Corporate reputation’s contribution to the co-creation of value from stakeholders’ perspective – the case of customers

ABSTRACT
Corporate reputations are social constructions particularly relevant in networked contexts. Yet the concept has never been studied from service ecosystem’s perspective. Service-dominant Logic literature suggests that corporate reputation can assume several roles in daily processes of value co-creation involving a firm and its stakeholders. An empirical research is required and we intent to employ a multiple-case, embedded study to understand how the reputation of a firm can influence value co-created with stakeholders, particularly with customers.

This research will offer important academic contributions as it will introduce the concept of corporate reputation in the Service-dominant Logic literature for the first time and enrich it with cognitive and behavioral aspects of the value creation process.

Keywords: Service-dominant Logic, corporate reputation, value co-creation, employees, customers, service ecosystems.
INTRODUCTION

Recently, Service-dominant Logic researchers have devoted special attention to cognitive and behavioral aspects of the value creation process (Akaka et al, 2014; Vargo, Wieland and Akaka, 2014) and emphasized the influence of the symbolic and social components of context while they recognized the need to deepen what is known about social contexts dynamics (Akaka, Vargo and Lusch, 2013).

Corporate reputation is a form of social assessment (Bitektine, 2011) particularly relevant in networked contexts (Dacin et al, 2002) which has gathered the interest from various disciplines in recent years (Barnett and Pollock, 2012; Fombrun, 2012). In fact, corporate reputation entails stakeholder’ perceptions and past experiences regarding a particular firm (Deephouse and Carter, 2005) and it determines his future behavior toward the company (Bitektine, 2011).

Based on Service-dominant Logic and corporate reputation literatures this paper aims to explore the role of corporate reputation in value co-creation within an ecosystem. Specifically, this paper argues that the concept of corporate reputation is particularly compatible with Service-dominant Logic and corporate reputations possibly have several relevant roles on the process of value co-creation. Additionally some issues that need further investigation are identified.

We begin with a brief presentation about the state-of-art of corporate reputation research and then we synthesize the most relevant aspects of Service-dominant Logic on which we will elaborate our ideas about the roles of corporate reputations in the process of value co-creation. These ideas will be presented in the following section and will result in a set of propositions. An empirical
design of the research is briefly presented and we conclude with possible implications of this research for Service-dominant Logic.

CORPORATE REPUTATION

The first decade of this century – the “formative phase” of corporate reputation research (Lange, Lee and Dai, 2011, p. 154) – was prolific in contributions to define the concept. We can find numerous definitions for corporate reputation (Barnett and Pollock, 2012) and each one of them disclosure the knowledge area premises and the framework used to view the concept (Fombrun, 2012).

Barnett, Jermier and Lafferty (2006) review several proposed definitions of corporate reputation in academic literature and concluded that there are three main “clusters of meaning” (p. 26): (1) reputation perceived as a key organizational asset, a perspective that is present in articles where reputation is treated as “something of value and significance” to the firm akin to a “resource” or an “intangible asset” (p. 33); (2) reputation as a method for measuring the worth of a firm, with examples of this being found in abundance in the several reputation ratings and rankings that have come to proliferate in recent years (Fombrun, 2007) and finally (3) reputation as synonymous with the aggregation of perceptions about the organization. According to the authors, the difference between this latest perspective on reputation and the previous one resides on the absence of a deciding and overriding assessment of the organization which is missing from the latter and exists in the former.

Last decade was also marked by the diversity of studies on the dimensionality and the operationalization of the corporate reputation concept. The large majority of researchers assumed,
in most cases implicitly, that corporate reputation is a single dimension concept. The clearest exception was found in the work done by Organizational Sciences researchers (e.g., Deephouse and Carter, 2005; Rindova et al., 2005) where corporate reputation was presented as a complex concept with multiple dimensions. Recently, the latter perspective on corporate reputation has been gaining ground with several researchers from different areas dealing with reputation as a multidimensional construct although there is not yet an extended consensus on what are those dimensions (Fombrun, 2012; Lange, Lee and Dai, 2011; Mishina and Devers, 2012).

