CORPORATE REPUTATION, ETHICAL BRAND, AND TRUST IN THE BRAZILIAN INDUSTRY

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ABSTRACT

All organizations rely on their reputation to strengthen their image and increase consumer trust and credibility in their products and/or services. In this context, developing an Ethical Brand (EB) and a Corporate Reputation (CR) continues to be a major challenge. Therefore, this research aims to investigate empirically how trust affects EB and CR. This study used secondary data from the Authenticity Gap Report (AGR), collected on-line in 160 Brazilian organizations, using a structured questionnaire to a non-probability sampling from 20 different industries with 1.328 Engaged Consumers. Different references were used for analysis: (i) the Trust model in buyer-seller relationships; (ii) the Ethical Reputation Brand model; and (iii) the CR Ranking Index (MERCO). The results indicated that three of five dimensions of the Trust model represented good CR indicators. From the 20 different industries analyzed, three have the best average, according to the MERCO Ranking and the three combined indicators from the AGR. Results demonstrated the role of authenticity, trust, and industry as a fundamental element to EB and CR.

Keywords: Ethical brand; Corporate Reputation; Trust.
1. INTRODUCTION

In the complex environment of today, market shows an increase of stakeholders’ expectations regarding the industry. Not only consumers, civil services, local communities, defenders of future generations, and companies demand good quality products and services, this being a source of good corporate reputation (CR), but they also expect ethical management of organizations in order to be able to decide "consciously" with whom they want to work or the product or service they wish to purchase (Zamohano, 2013). In this context, developing a CR, which is “a particular type of feedback received by an organization from its stakeholders concerning the credibility of the organization’s identity claims” (Whetten and Mackey, 2002: 401), continues to be a major challenge (Deephouse and Carter, 2005).

An organization has a good reputation when it meets or exceeds the expectations of its stakeholders. Bad reputation is associated with schizophrenia between discourse and organizational practice (Chun, 2005; Järvinen and Suomi, 2011). Therefore, the good CR is the result of the alignment between what is said, the behavior adopted, and the perception shared by the stakeholders (Lange et al., 2011).

The better the product quality, the higher the perceived ethical brand (EB) value. Therefore, when higher value is apparent, the EB is recognized as enhancing the CR (Fan, 2005). The misalignment between EB and CR affects organizations by leaving them more vulnerable to crisis (Van de Ven, 2008; Parguel et al., 2011; Brunk, 2010).

Fleishman-Hillard (2012) authenticity gap model is used with its nine drivers to evaluate perception of EB and CR. Several studies have related the concept and the EB factors that affect CR (Gotsi and Wilson, 2001). One of these factors is trust – “the confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, 23).

Organizational literature almost unanimously recognizes that trust affects CR (Eastlick et al., 2006; Cretu and Brodie, 2007) and well-reputed firms earn the trust of customers (Walsh et al., 2009). Research also proved that in the absence of cooperative history, CR improves the trustworthiness of a firm, which is essential in a strategic alliance (Brown and Dacin, 1997).

Although CR is not new in the business ethics literature and is widely researched, its empirical relationship with trust is still uncommon (Hur et al., 2014). Some scholars highlight a gap in organizational research about the role of CR in customer trust or brand positioning (Ali et al., 2017).

2. LITERATURE REVIEW

This section presents a brief review of EB, CR, and Trust, and the role of trust in the alignment between EB and CR.

Ethical Brand (EB)

The word brand is conceptualized in various ways, with multiple and often confusing meanings (Fan, 2005).

According to Kotler (1997), a brand is a “name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers to differentiate them from those of competitors” (Kotler, 1997, p. 443).

Authors such as de Chernatony and McDonald (2003) explain the concept of brand based on the role it plays as a construct: “A brand is a multidimensional construct whereby managers augment products or services with values, and this facilitates the process by which consumers confidently recognize and appreciate these values” (de Chernatony and McDonald, 2003, p. 427). Other authors focus on the intangible values on brand concept that favors organizational identity: “A brand is what sticks to the roof of the customers’ mind. It’s memorable and it is what differentiates a product in the marketplace” (Vahabzadeh et al., 2017, p.1661).

