Abstract

In an increasingly competitive environment which doesn’t always generate positive value, developing strong reputations has become the key driver of business value. Corporate reputation expresses a relationship amongst stakeholders that is based on trust, credibility, and reliability. From the marketing perspective, we here study corporate reputation as a social resource evolving from the practices of marketing. In the past, research on reputation focused on a central condition of market exchange because customers evaluate the reputation of a firm before establishing a relationship with it. We argue that firms can build good reputations if they build strong relations with their customers based on trust, credibility, and reliability while contributing towards a sustainable society. A strong reputation built on corporate sustainability enhances a firm’s capacity to contribute in securing sustainability for society.

Today, customers are confronting societal crises of inequality, poverty, corruption, and social injustice, which has resulted in a loss of trust in business. Customers are motivated to engage in services that are ethically and morally supportive to society. They turn to service firms whom they trust and consider reputable, to act in a responsible manner. According to the recent marketing literature, the Service-Dominant Logic (Vargo & Lusch, 2004) emphasise that marketing brings service to society and provides a platform which brings people together to jointly create value. This paper studies sustainable corporate reputation – or reputation for corporate sustainability - from the service centred perspective for a conceptual understanding of corporate reputation as a socially constructed phenomenon evolving from accumulating service experiences that contribute to improving peoples’ lives. Our understanding of corporate reputation in terms of the Service-Dominant Logic can be a conceptualisation for acknowledging and making sustainable society.

Keywords: Corporate Reputation, Sustainability, Service-Dominant Logic, Value Creation

Introduction

In recent years, practitioners and academics have become increasingly interested in studying corporate reputation to understand a firm’s stability, position, and future prospects. We here study corporate reputation from the marketing perspective and as a social resource evolving from marketing practices. The past, research on reputation has focused on the central condition of market exchange because customers monitor and evaluate the reputation of a firm before establishing and investing in a relationship. We argue that firms can build good reputations if they build strong relations with their customers based on trust, credibility, and reliability while contributing to the betterment of their lives.
A recent Service-Dominant (S-D) logic development in the marketing literature (Vargo & Lusch, 2004), emphasises that marketing brings service to society. The service logic implies that all firms are service firms and posits that ‘the purpose of the corporation is to provide a mechanism for man to exchange “service for service” in order to improve customer’s standard of living’ (Lusch & Vargo, 2006, p. 415). We aim to conceptually understand corporate reputation as a socially constructed phenomenon evolving from social interactions amongst people, and dialogue during service experiences. This emphasises the concept of reputation, understood in terms of the S-D logic, focuses attention on the successful value realization experiences that build customer trust, understanding and attitude towards a firm. Our understanding of corporate reputation in terms of Service-Dominant logic acknowledges a role for business in securing a sustainable society.

In an increasingly competitive environment, developing strong reputations has become a key driver of business value. Today, citizens are confronting societal crises such as inequality, poverty, corruption, and social injustice. This has major consequences in terms of customers’ loss of trust in business, lack of credibility, and lost benefits of associations with firms. People feel helpless in making a contribution to improving society on their own and turn to service firms that they trust to act in a responsible manner and help make a positive difference. They are willing to engage in services that are credible and ethically and morally supportive to the society.

The discussion here proceeds with an overview of concepts, and considers the significance of the pressing contemporary sustainability imperative context for business and corporate reputation from the ‘S-D logic for Marketing’ perspective. The paper is organized as follows. The next section discusses market-focused sustainability as a strategic resource to strengthen corporate reputation of the firm. We then discuss corporate reputation as a form of social capital evolving from sustainable market experiences. The paper then presents interactions and dialogue as integral to service experiences, leading to sustainable future. The mainstream marketing research in the S-D logic perspective supports an understanding of corporate reputation as a relational phenomenon.

**Market-Focused Sustainability**

The understanding of Marketing is highly significant to the understanding of sustainability, in terms of marketing’s boundaries, merits, and potential for the viability for future operations. The discipline has an opportunity or imperative to elevate its focus from the firm’s economic and financial stability to managing a higher-level set of marketplace issues such as communication and relationships, and fulfilment of needs. The S-D logic (Lusch & Vargo, 2006), a relatively recent development in the marketing literature, emphasises that marketing brings service to society by providing a platform which brings people together to create something of value and improve their quality of life. Lusch & Vargo (2006, p. 408) have defined the scope of Marketing in “S-D logic suggests that markets and marketing are primary drivers or creators of society. Individuals without the exchange of service for service are anti-society”.

Marketing aligns social networks as institutions for the exchange, co-ordination, or integration of operant resources (skill and knowledge) through social interactions, and this co-creation is the basis for each of many things that support a society, such as language (to communicate), norms (societal rules), paradigms (social constructions), and institutions (regulatory mechanism) (Lusch & Vargo, 2006).

Today, companies are increasingly being expected to emphasise their commitment to sustainability to help differentiate themselves (Hult, 2011) at three basic levels: natural, societal, and economic, termed the triple bottom line (TBL) (Elkington, 1998). To achieve sustainable operations, firms are required to adopt means which do not adversely affect the society and environment, and ends that are economically and socially desirable and viable, consistent with the concept of corporate social responsibility (CSR) and humanistic values.