During several years corporate reputation was predominantly accepted as a collective judgment from its stakeholders (Barnett, Jermier and Lafferty, 2006). The implicit assumption behind this proposition is that all stakeholders have similar perceptions about the firm as well as a common value system (Walsh and Beatty, 2007). Recent articles suggest a turnaround by advocating that corporate reputation should be “stakeholder group-specific” and “reference group-specific” (Fombrun, 2012) or even idiosyncratic to each stakeholder (Lange, Lee and Dai, 2011). Also Jensen, Kim and Kim (2012) argue that corporate reputation as a collective assessment has little practical utility and is difficult to measure.

An important premise assumed specially by Organizational Sciences researchers is that corporate reputation is socially constructed (Lange, Lee and Dai, 2011; Rao, 1994). This proposition supports the complexity of the concept since each individual interprets and reacts to the company's behaviour idiosyncratically and then influences others in their own interpretations (Lange, Lee and Dai, 2011).
The diversity of perspectives is also present in corporate reputation measurement. Berens and van Riel (2004) have presented an overview of literature on corporate reputation with the purpose of identifying the types of corporate associations that researchers have made when measuring the reputation of an organization. The authors have aggregated their views into three main conceptual streams corresponding to: (1) the different social expectations that people have regarding a company which can and indeed are used to measure reputation. It is within this category that lies the largest number of reputation measures (Fombrun, 2007) and two of the most well-known examples are Fortune’s Most Admired annual list of firms (Lange, Lee and Dai, 2011) and Reputation Institute’s RepTrack Pulse (Ponzi, Fombrun and Gardberg, 2011); (2) personality traits that are used to define a company can also be used to measure reputation. The Corporate Personality scale developed by Davies, Chun, Silva, and Roper (2001) is the most prominent example of this stream and (3) different reasons why we should trust a company is the third main stream that has been identified by the authors who have pointed to the Corporate Credibility scale developed by Newell and Goldsmith (2001) as an example of this latter perspective.

This brief “state of the art” of corporate reputation studies shows, mostly, the plurality of the concept. However the recent importance assigned to institutions in service ecosystems and detailed ahead (Akaka et al, 2013; Vargo, Wieland and Akaka, 2014) seems to be more compatible with an institutional perspective on corporate reputation. Thus we will look at corporate reputation as “a social comparison among organizations on a variety of attributes, which could include (…) regulative, normative or cognitive dimensions.” (Deephouse and Carter, 2005, p. 332).
Corporate reputation is studied by Institutional Theorists mainly to understand how it is built through legitimacy and culture inside institutional contexts (Bitektine, 2011; Deephouse and Carter, 2005; Hall, 1992; Rao, 1994) but that are other researchers in Institutional Theory that see corporate reputation as a way to create value to the firm (Rindova, Pollock and Hayward, 2006). However, the Institutional Theory perspective on value is close to the traditional “Goods-dominant Logic” view on value (Vargo and Lusch, 2004).

According to Bitektine (2011) the importance of corporate reputation is in the social need for judgements that arise from several typical aspects of today’s life in society such as “imperatives of economic exchange, the discharge of regulatory and other social duties (e.g., imposition of sanctions), or the social and psychological need to have and express an opinion about the organization” (p. 170). In such situations, stakeholders make use of their past experience with the firm and information gathered by them or provided by third parties to form that opinion. The time and effort dedicated to build an opinion about a firm depends on a group of characteristics: the economic or social interests involved regarding the firm, the intensity of social pressure to have and express an assessment about the firm, the stakeholder psychological tolerance for facing uncertainty over the subject and the availability of necessary resources to form an opinion about a firm (Biketine, 2011).

