Corporate Reputation and Financial Performance: The Interaction between Capability and Character

Stephen Brammer
Birmingham University

Vineet Agarwal♣
Cranfield University

Richard Taffler
Warwick Business School
University of Warwick

Mike Brown
Birmingham City Business School

♣ -Corresponding author:

Corporate Reputation and Financial Performance: The Interaction between Capability and Character

Abstract

Extant research sees reputation as a significant corporate asset, but examinations of the downstream performance impacts of strong reputations have exhibited significant theoretical and empirical limitations and have consequently provided mixed evidence. Conceptualisations of the mechanisms by which firms' reputations affect financial performance are underdeveloped, and empirical work suffers from the use of highly aggregated, biased, and ambiguous measures of reputation, and arbitrarily selected single indicators of financial performance. Using a unique database, we unpack the impacts of distinct dimensions of reputation on financial performance, and examine the influence of these individually, and in conjunction with each other, on a range of measures of financial performance. Our results show that distinct aspects of reputation influence financial performance differently, that reputations are more relevant for some aspects of financial performance than others, and that strong complementarities exist between dimensions of reputation in respect of their influence on downstream financial performance. In so doing, we significantly extend the literature on reputation and financial performance in both theoretical and empirical terms.

Corporate Reputation and Financial Performance: The Interaction between Capability and Character

Introduction

Academic and practitioner interest in corporate reputation is at an all-time high. In practitioner circles, very seldom will a firm's new strategy, significant investment, senior appointment, or a business scandal or crisis be discussed in isolation of the likely effects on its reputation. Within academic research, considerable energy has been devoted in the last 15 years in attempts to more precisely define (Barnett et al., 2006; Love and Kraatz, 2009; Lange et al., 2011) and measure corporate reputation (Ponzi et al., 2011; Gardberg and Dowling, 2012), as well as to explorations of its antecedents and outcomes (Lange et al, 2011; Walker, 2010). In respect of the impacts of corporate reputations, research has suggested that a firm's reputation shapes the attitudes and behaviours of a variety of its salient stakeholders including employees (Swider et al., 2011; Carmeli and Freund, 2002), customers (Graham and Bansal, 2007; Caruana and Ewing, 2010), and investors (Helm, 2007; McMillan-Capehart et al., 2010).

A significant strand of research on corporate reputation has seen reputations as critical organisational assets (Flanagan and O'Shaughnessy, 2005; Roberts and Dowling, 2002; Hall, 1992, 1993) and has explored the relationship between firms' reputations and their financial performance (Deephouse, 1997; Sanchez and Sotorrio, 2007; Roberts and Dowling, 1997, 2002). Reputation research has argued that a good reputation can contribute to subsequent financial performance for a number of reasons including differentiating firms from competitors and encouraging customers to pay a price premium, raising buyer confidence, and substituting for expensive governance mechanisms (Rindova, Williamson, Petkova, and Sever, 2005; Weigelt & Camerer, 1988; Peteraf, 1993; Kogut, 1988). Existing empirical

research has, for the most part, supported a positive reputation-performance relationship (e.g. Roberts and Dowling 2002; Sabate and Puente 2003).

Notwithstanding these achievements, existing reputation-performance research suffers from some theoretical and methodological problems that have restricted its intellectual and practical value. Conceptually, while most recent theoretical work has emphasised the need to bring specificity and multidimensionality to reputation research, all reputation-performance research of which we are aware treats a firms' reputation monolithically. That is, rather than examining a firms' reputation *for something* (e.g. innovative products, good employment opportunities, etc) *in the eyes of a specific constituency* (e.g. employees, customers etc), research has tended to see reputation in terms of a form of general favourableness (Rindova, Williamson, Petkova, and Sever, 2005). Empirically, studies have critiqued commonly used reputation metrics because of the presence of "halo effects" whereby reputational assessors rely on specific knowledge (typically knowledge of a firm's financial performance) when making reputational judgements or whereby an assessors judgement of one facet of a firm's reputation heavily shapes his or her assessment of other facets of a firm's reputation (Brown and Perry, 1994; Flanagan, O'Shaughnessy and Palmer, 2011; Highhouse, Broadfoot, Yugo, and Devendorf, 2009). Together, these issues have limited the value of reputation-performance research to date because of an inability to isolate the possible financial impacts of investment in specific reputation-building activities.

Consistent with recent literature that emphasises the multi-dimensionality of firm reputations, in this paper, we provide the first empirical evidence regarding the relationships between distinct dimensions of firm reputation and financial performance. We develop an innovative method by which we "de-halo" measures of aspects of firms' reputations and then examine how dimensions of reputation shape how firms perform financially. In so doing, we contribute significantly to our understanding both of how facets of firms' reputations interact

to shape subsequent financial performance, and to research concerned with understanding the circumstances in which investments in CSR pay off financially.

The next section develops our theoretical model of the relationship between aspects of firm reputation and financial performance and outlines our hypotheses. Subsequently, we discuss our methods, including an exploration of our sample, measures, and analytical approach. The fourth section reports the results of our analyses before a final section reflects on the contributions we make and suggests directions for future research.

Theoretical Background and Hypotheses Development

While numerous studies have explored the relationship between firm reputation and financial performance, the absence of sound theoretical underpinnings for such research has attracted considerable criticism (Sabate and Puente, 2003). Broadly, two themes arise in critiques of existing research. First, the tendency in most reputation-performance research has been to treat reputation "monolithically", typically in terms of the level of generalised favourability with which stakeholders view an organisation (e.g. Deephouse, 2000). Given the emphasis in recent theoretical work on the multiple aspects of reputation, research is increasingly arguing that it is important that the multi-faceted nature of reputation is reflected in reputation-performance research (Rindova, Williamson, Petkova, and Sever, 2005; Boyd et al., 2010). Second, most early work concerned with the reputation-performance link was highly under-specified in relation to the micro-level mechanisms and processes that explain the nature of the relationship between aspects of reputation and financial performance. The tendency in much existing research has been to highlight that "a good reputation is a valuable asset that allows a firm to achieve persistent profitability, or sustained superior financial performance" (Roberts and Dowling, 2002, 1078) that or that reputation "influences evaluations by publics, [allowing] the firm to attain privileged positions with its customers

5

and supply chain, and, potentially, investors" (Srivastava et al., 1997, 62), without developing a convincing theoretical account of which aspects of reputation help to improve financial performance when and how (Puncheva, 2008; Boyd et al., 2010; Rindova et al., 2005).

In this study, we draw upon recent theoretical work that explores the socio-cognitive processes that underpin reputation formation to inform our analysis of the relationship between reputation and financial performance (Sjovall and Talk, 2004; Flanagan and O'Shaughnessy, 2005; Rhee and Haunschild, 2006; Mishina et al., 2012). The socio-cognitive perspective on corporate reputation formation and use emphasises how reputational information is used by stakeholders in their decision-making, and proposes that stakeholder perceptions, impressions, dispositions, interpretations, and attributions critically shape the judgements that stakeholders make in response to reputational cues. For example, Mishina et al., (2012) explore the roles of path dependence and cue interpretations for the creation and management of firm reputation, arguing that path dependence and cue diagnosticity play important roles in how stakeholders respond to reputational information. Similarly, Love and Kraatz (2009) demonstrated that poor financial performance and good prior reputation mitigated the negative reputational effects of corporate downsizing, suggesting that stakeholders' interpretations and attributions of the underlying causes of the decision to downsize play an important role in shaping the reputational effects of such decisions.

Our conceptual model, pictured in figure 1 below, draws upon a socio-cognitive approach to understanding how stakeholders respond to reputational information in order to shed light on how and when reputations influence financial performance. Following Mishina et al., (2012) we distinguish between two distinct elements of a firm's reputation – capability reputation, "collective evaluations of the quality and performance characteristics of a particular firm" (Mishina et al., 2012: 460) and character reputation, "collective judgements regarding a firm's incentive structures and behavioural tendencies" (Mishina et al., 2012:

460). This dichotomy echoes similarly motivated distinctions made in prior research on reputations. For example, Rindova et al., (2005) distinguish between reputation as "perceived quality" and reputation as "prominence", while Highhouse et al., (2007) distinguish between "impressiveness" and "respectability", de Castro et al., (2006) make a distinction between "business reputation" and "social reputation", and Love and Kraatz (200) differentiate between reputation as reflected in "technical efficacy" and reputation as "organisational character". At the heart of our analysis lies an exploration of how capability reputation and character reputations interact to shape financial performance, while controlling for other potential influences. The central argument, which we develop in greater detail below, is that stakeholder interpretations of firms' character reputations are shaped by their perceptions of their capability reputations such that character reputations are only associated with improved subsequent financial performance in the presence of a "good" capability reputation. The rest of this section develops each of our three hypotheses in turn.

Figure 1 here.

