OVERCOMING A CORPORATE REPUTATION CRISIS THROUGH MANAGING CEO REPUTATION

by

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(Under the Direction of Ruthann Weaver Lariscy)

ABSTRACT

In crisis literature, the concept of reputation has been treated as the consequence of crises, or a mediator of crisis effects. Departing from this research trend, the present study placed reputation at the center of research and attempts to examine crisis phenomena through the perspective of reputation. This theoretical emphasis was manifested by the introduction of the concept *reputational crisis* and the *resource-based approach* to crisis. The current study thereby set its goals as: (1) advancing crisis research by providing a useful framework for analysis of crises through incorporating the reputation perspective, and (2) tap into a new strategic resource pool for crisis communication that goes beyond rhetoric-based message options. For these purposes, this study introduced two types of reputational crises [i.e., Corporate Ability (CA) and Corporate Social Responsibility (CSR) crises] for the analysis. In addition, by introducing two types of CEO's reputations [i.e., Competent (C-type) and Ethical (E-type) reputations], this study explored the potential of a CEO's reputation for helping repair a tarnished corporate reputation in the aftermath of a corporate crisis. A series of online experiments demonstrated the validity of the crisis categorizations, as well as the effects of a favorable reputation of CEO on stakeholders' reactions to corporate crises. The findings suggested that the two types of crises serve as useful tools for analyzing crises, while providing valuable insights into understanding how stakeholders react to a corporate crisis and how practitioners should manage crisis communication. In addition, the significant effect of the CEO's reputation on the managerial efforts to overcome a corporate crisis demonstrated the efficacy of a resource-based approach to crisis communication, which is expected to inspire a new avenue of crisis research that goes beyond the message-centered approaches.

INDEX WORDS: Corporate reputation, CEO reputation, Crisis communication, Crisis response strategies, Crisis categorization, Organizational crisis, Reputational crisis, Corporate ability, Corporate social responsibility, CSR, Competent leadership, Ethical leadership, CEO's philanthropy

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A Dissertation Submitted to the Graduate Faculty of The University of Georgia in Partial Fulfillment of the Requirements for the Degree

DOCTOR OF PHILOSOPHY

ATHENS, GEORGIA

2009

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ACKNOWLEDGEMENT

I wish to deeply thank my mentor and advisor, Dr. Ruthann Weaver Lariscy, whose advice, support and supervision were invaluable.

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CHAPTER 1

INTRODUCTION

It is hard to conceive of Microsoft separate from its former chief executive officer, Bill Gates. This being the case, it seems a wise move for Microsoft to “sell” its CEO’s philanthropic reputation in a bid to fix a bad name, which has long haunted the company in the aftermath of its violation of antitrust laws. By capitalizing on a good reputation of its CEO, Microsoft attempted to tackle the lingering problem of its unfavorable reputation. And this strategy seems to have paid off. The *Wall Street Journal* reported that Bill Gates’s personal philanthropy helped foster favorable public opinion of Microsoft (Alsop, January 31, 2007). This case demonstrates that a company can benefit from actively managing the public image or reputation of its CEO. This halo effect of a CEO’s good name on the company tied to the CEO is not a new topic of research at all. Researchers have argued that the fame of a so-called *celebrity CEO* or a *star CEO* can utilize his/her ability of accessing resources such as human capital, capital market and raw materials, thus increasing the firm’s competitive advantage (Ranft, Zinko, Ferris, & Buckley, 2006, p. 283). Gaines-Ross (2003) refers to these premiums as *CEO capital*, or “the asset created by a CEO’s reputation … when it is harnessed to advance a company’s success” (p. 11). Subsequently, it is important to ask: will the halo effect of a CEO’s favorable reputation also work for a company, which is struggling with a bad reputation as the result of an unfortunate event, or crisis? If so, is there a way to strategically utilize a CEO’s reputation more effectively? The present thesis is an intellectual journey to search for answers to these intriguing questions.

Unfortunately, review of existing literature reveals limitations in providing answers to those questions. First, studies on CEOs are concentrated mostly on leadership research within organizational boundaries. Research on management of CEO's reputation is yet underdeveloped – especially in the context of a CEO's reputation as perceived and evaluated by consumer stakeholders. Second, crisis communication literature provides ample studies on message repertoires for repairing tarnished reputations, but seldom extends beyond rhetoric-based approaches. Third, studies on reputation in crisis literature mostly ask such questions as how to protect corporate reputation or how corporate reputation moderates crisis effects. Few studies pay attention to how to strategically utilize corporate reputation, not to mention CEO's reputation.

Against this backdrop, the current study takes on ambitious tasks of exploring uncultivated research topics. Throughout the entire thesis, the concept *reputation* is placed at the center of discourse in the present study. This is the point where the present study diverges from existing crisis studies that have treated reputation as either simply an objective of crisis communication (i.e., "Reputation must be restored!"), or as a moderator of crisis communication effects ("A positive reputation is a good shield against a crisis"). In contrast, the present study spotlights the *perspectives* of reputation, as well as the concept itself. This theoretical emphasis is manifested by the introduction of the concept *reputational crisis* and the *resource-based approach* to crisis. The current study thereby sets its goals as: (1) advancing crisis research by providing a useful framework for analysis of crises through incorporating the reputation perspective, and (2) tapping into a new strategic resource pool for crisis communication that goes beyond rhetoric-based message options. In order to achieve these goals, the current study attempts to: (1) redefine corporate crisis from the reputation perspective: (2) propose a new framework for analyzing organizational crises by drawing on the multidimensional property of reputation; and (3) explore the potential of a CEO's reputation as an instrument to overcome corporate reputation tarnished in the aftermath of a crisis.

The current thesis is structured as follows: definitions of crisis and reputational crisis are presented in Chapter 2, followed by the introduction of the resource-based approach to crisis in Chapter 3. CEO reputation is explored in Chapter 4 and the hypotheses for testing CEO's reputation as the potential crisis response resource are presented in Chapter 5. Chapters 6 and 7 describe the method of the study and the results of hypotheses tests, respectively. Finally, Chapter 8 presents discussion of main findings, contributions and limitations of this thesis, and implications for future research.

CHAPTER 2

REPUTATIONAL CRISIS: THE CONCEPT

The term *crisis* has become ubiquitous; we easily spot the word in a corner of daily newspapers and often hear broadcasters' high-pitched voices declaring a crisis. We also have observed that the term *crisis* conveniently and imprecisely replaces such words as "accident, disruption, catastrophe, or disaster" in the mass media (Fishman, 1999, p. 347). Likewise, the term *reputational crisis*, a breed of crisis, has long been used as a common-sense term even in academic literature without clear definition. At this juncture, to avoid confusion stemming from overuse of the terms and promote a better understanding of their natures, the words *crisis* and *reputational crisis* need to be precisely defined. As Chaffee (1991) puts it, the more clearly we specify the meanings of concepts, the more knowledge we contribute to other researchers (p. 30). Therefore, this chapter is dedicated to conceptualizing *reputational crisis* based on definitions of the terms *crisis* and *reputation*.

Crisis

The root of *crisis* is found in the Greek word "*krisis*," which indicates a "turning-point of a disease" (*The Oxford Dictionary of English Etymology*, 1982, p. 229). Based on this etymological root, Millar and Beck (2004) depicted crisis as a "threshold" that has been or is about to be breached or a "turn" that evokes disease-like status such as "uneasiness, anxiety, discomfort, and confusion" (p. 153). More often, the term *crisis* in crisis communication literature has been defined primarily based on its characteristics that differentiate it from seemingly similar phenomena such as "problem" or "accidents."

The first stream of these attribute-based definitions emphasizes the magnitude or severity of crisis. Fearn-Banks (2007) argued that crisis “denotes something more serious than a problem” (p. 8). In order to stress this “seriousness,” the word *major* is often attached to depict crisis. Modified by the term *major*, crisis implies the disruption of routine and diverges from a minor problem (Coombs, 1999, p. 3). For instance, Barton (1993) defined crisis as “a *major* unpredictable event that has potentially negative results” (p. 2). In other words, the damage of a problem or an incident is local and small in scope; the damage of a crisis could paralyze the operations of the entire organization (Fishman, 1999, p. 347).

Another crucial term that characterizes crisis is *threat* or the negative consequences of crisis. Coombs (1999) identified crises with threats and interprets threats as “potential to create negative or undesirable outcomes” (p. 3). Crisis is also described by its *unpredictable* and *uncertain* characteristics. Coombs (1999) stated that “crisis strikes suddenly, giving them an element of surprise or unpredictability” (p. 3). Since it is characterized by surprise or unpredictability, a crisis is often accompanied by uncertainty. For instance, Fink (1986) defined crisis as a “turning point … characterized by a certain degree of risk and *uncertainty*” (p. 15) In the same vein, he further delineated crisis as an “unstable time or state of affairs in which a decisive change is impending” (Fink, 1986, p. 15).

<u>Organizational Crisis</u>

The definitions of *organizational crisis* are often presented by combining the crisis effects on organizations with the attribute-based definitions of crisis listed above. For instance, Seeger, Sellnow and Ulmer (1998) defined crisis as “a specific, unexpected, and nonroutine event or series of events that create high levels of uncertainty and threaten or are perceived to threaten an organization’s high-priority goals” (p. 233). Following the suite, Coombs (1999) defined crisis as "an event that is an unpredictable, major threat that can have a negative effect on the organization, industry, or stakeholders if handled improperly" (p. 2). A similar definition was proposed by Fearn-Banks (2007), who depicted a crisis as "a major occurrence with a potentially negative outcome affecting the organization, company, or industry, as well as its publics, products, services, or good name" (p. 2).

Crisis Factors

Crisis researchers have endeavored to identify all aspects of a crisis, which determine how the crisis is categorized and interpreted. For instance, Heath and Millar (2004) proposed three factors of crisis: the *magnitude, duration*, and *culpability* or *cause* of crisis (p. 5). Bechler (2004) suggested that crises differ in their *magnitude* and *impact* (p. 64). Similarly, Sellnow and Ulmer (2004) identified three factors or questions that consistently arise in crisis situations, which include questions on *interpretation* of evidence, *intent* behind actions that triggered the crisis, and *locus* of responsibility for the crisis (p. 255). Whereas these scholars focus mainly on the situational factors of crisis, Dowling (2001) considered not only crisis situations (i.e., the *magnitude* and *type* of crisis), but also organizational factors (i.e., current *images* and *reputations* of the organization), and intervening factors (i.e., *amount* and *tone of media publicity*) (p. 252). In a similar fashion, Zyglidopoulos (2001) proposed common characteristics of crises that encompass *severity, responsibility, complexity*, and *media attention* (p. 420) [1]. Based on the literature review, the current paper proposes four key elements that determine the nature of a crisis: *responsibility, intentionality, severity,* and *ambiguity*.

[1] The researcher originally used the term *accidents*, not *crises*. However, his definition of accidents, which is "discrete one-time undesirable or unfortunate events that happen unexpectedly in the life of a corporation and cause damage to any number or kind of stakeholders" (Zyglidopoulos, 2001, p. 420) is similar with that of crisis.

Responsibility. Benoit (1995) argues that the key factor that determines the responsibility of a crisis is "not whether in fact the actor caused the damage, but whether the relevant audience believes the actor to be the source of the reprehensible act" (p. 72). In this context, responsibility is defined as the degree to which audience blames the organization for the crisis (Lee, 2004, p. 602). It encompasses audience's attributing the cause of a crisis to an organization involved in the crisis (Coombs, 2006b, p. 243). In this context, Weiner's (1986) notion of *locus* and *controllability* is particularly relevant to audience's making judgment of crisis responsibility. Locus refers to whether the cause of a crisis is perceived as internal or external to the organization. Controllability is related to whether prevention of a crisis is within control of the organization (Lee, 2004, p. 602). Lee (2004) expressed that a crisis cause can be located somewhere along a continuum of internal/controllable on one end and external/uncontrollable on the other end (p. 602). Empirical studies have demonstrated that, compared to external/uncontrollable attribution, internal/controllable attributions arouse more aversive emotional reactions (e.g., anger), thus increasing more negative evaluations (Weiner, Amirkhan, Folkes, & Verette, 1987, p. 316). Lee's (2004) study also demonstrated that, when an organization crisis situation was triggered by an internal cause, the organization: (1) was perceived to have more responsibility for the crisis; (2) gave more negative impressions to the audience; and (3) suffered from a greater level of mistrust among audiences, compared to a crisis situation where an external event or person caused the crisis (pp. 610-612).

