



Employees: The key link to corporate reputation management

Karen S. Cravens^{a,*}, Elizabeth Goad Oliver^b

^a *The University of Tulsa, 600 S. College Avenue, Tulsa, OK 74101-3189, USA*

^b *Washington and Lee University, Lexington, VA 24450, USA*

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Abstract Employees and corporate reputation are unique resources that generate positive financial performance and ultimately create sustainable competitive advantage. Corporate reputation is vital to the organization, and employees are the key link to managing it. By recognizing the synergistic role that employees can play in the overall positioning of corporate reputation, management can obtain significant achievements in terms of satisfying corporate strategic objectives. Initiatives essential to gain employee commitment to corporate reputation enhancement are examined, along with the use of the balanced scorecard to integrate corporate reputation metrics into the incentive system.

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1. A valuable resource

A variety of studies across business disciplines provide compelling documentation that corporate reputation matters; similarly, evidence from the popular press also indicates reputation is important. Although a favorable reputation can endow firms with a host of benefits, perhaps the most important is that it can lead to superior profits over time (Roberts & Dowling, 2002). The resource-based view of competitive advantage explains how reputation generates this superior return: a favorable reputation is a valuable resource that is difficult to imitate; thus, rival firms are not able to compete successfully (Hoopes, Madsen, & Walker, 2003).

Other resources that have value and are difficult to imitate include human capital and employee know-how. Combined, these intangible assets constitute a powerful and unique tool capable of creating sustainable competitive advantage. Carmeli and Tishler (2004) show that human capital and managerial capabilities contribute to organizational performance, in conjunction with perceived organizational reputation. A key relationship that has not been explored is the extent to which employees, including management, can contribute to managing corporate reputation. Reputation does not result by fiat; rather, it is the output of management leadership and concerted efforts by everyone in the corporation.

We consider how these two powerful intangible resources, corporate reputation and employees, comprise a unique combination to create sustain-

* Corresponding author.

E-mail addresses: karen-cravens@utulsa.edu (K.S. Cravens), olivere@wlu.edu (E.G. Oliver).

able competitive advantage. Our objective is to indicate how employees are the key link to effective corporate reputation management in terms of value enhancement for the firm. We illustrate the benefits that are generated from actively managing corporate reputation and offer suggestions on how, using the balanced scorecard, to incorporate into the management control system of the organization the role of employees in managing corporate reputation. Results from an exploratory pilot survey indicate a lack of reputation-related metrics in corporate assessment and incentives, highlighting opportunities for firms considering this strategic priority.

2. Corporate reputation in perspective

In conjunction with a growing awareness of employees as key intangible assets, corporate strategists are confronted with an increasing realization of the need to measure and manage corporate reputation. Corporate reputation reflects all of the components of an enduring and consistent regard that translates to such benefits as increased revenue, advantage over competitors, and even strong brand loyalty. Corporate reputation is much more than corporate image or corporate identity. In referencing a well known researcher on reputation, [Fombrun \(1995\)](#), [Bromley \(2002, p. 36\)](#) defines “corporate reputation as a collective assessment of a firm’s past behavior and outcomes that depicts the firm’s ability to render valued results to multiple stakeholders.” Reputation is created by a large group of constituents including consumers, employees, investors, stakeholders, and the general public ([Jackson, 2004](#)). By recognizing the synergistic role that employees can play in the overall positioning of corporate reputation, management can obtain significant achievements in terms of satisfying corporate strategic objectives and generating sustainable competitive advantage.

Since corporate reputation is a value-based composite that includes commercial, compliance, and social responsibility attributes ([Jackson, 2004](#)), it is critical to assess the ways in which it interacts with the many areas of an organization. The effective management of reputation can yield a variety of advantages that translate to long-term strategic benefit. Similarly, once a reputation is created, the perception may be difficult to change in the minds of stakeholders and the public.

If corporate reputation is, indeed, important in terms of financial performance, it is essential to explore how another critical intangible asset,

employees, can contribute to the management of reputation. [Fig. 1](#) illustrates this proposed relationship. Employees are the first step in the process to manage corporate reputation; after all, it is not possible to create a quality product or provide a quality service without the efforts of employees. It is the balanced scorecard and the incentives associated with it that form a management control system that facilitates employee assistance in the management of corporate reputation. With a favorable reputation, companies should enjoy positive firm performance. Since employees and corporate reputation are unique assets that, in combination, should be difficult to imitate, the result from this synergy should generate sustainable competitive advantage.

As mentioned previously, human capital and managerial capabilities have been shown to contribute to financial performance of the firm, as has perceived organizational reputation ([Carmeli & Tishler, 2004](#)). If these resources are singularly important in creating positive financial returns,

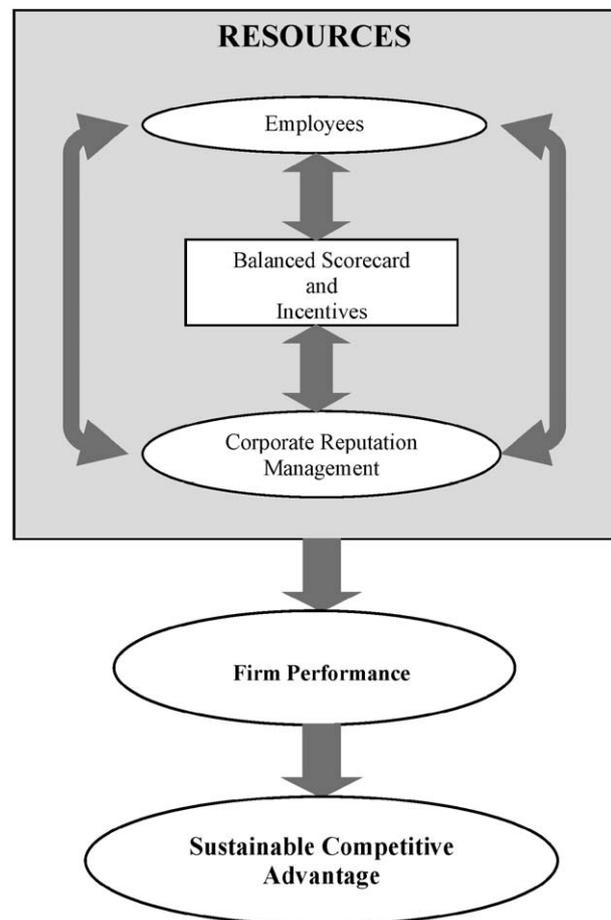


Figure 1 Proposed impact of employees on sustainable competitive advantage.

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