presentation.

A number of stakeholders is affected by the incident. The most heavily affected group of stakeholders is certainly the families of the 11 deceased employees. However, the general public is also affected and harmed by the oil-polluted area. Economically, BP only recovers slowly from the aftermath of the disaster. That is why the BP share temporarily loses more than 55 % of its value and was not able to reach the pre-crisis level anymore.

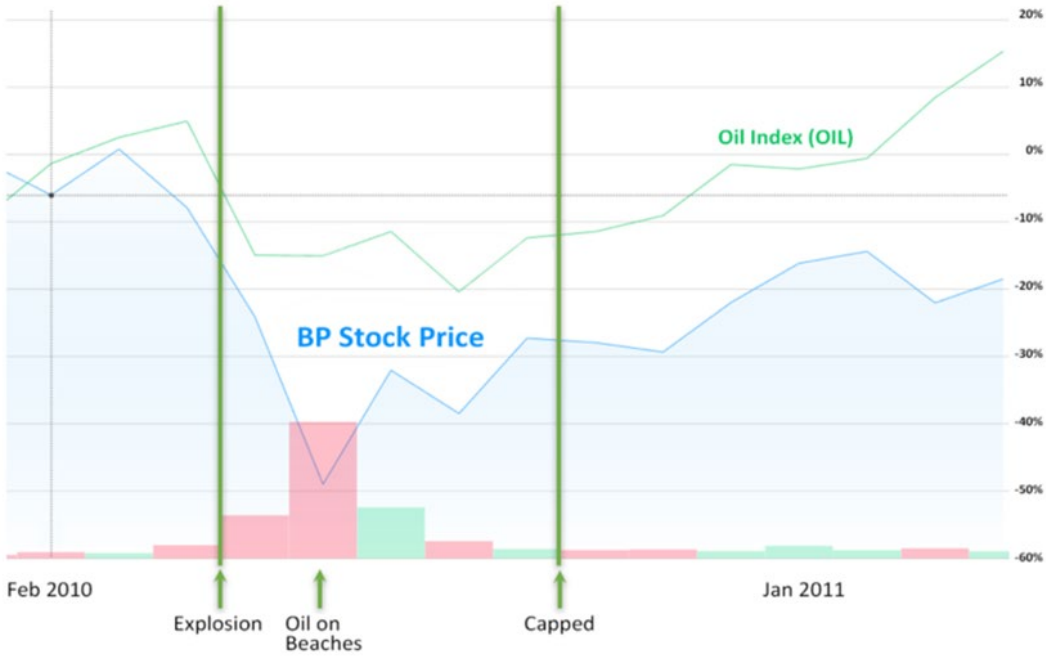

Figure 9 – Market trend of BP in connection with the reputation event

Key Takeaways

- *The manner of handling reputation-damaging events is important*
- *Transparency and honesty could put the perception of the reputation in a favorable light*

2.4 Best Case: Lego

In the year 2004 Lego reports a loss and is almost bankrupt. The revenue was almost six times as high within 12 years and Lego developed as a strong brand, which reaches top places in the brand rankings and in the reputation rankings.

With the start of the new CEO, Jorgen Vig Knurdstrom, the first CEO, who is not a member of the owner family, LEGO comes back to its traditional values and products. In 2008 the revenues leap to 18.7%, which is especially due to the Star Wars and Indiana Jones figures by Lego. At the same time, the group opens outward and enters into collaborations with film studios and video game manufacturers, from which the Lego movies and video games arise. Furthermore, the social media campaign is refined and the presence in the social media is strongly developed. Meanwhile, the in-house Lego channel has 5 million subscribers and user-generated content is actively promoted.

2018 Global RepTrak® Top 10 Companies

Rank	Home	2018	Score
1	Switzerland	ROLEX	79.3
2	Denmark	LEGO	77.9
3	United States	Google	77.7 ↑
4	Japan	Canon	77.4
5	United States	The Walt Disney Company	77.4 ↓
6	Japan	SONY	77.3 ↑
7	Germany	adidas	76.6 ↑
8	Germany	BOSCH	76.4 ↓
9	Germany	BMW GROUP	76.1 ↑
10	United States	Microsoft	75.8 ↑

Since the steep climb, almost all stakeholder groups benefit from the strengthened reputation of Lego. Company owners benefit through increased profits, employees through secure jobs, clients through a larger variety of products, suppliers through more orders.

Figure 10 – List of the Top 10 corporations with the highest RepTrak Score 2018

Key Takeaways

- *A good reputation can have a positive effect on the economical power of companies*
- *It is possible to specifically influence the reputation of companies*

