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THE IMPACT OF CORPORATE REPUTATION ON BUILDING BRAND EQUITY: A PERSPECTIVE OF MULTINATIONALS FMCGs

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ABSTRACT

The purpose of this study is to generate a model to examine the relationships between corporate reputation and brand equity in a study of multinational firms operating within Pakistan. This research employs a quantitative approach to examine the hypothetical relationships presented in the conceptual framework. The data was collected from a sample of the assistant, deputy, and senior managers from various multinational firms of different origin having either manufacturing or operational concerns throughout Pakistan. The hypotheses testing suggest that the proposed model achieved an acceptable fit with the data (i.e., out of six hypotheses, five hypotheses were significantly accepted). The study has limitation in generalization, in terms of the survey questionnaire, the targeted audience (employees of the firms) and multi-national firms' context. It was concluded that there is a significant impact of corporate reputation in building a firm's overall brand equity. However, the magnitude of the impact of reputation over brand equity is subject to the choice of particular uses of corporate reputation. The study contributes to the corporate reputation literature in the area of brand management for multinational firms, particularly fast-moving-consumer-good (FMCG) firms existing in Pakistan.

Keywords: *Corporate Reputation; Brand Image; Brand Equity; MNC's (Multi National Companies).*

INTRODUCTION

The concept of corporate reputation is quite multidimensional in nature and follows a variety of explanations, contexts, and its overall application within the business world. Regardless of its number of different definitions, projections and understandings drawn within the literature, there was not any noticeable deviation based on all the researches reviewed which can undervalue the aggregate importance of corporate reputation both in theory and practice. Therefore, corporate reputation is not a mere option to consider in business perspective rather mandatory concern for the managers and stakeholders worldwide (Deephouse, Newburry, & Soleimani, 2016). Brand equity has been considered as a dimension of quality which was seen through the tangible and intangible components (Kamakura & Russell, 1991). Brand equity can be taken as the economic value of a brand to the firm from an economist's point of view like Simon and Sullivan (1993). Moreover, brand equity was defined by Mudambi, Doyle, and Wong (1997), as "the total value added by the brand to the core product". The incremental usefulness or total value of the product offered through its brand name is also mentioned as brand equity (Yoo & Donthu, 2001). In order to declare a brand's brand equity, a higher degree of awareness and familiarity with the brand must be witnessed. The increasing level of expectations by multiple stakeholders and growth in interest groups have intensified the need to assess the detailed role and importance attached to corporate reputation these days than before. Corporates which do not actively engage in managing their reputation are now more susceptible about their existence and encircled by greater risk to survive in future. Companies like Enron are history now because of terribly failing to maintain their corporate reputation (Shamma, 2012). A good corporate reputation not only helps in increasing customers and sales but also has a positive effect on decreasing costs and maximizing income and revenues of the business. It works as a "magnet" in pulling better human, financial, and technical resources. Considering the other factors being constant, the perceived business risk will be lower when the firm has developed a positive reputation (Nicolò, 2015). Therefore, a good corporate reputation helps in receiving better behavioral stakeholders' support, which later results in the competitive advantage of the firm (Rindova, Williamson, Petkova, & Sever, 2005).