Capability Reputation and Financial Performance

There is a long tradition in reputation research of seeing firms' reputations as being reflections of their ability to meet the needs of stakeholders on an on-going basis. As Fombrun and Shanley (1990) note, "publics construct reputations from available information about firms' activities originating from the firms themselves, from the media, or from other monitors (Fombrun and Shanley, 1990, 234"), thus placing the things firms do at the heart of processes of reputation formation. Subsequently, the idea that "the social approval associated with reputation is derived to a large extent from the collective recognition of a firm's demonstrated ability to create value" (Pfarrer et al., 2010, 1133) has frequently been echoed

in conceptions of reputation formation. For example, Rindova et al., (2005) argue that perceived quality, "which captures the degree to which stakeholders evaluate an organization positively on a specific attribute, such as ability to produce quality products" (Rindova et al., 2005, 1035) is a key element of firm reputations, while Highhouse et al., (2007) identify impressiveness or prestige, which reflects the perception that a firm "seems superior to other organizations in the industry, and is considered impressive by others. For example, a prestigious organization might have a name that makes others wonder how you managed to get a job there, or might produce products that are seen as upscale, classy, or cutting-edge" (Highhouse et al., 2007, 142) as a central dimension of reputation. Some recent research has suggested that capability-based aspects of firm reputation often dominate in the minds of stakeholders. Hence, as Puncheva (2008), notes, "this is why when one thinks of The Body Shop, environmental responsibility is what springs to mind in the same way that Mercedes has a reputation for producing high-quality prestige cars and McDonald's is known for consistency in service development and unhealthy food" (Puncheva, 2008, 276). Consistent with these approaches, we follow Mishina et al., (2012) in labelling the element of a firm's reputation that relates to providing material satisfaction to stakeholders as its *capability reputation*, as reflected in "what the organization can do (i.e., its abilities and resources)" (Mishina et al., 2012, 460).

A capability-based perspective on firm reputations emphasises the role of substantive, rather than and symbolic, actions, strategies and investments (Mahon, 2002) in the formation of firm reputations. Substantive actions are more likely to be visible, and/or lead to outcomes that are visible, to stakeholders and thus constitute an important part of the information set that stakeholders use to evaluate firms' capabilities. Such substantive actions include investments in social capital, human capital, or product development and diversification (Petkova, Rindova, & Gupta, 2008). Furthermore, it has been suggested that consistent

investment in these areas over time has the greatest potential to enhance a firm's capability reputation (Barnett et al., 2006; Fombrun, 1996; Gardberg & Fombrun, 2006). Empirically, the contention that firms' capabilities, as reflected in the pattern of their current and past behaviours and outcomes, play an important role in shaping reputations has received very strong support. For example, research shows that perceptions of product quality strongly affect consumers' reputational assessments (Fombrun & Van Riel, 2004) and that past financial performance is strongly associated with reputational judgments made by stock analysts and peer executives (Brown & Perry, 1994; Fryxell & Wang, 1994).

A firm's capability reputation is likely to shape stakeholders' continued engagement with an organisation through several mechanisms. At the heart of the relevance of capability reputation for financial performance is the observation that many stakeholders, especially those without any prior direct experience of a given company, face asymmetric information in the sense that they can only imperfectly evaluate the potential benefits to engaging in a relationship with a company prior to making a commitment to doing so (Milgrom and Roberts, 1986; Stiglitz, 2000). Thus, organisations face the challenge of credibly communicating their ability to meet stakeholders' needs in order to reduce the degree of uncertainty faced by stakeholders and thus to encourage them to invest in their relationships with those companies. Given this basic challenge, a significant literature has argued that a wide range of investments, such as expenditures on advertising and research and development, are made by firms precisely to signal the presence of high-quality, but non-verifiable, capabilities and resources (Fombrun & Shanley, 1990; Shapiro, 1982, 1983). Such investments help firms to acquire a reputation for meeting stakeholders' needs in various respects, and this positive reputation acts so as to increase stakeholder willingness to exchange resources with high-reputation firms. Prior research has argued that signals of underlying capabilities help to build trust based on the perceived competence of

organisations, which, again, helps firms to overcome the uncertainty that characterises firm-stakeholder relationships in conditions of asymmetric information.

An alternative, but congruent framing, characterises firms' capability reputation as playing a key role in shaping stakeholder perceptions of whether a firm has pragmatic legitimacy, and therefore of the likely value to a stakeholder of entering into an exchange relationship with that firm (Puncheva, 2008). Pragmatic legitimacy reflects "the self-interested calculations of an organization's most immediate audiences...often, this immediacy involves direct exchanges between organization and audience [and] at the simplest level, pragmatic legitimacy boils down to a sort of exchange legitimacy - support for an organizational policy based on that policy's expected value to a particular set of constituents" (Suchman, 1995, 578). Pragmatic legitimacy has been seen as relating to various phenomena that are closely related to a firm's capability reputation "the fit between organizational actions and outputs and the economic standards promoted within an industry" (Puncheva, 2008, 279), a firm's economic performance (Handelman & Arnold, 1999), and a firm's effectiveness and efficiency (Hinings & Greenwood, 1988). Thus, a positive capability reputation helps to establish a high degree of pragmatic legitimacy among stakeholders in respect of relationships with a given organisation.

To summarise, a strong capability reputation is likely to accrue to firms that meet stakeholders' needs and such a positive reputation is likely to encourage stakeholders to maintain and to deepen relationships with a firm. Given that strong relationships with stakeholders are necessary for the success and survival of companies, improved financial performance flows from enhanced stakeholder support. Hence, we hypothesize that:

Hypothesis 1: Capability reputation is positively associated with subsequent firm financial performance

Character Reputation and Financial Performance

In contrast to research that strongly associates corporate reputation with a firm's ability to meet stakeholders' performance expectations, a complementary strand of research sees firms' reputation in terms of organizational "character" (Davies et al., 2003; Dowling, 2001; Fombrun, 1996). A firms' character is defined as "how a stakeholder distinguishes an organization, expressed in terms of human characteristics" (Davies et al., 2004, 127). Thus, inherent to the character-based view of reputation is an assumption that stakeholders tend to anthropomorphize organizations (Davies et al., 2003; Dowling, 2001). One implication of adopting the 'organization as person' metaphor is that companies are understood as conscious actors rather than simply being social aggregates or collectives (Hamilton & Sherman, 1996; Whetten & Mackey, 2002). Hence, stakeholders can hold organisations to account for their behaviours since these are understood as being wilful in much the same sense as individual behaviour would be. While, in principle, a wide range of character traits might be encompassed within conceptions of a firm's character, discussions of firm character in relation to reputation have tended to emphasise firms' "respectability", "integrity", "ethicality", and "reliability" (Highhouse et al., 2009; Fombrun, 1996; Love and Kraatz, 2009). For example, Highhouse et al., (2007) describe a respectable or honourable organisation as one that "treats its competitors and customers fairly, and might produce products that are safe and trustworthy, or provide services that are beneficial" (P. 142), while Love and Kraatz (2009) note that stakeholders tend to "admire firms that appear to possess character traits such as trustworthiness and reliability [and] organizational actors that make clear commitments and uphold them over time are expected to garner admiration and reciprocal commitment. In contrast, firms that appear opportunistic, unethical, and unreliable are expected to be less well reputed" (p. 316).

Character reputations shape the quality of firm-stakeholder relationships in various ways. Character evaluations typically involve a significant emotional component, and prior research has noted that there is a tendency for individuals to react to character traits emotionally and at a preconscious level (Frank, 1988; Haidt, 2007; Hauser, 2006; Nesse, 2001). Hence, character-based reputations tend to provoke positive stakeholder affect (Fombrun, 1996). Beyond the affective nature of character reputations, and in contrast to capability reputations (which reflect what firms *can do*), character reputations are important because they provide information to stakeholders regarding a firm's likely conduct within the context of a firm-stakeholder relationship (i.e. character reputations provide an insight into what a firm *will do*) (Mishina et al., 2012). Once again, the decision-relevance of reputation stems from its ability to help stakeholders reduce uncertainty when faced with asymmetric information. Since stakeholders are uncertain as to how firms will behave within the context of potential relationships, firms face an imperative to signal to stakeholders that they will not be subject to ex ante opportunism. Hence, corporate actions that send signals regarding the firm's trustworthiness and credibility are likely to be particularly germane to stakeholder perceptions of firms' suitability as exchange partners. Traits such as trustworthiness and reliability are particularly valued because they provide a basis for predicting a firm's future behaviour (i.e., the likelihood that it will honour its obligations) (Fombrun, 1996; Fombrun & Van Riel, 2004). Integrity-based trust is based on perceptions of the organization as honest and forthcoming, such that they will uphold their promises and commitments and not act immorally or unfairly (Whitener, Brodt et al., 1998; Hoy and Tschannen - Moran, 1999; Pavlou, 2002). Mishra and Spreitzer (1998) emphasize that stakeholders need to see a 'track-record' of ethical and honest behaviour which suggests a willingness to honour trust even when such behaviour does not obviously meet the organization's self-interest (Elangovan and Shapiro, 1998). As Sjovall and Talk (2004) note, a character reputation "becomes a tool used

to understand and predict the behaviour of the target and, perhaps, to make decisions about how and whether the observer will relate to them" (P. 271). Similarly, as Mishina et al., (2012) highlight, "character reputations can be useful because they can provide insight into what a firm might do in a particular situation, and thereby help firms avoid opportunistic transaction partners and identify circumstances that may require additional monitoring or incentive alignment" (Mishina, 2012, 461).

An alternative framing of a firm's character reputation sees a firm's character as being related to the extent to which it is perceived as having social legitimacy (Puncheva, 2008). Social legitimacy suggests that companies have satisfied minimum requirements for ethical behaviour (Handelman & Arnold, 1999). It means that the actions that organizations take to achieve their objectives and the outcomes of their actions are accepted as proper by the society in which they operate (Suchman, 1995). An organization's social legitimacy influences the stakeholders' respect, goodwill, and trust. People trust others who share their own symbols and interpretative frames as they can predict the behaviour associated with those values (Zucker, 1986). Individuals respect others who possess qualities that they value, and a company's ethical behaviour in most cultures is believed to be a valuable organizational quality. Extending these ideas to organizations, it is suggested that social legitimacy enhances stakeholder willingness to establish relationships with companies by generating goodwill, trust, and respect.