3 Hypotheses Catalogue

ID	Category	English	German
H_1	Reputation	There is no clear grasp of stakeholders' relevance for reputation management/risk	Unternehmen haben kein klares Verständnis von Reputationsmanagement und -risiko.
H_2	Reputation	Companies have no clear definition of reputation (they mix it up with brand, image, identity, and others)	Unternehmen haben keine eindeutige Definition von Reputation (wird verwechselt mit Image u.a.)
H_3	Reputation	In order to manage reputation risk, one must have a clear understanding and measure of what reputation is	Um Reputationsrisiken zu managen, ist ein klares Verständnis von Reputation und dessen Messung notwendig
H_4	Reputation	When discussing reputation, firms mostly consider customers as their most relevant or only stakeholders	Wenn Reputation diskutiert wird, werden Kunden als wichtigste, teils alleinige, Stakeholder gesehen
H_5	Reputation	Cultural differences are largely neglected in reputation management	Kulturelle Differenzen werden im Reputationsmanagement nicht berücksichtigt
H_6	Reputation	Reputation is especially important in areas with high information asymmetries, such as financial services	Reputation ist insbesondere in Industrien mit hohen Informationsasymmetrien, z.B. in Financial Services, ein wichtiges Konstrukt
H_7	Reputation	Reputation is especially important in areas with high stakes for individual stakeholders, such as health and financial services	Reputation ist insbesondere in Bereichen wichtig, denen Konsumenten hohe persönliche Bedeutung zuweisen, z.B. Gesundheit
H_8	Reputation Risk	Reputation risk factors are dynamic and change as environmental aspects change	Reputationsrisikofaktoren sind dynamisch und ändern sich mit der Umwelt
H_9	Reputation Risk	Corporate reputation risk management needs to track the key stakeholder groups and highlight issues separately	Reputationsrisikomanagement sollte verschiedene Stakeholder und Themenbereiche separat überwachen und managen
H_{10}	Reputation Risk	A corporate reputation risk management tool needs to be updated dynamically, regularly, and automatically to mitigate effort	Ein zeitgemäßes Tool für das Management von Reputationsrisiken sollte dynamisch, regelmäßig, und automatisch aktualisiert werden

Table 3 - Overview of hypotheses regarding reputation and reputation risk

In this chapter, the hypotheses from the literature research are investigated in detail. Within our study, expert interviews were conducted in order to confirm or disconfirm the hypotheses. Exemplarily, quotes from the interviews are presented, which function as a proof for the statement made. We differentiate between hypotheses, which concern the topic reputation, and hypotheses, which concern the topic reputation risks.

3.1 Hypotheses – Reputation

H_1: There is no clear grasp of stakeholder's relevance for reputation management/risk

This hypothesis is not confirmed:

Even when company representatives were not always able to immediately derive all relevant stakeholders precisely, in most cases it still became quickly evident that stakeholders have a great relevance for the reputation of companies.

> "In that case we do have two reputations. The reputation for the employees and in the industry. And the reputation the client has." (Influencer and VC Fund Manager).

Furthermore, not only individual stakeholder groups were identified and named, but it also became evident that reputation is something, that can be managed actively and that should be implemented, aligned and adjusted in a way that is specific for stakeholders.

> "But when we describe reputation in that way then it is basically about whether this can be performed for target groups. (…) That means, (reputation) must be sliced. (Reputation) is like a circle. And depending on who you want to address, you take certain things out." (Influencer and VC Fund Manager).

Apart from clients, employees in particular were named as central stakeholders for the reputation of a company. Employees are deemed crucial for the transmission of a certain reputation.

> "I had this process named 'Corporate Identity, Image, Reputation' right from the beginning, because in my opinion that is the logical cascade effect. And for years I'm saying that corporate identity establishes a brand which can be responsible for various images, depictions which it sends out, and that the stakeholder actually gains a good reputation with the fulfillment of a depiction, respectively with a positive review as a final result, just like a logical result." (CEO, reputation consultancy).

H_2: Companies have no clear definition of reputation (they mix it up with brand, image, identity, and other constructs)

This hypothesis is confirmed:

All the interviews show that the understanding about what reputation is, is very fragmented and that many different concepts, such as brand or image, are equated or associated with reputation. In most cases, the first association is closely linked with other constructs, like a "brand" or "image".

> "Yes, basically reputation is brand. (…) And achievements one has already gotten, I think. Just like in every job; and respect for the industry. If you're working in a job for a long time and you're really good, then that's reputation." (Influencer and VC Fund Manager).
>
> "And in my opinion, reputation has got something to do with image. With a brand. How an institution or a company is perceived by the public. Which characteristics are associated with it, is it perceived as conservative, progressive." (Church Representative).

However, some of the representatives also see a difference between the concept of reputation and image. In the following differentiation it becomes clear, that reputation and image are deeply interwoven, only that image ought to be a consequence of reputation.

> "It's true that reputation and image are very similar. Reputation does contribute to image. In this respect one certainly prefers to buy from a company with a good reputation, with a good image." (Head of Communications, Retail).

On the basis of the interviews it was also possible to differentiate the constructs "reputation" and "brand" from one another, which is clearly proven by the following statement.

> "The other day I was talking to someone who is working for SAP, as we're having an SAP implementation, and I told him: 'Well, with all due respect, what you're selling is complete crap.' He just looked at me and started grinning, because that is something he gets to hear every day. There is nobody who really likes to work with SAP. That is my stark counterexample and that is just something I don't want. (…) And as a company, I think it's really interesting in that respect, as the company itself is already a powerful brand and I have lots of respect for the performance and the achievements of the company, but everybody who works with SAP, condemns it, even the people at Siemens; I mean Siemens spends over 100 million for SAP each year and still: Every employee condemns it. And I have never heard anything else. The bad reputation can

> come from all kinds of different sectors, no matter if it is BP, with their Brent Spar, or otherwise.“ (Managing Director, Digital Services Company).