This concept aligns consumer perception with the EB ‘personality’, ‘signature’, and policy of an organization, and favors the creation of an organization’s reputation when its consumers really believe that their needs and expectations are important (Vahabzadeh et al., 2017). The ‘EB identity’ concept emerges within this line of thinking, where organizations seek a balance between making money and doing the right thing (Balmer et al., 2011; Okaye, 2009). EB identity considers the concept of citizen organization (Okaye, 2009) and is highly influenced by ethical principles and the concept of corporate social responsibility (CSR) (Biraghi and Gambetti, 2015). A firm’s corporate image is vital for businesses to bring out a stronger positive emotional response from their stakeholders and to help improve their business performance, corpora-
Corporate Reputation (CR)

According to the Compact Oxford English Dictionary, reputation is “the beliefs or opinions that are generally held about someone or something”. Depending on the field of study, reputation may have different meanings (Gaultier-Gaillard et al., 2006) but always constitutes an intangible asset and a value-creating tool (Moerman and van Riel, 2004) to communicate a firm’s social responsibility activities and to shape the perceptions of shareholders and stakeholders (Puente et al., 2007).

All organizations rely on their reputation to strengthen their image and increase consumer credibility in their products and/or services (Cretu and Brodie, 2007). CR is also key to reinforcing organizational identity vis-à-vis other organizations (Brown and Starkey, 2000), whereas CR is “what others are saying about the company, and not just its business partners and customers” (Diermeier, 2011, p. 232).

CR has been increasingly considered in organizational management for its strategic role in competitive advantage (Abratt and Kleyn, 2012; Vahabzadeh et al., 2017; Toro and Pavia, 2019). Organizations are increasingly recognizing the importance of meeting consumer expectations in building a good reputation (Vahabzadeh et al., 2017; Gotsi and Wilson, 2001).

Suomi, K. (2014) reinforces that a favorable reputation has become key in corporate management and is widely recognized to carry a variety of positive implications to organizations: it protects it against crisis, attracts competent personnel, and facilitates the retention of the more talented employees (Fombrun and Gardberg, 2000).

Finally, organizational studies have highlighted the relevance of CR in increasing consumer commitment, loyalty, and trust in an organization’s services and products (Eastlick et al., 2006; Walsh et al., 2009).

Ethical Brand (EB), Corporate Reputation (CR), and Trust

The concept of trust – a descriptive idea held by someone about something – has various definitions. We can consider the trust of employees in their managers (Dietz and Gillespie, 2012), the trust and collaboration between the parties involved in an interorganizational relationship (Malhotra and Lumineau, 2011; Lewicki and Wiehoff, 2000), and “the confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p.23). Organizations with a corporate culture that values and promotes the protection of CR affect employees’ perception of the company’s reputation and consequently how they trust their manager and management, because trust is one of the critical factors on which CR is based (Komisarjevsky, 2012), and CR is a component of trust (Falcone et al., 2003).

However, in the context of this research, we will discuss trust from the customers’ point of view, that is, customer’s trust in a company’s products or brand, as well-reputed firms earn customers’ trust and commitment (Eastlick et al., 2006; Sichtmann, 2007).

Trust is the result of consumers’ willingness to believe and rely on a particular EB in the face of risk, defined by their perceived benevolence, reliability, integrity, sincerity, authenticity, and credibility (Lau and Lee, 1999; Swaen and Chumpitaz, 2008; Delgado-Ballester et al., 2005). Consequently, companies need to achieve long-term relationships with their consumers in order to obtain this confidence (Madura et al., 2016; Shamdasani and Balkrishnan, 2000; Corbitt et al., 2003).

Words such as truthfulness, veracity, honesty, transparency, consistency, intention or morality, good will, and genuineness are associated to EB and authenticity by several authors (Shen and Kim, 2012; Bowen, 2016). When consistently implemented, the EB will develop an authentic communication element and increase the level of its sincerity (van Rekom et al., 2014). Such sincerity could enhance the company’s image and CR among the stakeholders (Song et al., 2019), and can potentially resolve any problem, especially when companies must address
innumerable stakeholders across different countries (Alwi et al., 2017).