To summarise, a firm's character reputation is a reflection of its likely behaviour within the context of firm-stakeholder relationships. Research suggests that stakeholders are prone to support organisations with whom they perceive they share values and those organisations that can reasonably expected to behave reliably with integrity. Conversely, corporate decisions perceived as connoting opportunism, unreliability, or a lack of integrity

should damage reputations and undermine stakeholder support. Reflecting these arguments, we hypothesise that:

Hypothesis 2: Character reputation is positively associated with firm financial performance

The Interaction between Capability and Character Reputations and Financial Performance

Having explored the potential for a firm's capability and character reputation to shape the quality of its stakeholder relationships, and thereby its financial performance, independently, we now turn our attention to exploring how a firm's capability and character reputations interact to shape financial performance. While both the capability and character aspects of corporate reputation are continuous variables, it is perhaps useful to dichotomise each into weak-strong categories in order to sharpen the qualitative interpretations of their interactions for firm-stakeholder relationships. The resulting two-by-two matrix is presented in figure two, below.

Figure two here.

On the main diagonal of figure two, stakeholders are faced with situations in which there is a broad consistency between a focal firm's capability and character reputations in the sense that firms are either highly esteemed on both dimensions or poorly viewed in both respects. In such circumstances, the cognitive processes underpinning stakeholder decision-making are simplified because the two pieces of information are consistent with each other, thus causing no cognitive dissonance. In such circumstances, we argue, firms' character

reputations and capabilities are mutually reinforcing. A number of theoretical reasons have been advanced that support this perspective. Notions of justice and fairness are central to much discussion within stakeholder theory (Bosse, Phillips, and Harrison, 2009; Jones and Wicks, 1999; Phillips, Freeman, and Wicks, 2003). From a justice-based standpoint, the presence of significant differences in a firm's capability and character reputations risks the interpretation among stakeholders that the firm is dealing with some stakeholders, perhaps those beyond its instrumental core, unjustly, especially in respect of distributional justice. Stakeholder theory suggests that stakeholders are most prone to support organisations that demonstrate high levels of distributional justice and that an expectation of a fair distribution of value to stakeholders is central to stakeholder motivation. Recent research has suggested that this balancing of stakeholder interests is an important part of maintaining the support of stakeholders (Ogden & Watson, 1999; Reynolds, Schultz, & Hekman, 2006). To reflect this issue, Wang and Choi (2013) introduce the concept of interdomain consistency in stakeholder relations that they describe as "the degree of consistency in corporate social performance across multiple stakeholder groups. This again facilitates understanding a firm by using a broadly defined group for reference. A firm shows high interdomain consistency if all of its key stakeholder groups are attended to simultaneously and to a similar degree. In contrast, if a firm treats one or a subset of its key stakeholder groups very well but treats the others very poorly, then it is said to have a low interdomain consistency" (Wang and Choi, 2013, 5-6). Wang and Choi (2013) argue that treating different stakeholders similarly is important for a number of reasons, including the fact that stakeholders learn whether a firm has a genuine interest in their well-being from how the firm treats its other stakeholders (Berman et al., 1999).

In addition, several theories in the social psychology literature, such as cognitive dissonance theory (Festinger, 1957) and consistency in decision making (Staw, 1981), argue

that people generally share strong norms for consistency and such a preference for consistency affects their behaviour to a great extent. Recent research that takes an institutional perspective on stakeholder decision processes has argued that stakeholders typically require strong perceptions of both social and pragmatic legitimacy before they are willing to engage in exchange relationships with firms (Puncheva, 2008). When firms can accommodate customers and other stakeholders and meet different sets of norms (e.g., pragmatic and social norms) by not only establishing a strong character reputation but also developing a strong capability reputation, they are more likely to gain institutional allegiance, moral legitimacy, and stakeholders' support for the organization (Handelman and Arnold 1999, p. 34; Scott 1987).

Empirically, a number of studies have suggested that firm's character and capability reputations reinforce and enhance stakeholder support for firms. For example, a number of studies in the marketing literature have shown that stakeholder beliefs about the character of a firm affect how stakeholders notice, interpret, and react to information about that firm. Brown and Dacin (1997) demonstrated that consumer evaluations of new product offerings depend upon their beliefs about the social responsibility of the firm, such that if consumers believe the firm was socially responsible, their assessments of new product are more favourable, and vice versa. Sen and Bhattacharya (2001) connected stakeholder perceptions of the social posture of a firm to purchase intentions, finding that CSR can actually reduce purchase intentions for consumers with unfavourable opinions of a firm's social posture. Linxwiler, Shover, and Clelland found that "when regulatory personnel perceive clients to be responsive to regulatory demands, their enforcement responses are more likely to demonstrate forbearance. The net result is leniency" (1983: 434). Furthermore, it has been found that consistency in various management practices is preferred by employees and by other stakeholder groups over inconsistency. Lee and her colleagues, for example, showed that

16

employees exhibit more behaviours more beneficial to organizations when organizational conditions show high consistency. The strategic human resource management literature (Delery & Doty, 1996; MacDuffie, 1995) also suggests that consistency among interrelated human resource management practices induces high commitment and loyalty from employees.

In the top bottom-left quadrant of figure two, stakeholders face a firm with a strong character reputation but a poor capability reputation. In circumstances where stakeholders see conflicting information, they wrestle cognitively to interpret and make sense of the incompatible information they perceive. Stakeholders are boundedly rational and therefore rely on simplified cognitive representations to proxy for a complex reality. Each stakeholder's reaction to information about a firm is conditioned on his or her cognitive representation of the character of that firm. These cognitive representations affect which actions stakeholders notice and how they make sense of those actions. Two core processes follow from incompatible information. First, stakeholders are unlikely to notice activities that they consider out of character with the actor. Second, if they do notice such activities, they may react with cynicism, discounting them as self-serving. Therefore, their trust in the firm is unlikely to increase, and could even decrease, as they come to believe that the firm will do anything to appear socially responsible (Varadarajan & Menon, 1988; Webb & Mohr, 1998). Reflecting this view, Barnett (2007) argued that stakeholders view a firm's actions relative to its history. A firm with a good reputation can improve its stakeholder relations through CSR because its stakeholders believe the act to be genuine, but a firm with a poor reputation may be unable to obtain the same benefits from the same act of CSR because its stakeholders discount or disbelieve the action.

Handelman and Arnold (1999) contend that companies should engage in CSR with good causes (for the social aspect of legitimation) and, at the same time, provide a good

product (for the pragmatic aspect of legitimation). Thus, it is likely that CSR initiatives fail to generate a favourable impact if the firm is perceived as less innovative and as offering poor quality products (i.e., due to a lack of pragmatic legitimation; see DiMaggio and Powell 1983). Indeed, Sen and Bhattacharya (2001) show that CSR initiatives may even backfire with reduced purchase intent and negative perceptions if consumers believe that CSR investments are at the expense of developing corporate abilities, such as product quality and innovativeness (i.e., investments represent "misguided priorities" on the part of the firm with low levels of corporate abilities). More importantly, consumers may make negative and detrimental attributions regarding a firm's motives if a low-innovativeness or low-product-quality firm engages in social responsibility. This would ultimately result in an unattractive corporate identity and, thus, negative market returns by virtue of negative word of mouth and detrimental customer complaints (Brown 1998; Varadarajan and Menon 1988).

Finally, in the top-right quadrant of figure two, stakeholders face a firm with a strong capability reputation but a weak character reputation. Consistent with the arguments discussed above, several issues arise when firms exhibit inconsistent character and capability reputations. In this particular case, stakeholders perceive that a firm is capable of meeting their needs, but there is considerable uncertainty regarding how the firm will behave in the context of firm-stakeholder relationships. In the language of institutional theory, the firm has pragmatic, but not social, legitimacy. From a stakeholder perspective, the disconnect between character and capability reputation raises the possibility that the firm is behaving unjustly, something that is likely to undermine trust and motivation among stakeholders.

Reflecting these arguments, we hypothesise that:

Hypothesis 3: There is a positive interaction between capability reputation and character reputation in relation to their relationship with financial performance

Methods

Sample and analytical approach

The primary constraint upon our sample comes from our reputation data, which are derived from unique access to disaggregated reputation data from the Management Today Magazine's Britain's Most Admired Companies Annual Survey. We use detailed ratings across 21 annual surveys (1990-2011 excluding 1993 when the survey was not conducted). We remove firms delisted before January of the year subsequent to the publication of the survey from analysis. This yields a total of 3850 company years, or an average of 226 firms per survey. Monthly stock returns and market capitalisations are from the London Share Price Database (LSPD) and Thomson Reuters DATASTREAM. Risk-free rates, represented by 1 month treasury bill rates, are collected from DATASTREAM and the numerator of the book/market (B/M) ratio is taken from the Thomson Reuters Company Analysis database and DATASTREAM. Analysts' earnings forecasts, past EPS growth rates, and past EPS stability measures are collected from I/B/E/S.

Dependent variables

Our analysis addresses the relationship between firms' reputations and their financial performance. Firms' financial performance is inherently multi-dimensional and thus, for robustness, we examine the relationship between reputation and three commonly used measures of financial performance: (1) return on assets; (2) cost of equity; (3) return on equity.

We estimate firm cost of equity using its current prices and earnings forecasts following

Easton (2004). We separately use the price earnings (P/E) ratio and the price earnings growth

(PEG) ratio for this for three reasons, (i) they are based on the same principles as Ohlson

(1995, 2001), (ii) the two ratios are widely used in investment and (iii) Botosan and Plumlee

(2005) show that the PEG based estimate of cost of equity is an unbiased metric. To estimate

the cost of equity using the P/E ratio, we require expected earnings over the next 12 months

(E1) and the share price at the end of December of year t (P0). Since a majority of the firms

in our sample do not have December year ends, we use linear interpolation between two

consensus analyst forecasts to arrive at next 12 months earnings. We also use linear

interpolation to obtain earnings forecasts for the further 12 months period (E2) for our PEG

ratio.

