The Henley Centre for Customer Management

Corporate Reputation and B2B Inter-firm Partnerships

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1. Introduction

In our networked world today, business-to-business (B2B) inter-firm partnerships are increasingly a feature of the organisation. At the same time, corporate reputation has been strongly identified as a key factor in the success of organisations (Fombrun & Van Riel, 2004; Fryxell & Wang, 1994). However, reputation has most often been looked at from the perspective of a single organisation and how its stakeholders perceive it. By comparison, less attention has been paid to the importance of the reputations of organisations when they form a partnership. This is surprising given that partnerships are to be found in so many walks of life today including business, sport, the arts and the media.

B2B partnerships are often the subject of significant investments and it is therefore important to understand the value that can be derived from them. An example of a successful B2B partnership is that of the Boeing Company with Rolls-Royce plc. The reputations of each are synergistic and together they are seen as pioneers in greener air travel with the new Trent 1000 range of multi-fuel (kerosene/biofuel mix), efficient and quiet jet engines used as part of the 787 Dreamliner product family of commercial aircraft.

Successful partnerships are those in which close collaboration arises because of synergistic skills and complementary outlooks that result in positive outcomes. These partnerships have reputations, and in some cases create a strong advantage over competitors by broadcasting a jointly fostered sense of identity and culture with employees and a sense of community and loyalty that attracts other stakeholders. If the reputations of such partnerships are important to those within the dyadic exchange (Bennett & Gabriel, 2001; Arend, 2009), then there is merit in assessing the impact of partnership reputation more widely in a network setting. This report discusses the importance of corporate reputation and the characteristics and outcomes that result from such B2B partnership reputations. It is based upon work conducted jointly at Henley Business School and Albers School of Business and Economics at the University of Seattle, and which has been published in the *Industrial Marketing Management* journal (Money et al, 2010).

2. What is corporate reputation?

Corporate reputation has been defined by Fombrun (1996: 72) as 'a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to its key constituents when compared with other leading rivals'. This means that corporate reputation is perceptual and that it is created by, and resides in, the minds of stakeholders (customers, employees, suppliers etc). The perceptions are based on the experiences that such stakeholders have had with the organisation in the past and their expectations of the future. These experiences may be direct (e.g. a customer purchasing from the company) or indirect (such as through observation of the organisation in the media or of their marketing communication messages). It also means that corporate reputation has an attitudinal component that influences the individual's approach towards the organisation and how appealing it is in terms of doing business. This attitude towards the organisation develops via relative assessments of the organisation compared to other market competitors.

Corporate reputation is multi-faceted being made up of a range of perceptions that an individual stakeholder holds of the various characteristics of the organisation. These perceptions are held in the mind of the stakeholder and it is important to note therefore that an organisation cannot directly control its corporate reputation. Rather it can control and/or influence the various experiences to which stakeholders are exposed that influence perceptions. These experiences include the day-to-day business operations that affect how the stakeholder interacts with the organisation (e.g. customer contact, supplier negotiations, HR practice), marketing communications (e.g. how the organisation promotes itself via various media platforms) or media reporting (e.g. what others say about the organisation). There are two vital elements of corporate reputation that impact the ways in which stakeholders make comparisons of different organisations. These are the emotional and esteem elements of reputational perceptions. When assessing our perceptions of an organisation we may ask ourselves how we feel about the organisation and in how much esteem we hold it. The more positive the emotional response to an organisation and the higher esteem within which we hold it, the more positive the stakeholder behaviour will be towards it.

It is important for an organisation to be constantly attuned to the reputational perceptions held in the minds of its stakeholders. Therefore research has focused upon how to measure it with different viewpoints emerging. Fombrun (1996) suggests that corporate reputation can be measured in terms of the perceptions held of tangible aspects of the organisation such as the workplace environment, the products and/or services delivered, financial performance or emotional appeal. These are the day-to-day evidence of organisational performance from which stakeholders will make perceptual judgements. An alternative view is that corporate reputation can be measured in terms of stakeholder perceptions of the personality of an organisation (Davies et al, 2003). We can ask stakeholders to make judgements about the organisation in a more holistic way by asking them to judge the features or personality of the organisation. Stakeholders are asked to assess the organisation in terms of descriptions such as whether it is 'modern', 'friendly', 'innovative' or 'arrogant'. Yet another approach is provided by MacMillan et al (2005) who suggest that corporate reputation can be measured in terms of the aspects of stakeholder experiences that are relevant to their relationship with the organisation, for example whether the organisation is seen to be a good listener, communicator or provider of benefits.