Intentionality. Blame for a crisis situation placed on an organization is likely to be intensified if the organization's intentions behind its actions are called into question. Coombs and Holladay (2004) claimed that "high personal control and a locus in the actor create perceptions of intentional actions by the actor, whereas low personal control and a locus in the situation foster perceptions of unintentional action" (p. 97). Intentionality seems associated with crisis responsibility, in that the personal control and locus are deemed as the factors determining the level of crisis responsibility. Despite the overlap, however, intentionality is a concept distinguished from responsibility. For instance, a crisis caused by a human error such as a product failure does not necessarily involve the actor's intention, even though the crisis responsibility of the firm is obvious. In addition, intentionality may encompass ethical issues by nature. In contrast, not all actors responsible for crises are deemed unethical. Therefore, Sellnow and Ulmer (2004) urge that, in order to negate the potential loss of legitimacy, an organization should recast an audience's belief that the organization's intentions behind its actions led to the crisis (p. 257).

Severity. Crisis severity refers to extent of damage caused by a specific crisis (Zyglidopoulos, 2001, p. 420). Degree of severity of a crisis is closely related to level of actual or potential damage to human life or the environment, and extent of financial costs (Zyglidopoulos, 2001, p. 420; Zyglidopoulos & Phillips, 1999, p. 339). However, level of casualty is not the only factor determining level of severity. Coombs (2002) argued that perceived severity of a crisis escalates as the crisis hit the core of the firm's reputation (p. 341). That is, if a firm well-known for its environmental concern is accused of illegal dumping of toxic chemicals, damage to its reputation will be greater than in other crisis cases related to non-environmental issues. Coombs (2002) also asserted that level of crisis severity increases if a company violates a "standard of culture or social norm" (p. 341). According to the author, Texaco's racism scandal hit the firm hard due to "the seriousness attributed to racism problems in corporate American" (Coombs, 2002, p. 341).

Unlike responsibility and intentionality, which define the type of a crisis, severity functions rather as an intensifier of other crisis factors. That is, level of crisis severity may intensify attributions of crisis responsibility (Benoit, 1995, p. 37; Coombs, 2006b, p. 245). For this reason, organizations hit by a crisis often attempt to minimize intensity of a crisis through rhetorical strategies (Ulmer & Sellnow, 2000, p. 148). But the more serious the damage inflicted by a crisis, the less effective the firm's account for the crisis (Benoit, 1995, p. 51). In addition, as level of crisis severity increases, the crisis tends to: receive more extensive negative publicity (Zyglidopoulos, 2001, p. 423); elicit greater emotional reactions in stakeholders (Lee, 2004, p. 605; Zyglidopoulos, 2001, p. 423); and subsequently impose more damage on the firm's reputation (Coombs, 2006b, p. 244; Zyglidopoulos, 2001, p. 423). Impact of the severity of a crisis on reputation, however, may interact with the nature of damage that the crisis incurs. Zyglidopoulos (2001) found that crisis severity with respect to environmental damage had a significant negative effect on reputation, whereas severity with respect to damage to human life had no significant impact (p. 434). Pointing out that his study involved damage to employees, however, Zyglidopoulos (2001) argued that suffering of *innocent bystanders* might have a significant consequence on organizational reputation (p. 434).

Ambiguity. Unlike other aspects of crises listed above – i.e., severity, responsibility and intentionality – ambiguity itself does not include any information regarding triggering events. However, it is an important aspect of crises because the level of ambiguity either facilitates or hinders the processes in which severity, responsibility and intentionality are interpreted and evaluated. Sellnow and Ulmer (2004) viewed the questions on interpretation of evidence as one of the key sources of ambiguity involved in a crisis situation (p. 255). The complexity of evidence restrains the ability of stakeholders in making judgments about the crisis, producing multiple plausible interpretations (Ulmer & Sellnow, 2000, pp. 147-148). Therefore, ambiguity in a crisis situation can be defined as the extent to which situational evidence allows different interpretations to occur simultaneously.

The degree of ambiguity or uncertainty of a crisis situation is also intertwined with *complexity* of the crisis. That is, level of ambiguity involved in a crisis situation has an inverse relationship with extent to which events that triggered the crisis are easily understood. Zyglidopoulos (2001) asserted that, in complex or ambiguous crisis situations, the extent of blame of the organization involved cannot be easily determined, therefore permitting the organization to have a greater chance to deny the blame (p. 424). In this sense, extent of ambiguity in a crisis is linked to plausible *deniability*, or extent to which the organization can deny responsibility for the crisis and disassociate itself from the cause of the crisis (Zyglidopoulos, 2001, p. 421). That is, if a crisis resulted from complex interactions of multiple factors, the level of ambiguity involved in the crisis will likely increase and evidence of crisis responsibility will become difficult to be clearly interpreted, subsequently resulting in a higher level of deniability of crisis responsibility. On the contrary, in a situation where evidence clearly points to who is responsible, degree of ambiguity will be minimal, and deniability will be difficult to attain.

Reputation

In order to understand *reputational crisis*, precisely defining the term *reputation* is necessary. Before delving into the concept of reputation, scope of the present thesis must be first specified. Bromley (1993) explained that reputations are formed not only about people (personal reputations), but also about commercial products and services (brand image) and organizations (corporate reputations) (p. 2). Since the focus of this study is centered on the corporate sphere, discourse of reputation types other than corporate ones is beyond the scope of this paper. Therefore, the term reputation in the following analysis refers to organizational reputation unless a particular modifier is used (e.g., personal reputation, reputation for products).

Based on the literature thus far reviewed, the current thesis defines reputation as *the established, or the process of establishing, collective perceptions and estimations held by all relevant stakeholders of an organization and its relevant attribute(s)*. This definition reflects several perspectives of reputation, which warrant further discussion.

First, by emphasizing the word *collective*, this definition reflects global perceptions of multiple stakeholders. Here, stakeholders are defined as "any individuals or groups who may benefit from or be harmed by the actions of the organization" (Davies, Chun, da Silva, & Roper, 2003, p. 58). Each of these stakeholder groups has diverse expectations, interests, goals and stances, based on which multiple audiences see different aspects of an organization (Bromley, 1993; Carter & Deephouse, 1999; Dukerich & Carter, 2000). Therefore, the notion that an organization has a single reputation is a "convenient simplification" (Nisbett and Ross, 1980, as cited in Bromley, 2002b, p. 69). Theoretically an organization has as many reputations as it has number of distinct stakeholders groups (Bromley, 2002b, p. 71), each of which develop different perceptions of the organization (Davies et al., 2003, pp. 60-61). Hence, a definition of corporate reputation can reflect the reality better when it encompasses overall perceptions of multiple stakeholders of the organization.

Second, the proposed definition embraces not only *awareness*, but also *assessment*. After reviewing the reputation literature, Barnett, Jermier and Lafferty (2006) identified distinct conceptual clusters of reputation: that is, reputation as a state of awareness and assessment (pp.

32-33) [2]. Within the awareness cluster, corporate reputation is viewed as the overall impression or perception of the organization, whereas within the assessment cluster, reputation is often described as "judgment, an estimate, an evaluation or a gauge" (Barnett et al., 2006, p. 32). From this assessment perspective, authors differentiated corporate reputation from image, in that the former reflects evaluative judgment. For instance, Chun (2005) argued that corporate image concerns "the public's latest belief about an organization," whereas reputation represents a "value judgment about the organization's qualities built up over a period and focusing on what it does and how it behaves" (p. 96). Rindova (1997) viewed reputation as "a relatively stable and evaluated (favorably or unfavorably) representation, which is distilled over time from multiple images" (p. 189). However, notions of reputation as value judgment (or assessment) and as perception (or awareness) are not necessarily contradictory. Rather, the two conceptualizations are complementary. Grunig and Hung (2002) claim that a reputation consists of a composite of cognition (i.e., "cognitive representations, net images, reflection of the past") and attitudes (i.e., "evaluations or valences such as affective or emotional reaction, attachments, attractiveness, prestige, and status") of all stakeholders (p. 17).

Third, the definition proposed reflects both an *aggregate* perspective and a *componential* perspective (i.e., reputation *for* what). Fischer and Reuber (2007) claim that "an organization's reputation constitutes an assessment of a particular attribute or characteristic: an organization has a reputation *for* something, such as having high quality products, or being an aggressive price predator" (p. 57). Therefore, when we say that an organization has a 'good' reputation, we may be saying very different things, depending on what aspect of the organization we are examining.

[2] In fact, the authors identified three clusters of reputation definitions: awareness, assessment and asset clusters. However, defining reputation in terms of assets is called into question since it is not clear whether conceptualizing reputation as assets is the part of the essential nature of reputation or the consequence of reputation (Barnett et al., 2006, p. 33).

In a similar vein, Caruana (1997) suggests two components of reputation: an overall impression component and an object-specific component. The author explicated that "[t]he overall impression component can exist as a corporate level when a firm uses its corporate name as a brand, or it can exist at a lower level where the firm in addition to, or in substitution of, the corporate name makes use of one or more brand names" (Caruana, 1997, p. 111). A similar argument was proposed by Rindova, Williamson, Petkova and Sever (2005), who identified two dimensions in conceptualizing reputation: perceived quality dimension and prominence dimension. According to the authors, a perceived quality dimension "captures the degree to which stakeholders evaluate an organization positively on a specific attribute, such as ability to produce quality products," while a prominence dimension "captures the degree to which an organization receives large-scale collective recognition in its organizational field" (Rindova et al., 2005, p. 1035).

This multidimensional trait of reputation gets even more complicated as each of its multiple stakeholder groups forms a different set of attributes or gives a different weighting on the same set of attributes (Caruana, 1997, p. 110). In this context, reputation building is regarded as a task of creating both "high overall valence of stakeholders' attitudes" and "consensus regarding attributes" pertinent to the organization (Fischer & Reuber, 2007, p. 59). Based on these arguments, the definition proposed reflects not only the overall estimation of an organization by its multiple stakeholders, but also the attributes of reputation.

Finally, the definition proposed conceives reputation both as a *process* of interactions among an organization and its stakeholders and as a *product* that results from the interactions. Claiming that reputation is both a *social process* and a *social product*, Bromley (1993) stated that:

> "[a]s a product, according to one definition, [reputation] is the sum of the relevant opinions held by members of a specified interest group at a particular time. Some interesting aspects of reputation are associated with stability and change over time. … The time-span over which a reputation can be studied varies greatly from one area of inquiry to another" (p. 29).

In addition, in describing image – a term distinct from, but closely connected with, reputation, Stern, Zinkhan, and Jaju (2001) asserted that "the nature of image is also both/and, for rather than being a state or a process, it represents a transaction or interaction between sender and receiver. … [t]he transactional view incorporates state definitions, for the process assumes that functional properties of the stimulus are translated into mental images of the receiver by means of process" (p. 218).

Reputational Crisis

The term *reputational crisis* is often used as a common-sense term without a clear definition in the crisis literature. Furthermore, none of the few existing conceptualizations of the term have garnered consensus as a precise definition that can theoretically and practically guide research on the topic. Most of the existing definitions of reputational crisis focus primarily on negative effect of a crisis on reputation. For instance, a reputational crisis is defined in literature as "the loss of the common estimation of the good name attributed to an organization" (Booth, 2000, p. 197); "a situation in which important stakeholders negatively re-evaluate their opinions and beliefs about the firm" (Zyglidopoulos & Phillips, 1999, p. 335); and "an event that brings, or has the potential for bringing, an organization into disrepute, and imperils its future profitability, growth, and possibly, its very survival" (Lerbinger, 1997, p. 4). By highlighting either damage to reputation, or overall threats posed by a crisis, these definitions fail to capture the real properties of both crisis and reputation. This weakness then limits these definitions' capability of distinguishing a reputational crisis from other similar phenomena such as a reputational problem, hence calling for a more precise definition that reflects the true values of a reputational crisis.

To respond to demand, based on definitions of crisis and reputation discussed in the previous section, the current thesis proposes a definition of reputational crisis as *an unpredictable event that has the potential for major threats to the established, or the process of establishing, collective perceptions and estimations held by all relevant stakeholders of an organization and its relevant attribute(s)*.

The definition of reputational crisis proposed above has several key components that warrant further discussion. First, a reputation crisis has a causal episode or *triggering event* that enables an organization in predicament to trace back to the cause of the troubles. The fact that a reputational crisis has a specific causal event makes it distinguished from a reputational problem. Whereas a reputational crisis can be explained as a consequence of a specific critical incident, a reputational problem is more likely to be caused by managerial inefficiency or failure in cultivating a strong and favorable name for the organization.