Measuring Capability and Character Reputations

Empirical research on corporate reputation has been constrained by the lack of widely

available reputation data for a large sample of companies and by the known methodological

and substantive limitations of existing reputation databases (Ponzi et al., 2011; Walker, 2010;

Dowling and Gardberg, 2012). Existing research has identified sources of bias or "halo"

within the most widely used reputation indices published in the global business press (Brown

and Perry, 1994; Fryxell and Wang, 1994), and their critical reception within the academic

community has meant that the producers of such data have very seldom permitted access and

analysis to more fine grained constituent data that underpin the summative scores and

rankings that are published annually. Furthermore, recognition within the conceptual

literature on reputations that corporate reputations are multiple, whereby a given organisation

has numerous conceptually distinct reputations for particular things (e.g. financial

performance, good employee opportunities, high quality products, etc) among specific

20

stakeholder groups (consumers, the financial community, the general public, etc) (Lange et al., 2011; Rindova et al., 2005) has brought new impetus to tackling the methodological challenges of advancing empirical research on corporate reputation.

Our theoretical development requires that we distinguish reliably between two aspects of a firm's reputation – its character and its capabilities. In order to achieve this, we make use of unique access to the *Britain's Most Admired Company* data which are published annually in Management Today, a leading UK business magazine. The *Britain's Most Admired Company* data, which have been published annually since 1990 (except for 1993), are generated by a method closely based on the equivalent *Fortune Magazine's America's Most Admired Survey of Corporate Reputations* published annually since 1983, being conducted on a similar basis and with virtually identical questions set. Specifically, each year, the 10 largest firms in terms of market capitalisation are identified in around 25 industry sectors and rated on 9 dimensions of firm reputation by survey respondents. These are: quality of management, financial soundness, quality of products, ability to attract and retain top talent, value as a long-term investment, capacity to innovate, use of corporate assets, quality of marketing and community and environmental responsibility. Companies are rated on a scale of 0 (poor) to 10 (excellent) on each dimension of reputation and these are summed to arrive at a total score. Survey questionnaires are sent out in May and collected by September with the survey results published in the December issue of *Management Today*. Well over 2,000 industry experts are surveyed each year with around two thirds responding.

The limited amount of prior research that has examined multi-dimensional reputation data has encountered important barriers to generating valid constructs because of halo effects that mean there are very high correlations between the different perceptions of firm reputation constituting the overall reputational assessment. Significantly, two types of halo effect have been identified. The first type of halo effect is endemic within survey-based research and

21

arises where raters are unable or unwilling to discriminate among different attributes of the companies being evaluated. This type of halo typically arises because of a form of rater error whereby bivariate correlations between dimensions of a firm's are spuriously increased purely because of a cognitive tendency for global evaluations to affect specific ratings and has been the subject of a large body of research in psychology (see, for example, Murphy et al., 1993; Bechger et al., 2010). A second type of halo error arises when a readily available and salient attribute of the firm being evaluated by raters biases their ability to provide objective assessments. Prior research in reputation management has shown that both sorts of halo are a feature of reputational assessments. Fryxell and Wang (1994), for example, concluded that the *Fortune* panel of industry experts is not able to differentiate between the *Fortune* constructs, while both Fryxell and Wang (1994) and Brown and Perry (1994) identified a strong influence of prior financial performance on subsequent reputational assessments.

Critically, the appropriate strategy for removing the halo effect from raw reputational assessments depends on the assumptions made regarding the nature of the underlying halo effects. Removing the first type of "general" halo is generally approached using a common factor removal (CFR) method that assumes that the true evaluations of aspects of a firm's reputation are independent and uncorrelated. These assumptions permit individual dimensions of firms' reputations to be estimated as being a function of common firm and attribute influences, from which the residual firm-specific and attribute-specific scores are recovered as de-haloed measures of the firms' reputation on each of the dimensions of reputation (see Brown and Perry, 1994, 1355). However, the assumptions of independence and absence of correlation are seldom valid, particularly in relation to assessments of reputation where one might reasonably think that the assessment of a firms' reputation for innovation or product quality might relate, for example, to assessments of management

ability. Hence, an alternative approach using a partialling-out strategy (POS) can be used to generate multi-dimensional measures of firms' reputations by regressing firms' reputation on a particular dimension (e.g. product or service quality) against measures of recent financial performance believed to be the cause of the halo effect. These models provide firm-specific residuals which are halo-removed reputation ratings for each dimension.

For robustness, we generated two sets of reputation assessments each of which captures the distinction between a firm's capability reputation and its character reputation. Of the nine underlying aspects of firms' reputation eight plausibly reflect firms capability (quality of management, financial soundness, quality of products, ability to attract and retain top talent, value as a long-term investment, capacity to innovate, use of corporate assets, quality of marketing), while one reflects its character (community and environmental responsibility). We first pursued a common factor removal method by which we created a dehaloed measure of Character Reputation by regressing each firm's community and environmental responsibility reputation against the sum of its reputation score excluding community and environmental responsibility and retaining the residuals. We then identified the common factor shared by the eight aspects of capability reputation by performing principal components analysis and retaining the single factor solution as our measure of capability reputation. Second, we pursued a partialling out strategy for de-haloing reputation data recommended by Brown and Perry (1994). Specifically, we regressed reputation scores for each of the nine measures against industry-adjusted return on assets, industry-adjusted book to market ratio, industry adjusted Debt/Total assets, Prior-year return and natural log of market value of equity and the residuals are used as the reputation scores adjusted for financial halo effects. As for the common factor approach, we retained the de-haloed community and environmental responsibility measure as our measure of firms' character reputation and performed principal components analysis on the financially de-haloed

measures of the eight capability reputation aspects to create the single capability reputation construct.

Findings

We begin by providing a descriptive overview of our sample and data. Table 1 provides the summary statistics for our sample by rankings on corporate social responsibility. The average firm has a market capitalization of £4.9bn and an annual mean return on total assets (ROTA) of around 9.1% over the 12 month period immediately following each survey in May of year T (i.e. from May of year T to April of year T+1). Of particular interest are the correlations between the dimensions of firms' reputations that arise from the two approaches removing halo effects from the raw Britain's Most Admired Company data. Our approach of removing halo effects by controlling for a common factor (CFM) and by controlling for known influences and partialling-out "true" reputation from confounding information (POS) mirrors Brown and Perry's (1994) analysis, and the correlations that emerge are of very similar magnitudes. Brown and Perry (1994) found that removing halo effects generally reduced the correlations between aspects of firms' reputations, that many of these remained highly correlated nonetheless (e.g. correlation coefficients greater than 0.60), that the correlations between items were especially reduced through the common factor removal method, and that the correlation between a reputation for corporate social and environmental responsibility and other aspects of reputation was especially reduced by the removal of halo effects. Our evidence largely echoes their findings in that character and capability reputations remain positively correlated after halo effects have been removed, but that the magnitude of the correlation suggests these are distinct aspects of firms' reputations. Examining the other correlation coefficients, and calculating variance inflation factors, suggests that multicolinearity is unlikely to pose significant problems for our analysis.

[Table 1 here]

In order to test our hypotheses, we estimated pooled ordinary least squares regression models with time fixed effects. Because the notion of financial performance is multi-faceted, we report three sets of regression models, each for one of three measures of financial performance – operating profitability (return on assets), cost of equity, and stock market return (buy-and-hold returns). Furthermore, since we have two approaches to deriving measures of capability and character reputations – the Common Factor Method (CFM) and the Partialling-Out Strategy (POS) – each table reports results for both measurement strategies. While this approach leads to some proliferation of models to be estimated, we feel it provides the most robust approach to testing our hypotheses. We provide a summary table at the conclusion of the discussion of our results that synthesizes the overall judgments in relation to hypotheses that our analysis supports.

Table ### reports the first of our analytical results – those relating to the influences on operating profitability as measured by the return on total assets in the year following a given reputational assessment. Model 1 presents a base model that includes a range of firm characteristics known to influence operating profitability, including prior market and operational performance, firm size (as measured by the natural logarithm of market capitalization), and indebtedness. These are all found to influence operating profitability to statistically significant degrees and with effects that are consistent with those seen in prior research. Specifically, firms with good market and operating performance in the previous year are found to exhibit significantly stronger operating performance (P<0.000, and P<0.000 respectively), as are those firms that are larger, less indebted, and those with higher market to

25

book ratios (P<0.000, P<0.000, and P<0.000 respectively). Model 2 introduces firms'

capability reputation (as measured through the Common Factor Removal approach) to the

base model and finds a positive and statistically significant effect: firms with better capability

reputations achieve significantly improved operating profitability in the subsequent year

P<0.000). Model three adds firms' character reputation to the base model and, in contrast to

hypothesis two, finds no statistically significant relationship between character reputation and

operating profitability. In fact, the coefficient on character reputation is negative. Model four

includes the direct effects of both capability and character reputations on subsequent return

on assets in addition to an interaction effect between the two aspects of firms' reputation the

coefficient on which provides an insight into the presence of any complementarity between

them in relation to their performance effects. The results of model four show that capability

reputation has a strong direct effect on operating profitability, that character reputation has no

statistically significant relationship with operating profitability, and that there is a strongly

significant and positive interaction effect between capability and character reputations and

operating profitability. These findings, consistent with hypothesis three, suggest that while a

reputation for having strong capabilities exerts a strong and independent influence on

financial performance, a reputation for having a good character only plays an important role

in shaping performance when it is accompanied by a strong capability reputation. Models 5-8

mimic the analytical strategy described in models 1-4 but present results for the alternative,

partialling-out strategy (POS) measures of capability and character reputation. In all essential

respects the results mirror those described immediately above – capability reputation is

significantly and positively associated with subsequent operating profitability while character

reputation is not except in the presence of a strong capability reputation.