LITERATURE REVIEW

In the marketing literature, corporate reputation is viewed as a signal of a firm's actions to its customers (Herbig, Milewicz, & Golden, 1994). Marketers put their efforts to understand the beliefs, attitudes, or intentions of market participants by sending, looking for, and understanding cues (Herbig & Milewicz, 1995). Nevertheless, vague, or negative signals can bring about opposite results (LaBarbera, 1982). Similarly, corporate reputation is also found as a grouping of personalities; a company can have up to seven types of human-like traits such as agreeableness, chicness, and ruthlessness (Chun, Da Silva, Davies, & Roper, 2005). Depending on the perceived fit between the firm's personality and an observer's personality, a certain type of personality is evaluated to be positive or negative (Berens & Van Riel, 2004). Furthermore, empirical evidence suggests that the complex nature of corporate reputation has demanded marketers to interpret each of the multiple characteristics separately to better describe a company (Chun et al., 2005; Davies, Chun, da Silva, & Roper, 2004). However, in the previous researches, the term corporate reputation has been used interchangeably with corporate image. Corporate reputation denotes the perception built up over a period of time, focusing on what an organization does and how it behaves (Gray & Balmer, 1998). In economics, corporate reputation is defined as either a trait or clues given by the company to customers about its products (Kreps & Wilson, 1982; Shapiro, 1982). In the context of strategic management, corporate reputation is defined as the characteristic(s) attributed to a firm and concluded from the firm's past actions. It is the stakeholders' view of a firm's strategic character and it can serve as an advance warning about retaliation in case if rivals respond aggressively (Weigelt & Camerer, 1988). Corporate reputation is the public's aggregate judgment of a firm in due time (Roberts & Dowling, 2002). However, few researchers argued that corporate reputation can be considered as an account of customers perception and overall beliefs about a firm's identity and reputation (Rao, 1994; Rindova & Kotha, 2001). Similarly, publicity or positive coverage received through media sources is also evidence of corporate reputation (Deephouse, 2000). From the viewpoint of strategic management, corporate reputation is considered either as a strategic resource or mobility barrier (Rao, 1994; Roberts & Dowling, 2002; Carmeli & Tishler, 2004); and an advantage that cannot be bought, copied, or even substituted (Barney, 1986; Dierickx & Cool, 1989). In general, it is not easy to duplicate the interaction of a firm with its stakeholders (Fombrun & Van Riel, 1997). In order to develop a corporate reputation, a company must regularly sustain reliable transactions (Herbig & Milewicz, 1995; Herbig, Milewicz, & Golden, 1994). Conversely, sociologists sight reputation as a sign of social acceptance, which reveals the fit between expectations and reputation (Fombrun & Van Riel, 1997). For example, a company can acquire approvals from its stakeholders through winning a certification challenge in the automobile industry (Rao, 1994). The projection of corporate's reputation is based on identity (who we are), and the image (what we think other people think about us), (Chun et al., 2005). Subsequently, Fombrun and Van Riel (1997) defined corporate reputation as "a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals".

Although many scholars have considered the meaning of reputation quite debatable (Halpern, 2001) yet, this study has adopted a most generic form for explaining the corporate reputation as an assessment of the firm's position based on its subjective nature. Secondly, reputation is considered as a "resource" or as an "intangible, financial or economic asset" (Shamma, 2012). According to Helm (2005), since corporate reputation is a socially shared impression, it heavily depends on an individual's perception of others viewing the firm. The general public perception developed about the employer will be affecting the employees. Employees' self-esteem needs can be catered through a positive corporate reputation. Consequently, satisfied employees will follow satisfied customers and employees' evaluation of the firm's reputation will determine other stakeholder' perceptions about the firm (Helm, 2005; 2007; & 2011). Therefore, in order to have in-depth understanding regarding mechanism through which stakeholders constitute perception about reputation, highly demands to examine corporate reputation at the stakeholder level. Though employees' perceptions are not just dependent on aggregate past and future actions of the corporation. Nevertheless, the actions of the immediate management play a huge role in perception building (Shamma, 2012). This study aims to explore the less studied impact of the employee perception of corporate reputation on employee engagement (Shirin & Kleyn, 2017). The literature supports different views about stakeholder's perspective when marketers are faced to evaluate corporate reputation. However, the current study has considered employee-based corporate reputation (Albinger & Freeman, 2000; Turban & Greening, 1997), because stakeholder-specific measures are suitable when dealing with perceptions of a specific stakeholder group (Shamma, 2012). Based on the above discussion following hypotheses are proposed for this study:

H_{1a}: Value creation as one dimension of the uses of corporate reputation has a significant and positive impact on brand loyalty as an aspect of brand equity.

H1b: Value creation as one dimension of the uses of corporate reputation has a significant and positive impact on perceived quality as an aspect of brand equity.

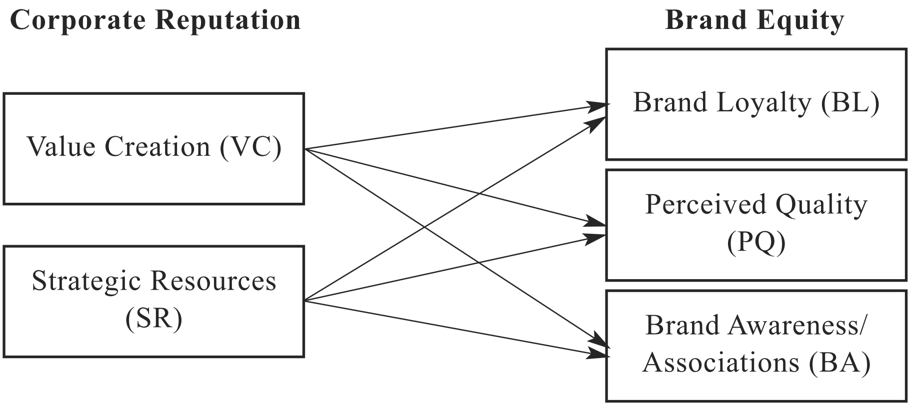
H1c. Value creation as one dimension of the uses of corporate reputation has a significant and positive impact on brand awareness/associations as an aspect of brand equity.