H_3: In order to manage reputation risk, one must have a clear understanding and measure of what reputation is

This hypothesis is confirmed:

Before the reputation can be measured, a general understanding for the topic must exist. A uniform definition within the organization is associated with it. Just like the Head of Communications of an educational institute has confirmed, companies should first discuss how they define reputation, because at this point it can already lead to the first deviations within the company, which could subsequently falsify possible measurement results.

> “Hardly any company has a reputation measurement, let alone a reputation strategy.” (Director, Reputation and Crisis Management).

The existing models for the measurement of reputation often do not manage to capture the phenomenon completely. The term reputation often has different meanings. Different values can be attached to reputation, for example the image or the standing of a company. Often reputation is measured in different places inside and outside the company. However, an aggregation of the measurement dimensions is missing in most cases.

Often, reputation is controlled and implemented in accordance with gut instinct of the Head of Communications. The social media is being handled more and more professionally. However, it is often difficult for the companies to break free from their old habits and ways and to enter a new world of communication.

In addition, the public has developed a different handling of reputation and getting to the bottom of it. Because of this, topics such as credibility and transparency become more important. Furthermore, values and also the perception of those values have an influence on the reputation and also the way people speak about those companies.

H_4: When discussing reputation, firms mostly consider customers as their most relevant or only stakeholders

This hypothesis is not confirmed:

Managing reputation is harder than ever these days. Employees and also the external environment of a company react sensitive to (possible) reputational damage. This often leads to a feeling of insecurity for all persons concerned. Meanwhile it is not only about the stakeholder group of the client anymore.

> “Where a reputation is evaluated, it is not only taken out externally anymore, because the responsible employee, the very well-trained employee, builds his own reputation and because of that, he has a say as well. His opinion is also important.” (CEO, Reputation Consultancy).

H_5: Cultural differences are largely neglected in reputation management

This hypothesis is confirmed:

Reputation and corporate culture are closely interrelated. Thus, reputation is simultaneously a mirror of the organization culture. That is why reputation can be practiced actively – also in front of different target groups.

> “Without culture, the development of reputation is very difficult. And a transparent corporate culture is of benefit for the reputation of a company these days, especially with regard to the labor market, meaning which people can be tied to the company. You will experience this trend even stronger in the younger generations, in particular that it is not only about the monetary aspect why you work for a certain company, but that it is also always about the organization possibilities, the purpose of a company.” (CEO, Reputation Consultancy).

Even when a reputational damage does not become public it is perceptible in the culture. In order to avoid interior reputational damages, the mood of the employees must be “felt”. If there is a reason for resentment, it is necessary to look deeper into the problem in order to avoid escalations preventively at an early stage.

Also, the geographic component plays an important role for the reputation, as the reputation can differ in different regional contexts.

> “The reputation in the region is not the same as nationally and it is also not the same as internationally.” (Head of Communications, Educational Institute).

H_6: Reputation is especially important in areas with high information asymmetries, such as financial services

This hypothesis is confirmed.

> "Reputation was and is crucial for the entire financial industry. Not least during the last financial crisis, the reputation of the industry has been pushed to its outermost limits. Until today, the reputation of the industry has not significantly improved. Reputation risks are still the highest risks in the industry. One faces them with utmost care and caution." (Managing Director, Investment Banking).

Intuitively one would assume that companies with a bad reputation report worse sales figures than competitors with a better reputation. An interview partner explained a concrete situation to us, in which this surprisingly did not apply. He told us about dissatisfied customers, who make their frustration known in forums, and about partner companies, which fear about their own reputation. It was by no means observed that a former employer had an economic disadvantage from this.

> "When the reputation is damaged it must not necessarily mean that a company sells less than it did before the reputational damage." (Head of Communications, Retail)

This example shows that companies, which even have a bad or damaged reputation, are to be taken seriously. However, a continuously bad reputation will lead to significantly lower sales figures.

H_7: Reputation is especially important in areas with high stakes for individual stakeholders, such as health and financial services

This hypothesis is confirmed:

Reputation is also driven by the business environment and the general public. In particular this means that the social pressure can force companies, to seriously engage with the topic reputation.

> „Risk-prone industries have a higher affinity to deal with the topic reputation, reputation management, than less risk-prone industries. And another important question is: do I have a B2B business or a B2C business? I think with B2B the topic is not taken as serious as with B2C." (Director, Reputation and Crisis Management).

In risk-prone industries the topic reputation is clearly discussed more critically than in less risk-prone industries. Industries with high reputation risks include the energy industry, credit institutes, the automotive industry, hospitals and food producers. In the past we were able to see repeatedly in how far reputational damages had negative effects for these industries.

3.2 Hypotheses – Reputation risks

H_8: Reputation risk factors are dynamic and change as environmental aspects change

This hypothesis is confirmed:

A continuously bad reputation can have negative effects for a company in many ways. A concrete example is the recruitment of new employees.