[Table 2 here]

26

A firm's financial performance is multi-faceted with different specific measures being most salient to specific stakeholders. A firm's cost of equity provides an insight into the firms' performance in relation to the objectives of those provide the firm with capital, with lower costs of equity signalling stronger financial performance. Models 9-16 mirror the analytical strategy adopted in relation to firm's return on assets but substitute this with firms' cost of equity. Model 9, the base model, again incorporates a range of firm-specific characteristics that prior research has shown influence firms' cost of equity including firm size, indebtedness, prior performance, and market to book ratio. The evidence provided for model 9 is consistent with prior research in that it demonstrates that larger, less indebted firms with higher market to book ratios have lower costs of equity. Model 10 adds capability reputation to the base model and firms with better capability reputations are found to have significantly lower cost of equity (i.e. higher financial performance, P<0.005). Model 11 introduces character reputation to the base model and no statistically significant effect is identified, though, as for operating profitability, the direction of the effect is in the direction of poorer financial performance (here in the form of higher costs of equity). Model 12 includes both capability and character reputation measures along with the interaction between them. The results indicate that the interaction between capability and character reputations is both statistically significant and negative, signalling a strong complementarity between the two aspects of reputation in relation to cost of equity. Models 13-16 tell a substantially equivalent story drawing upon measures of reputation calculated through a partialling-out strategy: capability reputation is associated with lower subsequent costs of equity, character reputation is not except when firms also have strong capability reputation.

[Table 3 here]

The stock market returns associated with buying and holding specific equities over time are perhaps of most concern to investors. Hence in table ### we analyse the influence of firms' reputations on their stock market returns in the year following a given assessment. As above, the base model, here model 17, includes known influences on stock returns and provides comparable findings to prior research. Specifically, smaller firms, less indebted firms, and those with lower market to book values and higher prior operating profitability were found to have significantly higher market returns than other firms. Model 18 introduces capability reputation into the base model and, in contrast to the results outlined so far, we find no evidence that firms with better capability reputations outperform firms with weaker capability reputations over the year following a reputational assessment. Model 19 incorporates firms' character reputation in to the base model and shows that firms with higher character reputations have significantly lower stock market returns than other firms in the year following an assessment. The full model, model 20, largely mirrors these findings: stronger character reputations are associated with lower subsequent market returns, there is no statistically significant relationship between capability reputations and stock performance, and there is a highly significant and positive interaction effect between the two aspects of firm reputation and subsequent performance. Models 21-24 largely echo these observations. Once again, no statistically significant relationship between capability reputation and downstream stock performance is identified, while better character reputations are associated with significantly worse buy-and-hold returns. When the performance impacts of both aspects of reputation are modelled jointly along with the interaction between them, firms with higher capability, and lower character, reputations are found to significantly outperform other firms ($P<0.005$ and $P<0.005$ respectively) and a significant positive interaction effect is identified.

[Table 4 here]

Table ### summarises the findings discussed above in relation to our three hypotheses. In relation to hypothesis one, five out of six of our models support a positive relationship between higher capability reputations and improved subsequent financial performance, and therefore we conclude that hypothesis one can be accepted on the balance of the evidence provided. In contrast, we find no support for hypothesis two and, in fact, what statistically significant evidence we identify suggests that rather than being associated with improved financial performance higher character reputations are, other things being equal, associated with poorer downstream financial performance for stock-based measures of performance. In regard of hypothesis three, we found consistent and statistically significant evidence of a strong complementarity between aspects of firms' reputations and downstream performance impacts – where firms' have both better capability and character reputations, these complement each other to deliver especially strong performance effects. Hence we conclude that hypothesis three is confirmed.

[Table 5 here]

Discussion

Extant research sees reputation as a significant corporate asset, but has yet to provide a full account of the nature of the asset value of reputation in relation to firm's downstream financial performance. What empirical evidence exists is equivocal, with particular concerns arising in relation to causality in the reputation-performance relationship, the conceptualisation and measurement of reputation in aggregate form, the lack of clarity in relation to the mechanisms by which aspects of reputation shape performance, and a lack of

29

robustness in relation to financial performance measurement. In this study, we have addressed these deficits of prior research drawing upon a unique longitudinal database of firm reputations that disaggregates reputation into nine dimensions, thus responding for calls for research to embrace the multidimensionality of the reputation construct. Our evidence shows that distinct aspects of reputation influence performance differently, that reputations are more relevant for some aspects of financial performance than others, and that strong complementarities exist between dimensions of reputation in respect of their influence on downstream financial performance. In so doing, we significantly extend the literature on reputation and financial performance in both theoretical and empirical terms.

Our evidence is the first we are aware of to examine the potentially distinct performance implications of specific aspects of corporate reputation and the different results we identify in relation to capability and character dimensions of firms' reputations may account for some of the ambiguous evidence seen to date. We find that firms' capability reputations are strong predictors of future financial performance in that firms perceived to have better capabilities experience improved operating profitability, reduced cost of equity, and better stock market performance than other companies. In contrast, character reputations are found to have much weaker, and even negative, relationships with downstream performance. These findings suggest that the intangible asset value of firm reputation largely resides in its ability to communicate a capacity for firms to meet stakeholders' needs on an on-going basis. Hence, our evidence provides strong support for a more nuanced picture than that provided by extant research that treats reputation monolithically. While their remains much to do in order to add further richness to this picture (for example, by further disaggregating reputation into more fine-grained categories of reputation in the eyes of specific stakeholders), our evidence is an important first step towards unpacking the relationships between reputation and performance.

Conceptually, our evidence provides support for strong complementarities in respect of how dimensions of reputation shape future financial performance. Hence, while our evidence shows that distinct aspects of firms' reputation exert discernible influences on firms' financial performance, they do not do so in isolation. Instead, our evidence suggests that stakeholders interpret any given reputational signal alongside other reputational signals they receive. This suggests, consistent with Love and Kraatz's (2009), argument that while "reputation granters may be primarily attentive to a particular signal […] they are also likely to respond to other, secondary signals that accompany it and may employ multiple evaluative logics in ascribing reputations" (320). In particular, stakeholders appear to respond most positively when the reputational signals they receive are aligned with each other, suggesting that the cognitive consistency of reputational signals may play an important role in shaping stakeholder perceptions and responses.

Additionally, our evidence indicates that reputation exerts a stronger downstream influence on some aspects of firms' financial performance than others, once again suggesting that a failure to examine financial performance in the round may have contributed to the variability of prior evidence. Specifically, our evidence indicates that capability reputation plays a particularly significant role in shaping operational profitability and cost of equity, while character reputation is more strongly, and negatively, related to firms' stock market performance. These findings reflect the distinct concerns of different stakeholder groups in relation to reputation issues and demonstrate a capacity for reputation to enhance financial performance via multiple mechanisms – debt-holders primary concerns are for the avoidance of downside risks and our evidence suggests that strong capability reputation garners support among this community because of its capacity to reduce such risks. In contrast, capability reputations influence operational profitability primarily through attracting and retaining

31

customers and our results suggest that this is a key path by which reputation functions as an important intangible asset. Regarding the reactions of the stock market, our evidence demonstrates that these are distinctively negative in relation to character aspects of reputation, which we find are associated with significantly lower subsequent returns.

Methodologically, while Fortune data have been heavily criticised in much prior reputation research, our study, in common with a number of recent articles (e.g. Love and Kraatz, 2009), demonstrates that the careful use, interpretation, and de-haloing of Fortune data can still provide for useful contributions to theory and practice.

Managerially, our findings offer a caution to firms investing in attempts to create the impression of strong social and environmental responsibility absent a strong reputation grounded in capabilities. Our evidence shows that for the most part stakeholders respond neutrally to such observations – firms are not actively punished by stakeholders for incongruent reputational landscapes, but neither does achieving a strong character reputation provide for downstream financial rewards. Overall, our evidence suggests that acquiring and sustaining a reputation for meeting stakeholders needs is the unique route to superior financial performance.

Our study has a number of limitations that future research should address. Chief among these is the single item measure of firms' character reputation. Unfortunately, this is an artefact of the limitations of the underlying data and the lack of multiple items relating to character judgements in reputation surveys. Future work could help to address this by refining the instruments used. Other limitations are typical of research that draws upon reputation measures that address the perspectives of particular constituencies – in this case the financial

community and peer managers in a firm's industry – and it is important that the systematic differences in perceptions and evaluations across communities of assessors forms a greater part of future research agendas in reputation research.

Conclusion

Extant research sees reputation as a significant corporate asset, but examinations of the downstream performance impacts of strong reputations have exhibited significant theoretical and empirical limitations and have consequently provided very mixed evidence. Conceptualisations of the mechanisms by which firms' reputations affect financial performance are underdeveloped, and the use of highly aggregated, biased, and ambiguous measures of reputation, and single indicators of financial performance has limited the intellectual and practical impact of research to date. Using a unique database, in this paper we are the first to unpack impacts of distinct dimensions of reputation on financial performance, and to examine the influence on these individually and in conjunction with each other on a range of measures of financial performance. We show that distinct aspects of reputation influence performance differently, that reputations are more relevant for some aspects of financial performance than others, and that strong complementarities exist between dimensions of reputation in respect of their influence on downstream financial performance. In so doing, we significantly extend the literature on reputation and financial performance in both theoretical and empirical terms.

REFERENCES

Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. Academy of Management Review, 32(3), 794-816.

Barnett , M.L., Jermier, J.M. and Lafferty, B.A. (2006) 'Corporate reputation: The definitional landscape', Corporate Reputation Review, 9 (1), 26 – 38.

