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Corporate reputation in the People's Republic of China: A B2B perspective

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A B S T R A C T

How B2B firms in the People's Republic of China [PRC] view, value and manage their corporate reputation has received little research attention. Drawing on multiple case studies, our findings confirm that firms are utilizing certain Western conceptualizations of corporate reputation, including the leveraging of intangible forms of corporate reputation. However, many of the firms were also using the hitherto underemphasized elements of firm–government relationships and government regulatory policies to create positive assessments of a firm's reputation among key stakeholders. Notwithstanding our findings that corporate reputation is valued as a means of gaining competitive advantage and dispelling perceptions that Chinese products/services are low-cost and low-quality, concern remains that building reputation capital among stakeholders may result in a loss of price competitiveness. Finally, unlike the framework proposed by Barnett, Jermier, and Lafferty (2006), our results suggest that B2B firms in China do not impose clear boundaries between reputation and 'corporate reputation capital'. Nor does there appear to be an emphasis on disaggregating the constructs of identify and image from that of reputation.

1. Introduction

Irrespective of domicile, firms today generally recognize the importance of corporate reputation (Bennett & Kottasz, 2000; Devine & Halpern, 2001; Dolphin, 2004; Kitchen & Laurence, 2003; Pharoah, 2003). Nevertheless, Lines (2004) has suggested that compared to their North American counterparts, Asian executives place greater emphasis on the linkage between corporate reputation and such tangibles as stock prices, sales figures, and the formation of strategic partnerships. This more tangible orientation is also present in Asian approaches to brand management (Ewing, Napoli, & Pitt, 2001). Conversely, European and North American executives place greater emphasis on identifying ways that corporate reputation can be leveraged to deliver intangible outcomes, particularly the recruitment and retention of employees (Lines, 2004). In understanding such differences, it is important to consider the context in which firms operate.

Johns (2001) eloquently argues that context is a critical variable to consider in seeking understanding of the nexus between a person and their situation. Moreover, Tsui (2007) has expressed concerns that an overemphasis on prevailing North American management research paradigms may in fact thwart the development of 'global management knowledge' by overlooking the valuable insights that can be gained from examining novel contexts. Taken together, contextual factors may help to explain differences in the emphasis given to corporate reputation among Asian CEOs and those in the West. Furthermore, studies focusing on context may help concretize whether boundary conditions exist in the minds of senior management when they conceptualize and utilize strategies to build their firm's reputation. This has theoretical implications given the divergent definitions of the reputation construct (see Barnett, Jermier, & Lafferty, 2006).

The influence of context-specific factors on the adoption and utilization of strategies to build and/or maintain corporate reputation in China is of particular importance for a number of reasons. First, the People's Republic of China (PRC) has been experiencing an unprecedented industrial boom across multiple industry sectors (see OECD, 2005; Schott, 2008). For example, in 2007 China's real GDP increased by 11.4%, the most rapid rate of annual growth since 1994 (Morrison, 2008). Second, indigenous Chinese firms are increasingly becoming important players in local and international markets. As such, keeping abreast of their approaches to developing and/or leveraging corporate reputation is of strategic importance, especially in a tightening economic climate where firms are under increasing pressure to maintain competitive advantage. Third, firms' understanding of corporate reputation in China remains under-researched (Fombrun & Pan, 2006; Zyglidopoulos & Reid, 2006). Specifically, little is known about whether firms in China perceive, build, manage, and/or measure corporate reputation in a more traditional Western-centric manner or whether they have developed their own context-specific approaches. This issue is particularly important given the tendency for existing research literature on China to be homogenized to US-centric norms (Tsui, 2004, 2007).

In response to Tsui's (2007) call for more culturally specific and culturally validated management research in China, we undertake a

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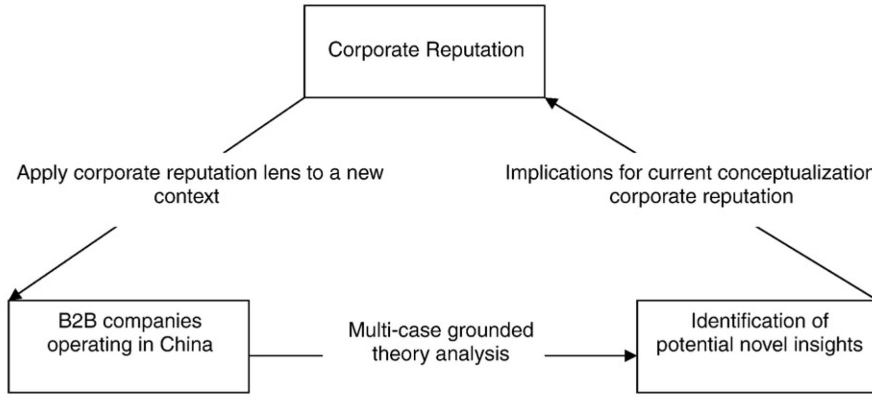

Fig. 1. Contextualization of corporate reputation.