> “That is a slow process. At one point it certainly becomes noticeable, no matter at what point. For example it could be the aspect, that you cannot win certain leaders for your company anymore, because they are saying: ‘I don’t want to work for an employer who is publicly criticized that often, because I would feel embarrassed in front of my friends and acquaintances. I’d rather go and work for a different company’.” (Head of Communications, Retail).

Of course, the reputation and the reputation requirements change in the course of time. Reputation is meanwhile strongly linked to e.g. the growing expectation regarding the sustainable behavior of companies. An interview partner even mentions it as a consequence of prosperity and he even calls this a luxury phenomenon.

H_9: Corporate reputation risk management needs to track the key stakeholder groups and highlight issues separately

This hypothesis is confirmed:

Various stakeholder groups, such as partners, investors and employees, are more and more interwoven and thus become more and more important. The reputational damage of a company can create a spillover effect, which also has a negative impact on other companies. The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) even takes this one step further.

> “Only yesterday I’ve received a bulletin by the BaFin about dealing with reputation risks. All the financial service providers must now monitor and control sustainability risks. So,

> that means it gets an institutional anchoring and rationally speaking: it is the institutional anchoring of a reputation dimension." (Director, Reputation and Crisis Management).

H_{10}: A corporate reputation risk management tool needs to be updated dynamically, regularly, and automatically to mitigate effort

This hypothesis is not confirmed:

So far, not many companies approach the topic of reputation management proactively, i.e. preventively. That means that companies can deal with reputational damages already at an early stage and by means of an early warning system. In this process, the objective would be to strongly reduce a possible reputational damage in advance and/or completely prevent it from happening.

> "That would be the goal, to identify the problem and to solve it before it becomes publicly relevant. However, that is not always possible. Partly, the risks arise internally. In particular these topics can probably be identified and solved earlier." (Head of Communications, Educational Institute).

4 Interview Evaluations

This explorative-oriented chapter examines important facets of the reputation construct on the basis of nine expert interviews. Emphasize is particularly put on debates, which neither found their way into the studies through the research literature nor through the cases and hypotheses catalogue. In the course of this research study a total of nine interview partners were identified and asked for their evaluations. During the selection of the interview partners, care was taken that a wide range of industries, competences and company sizes was covered in order to allow for a preferably overarching view on the phenomenon of reputation and to generate insights which reach far beyond the known extent. Apart from the professional competence, the management affiliation of the interview partners was determined as another criteria. This was based on the assumption that the responsibility of the reputation is to be found in the overall responsibility of the top level management. The following table (table 4) shows an overview.

No.	Industry	Position
Interview 1	Meat Processing Industry	CEO
Interview 2	Data Room Provider	Managing Director
Interview 3	Influencer and VC Fund Manager	Managing Director
Interview 4	Reputation and Crisis Management	Director
Interview 5	Investment Banking	Managing Director
Interview 6	Reputation Consultancy	CEO
Interview 7	Retail	Head of Communications
Interview 8	Educational Institute	Head of Communications
Interview 9	Religion	Executive
Interview 10	Automotive Supplier	Risk Manager
Interview 11	Trade	Risk Manager

Table 4 – Overview of Interview Partners

4.1 Subjective and target-group-specific

Reputation is described as a construct, which is subjective and target-group-specific. The mentioned properties lead to the fact that the evaluations and findings of the interviews are very different from each other and that a fragmented impression is created.

> "The reputation is shaped subjectively. And I think that it is very important, that by the end of the day, you get a subjective value which depends on the individual person, which – and I think this is scientifically important as well, which depends on the target group that is being interviewed." (Director, Reputation and Crisis Management)

4.2 Levels of Reputation

The evaluation of the expert survey identifies several levels on which reputation appears. While many companies particularly evaluate the corporate reputation (organization level), there are other CEOs, who also describe their own personal reputation (individual level). In particular, the interviews demonstrate that the personal reputation of managers can sometimes not be separated from the company reputation and vice versa.

> "Exactly, because I represent the house. And like I said, the market is small. People know each other. And it is important to me, as my personal reputation is important to me. And that means that the company reputation is my personal reputation. I'm not even able to separate it." (Managing Director, Digital Services Company).

Based on that, the social level for managers, corporations and institutions becomes increasingly more important. Many large companies are already aware about the social responsibility, which they have for their stakeholders, for many decades. However, it also becomes evident, that many small companies create even more differentiating factors by boosting their social relevance. That is how it can be explained why many small startups provide more sustainable products, in order to be able to compete with the large corporations.

> "Well, for me, reputation has something to do with how strongly you are noticed by the society, as well as being integrated." (Church Representative).

4.3 Dimensions

In the following paragraph, individual dimensions of the construct reputation are being explained. In detail, important elements of the construct reputation are extracted, summarized, illustrated and documented with quotes from the interviews. With this procedure it was possible to identify performance and quality, trust and values as important components.

4.3.1 Performance and Quality

In order to build up a strong reputation, our interview partners consider it an imperative prerequisite to actually provide the promised company performance. According to this, the quality of the provided or produced performance plays an important role. Only companies that are able to achieve good or even excellent high-quality performances are able to reach and maintain a good reputation.