H2a: Strategic resource as one dimension of the uses of corporate reputation has a significant and positive impact on brand loyalty as an aspect of brand equity.

H2b: Strategic resource as one dimension of the uses of corporate reputation has a significant and positive impact on perceived quality as an aspect of brand equity.

H2c: Strategic resource as one dimension of the uses of corporate reputation has a significant and positive impact on brand awareness/associations as an aspect of brand equity.

CONCEPTUAL FRAMEWORK



Source: This Study

RESEARCH METHODOLOGY

The data for the study was gathered through a cross sectional questionnaire survey. This technique is faster, inexpensive, efficient, and can be administered to a relatively large sample (Churchill, 1995; Sekaran & Bougie 2016), hence it is considered as the most appropriate technique. The questionnaire was developed using a seven-point Likert scale, ranging from (1) strongly disagree to (7) strongly agree. The initial survey instrument was developed by adapting to the pool of items widely accepted in the previous corporate reputation, brand image, and brand equity literature. Based on the pilot study findings, the instrument went under the revision of some items based on content validity and reliability of the measures. After finalizing the instrument, using a probability sampling approach, data was collected through self-administrative and mail (postal and email) survey methods. The targeted population was employees working at managerial positions in consumer goods and pharmaceuticals' multinational firms operating within Pakistan. Moreover, cluster sampling also known as area sampling or geographical sampling (Teddlie & Yu, 2007), aligns well with the current study as the researcher has identified four main capital cities: Karachi, Quetta, Lahore, and Peshawar of Pakistan as four clusters. Finally, 311 responses out of 500 were collected from the sample for data analysis. The data was statistically run through the statistical software like SPSS at an initial stage and AMOS at the later stage of the analysis. Descriptive analysis, missing value analysis and exploratory factor analysis were conducted using SPSS version 16.0 and hypotheses testing were performed using AMOS version 16.0.

DATA ANALYSIS AND RESULTS

Both descriptive and inferential data analysis were performed, the latter included exploratory factor analysis.

Table 1. Descriptive Statistics at Construct Level (Data Normality test)

	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
BL	1.00	7.00	4.7884	1.69895	-.621	.149	-.821	.297
BA	1.00	7.00	4.7210	1.76427	-.751	.149	-.733	.297
VC	1.00	7.00	4.6404	1.72169	-.629	.149	-.957	.297
PQ	1.00	7.00	4.6348	1.74518	-.521	.149	-.909	.297
SR	1.00	7.00	4.8876	1.67313	-.614	.149	-.783	.297

Source: This Study

All the results for itemized data normality mentioned below in the above table show values of skewness and kurtosis less than ±1 suggesting that deviations from data normality are lacking.

Table 2. Little's MCAR test results

Chi Square (χ^2)	Df	Sig.
273.236	280	.603

Source: This Study

The amount of missing data is exceptionally low; however, drawing a conclusion without examining the randomness of missing data is not worthwhile. Therefore, chi-square statistics for diagnosing the randomness of missing data has been used.

Table 3. KMO Statistics and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.919
Bartlett's Test of Sphericity	Approx. Chi-Square	7155.174
	Df	406
	Sig.	0.000

Source: This Study

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity were performed which confirms the appropriateness of the sample data, where sample adequacy (.919) is above the cut off and the p-value is less than .001 for sphericity.

Table 4.Communalities

	Initial	Extraction
BL1	1.000	.865
BL2	1.000	.813
BL3	1.000	.808
BL4	1.000	.844
BA1	1.000	.776
BA2	1.000	.798
BA3	1.000	.807
BA4	1.000	.787
BA5	1.000	.826
VC1	1.000	.681
VC2	1.000	.765
VC3	1.000	.765
VC4	1.000	.747
VC5	1.000	.754
VC6	1.000	.809
PQ1	1.000	.816
PQ2	1.000	.824
PQ3	1.000	.792
PQ4	1.000	.831
PQ5	1.000	.814
PQ6	1.000	.809
PQ7	1.000	.840
SR1	1.000	.863
SR2	1.000	.808
SR3	1.000	.749
SR4	1.000	.743
Extraction Method: Principal Component Analysis.		