SERVICE-DOMINANT LOGIC AND SERVICE ECOSYSTEMS

Supported on the ideas from the Nordic School researchers that economic theories - traditionally the main source for Marketing and Management - are heavily supported on price, on rational behavior and are manufacturing-centered (Gummesson and Gronroos, 2012) and influenced by the work of Prahalad and Ramaswamy (2004), Vargo and Lusch (2004) presented Service-dominant Logic approach which started to be a theoretical framework for Marketing researchers
with a feeling that the traditional Marketing frameworks did not fit reality and needed a paradigm shift (Vargo and Lusch, 2004; Vargo and Lusch, 2008). Yet, the rapid and widespread acceptance of Service-dominant Logic premises by researchers from different knowledge areas took this framework to be accepted as the theoretical foundations for a new knowledge area (Vargo and Akaka, 2009; Vargo and Lusch, 2011).

Service or the “application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself” (Vargo and Lusch, 2004, p. 2) is the central concept in Service-dominant Logic and it is the essence of every exchange process.

The logic provided by Vargo and Lusch aims to replace the traditional perspective - or “Goods-dominant Logic” - where the focus of practitioners and researchers is in finding ways to maximize profit obtained from selling goods because it is believed that those goods have intrinsic value. Also the role of firms and the role of other stakeholders like customers are distinct and do not cross each other: in a first stage firms must produce and distribute goods and in a later stage customers should buy and consume the same goods (Vargo and Lusch, 2004; Vargo and Lusch, 2008). Instead, authors propose a distinct perspective – “Service-dominant Logic” – built on the idea that what can be valued for others is the use of competences that constitutes “service” regardless of its material or immaterial form.

As mentioned, Service-dominant Logic has evolved as a result of its wide acceptance toward becoming a theory of markets. In this sense, Service-dominant Logic “is essentially a value-co-creation model that sees all actors as resource integrators, tied together in shared systems of
exchange – service ecosystems or markets. In this way, markets are characterized by mutual value propositions and service provision, governed by socially constructed institutions” (Vargo, 2011, p. 220).

According to Vargo, Lusch and Akaka (2010) value co-creation is the purpose of interaction, relationship development and exchange and an actor can only make value proposals to another actor since value will be created by the interaction of resources from all actors involved in the exchange (Vargo and Lusch, 2004; Vargo and Lusch, 2008).

Recently, Service-dominant Logic approached a new stream of research – Service Science - and adopted their perspective on service systems (Maglio and Spohrer, 2008; Vargo, Lusch and Akaka, 2010). A service system is seen as any number of elements, interconnections, attributes and stakeholders interacting in a co-productive relationship that creates value (Barile and Polese, 2010; Spohrer and Maglio, 2008). The study of such structures provides a dynamic framework for examining complex processes of exchange. In order to consider that networks can change over time and space and can assume an infinite number of shapes, Service-dominant Logic uses the concept of Service Ecosystems. These “systems of service systems” have the potential of representing the interrelationships among different types of actors and along different levels of context in a single framework (Chandler and Vargo, 2011; Vargo and Akaka, 2009) and are defined as a “relatively self-contained, self-adjusting system of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange” (Lusch and Vargo, 2014, p. 161). As Akaka, Vargo and Lusch (2013) pointed out, service ecosystems approach draw “attention to understanding the fundamental drivers and dynamics of complex social and economic systems that influence and are influenced by exchange” (p. 5) since
it considers multiple structures of interaction like they exist in reality (i.e., micro, meso, and macro levels of analysis) along with a glance over cognitive and behavioral perspective of value co-creation process (Akaka, Vargo and Lusch, 2013).

In recent articles, Service-dominant Logic researchers introduced a missing concept – Institutions – essential to understand the complexity of context (Akaka, Vargo and Lusch, 2013). Institutions are “norms, meanings, symbols, and institutional arrangements (constellations of integrated institutions) that guide cognitive and behavioral activities to facilitate collaborative value creation.” (Barrett et al, 2015, p. 142).

Human actions and interactions that form a service ecosystem are influenced by a set of existing institutions. Those institutions are always dynamics as they evolve overtime and are endogenous to value co-creation process. (Akaka, Vargo and Lusch, 2013).

CORPORATE REPUTATIONS IN SERVICE-DOMINANT LOGIC

Drawing on Service-dominant Logic literature and on what is already accepted by researchers on corporate reputation a few reflections are made about corporate reputations seen from a Service-dominant Logic perspective. From these reflections arise a set of theoretical propositions and is identified some issues under investigated.