Second, a reputational crisis has the *potential* for threat. This statement implies that not all reputational crises give rise to devastating results. Crises can actually yield positive outcomes. The classic textbook case of Johnson and Johnson's Tylenol product tampering provides a good example. In 1982 in the Chicago area five victims died after taking Tylenol capsules tampered with cyanide. With no doubt this incident might have taken a heavy toll on the company's reputation, as well as its financial stance, if the situation were tackled inappropriately. The company, however, demonstrated exemplary crisis management practice with swift follow-up actions, thus garnering a favorable reputation for it. A *Washington Post* article wrote: "Johnson & Johnson has effectively demonstrated how a major business ought to handle a disaster"

(Knight, 1982). As illustrated in the Tylenol case, a reputational crisis places an organization to a test. However, depending on how the situation is handled, the challenging moment can be turned into an opportunity for improvement. In this context, Ulmer, Sellnow and Seeger (2007) argued that a crisis is a "dangerous moment" that provides an opportunity to strengthen the organization in some ways more than it was before the crisis (pp. 3-4).

Third, a reputation crisis involves threats to *reputations*. Zyglidopoulos and Phillips (1999) stated that reputational crises take place when "widely publicized, highly-negative events lead important stakeholders to reevaluate their impressions" of an organization (p. 334). And threats to reputation are often translated into financial loss through "a decline in revenue as a result of a product boycott, asset value depletion from a brand collapse, resource diversion from fixing problems, increased cost of capital as a result of share premium erosion, exposure to predatory takeover, costlier compliance through regulatory intervention or even bankruptcy" (Larkin, 2003, p. 4). However, just because a crisis incurs financial damage to an organization, it is not necessarily a reputational crisis. In the case of a natural disaster, in which a company is thought of as a victim of the crisis, the critical event will possibly have little damage to the firm's reputation. Natural disasters such as hurricanes, earthquakes, floods, and tornadoes are usually seen as large-scale community-based events generated by natural or technological agents (Quarantelli, 1988, p. 373), and are generally managed by community, government, or social groups (Kreps, 1984, p. 312). On the other hand, reputational crises are organizationally based and caused primarily by "human, communication, and technological failures" of organizations (Shrivastava, Mitroff, Miller, & Miglani, 1988, p. 289).

Another type of organizational crises that need to be distinguished from reputational crises are industrial disasters. Industrial disasters are defined as "organizationally-based disasters which cause extensive damage and social disruption, involve multiple stakeholders, and unfold through complex technological, organizational and social processes" (Shrivastava et al., 1988, p. 285). The toxic waste poisoning case in Japan's Minamata Bay, the leakage of toxic gas in Bhopal, India, and the Chernobyl nuclear disaster are examples of such industrial disasters. As their causes are mostly traced back to organizational operations, most industrial crises are ensued by reputational crises. For instance, The *Exxon Valdez* oil spill crisis is a typical industrial disaster, which was caused by human and technical failures and affected not only the natural environment and communities, but also the company's reputation. Therefore, Booth (2000) labels reputational crisis as a "knock on crisis," which arises in the aftermath of another crisis (p. 197). However, not all reputational crises are regarded as industrial disasters. For instance, white-collar crimes such as forgery, fraud, insider-trading, and embezzlement are likely to undermine organizational reputations. But they are not classified as industrial disasters.

Fourth, the threat brought about by a crisis is *major*. Lee (2005) asserts that a crisis is distinguished from a problem in its "magnitude and scope" (p. 277). Pauchant and Mitroff (1992) postulate two conditions of crisis: first, "the whole system needs to be affected," and second, "the basic assumptions of the members … need to be challenged" (p. 12). As a consequence, a crisis has potential for interrupted normal or routine organizational functioning, exhausted resources, loss of stakeholders' support and trust, drastic drop in sales, and very survival of the organization (Lee, 2005, p. 277). In contrast, a problem is a "minor localized disruption" (Coombs, 1999, p. 3). The damage of a problem is local, small in scope, and seldom reaches the level of disrupting the entire organizational operations (Fishman, 1999, p. 347). By contrast, as shown in the case of Texaco's racism crisis, of which offensiveness was escalated as the incident touched off a sensitive social issue, a reputational crisis potentially *dismantles* the reservoir of goodwill for the organization. In this sense, a reputational crisis is a "traumatic event" (Fishman, 1999, p. 347) that leaves a deep dent in the organization's esteemed values.

Fifth, by nature a reputational crisis regards the organization as a whole as the object of crisis discourse. That is, a crisis may be triggered by individuals (e.g., a CEO, executives, and employees) or by the damage of a particular product (e.g., poisonous foods, product tampering, and product explosions). Nevertheless, blames and accusations of crises are attributed to the organization as a whole, not an individual or product. This characteristic is derived from the nature of organizational systems, where determination of responsibility is complicated and guilt of the crisis is *diffused* through the entire organization (Hearit, 2005, p. 23). Stone (1975) explained that "information and acts are distributed among many different employees engaged in various functional groups with the corporation" (pp. 51-52). Therefore, "[organizational] systems are structurally evasive when it comes to responsibility taking" (Snyder, Higgins, & Stucky, 1983, p. 301).

Finally, by including attributes of reputation, a discourse of reputational crisis can become specific. That is, some crises cause damages only to perception of social responsibility aspects of the organization, whereas other crises affect perception of the firm's product or services. For instance, in the aftermath of the Valdez oil spill case in 1989, Exxon suffered from an unfavorable reputation pertinent to environmental issues. By contrast, the company still has a strong reputation as an innovator in the petroleum business (Brown & Dacin, 1997, p. 70).

CHAPTER 3

THE REPUTATION PERSPECTIVE FOR CRISIS DISCOURSE

Heath (2004) stated that a crisis is "a time to speak" (p. 149). When a reputational crisis occurs, the organization initiates a response to the crisis through a crisis communication program. Fearn-Banks (2007) defined crisis communication as "the dialog between the organization and its public prior to, during, and after the negative occurrence" and this dialog is designed to "minimize damage to the image of the organization" (p. 9). A crisis communication program includes prescribing "message repertoires" for the organization to patch up its image by influencing public perceptions (Massey, 2004, p. 240). These message repertoires have been the main focus of rhetoric-based approaches to crisis. However, despite contributions of these approaches in developing crisis discourse into a major research subject in the public relations field, limitations of the approaches warrant further discussion. Therefore, this chapter is dedicated to discussing limitations of rhetoric-based approaches to crisis and exploring an alternative approach by integrating the reputation perspectives with crisis research, therefore putting forward the *resource-based approach* to crisis.

The Limitations of the Existing Crisis Approaches

Research on strategic options for responding to a crisis has been thriving with growing fruitful findings. The root of this research stream is found in the rhetorical approach to *apologia* (Coombs, 1998, p. 178). Apologia is "a response to criticism that seeks to present a compelling competing account of organizational actions" (Hearit, 2001, p. 502) and provide a "tool for identifying, categorizing and analyzing" the strategic options for crisis communication (Coombs, 2006a, p. 177). Introducing the theory of apologia, Ware and Linkugel (1973) proposed four rhetorical strategies of self-defense: *denial, bolstering, differentiation*, and *transcendence*. Further extending the discourses of apologia and account, Benoit (1995) proposed the *theory of image restoration* – "verbal responses to perceived damage to reputation" (p. 2). The image restoration perspective focuses on the nature of attacks triggered by a corporate crisis and posits that an attack has two components: *responsibility* of an offensive act and *severity* of offensiveness (Benoit, 1995, 1997). Therefore, depending on level of the two crisis components, organizations in crisis can choose from five general rhetorical options – *denial, evading responsibility, reducing offensiveness, corrective action*, and *mortification* – and additional further subdivisions (Benoit, 1995, 1997).

Another framework for crisis communication is offered by the impression management literature. Impression management postulates that organizations as well as individuals strategically employ communication to influence their public image. Grounding their work in impression management, Allen and Caillouet (1994) developed their list of strategies designed specifically for use in crisis management: *apologies, justifications, excuses, ingratiation* and *intimidation*.

Even though these rhetoric-based approaches – i.e., apologia, image restoration, and impression management – provide useful frameworks for analyzing crisis response options, these approaches are limited in that they heavily rely on "description and retrospective sense-making through case studies," thus lacking predictive value (Coombs & Schmidt, 2000, p. 163). Arguing that image restoration discourse is not a true theory, but a "descriptive taxonomy," Coombs and Schmidt (2000) criticized that the assumptions of the image restoration approach were "dubious without hard evidence" (p. 175). Under the circumstances, in a bid to overcome these limitations of rhetoric-based crisis perspectives and provide a scheme that can explain the mechanism of crisis factors and crisis response effects, Coombs and his colleagues developed the situational crisis communication theory (SCCT) (Coombs, 1995, 1998; Coombs & Holladay, 1996, 2004; Coombs & Schmidt, 2000).

SCCT basically comprises three parts: a crisis situation, crisis response strategies, and matching recommendations. Applying attribution theory to crisis analysis, SCCT claims that a crisis situation generates particular attributions of crisis *responsibility*, which are the functions of *internal locus* (i.e., whether the cause was internal or external to an actor), *controllability* (i.e., whether the actor can affect the cause or if the cause is beyond the actor's control) and *stability* (i.e., whether the cause of the event is always there or if it varies over time) (Coombs, 1995, pp. 448-449). The more publics attribute responsibility for crisis to the organization, the harder its reputation will be hit and the more intensive threats the organization will face. Attributions of crisis responsibility then initially determine a *crisis type*. SCCT classifies crisis types into three clusters: preventable, accidental and victim. In order for a crisis type to be completely assessed, analysis of *threat intensifiers* (i.e., *crisis history, relationship history* and *severity*) is necessary. Hence, SCCT posits that assessment of a crisis threat to reputation is the function of crisis type and threat intensifiers. In addition, SCCT lines up crisis response strategies on a *defensive-accommodative* continuum. The strategic options are then matched to the crisis type. Defensive response options place protection of organization before that of crisis victims, whereas accommodative options put priority on protection of victims, not the organization. SCCT maintains that greater attribution of crisis responsibility requires more accommodative responses, and that the matching process is modified by level of threat intensifiers (Coombs & Holladay, 1996, 2004).

In light of offering a more systematic and prescriptive framework for crisis communication, SCCT arguably instituted a new course for crisis research. Nevertheless, SCCT, like other rhetoric-based approaches, has some limitations in providing effective response prescriptions for organizations in crisis. First, SCCT unwittingly treats reputation as a unidimensional construct. Due to this basic assumption, SCCT is weak in precisely diagnosing the nature of a reputational crisis.

For instance, in late 1980s, *Chrysler*, a major U.S. car maker, was accused of test-driving vehicles with odometers disconnected up to 5 weeks and then selling the used cars as new ones. It was also alleged that the automaker repaired cars that were damaged in accidents and sold them as new. For these charges, Chrysler was fined $120 million. Upon being indicted, the company denied the charge. But the firm soon changed its stance. In a press conference, Lee Iacocca, then-chairman of the company, admitted that the firm's integrity was compromised. However, he defied any distrust in the firm's product quality, arguing that the policy of controversy was to guarantee quality automobiles (Sellnow & Ulmer, 2004, pp. 258-259). In his address, Iacocca referred to the firm's compensation program offered to customers as "not a product recall," but as recalling the firm's "integrity" (cited in Sellnow & Ulmer, 2004, p. 258). This statement sounds as if he were accepting the accusations and sincerely apologizing. However, his apology was actually about the firm's ethical mistakes; throughout the entire address, he indirectly emphasized that Chrysler cars had no problem in terms of quality. According to SCCT, a firm facing a crisis is supposed to analyze its level of responsibility for the crisis, assess consequent threat to its reputation, and then choose either an accommodating or a defensive response that matches its threat assessment. From this analytical perspective, Chrysler's crisis response choice that employed simultaneously both accommodating and defensive responses baffled the followers of SCCT. However, when accepting the assumption that a reputation has multiple attributes, Chrysler's crisis responses can be understood. The firm came up with different solutions for threats imposed on different dimensions of its reputation.

Second, SCCT, like other rhetoric-based crisis approaches, considers only the stakeholders' stances and interpretations in evaluating organization's crisis responses. That is, according to SCCT, in order to decide upon an effective crisis response strategy, an organization is supposed to answer questions of whether the firm is responsible for the crisis; whether damage caused by the crisis is serious; whether the firm had the same crisis history; and whether the firm overall had behaved well in the past. And answers to these questions are made from stakeholders' points of view. By merely imposing stakeholders' viewpoints on the organization's decision-makings, SCCT and other existing rhetoric-based crisis responses are limited in practically guiding organizations through the crisis communication process.