The nature and purpose of CSR is associated with managerial practices and service attributes, making it difficult to quantify the additional value contributed by such social responsibilities. For some, the business case is not proven. Yet, a good indicator of value can be corporate reputation. A firm’s provision of social good is suggestive of positive and responsible practices (Link & Siegel, 2007). The S-D logic for marketing
clarifies the necessary understanding for good (i.e. effective and efficient) business practice by means of innovative resource integration processes. In the transactional view of business, customers are seen to be paying extra to have a particular social value or action included in the product or service. However, a social good can be available to all, and not just to the customer who pays for it. We argue under SDL paradigm that a social attribute is not the extra cost incurred to the firm or customer; rather it can be an integral part of the service to jointly co-create value for themselves and society.

The interdependence of firms is very much based on leveraging the use of resources. There is strong theoretical background to support the sustainable operations of the firm. The resource-based theory of the firm (Connelly, 2011), social network theory (Jones et al., 1997) and signalling theory (Spence, 1974), provide reasons for building social networks and sharing of information with stakeholders. Reputation has been considered as the most important commercial mechanism for conveying information to buyers (Kay, 1993). At the basic level, agency theory (Jensen & Meckling, 1976) was an attempt to understand governance, describing firm owners as principals that hire agents for running the business. Nowadays, firms are understood to have additional ‘owners of stakes in the business’ in the form of customers, and others; the success a firm achieves depends on the quality and strength of relationships with stakeholders. Based on these relationships, a market-focused sustainability capacity can be a strategic resource that could lead to a strong reputation and help determine the effects of the firm’s interdependence within its social system.

**Corporate Reputation As Social Capital**

Corporate reputation has received substantial attention in the marketing literature. A good reputation indicates credibility and collective esteem, and fosters trust and confidence. As stated by Horton (1995, p. 142), “Reputation is a concept with economic implications that defines the trust expressed toward a company by customers, influencers and others who ensure its survival and success”. Positive reputation complements and supports marketing, in part helping to reduce post-purchase cognitive dissonance (Varey, 2013).

Corporate reputation is longterm and forms in the series of people’s experiences with the firm. It is rooted in trust, grounded in differentiating skills and competencies, and leads to an aggregate, perceptual judgment based on the firm’s actions (Walsh & Beatty, 2007). Therefore, if the service firm is involved in bringing a better life to its customers and helping to build the society through its sustainable operations, this would be expected to influence a positive impression on the customers’ attitudes. Fombrun and Shanley (1990) contributed to the literature on corporate reputation by conducting an analysis of the factors that influence reputation, and found support for their argument that the more a firm is involved in social well-being, the better its reputation would be. Reputation is not only based on the information that a firm conveys to its customers, but the knowledge gained during interactions and dialogue with service firms and through other sources such as social media, including Facebook and Twitter, and other broadcast media.

The central notion of the S-D logic for Marketing is fundamental to human well-being. Studying corporate reputation from the S-D logic perspective highlights sustainability as an integral element of building strong reputation. The social construction of corporate reputation arises in the interaction and communication during the service experiences and the spread of opinions and views of customers to others in the form of word of mouth, social interactions and social networking. According to Fombrun’s (1996) definition, “A corporate reputation represents the net affective or emotional reaction - good or bad, weak or strong - of its stakeholders” (p. 37). This definition signifies the importance of having positive services experiences through which both stakeholders and the firm derive value. The more service firms interact and learn about customers’ preferential judgements, the better the possibilities would be for sustainable business, and hence strengthening reputation, and vice versa. The social practices of a firm make its other assets valuable - such as reputation - and can be viewed as service innovation and differentiation in initiating responsible service processes.
Sustainable Business Implications of the Service-Dominant Logic For Marketing

Sustainability has a broad societal and business scope, and it is a major concern for marketers nowadays, since marketing strategies and activities are bound to sustainability issues, such as fulfilling real needs, truthful promise keeping, and value for money that sustains life and well-being. Companies worldwide are being held responsible for environmental degradation, excessive consumption, inequity, poverty, and exploitation of scarce resources (Crittenden et al., 2011). However, there has as yet been relatively little mainstream marketing research, theory and practice that assists companies to understand sustainability as part of the consumption process, and thus sustainable marketing and consumption (Crittenden et al., 2011). Certain phenomena in marketing, such as deceptive advertising, price wars, animal testing, and hidden costs are examples of business-oriented approaches without any concern for the customer and societal welfare. Most marketing remains driven by profit-making, where the mega-need for society is the provisioning of needs through effective use of resources.

Based on the resource advantage theory (Hunt & Morgan, 1995), the S-D logic emphasises the specialization of operant resources (skills, knowledge) by individuals, and exchanging (which is relational) these operant resources with those people who do not specialize (Lusch & Vargo, 2006). Thus, having positive services experiences involves exchange, coordination, or integration of knowledge, skills, information and competencies, which supports the idea that S-D logic is pro-environment. As pro-education it recognizes human and mental skills as the fountainhead of human prosperity (Lusch & Vargo, 2006) and encourages firms to invest in schools, social habitat, training programs, and the development of operant resources, which will leave a lasting impression for a strengthened relationship with the firm.