1. Corporate Reputations within Service Ecosystems

Context is of utmost relevance and has unique characteristics in Service-dominant Logic because context not only is considered as endogenous for value creation but also influence value in use perceived by actors involved in the process in an idiosyncratic way – value in context (Vargo and Lusch, 2004; Vargo and Lusch, 2008, Vargo, Maglio and Akaka, 2008).
The introduction of service ecosystem concept brought the possibility of looking to interactions from different levels of analysis: micro level interactions are nested within meso level relationships which in turn are embedded in macro level interactions (Akaka, Vargo and Lusch, 2013).

During several years and to most of researchers corporate reputation was a collective judgment from its stakeholders (Barnett, Jermier and Lafferty, 2006) but recently this proposition has been challenged to become “stakeholder group-specific” and “reference group-specific” (Fombrun, 2012). The Service-dominant Logic literature complies with this recent perspective on corporate reputation concept as actors and contexts are partially defined by one another in such a way that every service ecosystem is unique (Chandler and Vargo, 2011). This is to say that corporate reputation is service ecosystem-specific (proposition 1).

We have been watching the escalation of consequences from reputational problems all over the world. From a Service-dominant Logic literature perspective, the explanation is in the increased interconnection and interdependence of “social, technological, economic, environmental, and political systems that people are part of and within which they play multiple overlapping roles” (Spohrer and Maglio, 2009, p. 7). In such a context, the interdependence between service ecosystems intensifies the risk of damage when reputational problems occur (proposition 2).

Innovation – “the combinatorial evolution of new, useful knowledge” (Vargo, Wieland and Akaka, 2015, p. 63) - is a critical concept to several theories and it is gaining relevance in Service-dominant Logic. The purpose of authors studying innovation through service lenses is to
understand how actors interacting in a service ecosystem can be able of innovating (Vargo, Wieland and Akaka, 2015).

Through service ecosystems approach, innovation involves the integration of operant resources and value co-creation among multiple actors, as well as the maintenance, disruption and/or change of institutions around service. (Akaka and Vargo, 2013).

Innovation is also present in corporate reputation literature. Particularly, Zucker (1987) concluded that if “an innovation directly affects reputation, then it is more likely to diffuse rapidly, to be retained by the organization, and to increase the likelihood of continued organizational survival” (p. 453). However, little is known about corporate reputation influence on innovation and if corporate reputation has similar importance in value co-creation in ecosystems where the need for innovation is high versus ecosystems where the need for innovation is lower.

2. Corporate Reputations and Value Co-creation

Corporate reputations has the ability to “signal (firm’s) key characteristics” to actors (Fombrun and Shanley, 1990, p. 234). Corporate reputation is a resource particularly relevant to the service proposal acceptance when an actor intends to engage in a service experience for the first time (Puncheva, 2008) or does not have enough information to make a decision and needs to reduce uncertainty (Jensen, Kim and Kim, 2012). It is broadly demonstrated in corporate reputation literature that it is an important intangible and dynamic resource (e.g. Bergh et al., 2010; Boyd, Bergh and Ketchen, 2010; Pfarrer, Pollock and Rindova, 2010 just to mention some recent works) and since it can be used by a firm to enrich its service proposition, we argue that corporate reputation is an operant resource (proposition 3).
The exclusive human characteristic of being able of combining past, present and future (Chandler and Vargo, 2011) is of the most relevance in reputation studies. Corporate reputation is the result from a group of perceptions collected from interactions between the firm and the actor over time (Jensen, Kim and Kim, 2012). Reputation reinforcement builds trust (Keh and Xie, 2009) and that is clearly an emotional dimension of value in context. In other words, corporate reputation creates value is one of the most common proposition in corporate reputation literature (Barnett and Pollock, 2012) but above all, from a Service-dominant Logic perspective, corporate reputation is value. More specifically, corporate reputation is a dimension of value in context for the firm and for the service beneficiary in such a way that could be used by both as a resource in a future interaction (proposition 4).