Third, SCCT and other rhetoric-based approaches to crisis narrow the focus of crisis communications to the message prescriptions, which guide managers regarding "how to say something" in a crisis situation, but hardly advise on "what to talk about." This weakness is apparent in, for example, a crisis situation where a firm has long been suffering from lingering side effects of a crisis. In the aftermath of the *Valdez* oil spill case in 1989, for example, *Exxon* had been suffering from an unfavorable reputation pertinent to environmental issues and often became a textbook example of poor crisis management. In this case, SCCT is little help for the firm's overcoming lingering crisis effects. In addition, these message-focused approaches are criticized by public relations scholars who urge public relations managers to go "beyond the technical descriptions and applications" in crisis discourse (Marra, 2004, p. 312). Marra (2004) argued that crisis public relations practitioners should shift their emphasis from "technicians who prepare crisis communication materials to managers who apply predictive and explanatory crisis public relations theory" to the role of "strategic management of an organization's communication function" (pp. 312-313). However, in order to facilitate the shift in focus, a new conceptual approach to crisis that can extend the rhetoric-based discourse to a more strategic level is necessary.

Against this backdrop, the current paper maintains that the limitations of SCCT and other rhetoric-based crisis approaches can be overcome by incorporating the reputation perspective into crisis research. The remaining parts of this chapter, thereby, explore how the reputation perspective can provide useful insights into crisis research.

The Two Dimensions of a Reputational Crisis

Research on reputation has pointed to complexity of the concept. From literature advocating multidimensionality of corporate reputation, many studies suggest two-dimensional systems. For instance, Brown and Dacin (1997) proposed two types of corporate associations (i.e., what a person knows about a company) – *corporate ability* (CA), or "expertise in producing and delivering product and/or service offerings"; and *corporate social responsibility* (CSR), or the "character of the company, usually with regard to important societal issues" (p. 70). These two dimensions have been proposed by many other authors with different labels: for instance, economic performance and social responsibility (Etzioni, 1988); economic performance and social conduct (Chew, 1992); business competency and social conscience (Goldberg, 1999); organizational effectiveness and social performance (Riahi-Belkaoui & Pavlik, 1992); and business and social reputation (de Castro, Lopez, & Saez, 2006). In a similar vein, Mahon (Mahon, 2002) claimed that the *marketplace of goods and services* and the *marketplace of ideas* are two markets where "the interactions between the firm and its stakeholders take place" (p.

417). According to the author, the marketplace of goods and services is the place “where strategy is focused,” and the marketplace of ideas is where “corporate social performance and political strategy research are focused” (Mahon, 2002, p. 417). Even though the labels differ slightly by authors, the core ideas do not differ in that one trait points to a company’s competence in delivering its products and services and the other trait reflects the expectation of a firm’s social obligations.

Extending the notion of the two-dimensional system of reputation to the crisis communication field, the present study suggests two dimensions of reputational crisis: *corporate ability (CA) crisis* and *corporate social responsibility (CSR) crisis*. CA crisis is defined as a critical event that primarily affects corporate reputation associated with expertise of product and service, technological innovation, customer orientation, industry leadership.

Meanwhile, in both the business and academic circles, the question of how to define CSR remains a controversy (Dahlsrud, 2008; Wan Saiful, 2006). Since the 1980s, the term CSR has become more diverse and theoretical as scholars quested for corporate responsibility in more general – more specifically, ethical – terms and attempted to define it as corporate moral accountability (Maak, 2008, p. 355). The fallout of Enron, however, brought about a pragmatic turn in CSR discourse and practitioners came to focus on CSR as “a handy-to-use term, free from moralizing about the proper role of business and free from ethical ‘heavy-lifting’ which by nature dominates the academic discourse in business ethics” (Maak, 2008, p. 356). This pragmatic transformation of CSR has subsequently developed into SCR or strategic corporate responsibility – a concept that concerns not about “a social or even a moral obligation of a corporation to society at large” but about “a mere market opportunity to achieve competitive advantage” (Maak, 2008, p. 356). The academic circle, on the other hand, consider CSR as an umbrella term that involves ethical, altruistic, and strategic archetypes (e.g., Lantos, 2001, 2002). Vaaland, Heide, & Grønhaug (2008) further explained:

> Ethical CSR constitutes a minimum level of responsibility to society, and implies that the company avoids harm or social injuries even to exceed the formal legal duties if necessary. Altruistic CSR corresponds with Carroll's (2000) philanthropic responsibilities and aims at contributing to the good of various social stakeholders, even if the cost of those activities sacrifices company profit. Strategic CSR implies fulfilling philanthropic responsibility, but with the company's benefit in terms of positive publicity and goodwill as core driver (pp. 930-931).

Based on these three ways of thoughts, Vaaland et al. (2008) defined CSR as "Corporate social responsibility is management of stakeholder concern for responsible and irresponsible acts related to environmental, ethical and social phenomena in a way that creates corporate benefit" (p. 931). The current study also follows suit of the approach that consider CSR a more general umbrella term encompassing ethical, altruistic, and strategic aspects. Accordingly, this study conceptualizes CSR crisis as a major event that will pose a threat to reputation pertinent to environmental friendliness, commitment to diversity in employment, community involvement, corporate philanthropic activities, and other issues related to social obligations facing organizations.

Once acknowledging existence of divergent types of threat to reputation, organizations may approach crises more effectively by prescribing correct strategic options according to reputational crisis type. For instance, if a firm has a crisis that was triggered by failure to provide quality products and services, the firm might concentrate its communication efforts on regaining its stakeholders' confidence in its product quality. If a crisis called the firm's commitment to social responsibility into question, the firm might focus its communication on restoring its reputation pertinent to social obligations. In this approach, therefore, an organization facing a crisis must first determine the exact crisis type – i.e., whether the firm is facing a CA crisis or a

CSR crisis. To determine type of crisis, the organization may ask itself if firm is responsible; is the firm responsible for a failure in offering quality products or services, or for a violation of a standard of morality or a social norm? Then the firm's communication effort should be focused on dealing with its core responsibility.

Even though conceptualization of CA and CSR crises seems simple and easy to apply, realities often become complicated enough to baffle organizations in crisis. This is because in many cases clear demarcation between the CA and CSR dimensions is hardly obtained. For instance, in 1994 Intel discovered a flaw in its newly launched Pentium chip. However, the info-tech giant went on dumping the chips into the market without giving consumers information regarding the product defect. When the problem with its products was uncovered by a mathematics professor and made news headlines, Intel was put under fire not only for the product defect, but also for its unethical attempt to hide the problem (Clark, 1994, November 26). In August 2000, Firestone recalled 6.5 million tires, the product line that caused a death toll of 271 in the United States and Venezuela. In addition to serious product defects, the tire maker was criticized for admitting the defects three years after it first discovered the problems (Blaney, Benoit, & Brazeal, 2002, pp. 379, 382). In both cases, Intel and Firestone had problems offering quality products. However, by managing the problems inappropriately, both companies were also confronted with morality issues. As illustrated in these crisis examples, mismanagement or initial failure in responding to a crisis can transform a CA crisis to a CSR crisis, or to a mixed case that involves both CA and CSR crisis features. Likewise, in many crisis situations it may be difficult to draw a fine demarcation line between the CA and CSR crisis types. Therefore, it will be rather conceptually and practically more plausible to understand the crisis types as a continuum, with one end reflecting CA crisis and the opposite end reflecting the CSR crisis.

Analyzing crises through the lens of CA and CSR types arguably offers valuable insights into our understanding of the nature of crises, which were not observable within the frameworks that assume the unidimensionality of reputation. However, the CA-CSR categorization is a diagnostic tool rather than a solution to a crisis. The following section, therefore, is devoted to introducing a *resource-based approach* to crisis as a way to overcome limitations of message-focused approaches.

The Resource-Based Approach to Crisis

Within the strategist tradition, a resource-based view of reputation starts with the notion that a favorable reputation can be a strategic resource leading to an organization's sustained competitive advantage (Barney, 1991; Black, Carnes, & Richardson, 2000; Hall, 1992; Weigelt & Camerer, 1988; Wry, Deephouse, & McNamara, 2006). This statement contains three important concepts: *strategic resource*, *sustained*, and *competitive advantage*.

First, *organizational resources* refers to "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc, controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 101). Resources are considered *strategic* if they make a firm distinguished in light of its competitive position relative to its competitors, therefore leading to superior performance of the firm (Carmeli & Tishier, 2005; Leonard-Barton, 1992; Reed & DeFillippi, 1990; Rumelt, 1984; Teece, Pisano, & Shuen, 1997; Wernerfelt, 1984). Hence, strategic resources are firm-specific. Cameli and Tishier (2005) stated that "different firms are expected to possess different profiles of resources and this heterogeneity of organizational resources – both tangible and intangible – accounts for differences in firms' competitive advantage and variability in performance" (p. 15).

Second, a *competitive advantage* reflects that the organization is "implementing a value-creating strategy not simultaneously being implanted by any current and potential competitors" (Barney, 1991, p. 102), and a *sustained competitive advantage* interprets that the competitive advantage derived from the firm-specific resources are unable to be duplicated by the firm's current and potential competitors (Barney, 1991, pp. 102-103). With regards to the properties that determine a resource as a strategic source of a sustained competitive advantage, Barney (1991) proposes four characteristics of *value, rareness, inimitability* and *nonsubstitutability*. He further explicates as follows:

> [N]ot all firm resources hold the potential of sustained competitive advantages. To have this potential, a firm resource must have four attributes: (a) it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment, (b) it must be rare among a firm's current and potential competition, (c) it must be imperfectly imitable, and (d) there cannot be strategically equivalent substitutes for this resource that are valuable but neither rare nor imperfectly imitable (Barney, 1991: 105-106).

Particularly pertinent to the inimitability factor, Barney (1991) argued that resources are *imperfectly imitable* when "(a) the ability of a firm to obtain a resource is dependent upon *unique historical conditions*; (b) the link between the resources possessed by a firm and a firm's sustained competitive advantage is *causally ambiguous*, or (c) the resource generating a firm's advantage is *socially complex*" (p. 107).

The insight of the resource-based view has led researchers to search for firm-specific resources as the strategic source of sustained competitive advantage (Carmeli & Tishier, 2005; Reed & DeFillippi, 1990; Rumelt, 1984; Teece et al., 1997). Amidst this trend, the concept *reputation* has been spotlighted as a strategic resource due to its value-added to corporate performance. Fombrun (1996) states that "a reputation is valuable because it informs us about what products to buy, what companies to work for, or what stocks to invest in" (p. 5).

Furthermore, a positive reputation can "cushion" the adverse consequences of bad publicity (Bennett & Gabriel, 2001, p. 390). Reputation is also rare in a sense that only a few competing companies can have such reputations (Barney, 1991, p. 115). In addition, reputation is imperfectly imitable since it depends on "specific, hard-to-imitate historical setting" (Barney, 1991, p. 115). And positive reputations are formed based on informal social relations between the firm and its stakeholders; and such information relations tend to be socially complex. Therefore, competitors cannot quickly neutralize the benefits of a positive reputation. Finally, a firm's reputation is hardly substituted by other types of resources (Barney, 1991, p. 115). In summary, reputation has all the properties that Barney (1991) thinks a firm resource generating sustained competitive advantages must possess. The reputation-based perspective suggests that, as a firm-specific strategic resource, reputation cannot be traded in factor markets; it is difficult to be accumulated in a short-period of time or duplicated by competitors; and its heterogeneous characteristic may persist over time (Cool, Costa, & Dierickx, 2002, p. 55).

<u>The Insights of the Resource-Based View for the Crisis Discourse</u>

This resource-based view provides important insights into the crisis discourse. First, the resource-based view posits that reputation as an intangible organizational resource underlies performance differences among organizations. Therefore, *reputation lies at the center of the firm's competitive position and worth protecting and fostering* (Cool et al., 2002, p. 55). The notion that reputation is a strategic resource that has sustainability does not mean that it is not perishable. Barney (1991) argues that "that a competitive advantage is sustained does not imply that it will 'last forever' (p. 103). It only suggests that it will not be competed away through the duplication efforts of other firms" (Barney, 1991, p. 103). He continues that unanticipated changes in the economic structure may make a source of sustained competitive advantage no longer valuable for the firm, or simply irrelevant in a new industry setting (Barney, 1991, p. 103). A crisis can be another cause that nullifies the benefits of the competitive advantage of reputation. Therefore, the resource-based view provides rationale for why reputation should be a key part in a crisis communication discourse.

Second, the resource-based view posits that differences in the configuration of strategic resources should drive the diversity in firm performances and considers reputation as one of the strategic resources. Extending this notion, it can be argued that companies should be heterogeneous in terms of the configuration of reputational dimensions, since a reputation itself is a multidimensional concept. To illustrate, a computer memory chip maker may consider its ability to offer quality products as the core of its reputation due to its tech-intensive business nature, whereas a firm that has built its image based on green marketing – like Body Shop – may highly value its reputation as a socially responsible firm. Therefore, *not all reputational dimensions may have the same value as the firm's core strategic resource*. *Knowing what is the core driving force of its reputation is important in managing a crisis*. With regard to this, Coombs (2006a) offered an appropriate illustration: "Consider a company that prides itself on fair treatment of workers. Suddenly it is revealed that the company is using sweatshops in Asia. How does the impact of a crisis involving a core reputational element differ from the impact of a crisis involving more peripheral elements of the reputation?" (p. 192).