As per Morhart et al. (2015), authenticity in the realm of brand marketing is “the extent to which consumers perceive a brand to be faithful and true toward itself and its consumers, and to support consumers in being true to themselves” (p.202), and trust is the essence of authenticity.


The perception that the EB behaves fairly, accountably, and responsibly toward its customers are positively related to customer trust in such brand/company (e.g., Lin et al., 2011; Martínez and Rodríguez del Bosque, 2013; Swaen and Chumpitaz, 2008). A brand/company that is perceived as ethical is more likely to be trusted by its customers (Swaen and Chumpitaz, 2008) and ethical concerns positively influence customer trust (Kennedy et al., 2001).

Several studies in different sectors (restaurants, manufacturing, organic food, hotel) found that the ethical behavior and the EB have a positive impact on trust (García de los Salones et al., 2009; Choi and La, 2013; Martínez and Rodríguez del Bosque, 2013; Pivato et al., 2008).

3. METHOD

This article extends prior studies on the role of trust in the alignment of EB and CR (Kim, Hur, Yeo, 2015; Hoq, Ali, Alwi, 2015), aiming at assisting organizations to earn trust and to investigate empirically how trust affects EB and CR.

This descriptive research used secondary data results from the Authenticity Gap Report (AGR), collected by the True Global Intelligence team (https://fleishmanhillard.com/true-global-intelligence/) based on Lepere Analytics methodology (http://lepereanalytics.com/authenticity-gap.html) presented in the FleishmanHillard Authenticity Report (2019). This study was conducted in 160 Brazilian organizations, leaders in their industries, reflecting the most important segments in the Brazilian economy. Data was collected online using a structured questionnaire for a non-probability sampling of 20 different industries during April and May 2019 with 1.328 Engaged Consumers (EC), 744 men and 584 women: individuals who express interest, knowledge, engagement, and influence in this particular industry. According to the Authenticity Gap Industry Snapshots 2019 Brazil, “Customer engagement is the depth of the relationship a customer has with a brand. This engagement provides a pro-active, conscious lens, from which the consumer is able to decide among categories, companies and brands.” (Fleishman-Hillard Authenticity Report, 2019, pg. 33).

When considering a company’s CR, these Engaged Consumers (EC) seek information about brands, speak to family and friends about a company, and engage in a dialogue with a company and its brand, providing a feedback. They are curious, critical, writers, active, entrepreneurs, and conscious. They use different platforms to express their opinions and demonstrate at least three of the following behaviors: search and/or share information about the products or services of a company; share their opinion or offer advice about company’s products or services with others; and write an article or sign a petition or contribute to a blog to share their view about a company and its activities, products, or services (FleishmanHillard Authenticity Report, 2019).

The answers from the Brazilian respondents allow determining the position of that company in the industry and compare it to its competitors. The respondents ranked their expectations and experience on The Nine Drivers of Authenticity, with three interconnected groups, as showed on Table 1:

In order to analyze the research questions – (i) Do ‘The Nine Drivers of Authenticity positively influence EB and CR? and (ii) What is the role of trust in buyer-seller relationships? – three different references have been used, and are described in this section: (1) the Trust model in buyer-seller relationships (Doney and Cannon, 1997); (2) the Ethical Reputation Brand model (Velamuri et al., 2017); and (3) the CR Ranking Index (MERCO) Brazil, 2018 (http://merco.info/br/ranking-merco-empresas).

The Trust model in buyer-seller relationships (Doney and Cannon, 1997)

Given the emphasis placed on trust in commercial exchange relationships, Doney and Cannon (1997) analyzed how trust influences specific aspects of customer behavior and identified five cognitive processes through which industrial buyers can develop trust in a supplier firm and its salesperson to identify antecedents of trust: (i) a calculative process based on costs and benefits; (ii) a prediction process based on forecasting the other party’s credibility and benevolence; (iii) a capability process based on the partner’s ability; (iv) an intentionality process based on interpreting the intentions in the exchange; and (v) a
transference process based on the perception of a known source.