> "Well, for me, the topics quality and reputation are very closely linked together. And as we always say, we are service providers, we serve and we provide. That is a saying in our company, which we have had from day one." (Managing Director, Digital Services Company).

With the rendered quality, the consumer trust increases consequently.

> "I think this is due to the brand and the quality and trust, which the clients have in our products or our company." (CEO, Food Industry).

According to the company representatives, a good reputation is the consequence of a long-term process, that might take several years, and it is described as something you have to work hard for and/or that you can or must earn.

> "One has to earn reputation." (Influencer and VC Fund Manager).
>
> "That means, of course you also have to work for the reputation. For one thing you can try to generate it with marketing, so that you get a good reputation, however, you actually only get it through a good performance." (Managing Director, Digital Services Company).
>
> "Therefore it is nothing that can be built up within the course of a year, but in my opinion, reputation is the result of long-term trading and business." (Head of Communications, Retail).

In extreme cases, reputation is sketched as a mandatory condition for the long-term viability of companies. Especially in B2B markets, in which the business environment strongly takes place on the personal relationship level of managers, a good reputation seems to have a huge influence on the business ability of companies.

> "Well, I would even claim that you're not able to survive in the long term, if you don't have a good reputation. In that case, you could only win with a cost leadership. In that respect, we are of course in the B2B field. There it might probably be even more important, than now, when you sell your stuff at Aldi, where it is just about the price.

> However, in the B2B field, reputation is simply vital, I think." (Managing Director, Digital Services Company).

Companies that are able to fulfill their performance promise are perceived as authentic and can thus build up a good reputation.

> "In my opinion, a bad reputation has the feeling of something being not authentic. I think if you comply with the things you have promised, if you walk the talk, but if you don't, then the reputation suffers." (Managing Director, Digital Services Company).

4.3.2 Trust

In all of the interviews it was undisputed that the stakeholder's trust is one of the most important elements of reputation. Without the necessary trust, it is not possible to build up a good reputation. Conversely, it was demonstrated that with loss of trust, the reputation of the company is negatively affected.

> "Yes, in order for the clients to have trust in us, we use the branding. It's understandable that one only wants to work with people he trusts. Reputation is trust. If someone's reputation is to bamboozle you, then you won't work with him." (Influencer and VC Fund Manager).

4.3.3 Values

The values that are in connection with the company and are transported to the outside seem to be another important dimension of the company. Especially, as the data show, values can be used to actively manage reputation.

> "So we're back on the subject values again. For me, these are reliability, trust, transparency, attitude and also the manner in which one defends this attitude against attacks." (Managing Director, Digital Services Company).

4.4 Financials

From the view of the central stakeholders, reputation is identified as an important influence factor for the financial assessment and evaluation of companies. With a good reputation as a basis, various stakeholder groups, such as creditors or investors, evaluate the situation of companies in a much benevolent way. Consequently, the creditability and the evaluation of companies can be influenced.

> "As for the topic creditability, we always pay our bills on time. On the capital market, that has also got something to do with reputation. Inquiries to the credit investigation company (Schufa), et cetera. We've got clients who are not able to handle their

> accounts payable department and that falls back negatively on our company. So that is another aspect." (Managing Director, Digital Services Company).
>
> "The valuation is also increased when the reputation is good." (Influencer and VC Fund Manager).

Some of the interview partners even go as far as to describe reputation as an asset of the company, which has a direct effect on the economic power of corporations. The influence on the economic power has a positive effect in case of good reputation, as well as a negative effect in case of bad reputation.

> "And that is hard to build up. Once you have it, it's a nice asset, because you are recommended by others. You receive a leap of faith, which you wouldn't get if you didn't have the reputation." (Managing Director, Digital Services Company).

Companies increasingly find themselves exposed to a more global competition, making reputation increasingly accepted as a differentiating factor, in order to score in the global competition. The differentiation makes it possible for the companies to distinguish themselves from competitors and to justify higher prices and/or to assert themselves. Therefore, the reputation has a direct influence on the competitiveness and the financial positioning possibilities of companies.

> "Yes, otherwise they cannot achieve added value for the company. In our case, as mid-sized companies, for example as a meat producer amongst large corporations, if you don't manage to gain added value for your company, then the company cannot survive due to its size, because they cannot compete with the efficiency of large corporations. For that reason, it is very important that we have clients, who appreciate us. Clients who say: 'Yes, we do trust this company and they have done this and that for us, or they take care about having a respective reputation.' And for that reason they do win clients, who appreciate this and are willing to pay for this extra effort." (CEO, Food Industry).

4.5 Communication & Transparency

Communication strategies are possibilities of companies to actively manage their reputation. In order to convey a certain company reputation or to control the stakeholder's perception of the reputation, the manner of communication and the transparency towards stakeholders in conjunction with the company plays a critical role. Transparency is important in order to reduce given and ever prevailing information asymmetries, which exist between the stakeholders and the companies.

> "Yes, of course we have to discuss it. (…) That this is communicated either via the internet or via actions in a restaurant or that one also wins clients in the food retail, which are behind this cause and say: 'Yes, I sell XY meat and I also communicate its background'." (CEO, Food Industry).