Third, the resource-based view leads to another assumption that firms may resort to different strategic resources when responding to crisis situations due to the heterogeneity of firm resources. In addition, all crises differ from each other due to the wide range of factors affecting the situations. The resource-based perspective, together with the dynamic view of crisis, suggests that *there is no uniform solution workable for all crises*. Such being the case, a good policy needs considering not only the nature of a crisis but also the organization's strategic standings including its competitive resource profiles.

Potential Strategic Resources for Crisis Responses

The resource-based view not only enriches crisis discourse with its conceptual guidance, but also suggests some strategic resources that can be utilized in a crisis situation. Hall (1992) classified intangible resources into two types: *assets* and *skills* (p. 136). Skill-type intangible resources include know-how of employees or other key stakeholders, which result in "instinctive competences," or competencies with regards to "capabilities which the organization possesses which set it apart from its competitors" (Hall, 1992, p. 139). Another skill-type intangible resource is culture. Culture reflects "the beliefs, knowledge, attitudes of mind and customs to which individuals are exposed in an organization, as a result of which they acquire a language, values, habits of behavior and thought" (Hall, 1992, p. 139).

Asset-type intangible resources include *corporate reputation* and *network*. Networks are "those personal relationships which transcend the requirement of organizational structure, commercial relationships, etc.; they are to do with sharing information and purpose to mutual advantage" (Hall, 1992, p. 138). The networks may be internal (i.e., network instituted by employees) or external (network with customers, suppliers, government agencies, and other entities essential to survival of the firm) (Hall, 1992, p. 138). For instance, Ulmer (2001) saw the potential instrumentality of a well-established precrisis relationship between an organization and its stakeholders to leverage a crisis situation. According to Ulmer (2001), a valued relationship with stakeholders benefits crisis-afflicted organizations because "stakeholders may serve as advocates for organizations in crisis by providing political support and crisis-mitigating resources" (pp. 593-594). His argument was demonstrated in the case of Malden Mills, a textile manufacturer in Massachusetts. When the firm was stricken by factory fire, which resulted in injuring 36 workers and placing 3,000 employees out of jobs, the stakeholder network that was cultivated before the crisis allowed Malden Mills to recover from the crisis. Its stakeholders served as advocates for the firm and supported it in significant ways (Ulmer, 2001, p. 610).

Meanwhile, with regards to corporate reputation, scholars have explored factors that influence the reputation formation. Based on the literature review, Fischer and Reuber (2007) suggested reputation-enhancing variables such as founders' track records, prestige of partners and affiliates, contest wins, stakeholders' direct experience with a firm's products or services, financial statements, and media reports (p. 57). Watson (2007) also proposed such reputation enhancers as leadership, management, quality of products and services and relationships with stakeholders (p. 372).

Of the sources fostering a good reputation, the present study particularly focuses on CEO's reputation as a potential strategic resource for an organization. According to Barney's (1991, p. 115) standards of determining the value of a source of sustained competitive advantage, which include such criteria as whether that resource is valuable (it is rare, it is imperfectly imitable, and there are substitutes for that resources), CEO's reputation is a good candidate to be an organization's strategic resource. First, a CEO's favorable reputation is valuable. This value is often described as "CEO capital." Second, CEOs' reputations are rare, given that only a few CEOs by industry have good reputations. Third, how the CEO has earned a favorable reputation is difficult to explain by several causes. Besides, even though a competitor imitates the CEO of good reputation, he/she may not perfectly replicate the same quality of reputation, since a positive CEO reputation is accumulated over a long time and historically specific. Therefore, a CEO's reputation may be imperfectly imitable. Fourth, a CEO's reputation is nonsubstitutable by any other resources. Even though a CEO's vision for the firm may be replaced by a good management team, the favorable perceptions held by external stakeholders (e.g., consumers, investors, media, and communities) of the CEO are unlikely to be replaced by the management team. The next chapter explores the value of CEO's reputation as a potential strategic resource for overcoming an organization's reputation crisis.

CHAPTER 4

CEO'S REPUTATION AND CORPORATE CRISIS

A CEO's well-developed reputation not only benefits the CEO as an individual, but the organization associated with him or her. Rindova and her colleagues (2005) described the spillover effect of a CEO's good name on corporate reputation as the "transfer of a positive evaluation from one social object to another" (p. 1038). This halo effect of a CEO's favorable reputation has been empirically supported (e.g., Rindova et al., 2005; Shane & Cable, 2002). The impact of a CEO's reputations on that of an organization has seldom been studied in a crisis context. Against this backdrop, the main focus of the current study is to explore the potential of a CEO's reputation as a valuable instrument for helping repair a tarnished corporate reputation in the aftermath of a crisis. Toward this purpose, this chapter explores the concept of CEO reputation, as well as the fundamentals that underpin the ties between reputations of a CEO and the organization.

CEO's Reputation

Personal reputation is defined as the "set of beliefs, perceptions, and evaluations a community forms about one of its members" (Anderson & Shirako, 2008, p. 320). This definition reflects Bromley's (1993) conceptualization of personal reputation as something "shared and expressed" by "members of a defined social network" (p. 42). And Ferris, Blass, Douglas, Kolodinsky and Treadway (2003) defined personal reputation as "a perceptual identity reflective of the complex combination of salient personal characteristics and accomplishments, demonstrated behavior, and intended images presented over some period of time as observed directly and/or as reported from secondary sources" (p. 215). With this definition, the authors argued that personal reputation is "perceptual and highly subjective in nature" and, hence, can have multiple, even conflicting, reputations across different constituent individuals or groups; and that individuals' observable qualities or attributes of individual (e.g., gender, race or ethnicity, age), together with personal accomplishments, signal personal reputation (Ferris et al., 2003, p. 216).

However, not all personal reputation may be influenced by accomplishments. On the contrary, in the general view of functionalists, who claim that personal reputations are closely tied to their behavioral history, Anderson and Shirako (2008) argued that this history-reputation link is mediated by the visibility of the persons (p. 320). According to the authors, due to the limitations in peoples' attention, this tie between behavioral history and personal reputation may be stronger for those who are prominent and receive more attention than those who are less visible (Anderson & Shirako, 2008, p. 320).

This argument seems especially applicable to CEO's reputation. Wade, Porac and Pollock (1997) contended that "media have created a managerial 'star system' by amplifying the successes of certain highly publicized CEOs at the expense of lesser knowns" (p. 104). Like these authors, researchers have attributed public reputations of successful CEOs to the result of well-developed media publicity. Hayward, Rindova, and Pollock (2004) also stated that "[i]n the process of attributing a firm's actions and performance to its CEOs, journalists create 'celebrity CEOs.' Having created such celebrity, journalists can then change stakeholders' expectations about (a) who the CEO is and how she will act, and (b) how to respond to CEO actions" (p. 638). In this sense, CEO's reputation is thought of as something fostered by media. Ranft, Zinko, Ferris and Buckley (2006) also maintained that CEO's reputation can be cultivated like a brand either through reputation management or by media (p. 281). As a consequence, media attention to particular CEOs elevates them to public personages, or "people with high status or well-known personalities" (Bromley, 1993, p. 43). In this sense, CEO's reputation can be seen as a *secondary reputation*, which is formed by people outside of the group who have no direct interaction with the target person (Bromley, 1993, p. 44). Even within the organization, formal interactions, which restrict the expression of personal characteristics, make the CEO's reputation into a stereotyped one well-suited to a situation (Bromley, 1993, pp. 43-44). In this context, CEO's reputation differs from individual personal reputation, the latter which is formed in the personal interaction setting and leads to highly individualized impressions based on direct, first-hand contact (Bromley, 1993, pp. 42-44).

The Functions of CEO's Reputation

Meanwhile, in social network settings, personal reputations serve diverse social functions. Anderson and Shirako (2008) argued that personal reputations help people enter into relationships with those who are more trustworthy, while avoiding those who might be deceptive (p. 320). In addition, reputations foster socially acceptable behaviors as positive reputations result in social acceptance, whereas negative reputations might be punished by collective ostracism (Anderson & Shrako, 2008, p. 320). Overall, personal reputations serve as a signal, which allows predictions of target persons' future behavior (Dunn, 2008, p. 1).

In the organizational setting, CEO's personal reputations function as a signal not only for the CEO's future behavior, but also for that of the organization tied to the CEO. In a series of surveys of business leaders and investors conducted by Burson-Marstellar in 2001, CEO's reputation accounted for 48% of a company's reputation in the U.S., 48% in the United Kingdom, 54% in Australia, and 64% in Germany (Gaines-Ross, 2003, p. 13). In another global survey of

860 CEOs in seven key markets (U.S., Canada, Belgium, Germany, Italy, the Netherlands, and the UK) undertaken by Hill & Knowlton, CEOs placed themselves as the third most important influence on corporate reputation (54%) after customers (93%) and employees (65%) (Laurence, 2004). In addition, a survey of 250 business school students in the U.S. and UK conducted by GCI Group, 76% of respondents associated a firm's reputation to its CEO (Feldman, 2004, p. 24).

The review of literature suggests several routes through which this tight link between CEO and corporate reputation may come to exist. In particular, the current paper proposes three functions of CEO's reputation, through which a CEO's personal reputation is linked with that of the company: the functions of *personifying company*, *communicating values*, and *signaling performance*.

The Function of Personifying Company. In the organization literature, it has been argued that a CEO literally and symbolically personifies the organization itself, thus contributing to shaping the firm's identity and embodying the firm's image (Garbett, 1988; Grunig, 1993; Pincus, Rayfield, & Cozzens, 1991). Bromley (2001), for instance, argued that corporate identity is infused with the personal attributes of its leaders and this effect is more salient with a firm – particularly in the early phases of its corporate history – run by a charismatic leader (p. 331). This infusion of CEO's personality with corporate identity can be explained in two ways. First, according to Bromley (2001), a firm's structure and policy are hardly observable to outsiders, whereas the personal attributes of the CEO are more easily observed by the general public and the mass media (p. 331). As the result, the general public is engaged in "anthropomorphic thinking, equating the whole company with the personal characteristics of its CEO and then choosing to support or censor the company based on that judgment" (Suh & Amine, 2007, p. 210). Second, CEO leadership style determines the vision, culture, and formal policies of an organization (Dowling, 2001, p. 53). Whetten and Mackey (2002) contended that "organizational forms selected by founders and subsequent leaders specify the organization's shared identity claims – characteristics common to organizations of a particular type" (p. 399). The organizational forms and values selected by the founders and subsequent leaders are then passed down to other organizational members through the process of attraction, selection, and attrition (Schneider, 1987). That is, employees within an organization "behave the way they do because they were attracted to that environment, selected by it, and stayed with it" (Schneider, 1987, p. 440). The infusion of CEO's personality and the organization's identity is well illustrated in the case of Virgin, whose image and identity are closely associated with those of its founder Richard Branson (Davies et al., 2003, pp. 68-69), and The Body Shop, where Anita Roddick's concern for the environment is clearly reflected in the firm's strategy (Argenti & Druckenmiller, 2004, p. 373). In this vein, Dowling (2004) argued that the top management (the CEO and boards) "sets the tone of the organization" (p. 25). In sum, as Hatch and Shultz (1997) stressed, a CEO is a "symbol of corporate identity" that has influence on what stakeholders "perceive, feel and think about the organization" (p. 363).

The Function of Communicating Values. Arnold (1988) argued that the modern CEO has become a *public persona* by "establishing the company's private interest in terms of the public good" (p. 7). The author further contends that this phenomenon is not born out of a personal desire to become a media star, but out of the demand for corporate survival and success (Arnold, 1988, p. 7). He claimed that a CEO must effectively deliver communication strategies in five crucial areas, which include: (1) building value in the marketplace; (2) strengthening employee morale; (3) enhancing the marketing process by adding credibility and efficacy to services and products; (4) successfully managing crises; and (5) sharing core values and playing a cohesive role across disparate corporate units (Arnold, 1988, p. 7). In particular, it is noteworthy that CEOs provide *soft news* about their company, which goes beyond hard facts such as earnings per share or capital investments, by telling corporate stories such as "the intangibles of philosophy, style, vision, and directions" (Arnold, 1988, p. 9). In this sense, the CEO arguably becomes the "face" or the spokesperson of the entire company (Ferns, Emelianova, & Sethi, 2008, p. 121). As a result, Campbell (2004) contended that employees, customers, investors, and media look to the CEO to understand the culture and ethics of the firm (p. 32). As such, through communicating with the firm's internal and external stakeholders, a CEO represents the firm's values, culture and personality (Campbell, 2004, p. 32).