What all these approaches have in common is that they have been developed to specifically measure different aspects of an organisation's character and focus on how the organisation is perceived by stakeholders. Lewellyn (2002) suggests that organisations can have as many reputations as there are stakeholders observing them. It is therefore important to understand which elements of reputation resonate most with stakeholders, and to understand what an organisation is trying to achieve by building its reputation. So an organisation should consider three key questions with regard to its corporate reputation:

- A reputation for what?
- With whom?
- For what purpose?

Each of these different reputational measurement approaches may therefore be appropriate in different circumstances. The MacMillan et al (2005) approach may be most appropriate when considering the role that the organisation's reputation plays in maintaining a relationship. The Davies et al (2003) model is useful for investigating the underlying personality characteristics of the organisation, whilst the Fombrun (1996) model can be used to assess a corporate reputation in terms of the functional elements of an organisation such as human resources, marketing and finance.

At the same time, research has also focused on understanding the outcomes of a positive corporate reputation. These outcomes often include supportive behaviours on the part of stakeholders, such as increases in loyalty to the organisation, being prepared to advocate for the organisation (e.g. word of mouth) and lower levels of subversive behaviour by stakeholders (MacMillan et al, 2005). These behaviours are important in the generation of cash flow and positive organisational performance (Post et al, 2002). The support of stakeholders has the additional benefit of creating a reserve of support for times when a crisis situation occurs or at times when mistakes are made by the organisation (Jones et al, 2000; Taylor, 2003). In a strategic sense these behaviours often translate into tangible market assets for the firm (Roberts & Dowling, 2002; Cravens et al, 2003).

3. B2B partnership reputation

The extension of our understanding of corporate reputation into the B2B partnership context enables us to understand the effect of stakeholder perceptions upon partnership relationships as well as those beyond, in the wider external network. The value of partnerships between organisations is the assumption that 'the whole is worth more than the sum of its parts'. We can see this in action in may successful partnerships beyond the business world such as John Lennon and Paul McCartney, the comedic talent of Dudley Moore and Peter Cook, or the sporting excellence of tennis doubles partners Pam Shriver and Martina Navratilova. Successful partnerships are not, however, without conflict or negative emotions on the part of those involved. For the partnership to operate effectively, both partners need to trust and understand the other party, and be flexible in the situations that arise. Reputation perceptions held by each party can be an important driver of support to resolve such conflict and contribute to the subsequent financial value derived from the partnership.

The reputations of those involved in the partnership matter to audiences such as supporters, customers and other stakeholders as well as to individuals within the partner organisations as they can attract the attention and involvement of others. As in our example of the partnership between Boeing and Rolls-Royce, it is the reputation of this partnership for complementary skills and subsequent innovation that is key to the marketing of airlines such as Virgin Atlantic when making credible claims about their commitment to offering greener air travel. The reputation that Boeing and Rolls-Royce have for their engineering excellence, joint understanding and flexibility gives the partnership reputational attributes that makes these green claims believable. Moreover, this partnership reputation signals to other stakeholders that the relationship has particular characteristics that may or may not be appealing to a variety of stakeholders. The wider resonance of the reputation, perceived by stakeholders outside the partnership, may also influence interactions in a wider network (Wathne & Heide, 2004).

Alternatively B2B partnerships may involve relationships between customers and suppliers. An example of this is that of the consumer goods firm Procter & Gamble (P&G), which builds partnerships with certain suppliers. P&G's B2B partnerships have a reputation for fostering inter-firm cooperation and innovation (Huston & Sakkab, 2006). These partnerships result, in part, from P&G realising that it could not afford the cost of innovating new products alone, so it looks to work more closely with existing partners. 'Connect and Develop' (the name given to innovation at P&G with external third parties) is based upon a synergistic way of working that fosters mutual benefit for both partners. While benefits may result from ways of working in a partnership, it is the reputation of the partnership itself that maintains and encourages the formation of new relationships. Over time, the partnerships have developed reputations for being flexible while being based upon a deep understanding and a long-term commercial gain-sharing commitment. Such a reputation encourages both parties to jointly explore opportunities where both partners can openly share ideas as they know that creative thinking will be given a good 'hearing', and not be exploited without the prospect of sharing any resulting commercial value from new innovations. This reputation for mutual understanding and exploration of synergy in partnerships may influence new or existing suppliers to choose P&G as their preferred first option when sharing product or process innovations.