Interestingly it is also pointed to the fact that the communicated promise has to be fulfilled as well.

> "But you know, in the communication, the book must be as good as its cover. That means, a modern facade or image alone does by far not mean that the church is more attractive." (Church Representative).

An important way of communication is the use of all forms of media. Here, it is particularly important to consider, that a big part of the media is not always interested in reporting positive things about corporations. The conversational tone must therefore be selected and fine-tuned.

> "The second thing is that our spokesman said that it is just too dangerous to talk to them (the media), because their story is actually already written and if you rebut their arguments beforehand, you will destroy the story. (…) And that is the problem. You can invest lots of money in your reputation, but in the end, the media will always try to find a flaw or weakness or to discredit you." (CEO, Food Industry).

4.6 Responsibility

There is no doubt that reputation is an important asset for corporations. Where the responsibility for this lies within the organization varies enormously – that's how the risk management department, the marketing and the communication have been denoted for example. However, there is one point everyone agrees with: Reputation is a top management topic. However, the operational routine proves that reputation is not really processed by the top management, but handled by the communications department in most of the corporations.

> "Before reputation becomes a communication topic, it is a top management topic. The top management must first lay the foundation for a good reputation. That means the communications department is really the wrong contact." (CEO, Reputation Consultancy).

To rest the responsibility with the CEO could fall short, as the CEOs often lack the time to deal with this topic. And after all, it should be a person, who has the respective expertise and a good standing.

> "It must be a person with responsibility and competence, preferably on C-level." (CEO, Reputation Consultancy).

The exact job title is of secondary importance. However, the responsibility for the topic is more extensive. That means that all employees are responsible for the topic 'reputation' and they equally contribute to the reputation building and the reputation preservation. Even the church shares this thought.

> "This means they are all involved, because I really think that church takes place at the basis." (Church Representative)

For the moment it can be resumed that the topic reputation increases in significance, however, the professionalism, as to how the topic is handled, shows a potential for improvement.

4.7 Reputation in the personal and public environment

Reputation also plays a more significant role in the personal and public environment.

> "Oneself has a reputation and depending on what kind of reputation you have you are perceived differently." (Head of Communications, Educational Institute)

Not least through the increasing digitalization of the associated change in society, people with a good reputation play a more important role.

> "Reputation is omnipresent. In our society, where you are just a click away from rankings, grades and likes, this issue has a high priority nowadays." (Managing Director, Investment Banking).

Often, people with a good reputation serve as role models for all ages. But also individuals can lose reputation. A concrete case, where it had lead to a rapid reputational damage, can be found in the politics.

> "Well, in Germany it has been remarkable what happened to Martin Schulz, for example, and how his reputation completely fell apart within a few months." (Head of Communications, Retail).

In an interview, reputation had been described as a quality seal. In this interview, reputation is strongly associated with integrity. Often, daily decisions can be traced back to reputation. For example: Which doctor am I going to see, which school do I chose for my children, or for which sports club will I become active?

4.8 Purpose

Apart from their pure intention to maximize profits, companies must also provide an added social value. This added social value can be described as the company's raison d'être. More specifically it means that companies are allowed to generate profits, if they provide an added value to the society. This way of thinking is also widely reflected in the reputation.

> "The exact points, in which you can anchor an added social value, can be found in the reputation dimensions. In my opinion this gains in significance. Those are the key points of the license to operate." (Director, Reputation and Crisis Management).

The increasing social pressure also doesn't enable companies to decouple without accepting blatant reputational damage.

As a last interesting example, the post office was mentioned. For the post office, the reputation doesn't matter. All that counts is that they fulfill their services in a satisfying way. According to that the purpose is much more important than the reputation.

4.9 Best Case

When asked for the best cases in the fields of reputation and reputation management, our interview partners mentioned companies from the most various industries. For example, the Otto Group was mentioned – a very traditional and well-established corporation, which reputation strongly depends on the reputation of the Otto family. Furthermore, the company Beyond Meat, a food producer, who offers vegan meat supplement products and who reacts to several trends with it at the same time, was mentioned. By foregoing real meat, people address the topics health, climate change, scarcity of resources and the welfare of the animals in a sustainable way. That way, a strong brand could be established. Finally, Google was mentioned. The American search engine specialist, who even after several negative news, is still kindly regarded by our interview partners. Also, on the individual level, a best case was found: Helmut Schmidt. The former chancellor, who was told that he "had an incredible competence and that he is a role model for many people." (Head of Communications, Retail)

4.10 Worst Case

As a worst case, particularly BP was mentioned. Especially with the disaster in 2010, where the oil rig Deepwater Horizon exploded in the Gulf of Mexico. This tragic event killed several workers and went down in history as the most devastating environmental disaster. Not only that this incident happened, but also the lack of crisis management and the public communication caused a major reputational damage for BP. As part of the interviews, Lehman Brothers, United Airlines and Glencore were mentioned as worst cases.

Detached from the corporate context, the incumbent US president comes off badly as well.

> "Donald Trump, not even as a person, but for what he has done in the function as a president. Well in my opinion, for many generations and also for millions of people, the American president has been a person to be respected, but also a person that was associated with certain values. And he trampled it all over. And this position is significantly in a weaker position with regard to its reputation these days and more damaged than it ever was before." (Head of Communications, Retail).