The Function of Signaling Performance. Wade, Porac and Pollock (1997) stated that reputations are "summaries and interpretations of the past with unclear predictive power about future accomplishments" (p. 150). Stakeholders often use CEO's reputation to predict future performances of the company. For instance, when "Chainsaw" Al Dunlap was hired as the CEO, Sunbeam Corporation witnessed its stock soar by 60%, primarily due to Dunlap's reputation built from past experience (Ranft et al., 2006, p. 281). This signaling effect of CEO's reputation is partly attributable to the complex system of organizations. According to Meindle, Ehrilich and Dukerich (1985), corporate successes and failures are hardly attributed to a couple of reasons. However, if the CEO shows consistent performances over a period of time, this CEO factor is easily recognized and attributable as the source of corporate success. Therefore, CEO's reputation provides significant clues to the company's future performance. This trend of attributing corporate accomplishments to the CEO is further facilitated by analysts and business press who search for information about corporate performance from the CEO's ability (Wade et al., 1997, p. 104).

The Dimensions of CEO's Reputation

The properties of corporate reputation that were discussed in Chapter 2 also can be applied to CEO's reputation. First, the concept of CEO's reputation reflects aggregate perceptions of different groups of people such as employees, shareholders, suppliers, or publics in general. Second, the concept should embrace not only awareness (i.e., perceptions), but also evaluations of CEOs and their attributes. Third, like corporate reputation, CEO's reputation reflects componential perspective (i.e., reputation *for* what). To illustrate, some CEOs may be well known for their abilities of leading to superior performances of their firms, while other CEOs may earn good names for their integrity or supports for social causes. Finally, CEO's reputation also can be conceived of both as process and product of interactions. In particular, the componential property of CEO's reputation is the primary focus of this section.

Many corporate reputation researchers view reputation as a construct that has multiple dimensions. Unidimensional measures that ask respondents to rate a firm's reputation from poor to good are limited in capturing its true construct. Research institutions and reputation scholars, therefore, have put forward measures of corporate reputation that can reflect the multidimensionality of reputation. The list of measures of corporate reputation includes such media rankings as Fortune's America's Most Admired Companies rankings and the Financial Times' World's Most Respected Companies' rankings, the reputation quotient (RQ) developed by Fombrun, Gardberg and Sever (2000), Corporate Character Scale of Davies et al., (2004), and Corporate Credibility Scale of Newell and Goldsmith (2001), to name a few. In stark contrast to the ample literature on corporate reputation or related constructs, few studies have been devoted to the development of CEO reputation construct and its measures.

Against this backdrop, the current paper attempts to identify the dimensions of CEO's reputation through review of relevant literature. One of the constructs that provides a useful framework for investigating CEO's reputation is "source credibility." Ohanian (1990) identified three dimensions of credible spokespersons: (1) *attractiveness* (e.g., attractive, classy, handsome/beautiful, elegant, and sexy); (2) *trustworthiness* (e.g., dependable, honest, reliable, and sincere); and (3) *expertise* (e.g., expert, experienced, knowledgeable, qualified, and skilled). This three-dimensional conceptualization of source credibility is echoed in Pancer, Brown and Barr's (1999) dimensions of political leadership. In their study of exploratory factor analyses of personality traits of three U.S. political leaders (Bill Clinton, George Bush, and Dan Quayle), the authors concluded that three interpretable factors – i.e., *competent*, *integrity* and *charisma* – captured the structure of political images (Pancer et al., 1999). According to Pancer et al. (1999), the *integrity* factor includes such items of (not) dishonest, (not) uncaring, straightforward, and responsible; the *competent* factor includes intelligent, hard-working, sense of purpose, and committed; and the *charisma* factor includes charming, good-looking, and charismatic (pp. 352-353). Obviously, Pancer et al.'s (1999) political leadership dimensions reflects Ohanian's (1990) source credibility dimension with minute change in labels. Each of Ohanian's expertise, trustworthiness, and attractiveness dimensions corresponds to Pancer et al.'s (1999) competent, integrity, and charisma dimension, respectively.

Meanwhile, Miller, Wattenberg and Malanchuk (1986) proposed five dimensions of personality traits of president candidates: (1) competence (e.g., experienced, capable, and competent); (2) integrity (e.g., trustworthiness, sincerity, honest, and morality); (3) reliability (e.g., dependable, reliable, careful, and conscientious); (4) charisma (e.g., dignified, inspiring, humble, likable, and confident); and (5) personal element (e.g., physical appearance factors, age, health, education, wealth, family, life style, and social event). This five-dimensional scheme of political leadership personalities is used in Park and Berger's (2004) content analyses of media representation of CEOs with little revision.

Literature from the social cognition field also provides useful insight into CEO's reputation. In this field, studies have suggested that *competence* and *morality* constitute the two most significant dimensions of meaning of personality traits. For instance, a classical study of Rosenberg, Nelson, and Vivekananthan (1968) suggested two dimensions of personality impressions: *intellectual* and *social* desirability. From content analyses of over 1,000 episodes of personal impression evaluations, Wojciszke (1994) confirmed that these two traits constituted three-quarters of the entire evaluative impressions of personal traits. The author labeled these two dimensions respectively as *competence* and *morality* of personality traits and argued that the two traits are mutually exclusive (Wojciszke, 1994, p. 223). Wojciszke (2005) further elaborated that the morality trait, which is pertinent to such descriptions as honest, truthful, aggressive and egoistic, refers to "goals of the perceived person and relations between these goals and moral norms, as well as harms/benefits brought by these goals to other surrounding persons" (p. 60). The competent trait, on the other hand, is depicted as capable, intelligent, inefficient, and refers to the "efficiency with which those moral or immoral goals are attained" (Wojciszke, 2005, p. 60). Wojciszke (2005) argued that the two trait types – i.e., competence and morality – appear frequently in perceptions of organizational leaders, as well as political candidates (p. 60).

Based on the literature reviewed, the current paper identifies three dimensions of CEO's reputation: *competent*, *ethical,* and *charismatic* reputation. Competent reputation reflects the perceptions or assessments of a CEO's ability to achieve goals pertinent to organizational performances. In a qualitative study on professionalism, Svensson (2006) showed that respondents put strong emphasis on knowledge, competence, and skill. As such, the competency dimension of CEO's reputation is depicted by such words as capable, experienced, knowledgeable, and expertise (p. 579). In a content analysis of media coverage of CEOs, Park and Berger (2004) demonstrated that about half (49.8%) of all statements examined included such words describing competency. Considering the fact that CEOs take charge of the company's performance, it is not surprising that competency is most frequently covered by media. Park and Berger (2004) viewed competency as a key dimension of performance, which includes the CEO's experience and track record, business acumen, decision-making capabilities, efficiency, and administrative skills (p. 116). The signals of competent reputation may also include personal accomplishment. Ferris et al., (2003) suggested education, institution granting degrees and experience as the source of such signals (p. 216).

The ethical dimension of CEO's reputation involves conformity to social norms and moral values, and commitment to integrity. Therefore, the ethical component is often depicted in literature by such words as honesty, sincerity, integrity, morality, and fairness. For instance, Chun (2006) associates a reputation for integrity with such words as honesty, sincere, trustworthy, openness, fairness, benevolence, and being socially responsible (pp. 65, 67).

Meanwhile, the concept of charisma stemming from the source credibility approach reflects primarily personal attractiveness. In charismatic leadership theory (CLT), on the other hand, scholars define charisma as a "relationship characterized by specific leader behaviors (such as communicating high expectations, making sacrifices, etc.) and subordinates' responses (such as trust and admiration for the leader, etc.) (Fanelli & Grasselli, 2005, p. 813). CLT premises that firm performance results from the effort and motivation of individuals operating in the firm and that charisma affects employee effort and motivation, subsequently having impact on firm performance. The theory also views a CEO's behaviors as the projection of personal qualities such as high levels of self-confidence and dominance (Fanelli & Grasselli, 2005, p. 817).

Of the three dimensions of CEO's reputation, however, the present study focuses only on the competent and ethical components. The charismatic component is of less interest than the other two components for two reasons. First, personal attractiveness, a major trait of charismatic dimension may not be determined by the observers' value judgment. Considering that the current study aims at tapping personal value judgments about reputations of a CEO and the company, the trait of personal attractiveness is deemed less relevant to the study's purpose. Second, in order for a certain type of leadership characteristic to transfer to a reputation, it needs to be visible and noticeable through interactive experiences, or be communicated and shared by perceivers of the reputational signals. The traits of charismatic leaders emerging through the discourse of CLT are mostly relevant to insiders of the organization or investors. But they may not be perceptible or relevant to external stakeholders, which is the main scope of the present study.

In order to distinguish the components of CEO's reputation from the CA and CSR dimensions of the company, the present study labels the CEO's competent reputation as *C-type reputation*, and the ethical component as *E-type reputation*. *C-type* or *E-type CEOs* are applied to persons whose reputations are dominated by the corresponding reputational components. In investigating the influence of CEO's reputations on corporate reputations, the current study also attempts to explore whether the CEO's reputation types interplay with the crisis types (CA v. CSR crisis). In order to search for the answers to these intriguing questions, hypotheses and research questions are established in the following chapter.

CHAPTER 5

HYPOTHESES AND RESEARCH QUESTIONS

The purpose of the present study is to advance crisis research by bringing limitations of the existing crisis literature to light and exploring potential solutions that can contribute to the topic area both theoretically and practically. In particular, the literature reviews introduced in the preceding chapters have shed light on the potential of the perspectives of reputations in enriching the crisis literature. Based on the review of literature, this chapter is dedicated to establishing hypotheses and research questions for further examination. These hypotheses and research questions are divided into three main themes. The first theme is about the nature of a reputational crisis – i.e., how will two dimensions of a reputation crisis diverge in terms of each of their consequences. The second theme is about the instrumental value of CEO's reputation that can be leveraged to overcome an organization's reputational crisis. And the final theme is to search for clues to the formation of reputation by examining the impacts of long-term corporate communication activities and timing of exposure to crisis news on stakeholders' perception and attitudes to the company afflicted by the crisis.

The Consequences of Reputational Crisis

Pointing out the shortcomings of the existing crisis literature in recognizing the multidimensionality of reputation, the current study has proposed two types of a reputational crisis: *corporate ability* (*CA*) *crisis* and *corporate social responsibility* (*CSR*) *crisis*. A CA crisis will likely call into question the firm's capability of providing quality services and products, whereas a CSR crisis will damage the firm's good name associated with social citizenship. Even though the two crisis types are conceptually discernable, there is nothing known about different consequences they will produce. Knowledge about a divergence in the consequences of the crises will surely advance a better understanding of the nature of the two crisis types.

With regard to the effects of crisis, a reputation crisis can bring about potentially devastating consequences not only to corporate reputation, but also to mutually favorable relationships between the firm and its stakeholders (Heath & Millar, 2004, p. 4). A firm's reputation and its relationship with stakeholders are two major yardsticks that reflect the value of the public relations functions (Grunig & Hung, 2002, p. 1). These two concepts – reputation and relationships – are distinct, but closely connected with each other. For instance, Knox, Maklan, and Thompson (2000) argued that a reputation is built through customers' understanding of a firm's values, commitment and their experiences of the firm's products and services, which are conveyed through the relationship that the company builds with customers (p. 141). Noting the interconnection between these two managerial properties, Sohn (2009) also contended that separately monitoring and measuring corporate reputations and relationships should fail to capture their true natures (p. 9).

As for the concept of relationships with stakeholders, public relations scholars have proposed four dimensions of relationships: *trust, control mutuality, commitment*, and *satisfaction* (Huang, 1997). Of the four constructs, *control mutuality*, which is defined as "the degree to which parties agree on who has rightful power to influence one another" (Hon & Grunig, 1999, p. 19), may have a limitation in terms of general applicability because it posits that a relationship should be built on stakeholders' first-hand experiences with the firm. However, stakeholders can enter into relationships with a firm through indirect, second-hand experiences (Grunig & Hung, 2002; Sohn, 2009). Meanwhile, *trust* is conceptualized as "one party's level of confidence in and willingness to open oneself to the other party," while *satisfaction* is defined as "the extent to which one party feels favorably toward the other because positive expectations about the relationships are reinforced" and *commitment* as "extent to which one party believes and feels that the relationship is worth spending energy to maintain and promote" (Hon & Grunig, 1999, pp. 19-20). Literature on relationships also suggests that stakeholders in a quality relationship with a firm will show "extra-role behaviors," which involve world-of-mouth, product improvement suggestions, recruitment of other public members, and proactive communication of anticipated problems (Ahearne, Bhattacharya, & Gruen, 2005, p. 577). And a latent construct that drives these extra role behaviors is *loyalty* (Sohn, 2009, p. 22). Dimitriades (2006) defined being "loyal" as holding *favorable attitudes* toward an organization, *recommending* the organization to other consumers, and exhibiting *repurchase behavior* (p. 785). Within the relationship frame, loyalty is represented by a long-term, committed and emotion-oriented relationships; and it can be engendered by offering quality products or services beyond the publics' expectation level and fostering committed relationships through empathic interchange (Kim, 2001, p. 800).