Bechger, T. M., Maris, G., & Hsiao, Y. P. (2010). Detecting halo effects in performance-based examinations. Applied Psychological Measurement, 34(8), 607-619.

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. Academy of Management Journal, 42(5), 488-506.

Bosse, D. A., Phillips, R. A., & Harrison, J. S. (2009). Stakeholders, reciprocity, and firm performance. Strategic Management Journal, 30(4), 447-456.

Botosan, C. and M. Plumlee (2005), 'Assessing Alternative Proxies for the Expected Risk Premium', Accounting Review, Vol. 80, pp. 21-53.

Boyd, B. K., Bergh, D. D., & Ketchen, D. J. (2010). Reconsidering the Reputation—Performance Relationship: A Resource-Based View. Journal of Management, 36(3), 588-609.

Brown, B., & Perry, S. (1994). Removing the financial performance halo from Fortune's "Most Admired" companies. Academy of Management Journal, 37(5), 1347-1359.

Brown, T. J., & Dacin, P. A. (1997). The company and the product: corporate associations and consumer product responses. The Journal of Marketing, 68-84.

Carmeli, A., & Freund, A. (2002). The relationship between work and workplace attitudes and perceived external prestige. Corporate Reputation Review, 5(1), 51-68.

Caruana, A., & Ewing, M. T. (2010). How corporate reputation, quality, and value influence online loyalty. Journal of Business Research, 63(9), 1103-1110.

de Castro, G. M., López, J. E. N., & Sáez, P. L. (2006). Business and social reputation: exploring the concept and main dimensions of corporate reputation. Journal of Business Ethics, 63(4), 361-370.

Davies, G., Chun, R., da Silva, R. V., & Roper, S. (2004). A corporate character scale to assess employee and customer views of organization reputation. Corporate Reputation Review, 7(2), 125-146.

Deephouse, D. L. 1997. The effect of financial and media reputations on performance. Corporate Reputation Review, 1: 68–71.

Deephouse, D. L. (2000). Media reputation as a strategic resource: An integration of mass communication and resource-based theories. Journal of management, 26(6), 1091-1112.

Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. Academy of management Journal, 39(4), 802-835.

Dowling, G. R.: 2001, Creating Corporate Reputations (Oxford University Press, Oxford).

Dowling, G. R., & Gardberg, N. A. (2012). Keeping score: the challenges of measuring corporate reputation. The Oxford Handbook of Corporate Reputation, 34.

Elangovan, A. R., & Shapiro, D. L. (1998). Betrayal of trust in organizations. Academy of Management Review, 23(3), 547-566.

Festinger, L.: 1957, A Theory of Cognitive Dissonance (Stanford University Press: Stanford, California).

Flanagan , D.J. and O'Shaughnessy, K.C. (2005) 'The effect of layoffs on firm reputation', Journal of Management, 31 (3) , 445 – 463.

Flanagan, D. J., O'Shaughnessy, K. C., & Palmer, T. B. (2011). Re-Assessing the Relationship between the Fortune Reputation Data and Financial Performance: Overwhelming Influence or Just a Part of the Puzzle? Corporate Reputation Review, 14(1), 3-14.

Fombrun, C., & Shanley, M. (1990). What's in a name? Reputation building and corporate strategy. Academy of management Journal, 33(2), 233-258.

Fombrun, C. J. (1996). Reputation: Realizing value from the corporate image. Harvard Business Press.

Fombrun, C. J., & Riel, C. V. (2004). Fame & fortune: how successful companies build winning reputations. Financial Times.

Frank, R. H. 1988. Passions within reason: The strategic role of emotions. New York: W. W. Norton.

Fryxell, G. E., & Wang, J. (1994). The Fortune corporate 'reputation'index: Reputation for what?. Journal of management, 20(1), 1-14.

Gardberg, N. A., & Fombrun, C. J. (2006). Corporate citizenship: Creating intangible assets across institutional environments. Academy of management Review, 31(2), 329-346.

Godfrey, P. C., Merrill, C. B., & Hansen, J. M. (2009). The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. Strategic Management Journal, 30(4), 425-445.

Graham, M. E., & Bansal, P. (2007). Consumers' willingness to pay for corporate reputation: the context of airline companies. Corporate Reputation Review, 10(3), 189-200.

Haidt, J. 2007. The new synthesis in moral psychology. Science, 316: 998.

Hall, R. (1992) 'The strategic analysis of intangible resources', Strategic Management Journal, 13, 135 – 144.

Hall, R. (1993) 'A framework linking intangible resources and capabilities to sustainable competitive advantage', Strategic Management Journal, 14, 607 – 618.

Hamilton, D. L., & Sherman, S. J. (1996). Perceiving persons and groups. Psychological review, 103(2), 336.

Handelman, J. M., & Arnold, S. J. (1999). The role of marketing actions with a social dimension: Appeals to the institutional environment. the Journal of Marketing, 33-48.

Hauser, M. D. 2006. Moral minds: How nature designed our universal sense of right and wrong. New York: HarperCollins.

Helm, S. (2007). The role of corporate reputation in determining investor satisfaction and loyalty. Corporate Reputation Review, 10(1), 22-37.

Highhouse, S., Broadfoot, A., Yugo, J. E., & Devendorf, S. A. (2009). Examining corporate reputation judgments with generalizability theory. Journal of Applied Psychology, 94(3), 782-789.

Highhouse, S., Thornbury, E. E., & Little, I. S. 2007. Social-identity functions of attraction to organizations. Organizational Behavior and Human Decision Processes, 103: 134-146.

Hillman, A. J., & Keim, G. D. (2001). Shareholder value, stakeholder management, and social issues: what's the bottom line?. Strategic management journal, 22(2), 125-139.

Jones, T. M., & Wicks, A. C. (1999). Convergent stakeholder theory. Academy of management review, 24(2), 206-221.

Kogut, B. (1988). Joint ventures: Theoretical and empirical perspectives. Strategic Management Journal, 9(4), 319-332.

Lange, D., Lee, P.M. & Dai, Y. (2011). Organizational Reputation: A Review. Journal of Management. 37(1), 153-184.

Linxwiler, J., Shover, N. and Clelland, D. (1983) 'The organization and impact of inspector discretion in a regulatory bureaucracy', Social Problems, 30(4), 425 – 436.

Love, G. E., & Kraatz, M. 2009. Character, conformity or the bottom line? How and why downsizing affected corporate reputation. Academy of Management Journal, 52: 314–335.

MacDuffie, J. P. (1995). Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry. Industrial and labor relations review, 197-221.

Mahon , J.F. (2002) "Corporate reputation: A research agenda using strategy and stakeholder literature", Business and Society, 41(4), 415 – 445.

McMillan-Capehart, A., Aaron, J. R., & Cline, B. N. (2010). Investor Reactions to Diversity Reputation Signals. Corporate Reputation Review, 13(3), 184-197.

Milgrom, P., & Roberts, J. 1986. Relying on the information of interested parties. Rand Journal of Economics, 17: 18-32.

Mishina, Y., Block, E. S., & Mannor, M. J. (2012). The path dependence of organizational reputation: How social judgment influences assessments of capability and character. Strategic Management Journal, 33(5), 459-477.

Mishra, A. K., & Spreitzer, G. M. (1998). Explaining how survivors respond to downsizing: The roles of trust, empowerment, justice, and work redesign. Academy of management Review, 23(3), 567-588.

Murphy, K. R., Jako, R. A., & Anhalt, R. L. (1993). Nature and consequences of halo error: A critical analysis. Journal of Applied psychology, 78(2), 218.

Nesse, R. M. 2001. Natural selection and the capacity for subjective commitment. In R. M. Nesse (Ed.), Evolution and the capacity for commitment: 1–44. New York: Sage.

Ohlson, J. (1995), 'Earnings, Book Values, and Dividends in Equity Valuation', Contemporary Accounting Research, Vol. 11, pp. 661-687.

Ohlson, J. (2001), 'Earnings, Book Values, and Dividends in Equity Valuation: An Empirical Perspective', Contemporary Accounting Research, Vol. 18, pp. 107-120.

Ogden, S., & Watson, R. (1999). Corporate performance and stakeholder management: Balancing shareholder and customer interests in the UK privatized water industry. Academy of Management Journal, 42(5), 526-538.

Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. Organization studies, 24(3), 403-441.

Peteraf MA. 1993. The cornerstones of competitive advantage: a resource-based view. Strategic Management Journal 14(3): 179–191.

Petkova, A. P., Rindova, V. P., & Gupta, A. K. (2008). How can New Ventures Build Reputation?; An Exploratory Study. Corporate Reputation Review, 11(4), 320-334.

Pfarrer, M. D., Pollock, T. G. and Rindova, V. P. (2010). 'A tale of two assets: the effects of firm reputation and celebrity on earnings surprises and investors' reactions'. Academy of Management Journal, 53, 1131–52.

Phillips, R., Freeman, R. E., & Wicks, A. C. (2003). What stakeholder theory is not. Business Ethics Quarterly, 479-502.

Ponzi, L. J., Fombrun, C. J. and Gardberg, N. A. (2011). 'RepTrak™ Pulse: conceptualizing and validating a short-form measure of corporate reputation'. Corporate Reputation Review, 14, 15–35.

Puncheva, P. (2008). The role of corporate reputation in the stakeholder decision-making process. Business & Society, 47(3), 272-290.

Reynolds, S. J., Schultz, F. C., & Hekman, D. R. (2006). Stakeholder theory and managerial decision-making: Constraints and implications of balancing stakeholder interests. Journal of Business Ethics, 64(3), 285-301.

Rhee, M., & Haunschild, P. R. (2006). The liability of good reputation: A study of product recalls in the US automobile industry. Organization Science, 17(1), 101-117.

