

## **Developing an Alternative Measurement of Corporate Reputation within the Malaysian Context**

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### **Abstract**

The measurement of corporate reputation is a growing issue for practitioners and academics. The corporate reputation measurement literature concentrates on the United States and European countries. There is an obvious lack of studies especially on the development of corporate reputation measurement in Malaysia. While interest in the development of corporate reputation measurement has gained momentum in the last thirteen years, a precise commonly agreed upon the measurement is still unclear. Therefore, this paper set out to develop a conceptual model for developing an alternative measurement of corporate reputation within the Malaysian context. Literature review, conceptual model, hypotheses development and research methodology are discussed. These will allow companies in Malaysia to develop a new measurement of corporate reputation.

**Keywords:** Corporate Reputation Measurement, Malaysian Context, Conceptual Model.

## 1. Introduction

The identification of drivers of sustainable competitive advantages has gained momentum in the increasing competition in a globalized economy (Schwaiger, 2004). The widespread search for these drivers is no longer limited to tangibles, but also arrived at the field of intangibles. This fact is rather surprising, since related surveys show that in the United States most executives consider corporate reputation to be one of the most substantial drivers of firms' success (Dunbar & Schwalbach, 2001; Hall, 1992).

Corporate reputation is vitally important. The importance of corporate reputation as one of intangible assets has grown rapidly within the last two decades. A favorable corporate reputation can lead to numerous strategic benefits to a company, such as creating market entry barriers (Deephouse, 2000; Fombrun, 1996; Milgrom & Roberts, 1982), fostering customer retention (Fombrun, 1996; Fombrun & Pan, 2006), and strengthening competitive advantages (Barney, 1991; Roberts & Dowling, 1997). Creating and exploiting corporate reputation allows companies to drive markets, rather than to be market driven (Schwaiger, 2004). At the present time, there is no general agreement on the measurement of corporate reputation. However, its condition is generally acknowledged by many researchers in the area of corporate reputation measurement (Brady, 2003; Craven *et al.*, 2003; Schwaiger, 2004; Fombrun *et al.*, 2000; Gabbioneta *et al.*, 2007; Gardberg, 2006; Groenland, 2002; Helm, 2005).

A practical measurement of corporate reputation would welcome by the Malaysian businesses and academics. They will use it in numerous ways. To Malaysian companies, the measurement would provide information on how to make them improved able to discharge their duties (Goldsmith, 2004). Therefore, this paper set out to review the literature of corporate reputation measurement, develop a conceptual model for developing an alternative measurement of corporate reputation, hypotheses development and research methodology. The rest of this paper is organized as follows: Section 2 reviews related literature on corporate reputation measurement, Section 3 discusses the conceptual model, and the hypotheses development is given in the Section 4. Section 5 describes the methodology used and Section 6 is the conclusion of this paper.

## 2. Literature Review

An examination of the pertinent literature on the advantage of corporate reputation indicates that companies with bad reputation require a long time to obtain gains (Roberts & Dowling, 1997; Vergin & Qoronfleh, 1998). On the contrary, companies with good reputation are thought to be trusted by stakeholders and it only requires relatively a shorter time to obtain gains because of the competitive advantage and higher output of such companies (Roberts & Dowling, 1997). They are also thought to have good market performance (Jones *et al.*, 2000; Srivastava *et al.*, 1997). Despite this evidence on the positive effect of good corporate reputation on company's performance, it is important to know a fundamental question: In the Malaysian context, what are the measurements that make up a good corporate reputation? It seems clear that without knowing measurements of corporate reputation, academics and practitioners cannot effectively or efficiently advance research on corporate reputation in Malaysia.

Previous studies on corporate reputation had been conducted by using affective (Fombrun, 1996), cognitive (Gray & Ballmer, 1998), a combination of cognitive and affective components (Hall, 1992; Schwaiger, 2004), and others have used perception approach (Larkin, 2003). Studies on the measurement of corporate reputation are mainly conducted in developed countries such as the United Kingdom (Chung *et al.*, 1999), United States (Brady, 2003; Craven *et al.*, 2003; Fombrun *et al.*, 2000; Gardberg, 2006), Germany (Dunbar & Schwalbach, 2000; Helm, 2005; Schwaiger, 2004), Netherlands (Groenland, 2002), and Italy (Gabbioneta *et al.*, 2007). There is no study on corporate reputation that develops its measurement within the Malaysia context.

A review of existing models of corporate reputation measurement reveals a relatively small number of widely used models. The most prominent one seems to be variations of Fortune's America Most Admired Companies (AMAC) from the practical side and the Reputation Quotient (RQ) from the academics side (Fombrun & Van Riel, 2004; Fombrun, 1996). Also popular, but to a lesser extent models such as the Corporate Personality (Davies *et al.*, 2003) and the Stakeholder Performance Indicator and Relationship Improvement Tool (SPIRIT) (MacMillan *et al.*, 2004). These models