As mentioned by Vargo, Wielan and Akaka (2015) “within service ecosystems, institutional arrangements intersect and overlap and often create conflicting views on value and how value is derived. Because of this, the contextual and phenomenological nature of value, value-in-context (…) becomes a central aspect to value creation and a critical factor in innovation” (p. 68). Service-dominant Logic view on institutional arrangements is “socially constructed systems of norms, values and beliefs” (Vargo, Wielan and Akaka, 2015, p.67).

On the other hand and as already detailed, corporate reputation is a socially constructed set of perceptions about a firm retained by each stakeholder and these perceptions will influence the stakeholder’s behavior towards the firm.

In this sense, corporate reputations are informal institutional arrangements able to influence the process of value co-creation and the value in context which is idiosyncratic. We understand “informal” institutional arrangements as those arrangements that are not stem from formal constraints or centrally enforced (proposition 5). This idea is reinforced by some authors when
they mention that reputation can act as a regulatory mechanism by stimulating firms to behave according what is expected of them (Brammer and Jackson, 2012; McKenna and Olegario, 2012). This typically happens in situations where formal regulation is required but is missing (McKenna and Olegario, 2012).

The advantages of a strong corporate reputation under normal competitive conditions are abundant in corporate reputation literature (Barnett and Pollock, 2012; Fombrun, 2012). This same literature suggests that a firm reputation is less important to its stakeholders when the firm acts in a closed market situation. However, little is known about the importance of corporate reputations to value co-creation when competition is low or non-existent (e.g. monopoly or oligopoly).

Individual, organizational and contextual characteristics influence how each actor interacts in the process of value co-creation and how the same actor assess the value created (Vargo and Lusch, 2004; Vargo and Lusch, 2008). This foundational premise of Service-dominant Logic implies that the characteristics of each service process and the value resulting from it are both unique. Also, when corporate researchers state that the firm assessment depends on task characteristics, on the evaluator’s social environment, on the evaluator’s personality and on the stakes involved in the assessment (Bitektine, 2011) are assuming the same uniqueness however there are no evidences in literature about the differences and the similarities among actors belonging to the same stakeholder’s group (e.g. individual customers and organizational customers).
RESEARCH DESIGN

The aim of this research is to answer the question: What role(s) play(s) corporate reputation in a value co-creation process?

We will employ a multiple-case, embedded design where customers will be studied within a specific service ecosystem. At the center of this ecosystem is a firm with unique characteristics: 1) it has four distinct business activities with very different characteristics among them, 2) each activity has different requirements regarding innovation, 3) each business has different types of customers.

The characteristics of this ecosystem will allow us to create different and even polar groups of customers: 1) individual customers versus organizational customers; 2) public organizational customers versus private organizational customers; 3) protected business customers versus customers of open market business; 4) customers of a business that requires frequent innovation versus customers of a business that requires sporadic innovation.

From the data collected we expect to develop inductively a model that identifies the role(s) of corporate reputation in service experiences between a firm and its stakeholders, from the stakeholder perspective. Additionally, by comparing similarities and differences between the customer groups under research we expect to gather information on the issues that we identify in our reflections and left open.

CONCLUSION

Recent developments in service ecosystem’s approach concluded that the interactions occurring among actors are influenced by a set of existing institutions. Thus, those social constructions become of the most relevance.
This paper introduces a concept already studied from several theoretical perspectives – corporate reputation – and based on corporate reputation and Service-dominant Logic literatures proposes that corporate reputation could have several relevant roles in the process of value co-creation. Specifically we propose that corporate reputation could be seen as: 1) an operant resource and be used to enrich service proposition; 2) a dimension of value in context and be valued by the customer and/or 3) an informal institutional arrangement able to influence the process of value co-creation.

Additionally, we propose a set of other theoretical propositions regarding corporate reputations within service ecosystems and identify some issues that need investigation.

This research will offer important academic contributions as it is the first one to view corporate reputation from Service-dominant Logic lenses. On the other hand, it will introduce the concept of corporate reputation in the Service-dominant Logic literature for the first time and enrich it with cognitive and behavioral aspects of the value creation process.

REFERENCES