Rindova, V. P., Williamson, I. O., Petkova, A. P. and Sever, J. M. (2005). 'Being good or being known: an empirical examination of the dimensions, antecedents, and consequences of organizational reputation'. Academy of Management Journal, 48, 1033–50.

Roberts, P. W. & Dowling, G. R. 1997. The value of a firm's corporate reputation: How reputation helps attain and sustain superior profitability. Corporate Reputation Review, 1(1–2): 72–75.

Roberts, P. W. and Dowling, G. R. (2002). 'Corporate reputation and sustained superior financial performance'. Strategic Management Journal, 23, 1077–93.

Sabate, J. M. D. L. F., & Puente, E. D. Q. (2003). Empirical analysis of the relationship between corporate reputation and financial performance: A survey of the literature. Corporate Reputation Review, 6(2), 161-177.

Sánchez, J. L. F., & Sotorrío, L. L. (2007). The creation of value through corporate reputation. Journal of Business Ethics, 76(3), 335-346.

Sen, S., & Bhattacharya, C. B. (2001). Does doing good always lead to doing better? Consumer reactions to corporate social responsibility. Journal of marketing Research, 225-243.

Shapiro, C. (1982). Consumer information, product quality, and seller reputation. The Bell Journal of Economics, 20-35.

Shapiro, C. (1983). Optimal pricing of experience goods. The Bell Journal of Economics, 497-507.

Sjovall, A. M., & Talk, A. C. (2004). From actions to impressions: Cognitive attribution theory and the formation of corporate reputation. Corporate Reputation Review, 7(3), 269-281.

Srivastava, R. K., McInish, T. H., Wood, R. A., & Capraro, A. J. (1997). Part IV: How do reputations affect corporate performance?: The value of corporate reputation: Evidence from the equity markets. Corporate Reputation Review, 1(1), 61-68.

Staw, B. M. (1981). The escalation of commitment to a course of action. Academy of management Review, 6(4), 577-587.

Swider, B. W., Zimmerman, R. D., Boswell, W. R., & Hinrichs, A. T. (2011). Understanding Your Standing: Multiple Indicators of Status and Their Influence on Employee Attachment. Corporate Reputation Review, 14(3), 159-174.

Varadarajan, P. R., & Menon, A. (1988). Cause-related marketing: A coalignment of marketing strategy and corporate philanthropy. The Journal of Marketing, 58-74.

Walker, K. (2010), 'A systematic review of the corporate reputation literature: definition, measurement, and theory', Corporate Reputation Review, Vol.12, No.4, pp.357-387.

Wang, H., & Choi, J. (2013). A New Look at the Corporate Social–Financial Performance Relationship The Moderating Roles of Temporal and Interdomain Consistency in Corporate Social Performance. Journal of Management, 39(2), 416-441.

Webb, D. J., & Mohr, L. A. (1998). A typology of consumer responses to cause-related marketing: from skeptics to socially concerned. Journal of Public Policy & Marketing, 226-238.

Weigelt, K. and Camerer, C. (1988) 'Reputation and corporate strategy: A review of recent theory and applications', Strategic Management Journal, 9(5), 443 – 454.

Whetten, D. A., & Mackey, A. (2002). A social actor conception of organizational identity and its implications for the study of organizational reputation. Business & Society, 41(4), 393-414.

Whitener, E. M., Brodt, S. E., Korsgaard, M. A., & Werner, J. M. (1998). Managers as initiators of trust: An exchange relationship framework for understanding managerial trustworthy behavior. Academy of Management Review, 23(3), 513-530.

Figure 1: The relationship between capability reputation, character reputation, and financial performance
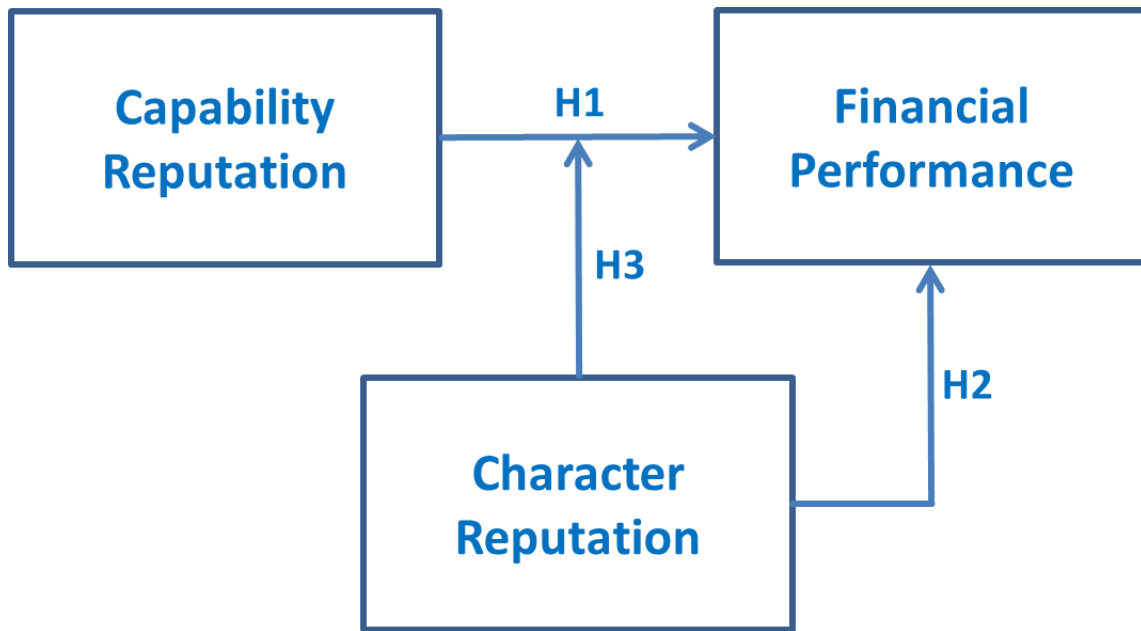
Figure 2: Stakeholder interpretations of interactions between capability and character reputations

Capability Reputation

	Weak	**Strong**
Weak **Character** **Reputation**	Company is held in generally low esteem; stakeholders perceive of little benefit to a relationship with a company and have low trust in future behaviour	Stakeholders view exchange with a firm as offering potential benefits, but are concerned about how a firm will behave in the context of a relationship
Strong	The impact of character reputation is reduced because it is discordant with firm capability; to the extent that it is noticed, it is interpreted cynically and seen as unjust	Company is held in generally high esteem; character reputation is seen as genuine and increases stakeholders' trust in the company

Table 1: Descriptive statistics and correlations

Variable	Mean	Standard Deviation	1	2	3	4	5	6	7	8	9
(1) Capability Reputation (CFR)	47.27	7.25									
(2) Character Reputation (CFR)	0.00	0.69	0.00								
(3) Capability Reputation (POS)	0.00	5.88	0.81	0.00							
(4) Character Reputation (POS)	0.00	0.79	0.42	0.82	0.42						
(5) Market Value (£BN)	4.90	10.91	0.37	0.09	0.06	0.04					
(6) Book to Market Ratio	0.54	0.45	-0.25	0.12	-0.03	0.03	-0.04				
(7) Debt to Total Assets Ratio	0.63	0.24	-0.07	-0.06	-0.11	-0.13	0.04	-0.37			
(8) Return on Total Assets (%)	9.12	9.85	0.26	-0.07	0.10	0.04	0.06	-0.35	-0.01		
(9) Return on Equity (%)	14.32	35.30	0.20	-0.08	0.00	-0.01	0.05	-0.23	-0.03	0.14	
(10) Cost of Equity (%)	10.11	5.95	-0.23	-0.02	-0.08	-0.06	-0.11	0.07	0.08	-0.16	-0.19

Table 2: The relationship between capability and character reputation and operating profitability

	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7		Model 8	
	Dependent Variable: Return on Assets (t+1)															
Constant	5.887	***	4.748	***	5.692	***	4.66	***	6.397	***	6.355	***	6.393	***	6.245	***
	(4.93)		(3.83)		(4.74)		(3.75)		(5.35)		(5.31)		(5.34)		(5.22)	
LN OF MARKET VALUE$_t$	0.193	**	0.064		0.209	***	0.072		0.176	**	0.171	**	0.176	**	0.173	**
	(2.74)		(0.80)		(2.95)		(0.89)		(2.50)		(2.44)		(2.50)		(2.46)	
BOOK TO MARKET RATIO$_t$	-3.706	***	-3.611	***	-3.689	***	-3.581	***	-3.933	***	-3.896	***	-3.933	***	-3.888	***
	(18.69)		(18.04)		(18.58)		(17.88)		(19.63)		(19.41)		(19.62)		(19.38)	
DEBT TO TOTAL ASSETS$_t$	-3.288	***	-3.050	***	-3.351	***	-3.058	***	-3.361	***	-3.215	***	-3.346	***	-3.27	***
	(7.59)		(6.96)		(7.71)		(6.95)		(7.78)		(7.39)		(7.66)		(7.48)	
RETURN ON TOTAL ASSETS$_t$	0.525	***	0.517	***	0.524	***	0.516	***	0.521	***	0.519	***	0.521	***	0.518	***
	(50.57)		(48.89)		(50.50)		(48.80)		(50.26)		(49.91)		(50.19)		(49.86)	
RETURN ON EQUITY$_t$	2.071	***	1.971	***	2.02	***	1.944	***	2.011	***	2.04	***	2.013	***	2.042	***
	(7.173)		(6.80)		(6.96)		(6.68)		(6.97)		(7.07)		(-6.97)		(7.08)	
CAPABILITY REPUTATION (CFR)$_t$			0.057	***			0.056	***								
			(3.36)				(3.33)									
CHARACTER REPUTATION (CFR)$_t$					-0.249		-0.24									
					(1.70)		(1.64)									
CHARACTER REPUTATION * CAPABILITY REPUTATION (CFR)$_t$							0.054									
							(2.77)	**								
CAPABILITY REPUTATION (POS)$_t$											0.046	**			0.064	***
											(2.69)				(3.20)	
CHARACTER REPUTATION (POS)$_t$													0.031		-0.184	
													(0.24)		(1.23)	
CHARACTER REPUTATION * CAPABILITY REPUTATION (POS)$_t$															0.043	**
															(2.30)	
Year Effects Included	YES		YES		YES		YES		YES		YES		YES		YES	
R-Squared	0.509		0.510		0.509		0.512		0.512		0.513		0.512		0.514	
Adjusted R-Squared	0.506		0.508		0.507		0.508		0.510		0.510		0.509		0.511	
Number of Observations	4437		4437		4437		4437		4410		4410		4410		4410	