'grass-roots' examination of how firms in the Chinese B2B sector manage their reputations. Specifically, the study seeks to contribute to the existing literature by identifying whether B2B firms in China are approaching corporate reputation in ways that are different to existing Western-centric views of this construct (see Fig. 1[1]). As Whetten (2009) has argued, there is a need to apply theoretical constructs to contexts other than the ones in which they were developed. Such a process enables elucidation of potentially useful contextual differences. As such, it is anticipated that the lessons learned from China will broaden our understanding of the ways in which corporate reputation can be conceptualized. Of particular interest is whether B2B firms are adopting novel approaches to corporate reputation that may lead to new avenues for research or modify existing definitions of this construct. Furthermore, applying a contextual lens to the issue of building and maintaining reputation among B2B firms in the PRC may help to identify practical insights for assisting businesses that seek to establish/strengthen links with Chinese firms.

The paper proceeds as follows. First, we review existing research on corporate reputation in China. Next, the method is outlined and the results from our multiple case-study analysis are presented. Finally, the study contributions and limitations are summarized along with suggestions for future research.

2. Corporate reputation and the People's Republic of China

Definitions of corporate reputation vary and reflect the input from different disciplines including management, marketing, economics, public relations, sociology, and even game theory (Brown, Dacin, Pratt, & Whetten, 2006; Deephouse, 2000). The literature on corporate reputation variously interprets the construct as: (i) a 'company-centric', marketing-based construct that permeates how people in the organization think about and behave on behalf of the organization (Balmer & Greyser, 2006; Ettenson & Knowles, 2008); (ii) the result of past actions (Nguyen & Leblanc, 2001); and (iii) an indication of how well a firm's target audience 'knows' them (Lewis, 2001). We define corporate reputation as "observers' collective judgments of a corporation based in assessments of the financial, social, and environmental impacts attributed to the corporation over time" (Barnett et al., 2006, p. 34). As such, reputation is part of a framework that interlinks it with the related concepts of identity, image, and reputation capital. Inherent within the Barnett et al. (2006) framework is the notion that observers' perceptions of corporate identity and image can contribute to their assessments of a firm's reputation. Equally importantly, the framework delineates how stakeholder assessments of a firm can foster reputation capital; the intangible value of their reputation as an economic asset.

Perhaps one of the most important contextual factors contributing to the focus on corporate reputation in China is its emergence as the world's 'factory' (Loo & Davies, 2006). Between 1972 and 2005, China's presence in all manufacturing product categories increased from 9% to 85% (Schott, 2008). However, the export prices of Chinese manufactured products are still generally lower than those manufactured in OECD countries (Schott, 2008), and this has led to perceptions that products manufactured in China are of inferior quality and, in some cases, dangerous (Morrison, 2007).

The spate of product recalls in recent years has not helped to allay negative customer perceptions (Fombrun & Pan, 2006). In 2007, for example, the Food and Drug Administration issued warnings regarding a wide range of Chinese-made products including toothpaste, fish products, heparin, and 150 brands of pet food. During the same year, the Consumer Product Safety Commission issued multiple recalls on Chinese manufactured children's toys because of concerns about lead contamination and other potential health hazards (Morrison, 2007).

The negative impact on firm reputation is likely to be particularly robust among import nations where there are significant numbers of consumers who look beyond price to the actual reputation of the company making the product (Fombrun & Pan, 2006; Loo & Davies, 2006). It is therefore not surprising that many Chinese firms are beginning to shift their focus from price-based competitive strategies towards more complex marketing strategies (Chen, 2004). Such moves are possibly influenced by government policy changes (Zhang et al., 2008) with respect to environmental responsibilities and economic pursuits.

Building on the preceding review of the China corporate reputation literature, the following schematic illustrates the potential for contextual factors to influence the way(s) in which B2B firms conceptualize, build, and maintain corporate reputation, and feedback into existing understandings of this construct (Fig. 2).

3. Methods

Data for this paper were obtained through multi-source case studies. The use of interpretive methods has found support among industrial marketing researchers (Johnston, Leach, & Liu, 1999; Starkey & Madan, 2001; Woodside & Wilson, 2003; Beverland, Ewing, & Matanda, 2006). The case-study method utilizes a wide range of data sources to derive a detailed picture of the business situation/environment (Sternquist & Zhengyi, 2006). This method is particularly useful when the goal is to obtain a deeper understanding of 'soft' variables (Yin, 1994) and where there is dynamic change (Matthyssens & Vandenbempt, 2003). Although not as in-depth as single-case studies (Dyer & Wilkins, 1991), multiple case studies increase the generalizability of research findings and are thus indispensable for theory-building research (Eisenhardt, 1989).

Our sample comprised 24 B2B firms in the PRC. A convenience sampling methodology was used as it was not deemed feasible to

[1] The authors wish to acknowledge the feedback from an anonymous reviewer in the formulation of this diagram.