S-D logic, in the light of its foundational premise (FP) 10 and FP 8, recognizes value in the context of service experiences, and asserts the integration of resources as a process, where both customer and service firm integrate their resources to jointly co-create something of value which is unique to each of them. The availability of resources holds potential value, but effectively and efficiently using the resources leads to value actualization (Gummesson, 2007). However, Grönroos and Voima (2013) posit that the process of resource integration requires relational goals (Epp & Price, 2011), service setting and dialogue (Ballantyne & Varey, 2006), networks (Gummesson, 2006) and roles (Vargo & Lusch, 2011). According to Moran and Ghoshal (1999, p. 409), “It is not resources per se, but the ability to access, deploy, exchange and combine them that lies at the heart of value creation”. Thus, individuals need the ability to possess, apply and integrate their resources to construct value in their service experiences and to create value-in-use. While creating value, individuals not only focus on behavioural and functional benefits but also social, ethical and environmental dimensions.

Value in Service Experience

The concept of ‘value’ has become one of the most over-used and interpreted terms in the marketing literature with concepts evolving such as customer value (Woodruff, 1997), and perceived value (Sweeney & Soutar, 2001). The term has also been variously defined, for example in relation to benefits and sacrifices (Leszinski & Marn, 1997), costs and benefits (Zeithaml, 1988), trade-off between positive and negative consequences (Woodruff & Gardial, 1996), and differences between perceived benefits and perceived costs (Day, 1990). However, the definition by Holbrook (2006) has perhaps been most widely used in the literature. Holbrook has defined value as “interactive relativistic preference experience” (2006, p. 212). He conceptualized it on the individual level as a function of interaction between individuals based on behaviour and attitudes that may derive from service experience (Grönroos & Voima, 2013).

Helkkula (2012) has drawn on a phenomenological approach and ontologically focused on value as directly or indirectly experienced by customers in their life-world contexts. As stated by Lusch & Vargo (2006, p. 7) value is “perceived and determined by the customer on the basis of value-in-use”, illustrating that value is determined by the customer in the consumption process through experiencing the service. However, value co-creation is a mutual process in which customer and firm are jointly involved. Therefore, a service firm also determines its value. According to Helkkula (2012), knowledge is socially constructed; it is inter-subjective and intra-subjective in the life-world context - experience of value is intrasubjective (individually determined) and intersubjective (socially determined). The inter-subjective nature of value
experiences acknowledges service customers’ individual and collective engagement with the world and their integration with other social resources. Yet, S-D logic terminologies such as value proposition (Sor-hammer & Kowalkowski, 2011), imply that a firm has a prominent position in the value creation process (Strandvik, 2012). However, it could be argued that the nature of value could not be determined only by the customer because it is a mutual process, and the service firm is also a beneficiary and creates value for itself in the process.

**Conclusion and Implications**

We began by bringing corporate reputation and sustainability together in the light of the service-dominant logic. We have attempted to understand reputation as a form of social capital, and thus as a strategic resource to determine value derived in social practices in drawing on the resource-based theory of the role of the firm in society. While integrating the Resource Advantage Theory (Hunt & Morgan, 1995) in support of S-D logic with the corporate reputation literature, we discussed the importance of service experiences to make customers aware of sustainable service opportunities. We then focused on corporate reputation as an asset for the firm, enhanced and supported by the social practices. We elaborated on the concept of ‘value’ and the processes that can lead to mutual dialogue for joint value creation for the customer, the firm and the society. We posit that the crucial role of social networking is in the formation of the reputation of service firms who value sustainability.

The more a firm informs and communicates with its customers, the more customer experiences there would be that are evolved positively. Value accumulates over time through experiences and usage (Grönroos, 2008, 2011), thus, the loyal or repeat customers can conveniently and successfully realize greater value from the same service firm relative to the first time user. Today is the era of social media, where networking and blogging are widely accessible; it has become difficult for service firms to hide any unfair or harmful practice from their customers. Corporate communications, whether direct or indirect, convey the identity of the firm as who they are, nowadays both offline and online. Also, what and how they pursue the process of co-creating value with customers through continuous interactions and quality experiences to enhance reputation for corporate sustainability. Firms which are unable to find a balance face extinction and economic unsustainability, as customers stop responding to their services with purchases and instead raise critical conversations and resistance.

The recent developments in marketing literature, such as S-D logic, intensified the gap to understanding CR as a social resource. This paper seeks to initially fill this gap in the literature by undertaking a review and analysis of how these processes could harness well-being in strengthening corporate reputation and help build a sustainable society. From an S-D logic perspective, this paper argues for CR as a social resource which is relational, needs driven, based on collaboration to bring a purposeful change for social and individual well-being. As the sustainability movement grows, marketing is responding to it as a sustainable system of provisioning that is supported by a strong reputation for doing sustainable business.

**References**