Source: This StudyThe communalities score of measured items is noticed between .681 (lowest) for VC1 and .865 (highest) for BL1, before generating the extraction model.

Table 5. Construct Reliability Statistics

Construct	Construct Reliability
Criteria	**≥0.7**
PQ	0.963
BL	0.930
SR	0.898
VC	0.924
BA	0.931

Source: This Study

The reliability of the constructs was measured using Cronbach's alpha coefficients and above reliability coefficients for each of the five constructs surpassed the minimum threshold level i.e. .07 and the alpha coefficients range from .89 to .96. This shows overall, strong reliability and high level of internal consistency coupled with other estimations which are above than required cut off, suggest strong construct validity.

DISCUSSION

The results of the respondents' ratings of mean scores for six measured items of value creation are ranged between 4.50 (±1.887) and 4.78 (±1.853). This supported the strong influence of value creation over the brand equity of a firm. However, the respondents' perception regarding the influence of strategic resources possessed by the firm was measured by four items were found between 4.65 (±1.942) and 5.04 (±1.674). Moreover, the 0.924 and 0.898 coefficient of alpha (Table 5) confirmed that there was strong internal consistency among all the measured items of value creation and strategic resources construct, respectively. In the proposed model, there were two main hypotheses, which were further broken down into sub-dimensions of the corporate reputation and brand equity constructs, respectively. This resulted in 6 hypotheses which were examined through the exploratory impact of value creation and strategic resources on the brand equity of the firm. Out of six hypotheses, five hypotheses were found statistically significant and positive except one hypothesis which resulted as statistically insignificant and was rejected.

Table 6. Hypotheses Testing

MConstruct	Code	Hypotheses	Relationship (Positive) (β-value)	Standardized Regression	Supported
Brand Loyalty	BL	H1a	BL VC	0.301	YES
		H2a	BL SR	0.19	YES
Perceived Quality	PQ	H1b	PQ VC	0.294	YES
		H2b	PQ SR	0.077	NO
Brand Awareness/ Associations	BA	H1c	BA VC	0.156	YES
		H2c	BA SR	0.215	YES

The most significant (β= 0.301) relationship was highlighted between value creation and brand loyalty followed by β-value of 0.294 between perceived quality and value creation. Similarly, the highest beta value of 0.215 was observed between the strategic resource and brand awareness/associations followed by 0.19 β-value between brand loyalty and strategic resource. Nevertheless, 0.077 beta value for H2b was found statistically not significant, hence rejected.

CONCLUSION

This research investigated the role of the uses of corporate reputation for developing brand equity. In the context of quantitative methodology, cross-sectional primary data was collected through a survey questionnaire. The data was statistically run through the statistical software at an initial stage for resulting descriptive analysis, missing value analysis and exploratory factor analysis. The data normality statistics for each construct were presented through descriptive analysis. In terms of reliability and construct validity results, .07 percent reliability as the minimum standard was achieved by all scales. Out of the six hypotheses presented, five hypotheses were supported based on their standard regression (β-value) estimates. Overall, study findings suggested that there was a significant and positive impact from both uses of corporate reputation over brand loyalty and brand awareness/association aspects of the brand equity, except the perceived quality, where the relationships were measured as partially significant since one hypothesis was rejected. Moreover, the highest impact of both uses of corporate reputation was observed for brand loyalty as an aspect of brand equity rather than perceived quality or brand awareness/associations. This study contributes by incorporating a variety of quantitative findings for marketing researchers and practitioners.

RESEARCH IMPLICATIONS

Both the value-based and resource-based theory were considered to intricate the particular usage of corporate reputation in building brand equity of the firm. Specifically, value creation and strategic resources as the two key uses of corporate reputation amounting to the development of brand equity**.** Although this study carefully measured the two uses of reputation i.e. value-based and resource-based, however, value creation (VC) was considered as the most significant determinant than strategic resources (SR). Finally, a remarkable finding was witnessed from the results of perceived quality (PQ) as an aspect of the brand equity that it was least influenced by the strategic resource whereas, highly influenced by the value creation activities of the corporations.

RECOMMENDATIONS

It is recommended that for the firms, in short run, to keep the customers satisfied consistently, as value creation occupies greater weight than strategic resources, however, the firm may lose in the long run, failing to develop strategic resource like competitive advantage. On the other hand, the brand managers working in multinationals and interesting to know the perception of the brand among consumers are strongly recommended that at least in context of fast-moving-consumer-goods, consumers judge or interpret the quality in terms of value, which can be substantially true in case of a developing country like Pakistan.

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