Notes: Figures in parentheses are t-statistics, and significance levels are highlighted as follows:* $p<0.10$, ** $p<0.05$, *** $p<0.01$. The sample consists of all the companies in the Britain's Most Admired Companies list that were listed on the London Stock Exchange in January of the calendar year immediately after the publication of the respective annual survey from 1990 to 2011 (excluding 1993). The subscripts CFR and POS refered to in relation to the measures of capabiilty and character reputation refer to measures calculated by the Common Factor Removal and Partialling-Out Strategy approaches respectively. All independent variables are industry adjusted and the parameters of the model are estimated by pooled ordinary least squares regressions.

Table 3: The relationship between capability and character reputation and cost of equity

	Model 9		Model 10		Model 11		Model 12		Model 13		Model 14		Model 15		Model 16	
	Dependent Variable: Cost of Equity (t+1)															
Constant	7.765	***	8.59	***	7.933	***	8.699	***	8.047	***	8.157	***	8.057	***	8.261	***
	(7.03)		(7.42)		(7.14)		(7.49)		(7.33)		(7.42)		(7.34)		(7.51)	
LN OF MARKET VALUE$_t$	-0.357	***	-0.276	***	-0.37	***	-0.287	***	-0.372	***	-0.373	***	-0.372	***	-0.374	***
	(5.41)		(3.71)		(5.56)		(3.81)		(5.68)		(5.69)		(5.67)		(5.71)	
BOOK TO MARKET RATIO$_t$	0.671	***	0.569	***	0.656	***	0.551	***	0.655	***	0.631	***	0.653	***	0.621	***
	(3.41)		(2.83)		(3.33)		(2.74)		(3.30)		(3.17)		(3.29)		(3.12)	
DEBT TO TOTAL ASSETS$_t$	1.117	***	0.944	**	1.165	***	0.99	**	1.07	**	0.99	**	1.054	**	1.027	**
	(2.84)		(2.36)		(2.96)		(2.47)		(#.###)		(2.51)		(2.66)		(2.59)	
COST OF EQUITY$_t$	0.518	***	0.513	***	0.519	***	0.512	***	0.518	***	0.515	***	0.517	***	0.516	***
	(28.3)		(27.78)		(28.32)		(27.78)		(28.37)		(28.16)		(28.31)		(28.20)	
RETURN ON EQUITY$_t$	0.156		0.23		0.195		0.239		0.136		0.126		0.135		0.123	
	(0.57)		(0.84)		(0.72)		(0.87)		(0.50)		(0.47)		(0.50)		(0.46)	
CAPABILITY REPUTATION (CFR)$_t$			-0.035	**			-0.034	**								
			(2.36)				(2.31)									
CHARACTER REPUTATION (CFR)$_t$					0.18		0.202									
					(1.4)		(1.56)									
CHARACTER REPUTATION * CAPABILITY REPUTATION (CFR)$_t$							-0.049	***								
							(2.81)									
CAPABILITY REPUTATION (POS)$_t$											-0.026	*			-0.034	**
											(1.68)				(1.95)	
CHARACTER REPUTATION (POS)$_t$													-0.032		0.096	
													(0.28)		(0.74)	
CHARACTER REPUTATION * CAPABILITY REPUTATION (POS)$_t$															-0.038	**
															(2.27)	
Year Effects Included	YES		YES		YES		YES		YES		YES		YES		YES	
R-Squared	0.264		0.265		0.264		0.267		0.266		0.267		0.266		0.268	
Adjusted R-Squared	0.259		0.260		0.259		0.261		0.261		0.261		0.261		0.262	
Number of Observations	3630		3630		3630		3630		3613		3613		3613		3613	

Notes: Figures in parentheses are t-statistics, and significance levels are highlighted as follows:* p<0.10, ** p<0.05, *** p<0.01. The sample consists of all the companies in the Britain's Most Admired Companies list that were listed on the London Stock Exchange in January of the calendar year immediately after the publication of the respective annual survey from 1990 to 2011 (excluding 1993). The subscripts CFR and POS refered to in relation to the measures of capabiilty and character reputation refer to measures calculated by the Common Factor Removal and Partialling-Out Strategy approaches respectively. All independent variables are industry adjusted and the parameters of the model are estimated by pooled ordinary least squares regressions.

Table 4: The relationship between capability and character reputation and stock market returns

	Dependent Variable: Market Return (t+1)							
	Model 17	Model 18	Model 19	Model 20	Model 21	Model 22	Model 23	Model 24
Constant	0.442 ***	0.433 ***	0.424 ***	0.424 ***	0.427 ***	0.426 ***	0.429 ***	0.421 ***
	(6.31)	(6.00)	(6.03)	(5.84)	(6.08)	(6.06)	(6.11)	(5.99)
LN OF MARKET VALUE$_t$	-0.017 ***	-0.018 ***	-0.016 ***	-0.017 ***	-0.017 ***	-0.017 ***	-0.016 ***	-0.016 ***
	(4.10)	(3.80)	(3.72)	(3.57)	(3.96)	(3.97)	(3.91)	(3.92)
BOOK TO MARKET RATIO$_t$	0.104 ***	0.105 ***	0.105 ***	0.106 ***	0.109 ***	0.11 ***	0.108 ***	0.11 ***
	(9.31)	(9.23)	(9.39)	(9.37)	(9.62)	(9.65)	(9.55)	(9.69)
DEBT TO TOTAL ASSETS$_t$	0.075 ***	0.077 ***	0.07 ***	0.075 ***	0.078 ***	0.081 ***	0.071 ***	0.074 ***
	(3.02)	(3.06)	(2.80)	(2.95)	(3.14)	(3.21)	(2.80)	(2.92)
RETURN ON TOTAL ASSETS$_t$	0.268 ***	0.263 ***	0.262 ***	0.253 ***	0.268 ***	0.265 ***	0.273 ***	0.261 ***
	(4.55)	(4.37)	(4.45)	(4.20)	(4.54)	(4.46)	(4.61)	(4.39)
RETURN ON EQUITY$_t$	0.007	0.007	0.003	0.004	0.009	0.01	0.009	0.01
	(0.45)	(0.41)	(0.20)	(0.23)	(0.58)	(0.61)	(0.53)	(0.60)
CAPABILITY REPUTATION (CFR)$_t$		0.000		0.000				
		(0.45)		(0.40)				
CHARACTER REPUTATION (CFR)$_t$			-0.02 **	-0.02 **				
			(2.40)	(2.43)				
CHARACTER REPUTATION * CAPABILITY REPUTATION (CFR)$_t$				0.003 ***				
				(3.10)				
CAPABILITY REPUTATION (POS)$_t$						0.001		0.003 **
						(0.76)		(2.32)
CHARACTER REPUTATION (POS)$_t$							-0.016 **	-0.025 ***
							(2.12)	(2.85)
CHARACTER REPUTATION * CAPABILITY REPUTATION (POS)$_t$								0.002 **
								(2.01)
Year Effects Included	YES	YES	YES	YES	YES	YES	YES	YES
R-Squared	0.245	0.245	0.246	0.247	0.246	0.246	0.246	0.248
Adjusted R-Squared	0.241	0.240	0.241	0.243	0.241	0.241	0.242	0.243
Number of Observations	4520	4520	4520	4520	4493	4493	4493	4493

Notes: Figures in parentheses are t-statistics, and significance levels are highlighted as follows:* p<0.10, ** p<0.05, *** p<0.01. The sample consists of all the companies in the Britain's Most Admired Companies list that were listed on the London Stock Exchange in January of the calendar year immediately after the publication of the respective annual survey from 1990 to 2011 (excluding 1993). The subscripts CFR and POS refered to in relation to the measures of capabiilty and character reputation refer to measures calculated by the Common Factor Removal and Partialling-Out Strategy approaches respectively. All independent variables are industry adjusted and the parameters of the model are estimated by pooled ordinary least squares regressions.

Table 5: Summary of hypothesis testing

	H1: Higher capability reputation is associated with higher subsequent performance		H2: Higher character reputation is associated with higher subsequent performance		H3: Capability and character reputations positively interact to shape subsequent financial performance	
	CFR METHOD	POS METHOD	CFR METHOD	POS METHOD	CFR METHOD	POS METHOD
Operating Profitability (Return on Assets)	*CONFIRMED*	*CONFIRMED*	*REJECTED*	*REJECTED*	*CONFIRMED*	*CONFIRMED*
Cost of Equity	*CONFIRMED*	*CONFIRMED*	*REJECTED*	*REJECTED*	*CONFIRMED*	*CONFIRMED*
Stock Market Return (Buy-and-Hold Return)	*REJECTED*	*CONFIRMED*	*REJECTED*	*REJECTED*	*CONFIRMED*	*CONFIRMED*