Despite ample discussions of the various impacts of crisis on reputation, not much research has been done regarding the effect of relationships crisis. Therefore, exploring effects of a reputational crisis on a firm's relationships with stakeholders will surely bring rich insight to the crisis literature. Furthermore, finding any differences between crisis types (CA v. CSR crisis) in terms of their influences on relationships, as well as corporate reputation, will advance our knowledge about the nature of reputational crisis. Therefore, the first research question is as follows:

RQ1: How will a CA reputational crisis differ from a CSR reputational crisis in terms of impact on stakeholders' attitudes toward the firm afflicted by the crisis, as well as their perceived relationships with the firm?

The Effect of CEO's Reputation

The resource-based approach to crisis discussed in preceding chapters urges crisis scholars to go beyond boundaries of rhetoric-based research and search for potential resources that can be utilized to help buffer harmful effects of a reputational crisis. In this context, the current study attempts to explore the instrumental values of well-established reputation of CEO in improving the reputation of the firm associated with the CEO, as well as the firm's relationships with stakeholders, particularly in a crisis situation. As the literature review suggests a close link exists between a CEO and the firm tied to him, and a CEO's good name is expected to have a positive impact on reputation of the firm and its relationships with stakeholders. Therefore, hypotheses are proposed as follows:

H1: Favorable information about the CEO will have a positive influence on *reputation* of a company afflicted by a crisis.

H1a: Favorable information about the CEO will have a positive influence in relieving the effect of a CA crisis in terms of corporate reputation.

H1b: Favorable information about the CEO will have a positive influence in relieving the effect of a CSR crisis in terms of corporate reputation.

H2: Favorable information about a CEO will improve the stakeholders' perceived relationships with the company afflicted by a reputational crisis.

H2a: Favorable information about a CEO will have a positive influence on *perceived customer care*.

H2b: Favorable information about a CEO will have a positive influence on *satisfaction*.

H2c: Favorable information about a CEO will have a positive influence on *trust*.

H2d: Favorable information about a CEO will have a positive influence on *relational commitment*.

H2e: Favorable information about a CEO will have a positive influence on *loyalty*.

Just like corporate reputation, the CEO's reputation is also expected to have multiple dimensions. In particular, the current study has focused on two dimensions of CEO's reputation and labeled them, respectively, as *C-type* reputation for the *competent* dimension and *E-type* reputation for the *ethical* dimension of CEO's reputation. Therefore, in a bid searching for more effective ways to utilize CEO's reputation in the crisis context, this study attempts to explore whether different types of CEO's reputation will bring about different consequences in terms of corporate reputation and relationships with stakeholders. Therefore, additional research questions are raised as follows:

RQ2a: Which type of CEO's reputation will be most effective in overcoming a CA crisis in terms of corporate reputation?

RQ2b: Which type of CEO's reputation will be most effective in overcoming a CSR crisis in terms of corporate reputation?

RQ3a: Which type of CEO's reputation will be most effective in relieving stakeholders' perceived relationship with the company in a CA crisis situation?

RQ3b: Which type of CEO's reputation will be most effective in relieving stakeholders' perceived relationship with the company in a CSR crisis situation?

The Formation of Reputation

Literature suggests that repeated exposures to a target object may increase familiarity, which in turn strengthen believability (Kardes, 2001: 43), as well as likability and desirability (Brooks et al., 2003; Zajonc, 1968). So-called "mere exposure" effect (Zajonc, 1968) posited that people feel more comfortable with a familiar target object, compared to completely unfamiliar ones. This mere exposure effect is regarded as the main force of marketing and advertising strategies, which makes consumers more familiar with a firm or its products (Brooks et al., 2003: 904-905). Therefore, it is interesting to examine whether repeated exposures will also have effects for CEO's reputation, especially in the crisis context. To explore this intriguing question, Hypotheses 3 and Research Question 4 are established as follows:

H3: Overall, the longer stakeholders are exposed to favorable news about a CEO, the more favorable evaluation of and attitudes toward the company they will develop.

H3a: There will be a linear relationship between the amount of exposure to favorable information of CEO and the *CA dimension of corporate reputation*.

H3b: There will be a linear relationship between the amount of exposure to favorable information of CEO and the *CSR dimension of corporate reputation*.

H3c: There will be a linear relationship between the amount of exposure to favorable information of CEO and the *attitudes to company*.

H3d: There will be a linear relationship between the amount of exposure to favorable information of CEO and the *perceived customer care*.

H3e: There will be a linear relationship between the amount of exposure to favorable information of CEO and *satisfaction*.

H3f: There will be a linear relationship between the amount of exposure to favorable information of CEO and *trust*.

H3g: There will be a linear relationship between the amount of exposure to favorable information of CEO and *relational commitment*.

H3h: There will be a linear relationship between the amount of exposure to favorable information of CEO and *loyalty*.

RQ4a: Will the growth patterns in the outcome variables over time be influenced by the crisis type factor?

RQ4b: Will the growth patterns in the outcome variables over time be influenced by the CEO type factor?

RQ4c: Will there be a significant interaction among CEO type, crisis type, and the amount of exposure to positive information of CEO?

Fiol and Kovoor-Misra (1997) contended that extent to which prior perceptions are affected and subsequently adjusted by a crisis should be dependent on two factors – the degree to which the new information confirms existing definitions of corporate reputation or identity, and the intensity of perceived stigma attached to the firm as the result of the crisis (p. 150). Fiol and Kovoor-Misra (1997) stated that "[i]nformation that is perceived to be consistent with existing definitions will not be resisted, because it is perceived as credible (p. 150). Thus, organizations with negative reputations will incorporate negative attributes more readily and those with positive reputations will resist assimilation of the stigma." Based on this logic, it is hypothesized that a crisis facing a firm with unfavorable reputation will actually confirm prior negative perceptions of the firm, whereas the impact of a crisis will be discounted if the firm has a positive prior reputation. This bias can be explained by social judgment theory.[3] According to social judgment theory, reputation as personal attitudes can be used as a cue to draw judgment about the event. Therefore, if stakeholders have positive attitudes toward a firm, they may tend to interpret evidence of a crisis in favor of the firm. This halo effect of prior reputation has been empirically supported (e.g., Coombs & Holladay, 2006; Dawar & Pillutla, 2000). Therefore, Hypothesis 4a and Hypothesis 5a are established as follows:

H4a: Crisis news will damage corporate reputation (CA, CSR reputation, and attitudes to company) *more* seriously when there is no prior reputation established for a company than when the firm has a favorable reputation among stakeholders.

H5a: Crisis news will damage relationships with stakeholders (perceived customer care, satisfaction, trust, commitment, and loyalty) *more* seriously when there is no prior reputation established for a company than when the firm has a favorable reputation among stakeholders.

On the other hand, some studies have suggested that a favorable reputation may be tarnished even harder in a crisis than an unfavorable one. It is because a positive reputation is supposed to elevate stakeholders' expectations of the firm, therefore setting a higher standard of assessment. Bromley (1993) contended that organizations "risk failing badly if they do not live up to their reputation, because their publics react adversely if their expectations are frustrated" (p. 23). To illustrate, Benoit and Brinson (1994) argued that AT&T's crisis caused by interruptions of its long-distance call service in 1991appeared "especially egregious" since the firm's

[3] Kardes (2001: 163) explains of how one's own attitude can be used as a "reference point or filter" through which people make judgment or perceive target objects. The result of the social judgment is the assimilation and contrast effects. That is, "a contrast effect is a shift in judgment *away from* a reference point, whereas an assimilation effect is a shift in judgment *toward* a reference point" (Kardes, 2001: 163).

advertising campaigns about its ability to offer a reliable service had raised stakeholders' expectation (p. 79). Dean's (2004) experiment empirically demonstrated that an inappropriate response to a crisis of a company with a positive CSR reputation was perceived more favorably than that of a company with a negative CSR reputation. Therefore, this boomerang effect of a positive reputation leads to Hypothesis 4b and Hypothesis 5b. In addition, potential effects of interactions between crisis type and CEO type are also explored through Research Question 5.

H4b: Crisis news will damage corporate reputation (CA, CSR reputation, and attitudes to company) *less* seriously when there is no prior reputation established for a company than when the firm has a favorable reputation among stakeholders.

H5b: Crisis news will damage relationships with stakeholders (perceived customer care, satisfaction, trust, commitment, and loyalty) *less* seriously when there is no prior reputation established for a company than when the firm has a favorable reputation among stakeholders.

RQ5a: Will the timing of exposure to negative information be influenced by the crisis type factor?

RQ5b: Will the timing of exposure to negative information be influenced by the CEO type factor?

RQ5c: Will there be a significant interaction among CEO type, crisis type, and the timing of exposure to negative information?

CHAPTER 6

METHODS

The objectives of this study are twofold. First, a set of hypotheses tests were performed to validate the categorization of CA and CSR crises and examine efficacy of the categorization. That is, the current study pursues answers to questions of whether people can actually distinguish differences in new types of reputational crisis (CA v. CSR crises) and whether the different types of crises will result in different perceptual and attitudinal outcomes. The second set of tests taps CEO's potential reputation to overcome corporate crisis. That is, will a CEO's reputation be able to offset a negative reputation of the company afflicted by a reputational crisis? Will there be a more effective strategic match between type of crisis and CEO's reputation? In addition to these questions, the cumulative effect of communicating a CEO's positive reputation is also explored. To achieve the objectives, the present study employs an experiment method. This chapter provides an overview of methods and study design, as well as detailed procedures for the experiments.

Study Overview

By using the metaphor of "strobe lights," Dan Ariely (2008), a behavioral economist at MIT, contended that experiments allow us " to show human behavior in a frame-by-frame narration of events" (p. xxi). Indeed reputational crises are too complicated phenomena to be explained with ease. Therefore, we need the aid of "strobe lights" to capture the world into still-shot-like frames so that we can understand major forces underpinning the complex phenomena with clear vision. In this sense, the choice of experimental method is deemed appropriate to achieve the goal of this study, which aims at explaining the relationships between the variables of interest. An experimental design allows researchers to manipulate variables, exercise a high degree of internal control, and establish causal relationships (Frey, Botan, & Kreps, 2000; Wimmer & Dominick, 2003).

Participants and the Stimulus Product Category

Research participants were first recruited from a population of undergraduate students at a large public university. Then each participant was asked to recruit a friend. Students received extra credit in an introductory public relations class in return for their participation. In addition, to encourage participation through the end of the experimental sessions, 10 names were drawn from the participant pool and given $30 each as incentives. IRB approval was obtained prior to data collection, which was done from March 2008 through April 2008. Thirteen participants were dropped in the middle and a total of 550 participants completed all experiment sessions. Ages of the 550 participants ranged from 18 to 35, with a mean age of 21 years (SD = 2.6). In order to prevent potential introduction of a systematic error stemming from the wide range of ages of participants, the test for detecting outliers was conducted by calculating Mahalanobis distance (D^2) statistic in SPSS version v.17.[4] Resulting from the test, a total of 23 outliers (two participants aged over 25, and 21 participants aged under 24) with an excessive Mahalanobis D^2 value were deleted from the sample pool. Of the total 527 participants retained after deleting outliers, 380 (72.1%) were female and 140 (26.6%) were male. Gender of seven participants was

[4] The tests of outliers were conducted on the data of the first experimental session, where the experimental conditions were initially divided into four groups (i.e., two types of negative information and two types of positive information). Mahalanobis distance statistic (D^2) was calculated separately for each of the four conditional groups. A value of D^2 with a relatively low p value in the appropriate chi-square distribution may lead to rejection of the null hypothesis that the case comes from the same population as the rest (Kline, 2005, p. 51). Following Kline's (2005, p. 52) recommendation, a conservative level of statistical significance ($p < .001$) was used for determining the outlier.

unverified. Majority of participants were White (85%), with a mix of African Americans (6.1%), Hispanics (1.3%), Asians (4.2%), and others (2.5%).

The apparent youth-bias may be criticized for the issue of the samples' representativeness. However, given that the current study is designed to examine hypothesized relationships among variables in order to tap a rather universal judgment process, this bias to youth may withstand sampling criteria (Bae & Cameron, 2006, p. 147). In particular, similarities between undergraduate student cohort and housewives have been established in studies of dissonance reduction and corporate identity ratings (Bakewell & Mitchell, 2004, p. 228).