Doney and Cannon (1997) considered five dimensions to be considered on trust: (i) Reputation (integrity) – characterized by sincerity, honesty, veracity, and keeping promises; (ii) Competence (Capacity) – knowledge and technical and interpersonal skills required for work, decision making, and performing roles; (iii) Consistent behavior – consistency, fairness, predictability, discretion, and good judgment; (iv) Goodwill (Loyalty) – intentions, motives, objectives, shared values, commitment, and willingness to protect others; and (v) Openness and sharing of information – being mentally accessible or available to share ideas and information freely and accurately.

**The Ethical Reputation Brand model (Velamuri et al., 2017)**

The authors analyzed how ethical behavior by firms leads to building an ethical reputation and found that the strength of stakeholder responses to ethical behavior is moderated by firm level and six contextual factors: (i) high status affiliations; (ii) industry characteristics; (iii) the nature of corruption resisted; (iv) the presence of a plural press; (v) the potential for collective action; and (vi) the presence of an independent judiciary. These antecedents also influence the pattern of stakeholder resource commitments that firms are able to enjoy as a result of having built ethical reputations.

**CR Ranking Index (MERCO) Brazil, 2018**

The MERCO ranking is carried out by Instituto Análisis e Investigación. It was launched in the year 2000 and collects data in twelve countries (MERCO, 2019). The methodology includes five waves, with 11 different sources of information and analysis of companies with a Revenue over US$ 40 million (Aberje, 2019).

According to Velamuri et al. (2017), seven factors are important to consider when we analyze EB and CR: (i) the stakeholder response to ethical behavior; (ii) High-status affiliations: companies seek affiliations with high-status individuals or organizations as a way to acquire legitimacy and build reputation among a broad group of stakeholders (Hayward et al., 2004; Pfarrer et al., 2010); (iii) Industry characteristics: the authors confirmed Shamsie’s (2003) research conclusions, which proposed specific industry characteristics as CR antecedents; (iv) Nature of corruption resisted: the distinction between political and bureaucratic corruption is important to understand how ethical reputations are built; (v) Polarized media and society: the authors confirm previous studies (Dawkins, 2005; Harvey et al., 2017) by stating that the media needs to reify the ethical message to a broader group of stakeholders, based on the premise that reputation claims are more credible when they are made by third parties or legitimized in a credible way; (vi) In-groups and collective action: the authors confirmed Sosis’ (2005) arguments that, rather than trust, it is the institutional framework of religion that encourages adherents to behave in ways that are expected of them in order to build, protect, and enhance their reputations; and (vii) Presence of a plural press and independent judiciary to enable organizations to build ethical reputations.

**Table 1. The Nine Drivers of Authenticity**

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<thead>
<tr>
<th>GROUP</th>
<th>DRIVER</th>
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<tbody>
<tr>
<td>Management Behaviors</td>
<td>1. Doing Right: More committed to doing the right thing</td>
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<tr>
<td></td>
<td>2. Consistent Performance: Having more consistent and stable financial and operational performance</td>
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<td></td>
<td>3. Credible Communications: Openness and sharing of information, More frequent communicating</td>
</tr>
<tr>
<td>Customer Benefits</td>
<td>4. Innovation: Innovating in new and better products and services</td>
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<tr>
<td></td>
<td>5. Customer care: Taking better care of customers</td>
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<tr>
<td></td>
<td>6. Better value: Offering products and services that have better value</td>
</tr>
<tr>
<td>Outcomes for Society</td>
<td>7. Employee Care: Taking better care of employees</td>
</tr>
<tr>
<td></td>
<td>8. Community Impact: Contributing to society in a way that it has a better impact on my community</td>
</tr>
<tr>
<td></td>
<td>9. Care of Environment: Taking better care of the environment</td>
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4. DISCUSSION AND RESULTS

Considering the alignment between the five MERCO ranking values and those of the Authenticity Gap Report (AGR), a proxy was used to provide an independent evaluation of the Brazilian industry.

Table 2 shows some records using MERCO ranking as an expected result of the AGR Nine Drivers. In this exploratory model, since secondary data from MERCO and AGR were used, several combinations of the Authenticity Gap Drivers were tested to predict each industry position in the MERCO ranking. A linear regression model* was used to test the model, using a 95% confidence level. Considering the complete model, the P-value result indicates there is a correlation between the variables: residual analysis indicates that the equation is adequate, and the coefficient of determination (R²) indicates that variable x explains the behavior of variable y. However, most of the results are explained by 3 to 5 drivers as a predictor of MERCO ranking position.