4. Partnership reputation characteristics relevant for the B2B environment

Our intention is to better understand the characteristics of a partnership reputation. Building on our previous discussion of Fombrun's 1996 definition of corporate reputation, we can start by looking at the characteristics of partnership reputation that relate to perceptions of past actions and future prospects. Stakeholders outside the partnership will build perceptions based upon past activities within the partnership as well as perceptions of future outcomes (successful or otherwise). Stakeholders will build a set of reputational perceptions based on such key characteristics. A review of literature drawn from the fields of interpersonal relationships (Register & Henley, 1992; Duck & Ickes, 2000), organisational behaviour (Herriot & Pemberton, 1995; Gutek, 1997) and relationship marketing (Gronroos,1997; Gummesson, 1997), lead us to propose that B2B partnership reputational perception is composed of the following three elements.

- **Mutual understanding**, defined as the perception by a third party that a partnership between two parties is characterised by mutual understanding, i.e. the perception that each organisation understands their particular partner, and the perception that their partner understands them.
- **Flexibility of interaction**, defined as the perception by a third party that the partners practise flexibility of interaction in the relationship rather than repetitive or rigid interactions.
- **Synergy**, defined as the perception by a third party that the relationship between the partners is characterised by strategic synergy that enables the attainment of goals that the organisations may not achieve independently.

In a similar way that corporate reputation is linked to many positive outcomes for an organisation, we propose that a positive partnership reputation will also lead to many benefits for the partnership. Organisations with positive reputations in the B2B context are often seen to gain benefits such as the willingness of suppliers to cooperate and invest with them (Kumar et al, 1995; Jap, 1999) as well as a willingness to express conflict in a functionally positive manner (Morgan & Hunt, 1994; Farrelly & Quester, 2005; Ulaga & Eggert, 2006; Skarmeas et al, 2008).

We propose that a number of positive benefits will accrue to partnerships with good partnership reputations. Customers of a partnership with a positive reputation are likely to be committed and loyal towards it and therefore advocate via word of mouth on its behalf. A positive reputation is likely to encourage higher levels of commitment, cooperation and engagement on the part of employees, particularly those directly involved in the inter-firm relationship (Davies et al, 2003). Other benefits may include positive support from government and communities (Post et al, 2002) and encourage positive behaviours on the part of those within communities in which the partnership operates. In some instances this may include building local or national pride and civic support that may be important to decisions regarding changes to infrastructure or legislation (Mahon, 2002). A final benefit may be the impact that the partnership reputation has upon competitors (Fombrun, 1996). A strong partnership reputation may discourage competitors from entering the market or from competing directly with the partnership. Even if competitors achieve similar technological advances they may lack the emotional appeal with other stakeholders that well established partnerships may have accrued over time. Similar types of benefits will also accrue to each individual partner within the partnership, particularly in terms of the development of new relationships with stakeholders who are attracted by the partnership reputation. Finally, it is proposed that a positive partnership reputation will positively influence the behaviours of stakeholders such as customers, employees or suppliers towards the partnership and towards individual partners within it.

5. Summary

Figure 1: Characteristics and outcomes of partnership reputation

Partnership reputation

Perception by third parties that a partnership is characterised by:

- Mutual understanding
- Flexible interaction
- Synergy

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Outcomes of partnership reputation

- Positive behaviour by potential and existing suppliers towards the partnership
- Positive behaviour by potential and existing suppliers towards each partner
- Positive behaviour from a range of stakeholders towards the partnership
- Positive behaviour from a range of stakeholders towards each partner

Figure 1 summarises our view of the characteristics of partnership reputation and its beneficial outcomes. The report provides an explanation of the concept of corporate reputation in relation to a single firm and then extends this view into an understanding of the characteristics of B2B inter-firm partnership reputation where organisations collaborate together. Partnership reputation is proposed to have three characteristics that are particularly relevant to B2B relationships. These are mutual understanding, flexibility of interaction and synergy in a partnership. These are the basis upon which stakeholders develop perceptions about the reputation of the partnership. The benefits of a positive partnership reputation include positive behaviours on the part of current and potential stakeholders as well as driving positive expectations and behaviours within the wider network.

6. Practical implications

This paper offers three practical implications for management.

- When building a B2B partnership it is important to signal aspects to others of how the partnership works: how knowledge is shared, how conflict is resolved and how each partner brings something unique to the picture.
- High-profile partnerships set relational norms right across the supply chain. There is strong evidence that instead of being a race to the bottom in terms of standards, high-profile partnerships can set the standards that other partners in the supply chain live up to.
- When creating and communicating about partnerships it will be valuable to include B2B partners that are consumer facing. The needs of the consumer play an important role in driving behaviour across the supply chain.

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