4.11 Recovery Case

For several interview partners, Lidl stands for a recovery case. Globally, Lidl is one of the largest food retailers in the low-price segment. However, many people associate Lidl with the discount shop that has monitored its employees over a long period and which has been massively criticized for that. In the opinion of our interview partners, Lidl has managed to successfully master the trend values.

> "For me, it was quite interesting to see, how a strong brand like Lidl was criticized this massively. That was a few years ago, however they have consequently worked on quite a respectable reputation with internal measures, quality management, but also with a different setting of the store design" (CEO, Reputation Consultancy).

4.12 Summary of Interview Conclusions

The reputation of corporations is a crucial success factor for corporations. With quality and performance, they can earn this success factor in a long-term process and transport it outward through their own corporate values. As a result, the corporations are able to build trust in the stakeholders. The evaluation, whether a corporation gains a good or a bad reputation, is taken out individually by each of the stakeholders and can vary among the different stakeholder groups. Although reputation is identified as a central success factor, there are not many companies, which already manage this topic actively. In fact reputation is often mistaken for concepts, such as image or brand, which in our opinion is not extensive enough. Therefore the responsibility is partly ignorantly delegated to the marketing and communication departments. Furthermore, the issue "reputation" is mostly reduced to reputation risks, which should be avoided in any case. According to this, reputation is not yet perceived as something that you can actively acquire as an asset. Thus a big part of the potential is neglected up to now.

5 Assumptions regarding the Reputation Research

This chapter summarizes all findings from the study in fundamental assumptions, which shall serve as a basis for further research projects. These fundamental assumptions are based on the current state of science, determined in the literature analysis, which in the expert interviews was compared to the actual implementation in practice. Resulting from this are relevant findings and obvious fields of action, of which the most relevant ones have been chosen for further research in the following. This said, the following assumptions must be understood as a summarized result of the present study.

In order to create the necessary basis, we start with definitions of the central terms *Reputation* and *Reputation Risk,* as they were derived from the study:

Reputation

Reputations are dynamically changing, organization-related evaluations by various stakeholders, which they use as a reference for the assessment of future behavior and performance of these organizations.

Reputation risk

Reputation risks are direct and indirect risks in connection with changing perceptions of the corporations and assessment of their future behavior and performance by various stakeholders.

ID	Fundamental Assumptions
1	The management of reputation and its risks requires a clear definition of the terms and a consistent measurement approach, which takes the dynamics and the contextuality of the construct into account.
2	Corporations have various reputations at the same time; in the reputation management, different internal and external stakeholder groups must be reconciled.
3	Corporations which do business in different regions need to take cultural differences in the reputation management into account.
4	Reputation effects, positive and negatives ones, can cause a spillover effect.
5	Reputation must be a topic that is embodied by everyone in the company and controlled by the top management.
6	The purpose of a corporation is reflected in its reputation.
7	Reputational damages represent a risk for the future performance of organizations and can have multiple adverse consequences.
8	A platform for the management of reputation risks should be dynamically networked, fed by different data sources and it should visualize relevant information in a clear way.

Table 5 – Compiled Key Assumptions regarding Reputation and Reputation Risks

6 Tender

In this chapter, the findings, which were extracted from the preliminary study with regard to future research projects, are being collected in order to outline a possible research project “early warning system reputation risk” [the project] and to establish a basis for a tender by the Funk foundation.

It can be expected that a project in this area, which represents a scientific progress on the one hand and can be used by corporations to add value to the reputation management on the other hand, is an extensive one, which requires both competences in the field of research and also in the development of the most modern digital applications and platforms. It is being suggested that a contractor with a conceptual outline takes over the coordination of such a project and potential subcontracting in close cooperation with the Funk foundation.

6.1 Scope

The targets of the project are (1) the scientific conceptual development of a new tool for tracking reputation risks, which can be embedded into an early warning system and (2) the technological implementation / development of this early warning system and its components.

6.1.1 Scientific Conception

As it was extensively derived from this study, the state of the scientific knowledge is too fragmented in the field of reputation risks to serve as a basis for the development of tools for the management of reputation risks. Nonetheless, a few promising approaches have become evident in the following subsections.

(1) Conception
The project shall thus determine the most relevant theories and concepts, which exist in the extant research, and develop them further in order to ensure an operational feasibility. This conception shall for example include assessment models (which direct and indirect influences are extant on the reputation) and enable an evaluation in the height of potential reputation damages. By this, the dimensions «Risk Likelihood» and «Risk Impact» are taken into account.
Furthermore, concrete approaches for the prevention of reputation risks and/or the management of occurred risk cases shall be developed.
The consequent consideration of the influence of respective stakeholders and other context dimensions on the development and management of reputation risks are of fundamental relevance. Furthermore, a dynamic updatability of the early warning

system must be given, just like a concrete comparability of the risk profile before and after reputation events

(2) Empirical Validation

Models and assumptions, developed in the frame of the conception, must next be empirically validated. It is recommended that this is taken out in a first partial step with survey panels of selected stakeholders, in order to validate or falsify assumptions on the impact of different events on the reputation profile of corporations, which, in the next partial step, have been developed in (online) experiments.