The results from the combined framework indicated that three drivers (‘Consistent Performance’, ‘Credible Communication’, and ‘Better Value’) from the AGR, represented good indicators of CR according to the correspondent position of an Industry in the MERCO Ranking. These results are consistent with 3 of 5 dimensions of the Doney and Cannon (1997) Trust construct: ‘Competence’, ‘Consistent Behavior’, and ‘Credible Communications’.

The same three industries, ‘Personal Care products’, ‘Beer and Spirits’, and ‘Banks’, have the best average according to the MERCO Ranking and the three combined indicators from AGR.

The other four drivers (‘Doing Right’, ‘Customer Care’, ‘Innovation’, and ‘Environment Care’) presented mainly negative results, indicating a significant gap between Customers’ expectations and their evaluation of most industries in Brazil.

‘Doing Right’ and ‘Environment Care’ presented gaps for most of the industries analyzed, indicating that customers expected a more ethical behavior and a greater commitment with the environment.

It is interesting to compare these research findings with the results from other countries. According to Fleshman Hillard, “engaged consumers across the globe say that only half (47%) of their perceptions and beliefs about a company are shaped by attributes related to companies’ products and services. The other half (53%) is shaped by information regarding how management behaves (25%) and how the company is having an impact on society (28%)” (Authenticity Gap Report, 2019, p. 9).

Considering the Ethical Reputation Brand model (Velamuri et al., 2017), the results from Brazil showed that: (i) specific industry characteristics act as antecedents of CR, especially the perception of consistent behavior, confirming prior research (Lange, Lee and Dai, 2011; Carmeli and Tishler, 2005); (ii) if we analyze the MERCO Ranking changes over time, companies involved in political corruption tend to be expelled from the ranking – even this analysis not being the scope of this article, this is a potential subject for future research, considering longitudinal studies; (iii) the role of a credible communication is very clear in the results, confirming previous studies (Dawkins, 2005, Harvey et al., 2017), stating that the media need to reify the ethical message to a broader group of stakeholders. Since this involves more than advertisement, the role of openness and sharing information is also confirmed and reinforce that reputation claims are more credible when they are made by third parties or legitimized in a credible way; (iv) the sense of community, supporting not only customers, but also employees and the society as whole, which is part of the AGR Nine Drivers, seems to be important, even when this report presents mixed results about these drivers; (v) the presence of a plural and independent press is a basic condition to enable organizations to build an EB and CR and is beyond the scope of this analysis; however, it is included in the model, especially to allow future cross-country studies; (vi) the stakeholder response to ethical behavior is reinforced in ‘society outcomes’, considering AGR Nine Drivers; and (vii) the simple fact that there is coincidence between most of the industries (and companies) in both rankings confirms the authors expectations that firms seek affiliations with high-status organizations as a way of acquiring legitimacy and building CR among a broad group of stakeholders (Hayward et al., 2004; Pfarrer et al., 2010).

5. CONCLUSION

The goal of this work was to investigate empirically how trust affects EB and CR in different industrial sectors in the Brazilian industry.

The result reinforces the importance of companies measuring their authenticity gap (AG), both qualitatively and quantitatively. This should be as a goal to be pursued by industries. Doney and Canon’s (1997) trust model seems to be a good predictor of CR. Velamuri et al. (2017) ER model seems to influence results, acting as a moderator, especially in cases of corruption and media problems – this can be tested comparing industries and countries rankings over time, as stated in the results section. The combined use of the Authenticity Gap and Merco Ranking seems to present a robust source of information and it can be object of future studies.
Results have also demonstrated the role of authenticity as a fundamental element to CR and to building a good relation between the EB and the consumers.

Finally, we suggest that future researchers compare results over time in a longitudinal study, since these rankings are reported every year, and test the robustness of our conceptual model in other industry settings where customers perceive higher selection risk due to lower tangibility, such as retail banking and telecommunication, compared to the fast-food industry.

* Complete linear regression models available from the authors.

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