(3) Scale and Framework Development

In a last step of the theoretical work it is necessary to develop scales for the measurement of reputation and its risks. These potentially multi-dimensional scales are elementary for the regular assessment of the reputation risk profile. The conception closes with the development of a framework in which it is illustrated, how different scales are being reconciled with each other and from which data sources they would be fed.

In the frame of the entire conception, a special attention should be paid to the development or approaches for the application of new technologies. In particular a IoT support of such a tool, which is based on Big Data Pools and the implementation of machine learning, shall be checked in order to satisfy the diversity and dynamic of the underlying data.

6.1.2 Development of an early warning system

In a second step, a scientific and technologically modern early warning system which reveals reputation risks before they become a damage case, demonstrates prevention strategies and offers approaches to the claims management, which shall be developed within the framework of the project. If possible, the early warning system shall be a platform, which partner companies can access in order to benefit from the existing data base on the one hand and to also contribute further data to the entire system on the other hand.

A special emphasis in the implementation of the early warning system is placed on the aspects: (1) the data sources, (2) the dynamic depiction of evolving risk areas and (3) a clear visualization.

(1) Data sources

One of the elaborated reasons for the fact that until quite recently systems, which were able to depict the required contextual diversity of data were not available. However, nowadays big data applications which are based on data lakes that are fed by a diversity of sources, find an extensive application. The project shall explain, which data sources can be considered. For this purpose, semantic analyses of ever changing states in social media or public media channels, behavior data of different stakeholders and more are possibilities apart from the classical surveys.

(2) Dynamic Update

The dynamic update of a reputation management system, which would represent a far-reaching progress to the already existing static solutions, is of central importance. Therefore the regular automatic updating of the risk assessment and the developments which can have an influence on the reputation, are a requirement to an early warning system that is to be developed.

(3) Visualization

Due to an inherent complexity of the management of reputation risks, an appealing and comprehensible visualization of the data is necessary. Visualizations of current risk complexes and constant change in dashboards / cockpits, which can be visualized by users and thus facilitate the management of reputation risks while at the same time it is set to a concrete data basis, are possible for instance.

Another feature of the early warning system should be a notification function, which notifies the users in cases of significant changes in the reputation risk environment, so that they can take the appropriate measures in time.

6.2 Process

Since the project is designed to create a preferably innovative and creative solution, it is recommended to get quotes of various possible contractors, with the requirement to outline project deliverables and the way in which these are reached and technically implemented as detailed as possible. Before the decision, it is recommended to organize an assignment pitch, in which all participants can present their solutions and discuss them with a panel of experts.

Depending on the concrete design of the project, a timeframe of at least 1.5 years after the assignment can be assumed. Here, the conception and the technical implementation take at least a year (taking into account all the above-mentioned possibilities, a technical implementation with a longer project period is to be assumed), it is assumed that both stages can partly be taken out at the same time.

Due to the extended complexity of the project it is to be assumed, that during the project period, several workers are involved in the project full-time. Furthermore, it can be assumed, that different IT partners must be involved in the development of the platform and the interfaces as well. Reliable cost estimation requires concrete tenders of possible contractors, which equally take into account concrete tenders of possible project partners.

Authors

	**Peter Maas** is a professor of business administration at the School of Management of the University of St Gallen, with a focus on insurance and service management. He is a member of the Executive Board of the Institute of Insurance Economics at the University (I.VW-HSG) and also holds positions in the board of directors of two InsurTech companies and a family foundation. His current research interests focus on customer value management, data-driven business models, digital transformation, ecosystems and megatrends in services markets. He is a regular speaker at management conferences and executive education programs and has coached several international financial services companies.
	**Martin Bieler** is a project manager and doctoral candidate at the Insitute of Insurance Economics (I.VW-HSG). His research focuses on consumer behavior, specifically on ways to assist consumers in navigating complex services markets. Furthermore, some of his research touches upon timely issues of corporate reputation management. Before entering into the doctoral program, Martin worked in supply chain strategy for a major German industrial conglomerate.
	**Lukas Fischer** is a project manager and doctoral candidate at the Insitute of Insurance Economics (I.VW-HSG). He conducts research on consumer behaviour in the financial services sector with a focus on customer experience, a top management priority for many financial institutions. Furthermore, some of his research touches upon how technology may impact the effectiveness of prevention. Before entering into the doctoral program, Lukas worked as an underwriter within a major Swiss reinsurer.
	**Christopher Schumacher** (MSc) holds a Master's degree from the European Business School (EBS). After graduating, he worked in strategy consulting in the financial services sector. Christopher is a PhD candidate and project manager at the Institute of Insurance Economics at the University of St.Gallen (HSG) where he is responsible for a number of projects. In his PhD thesis, Christopher investigates current challenges in international management. Christopher presented his research at renowned conferences.

Institute of Insurance Economics
University of St.Gallen

Tannenstrasse 19
9000 St. Gallen / Switzerland
www.ivw.unisg.ch

funk STIFTUNG

Valentinskamp 18
20354 Hamburg / Germany
www.funk-stiftung.org