In addition, in order to strengthen the external validity of the study, the current experiments used online casual game business as the stimulus manipulation. According to Nielsen Television Index for the fourth quarter of 2006, two-thirds of all men aged from 18 to 34 played video games in their home, while about 60% of women in the same age range accessed video games ("The state of the console: Video game console usage," 2007). In particular, in the online casual game business, the majority (63%) are female gamers (Tinney, 2005)[5]. Therefore, the gaming industry as the topic of manipulation has relevance to participants in the experiment. In addition, *online* gaming industry was chosen as the treatment, considering that participants in the present study are categorized into *Net Generation* born between 1977 and 1997. This age cohort has been the major force of growth in internet usage and is characterized by a high level of literacy in online activities (Comegys, Hannula, & Väisänen, 2006, p. 336). This age group is speculated to have a more positive attitude toward online shopping (Rajamma & Neeley, 2005, pp. 64-65) and be more inclined to purchase products online than older shoppers (Cowart &

[5] According to MSN Games, one of the leading online casual game providers, 21% of the site's users came from the age group between 25 to 34, and 71% of the users were in the age range between 25 and 54. Of the users, 63% were female, while 37% were male users (Tinney, 2005).

Goldsmith, 2007, p. 646). Lester, Forman and Loyd (2005) found that 91% of markets targeting college-age consumers are online-based. Due to the fit, many studies on online consumer behaviors have employed young adult samples (e.g., Chen & Chang, 2005; Comegys et al., 2006; Cowart & Goldsmith, 2007; Elliott & Speck, 2005; Lester et al., 2005; McCloskey, 2003; Rajamma & Neeley, 2005; Yoo-Kyoung Seock & Chen-Yu, 2007; Yoo-Kyoung Seock & Marjorie, 2007; Yang, Lester, & James, 2007).

Experimental Design and Manipulations

The current study utilized a 2 (CA v. CSR crisis) × 2 (C-type v. E-type CEO) × 3 (time points of exposure to crises) × 3 (orders of presentation of CEO news) mixed design. Of the 48 experimental cells, the variable of presentation order was absorbed into the design by combining the cells of different presentation orders within the same type of news, therefore retaining 12 experimental conditions. The experiments consisted of four sessions with a week of time lag between sessions. The time point of exposure to negative information (i.e., news about a crisis) was manipulated in a way that participants read crisis news either in the first, second, or final session, depending on their experimental membership. All participants were randomly assigned to each experimental condition, either through systematic random assignment or a simple random procedure. Table 6.1 summarizes the experimental design of the current study.

[Table 6.1] Experimental Design: The Order of Presentation of Information

Condition Group	**1st Session**	**2nd Session**	**3rd Session**	**4th Session**
1	**CA Crisis**	C-type CEO	C-type CEO	C-type CEO
2	**CA Crisis**	E-type CEO	E-type CEO	E-type CEO
3	C-type CEO	**CA Crisis**	C-type CEO	C-type CEO
4	E-type CEO	**CA Crisis**	E-type CEO	E-type CEO
5	C-type CEO	C-type CEO	C-type CEO	**CA Crisis**
6	E-type CEO	E-type CEO	E-type CEO	**CA Crisis**
7	**CSR Crisis**	C-type CEO	C-type CEO	C-type CEO

8	**CSR Crisis**	E-type CEO	E-type CEO	E-type CEO
9	C-type CEO	**CSR Crisis**	C-type CEO	C-type CEO
10	E-type CEO	**CSR Crisis**	E-type CEO	E-type CEO
11	C-type CEO	C-type CEO	C-type CEO	**CSR Crisis**
12	E-type CEO	E-type CEO	E-type CEO	**CSR Crisis**

For the experimental treatments, a fictitious online casual game developing company (GameNetworks, Inc.) and a CEO (Bob Glase) name were used as the treatments. By using an imaginary company and CEO, potential compounding effect stemming from prior attitudes toward and relationships with the target objects was controlled. Instead, in order to increase believability of the manipulations, participants were instructed that all information was real and extracted from online news articles. The news story format is deemed highly credible among young adults in the U.S. (Park & Berger, 2004). Furthermore, presenting information in the online format seems appropriate, given that this age group spends considerable amount of time online and depends on online sources for information (Cowart & Goldsmith, 2007, p. 640). Some may argue that the participants' responses to news articles in experiments could be based on true reputation of the target objects. However, distinguishing from primary reputations obtained through direct experience, Bromley (1993) argued that secondary reputations can be achieved through word-of-mouth, media coverage and other indirect experiences (pp. 43-44). Fombrun and Shanley (1990) also claimed that publics use information about firms' activities, which could come either directly from firms themselves or indirectly from media, and assess the firms' successes or failures from their individual interpretations of the information (p. 234). Therefore, it is speculated that respondents will use the stimulus treatments as a signal of reputations of the target objects of the experiments, therefore forming their own individual opinions and beliefs about targets. In addition, considering the traits of reputations that are built over time, the current study employed a longitudinal design, where participants were exposed to information about a CEO three times over a month.

For manipulation of crises, two crisis scenarios were developed. In the CA-crisis scenario, the website of GameNetworks, an online casual game developer, was breached by hackers and individual information of game users (including credit card information) was stolen. In addition, the focal firm's server system was disrupted twice due to system failure a month before the outbreak of the accident. In this story, the firm was described as a victim, implying the firm's lack of malicious intentionality. Simultaneously, the firm's efforts to protect consumers were mentioned. Taken together, a potential for negative attribution to the firm's integrity was restricted. Instead, the story emphasized the firm's history of failures in providing reliable products and services.

In the CSR-crisis scenario, GameNetworks was accused of selling its customers' private information without permission to other marketing companies. In addition, the firm was also charged for manipulating its accounting books to conceal the illegal sales of consumer information, thus evading a huge amount of taxes. According to Carroll (1979), corporate social responsibilities have four parts: *economic, legal, ethical* and *discretionary responsibilities*. Economic responsibilities are pertinent to the productive role of firms; legal responsibilities refer to the obligation of abiding by laws and regulations; ethical responsibilities are relevant to expectations imposed by social norms that go beyond laws or regulations; and discretionary or volitional responsibilities refer to expectations responsibilities that are left to individual judgment and choice such as philanthropic contributions and programs for employees' well-being (Carroll, 1979, pp. 499-500). Of the four categories of social responsibilities, legal and ethical obligations were manipulated for the CSR-crisis treatment in this experiment. At the same time, in order to minimize participants' inference of the performance of the target company based on its poor CSR activities, the focal firm's superior performance history was emphasized by using such words as "a rising star" and "unprecedented growth" All of the crisis news stories were written ground on actual media reports in order to achieve the ecological validity.

The CEOs' reputations were manipulated by creating three versions of news stories, respectively, for each type of CEO. For the C-type CEO's reputation, stories included such information as business-wide recognition for the CEO's successful career path, outstanding entrepreneurship, prize-winning history for managerial excellence, and remarkable educational background. In addition to the behavioral histories, the story utilized descriptive words pertinent to competence, which included such words as expert, informed, knowledgeable, innovative, and skillful. For the E-type CEO, the CEO's personal philanthropic activities were reported. Philanthropy fits with Carroll's (1979) discretionary category of social responsibilities. Choi and Wang (2007) view that corporate philanthropy is an outlet for top managers' concern for the welfare of others to community, and that those top managers are more likely to have a high level of values such as benevolence and integrity, the values which contribute to trusting firm-stakeholder relationships (pp. 347-348). In the current experiment, CEO's individual philanthropic activities were manipulated. CEO's charitable donations have been spotlighted by the media as in the case of Warren Buffett's donation to the Bill & Melinda Gates Foundation. Therefore, the real-world evidence of CEO's personal philanthropic activities was supposed to increase the believability of the stimulus story (Sohn, Lariscy, & Tinkham, 2009, p. 8). In each version of the stories, CEO Bob Glase donated money to a cancer support center to help cancer patients and medical research; universities historically affiliated with minority student to financially support minority students in need; or New Orleans City Council to push a post-

Katrina neighborhood planning effort. The presentation order of the stories varied by group membership; but all participants read all of the three stories, one per week.

All of the stories about the CEO were also written based on actual media reports with a view to obtain ecological validity and increase believability of the stories. Before the main test, a series of pilot tests were conducted with the aids of 58 undergraduate/graduate students, who were not listed in the sampling pool for the main study. The pilot test results showed that the treatment stories were manipulated as intended; the between-condition differences were statistically significant, while the within-condition differences were negligible. The stories used for treatment are contained in the Appendix.

Experiment Procedures

All experiment sessions were conducted online. All instruments including stimulus stories were uploaded to the server of SurveyMonkey.com with different links determined by the experimental design. All survey sites were open only three days a week in order to control the flow of participation. After being randomly assigned to one of 48 cells (before being combined to 12 conditions), each of the participants received a private invitation email, which contained the link to the survey site. Before each site was closed, participants who had not completed the instrument by the time received additional reminder emails. All participants were exposed to news about either a corporate crisis or positive information of the CEO. The type of crisis story and CEO information was determined by the participants' group membership.

The instrument started with an instruction, which read: "The following information is about a real, well-known online game developing company. For the purposes of this study we call the company GameNetworks, and the company's CEO Bob Glase. Your answers are completely confidential so be as frank as you wish. This is not a test – your opinion is the only right answer." And from the second session, another paragraph, which was aimed to remind respondents of the previous story, was added, following the instruction. These reminder statements are presented in the Appendix. After reading a piece of news, participants responded to a set of questionnaire items. After completion of all experimental sessions, the participants were debriefed.

Measures

Bromley (2002a) argued that companies can have "as many reputations as there are distinct social groups" that have interest in them (p. 36). This argument suggests that, depending on which social group they belong to or which personal values they have, people may see the different aspects of a corporate reputation. In this context, Spence (2005) asserted that reputation is "too immense to measure unless you can pin down what matters to people." (p. 9). Pertinent to this issue, Lewellyn (2002) rightfully called for an integrated set of answers to the questions of reputation 'for what,' 'for whom' and 'for what purpose.' Relating to the question of 'for whom,' one should clarify whether the instrument is designed for measuring the beliefs and opinions of consumers, shareholders, employees, or community members. The interest and focus of employees, for instance, cannot be the same as those of consumers. Likewise, the key qualities that investors seek in their relationships with an organization must not be the same with those that community members pursue. Setting the scope of the measures or the target stakeholder group should thereby guide what is to be measured.

The focus of the current study is to tap how *consumer stakeholders* perceive a reputational crisis and how their attitudes are affected by their judgments on the crisis event and corporate post-crisis communication. Through the experimental sessions, the current study measured mainly six clusters of outcome variables: the attributions of crisis factors, attitudes toward news, corporate reputation, CEO's reputation, organization-public relationship, and stakeholder loyalty.

Crisis Attribution Factors

Respondents' attribution of *crisis severity* was measured straightforwardly by providing a prompting statement (i.e., "In my opinion, this incident seriously harms consumers."). This variable was quantified on a Likert-type scale ranging from 1 ("very strongly disagree") and 7 ("very strongly agree"). The measures of attributions of crisis locus and responsibility were developed by adopting Klein and Dawar's (2004) study. The *locus of crisis* was measured in two ways: first, respondents were asked to rate each of CEO, employees, consumer, and other external source according to their perceptions about the source of problem on 7-point bipolar scale with 1 being "not at all likely" and 7 being "very much likely." Second, participants were asked to assign a percentage of the problem that might due to each of the four parties (i.e., CEO, employees, consumers, and external sources), so that the total percentages should sum to 100%. In addition, attribution of the *crisis responsibility* was measured with three items: "In my opinion, GameNetworks is responsible for this incident," "In my opinion, GameNetworks should be held accountable for this incident," and "In my opinion, this incident is the fault of GameNetworks." Each item was measured on 7-point scale with 1 representing "very strongly disagree" and 7 being "very strongly agree." These three items were collapsed into a variable. Cronbach's alpha for the scale ranged from .900 for the CA crisis condition and .956 for the CSR crisis condition.[6] Crisis stability was measured with two items: "How likely is it that this type of incident will occur again in the future with GameNetworks?" and "How likely is it that GameNetworks has had problems with its products/services in the past?" These items were measured on 7-point

[6] A series of reliability tests were conducted for each experimental condition, based on the data set from the first session.

scale ranging from 1 representing “not at all” and 7 reflecting “very much likely,” and were combined to a variable. Cronbach’s alpha for the scale was .717 for the CA crisis condition and .720 for the CSR crisis condition.

Attitudes toward News

The questions tapping respondents’ perceptions of news are broken down into two parts: the questions of news credibility and attitude toward news. First, news credibility was measured by adopting Gaziano and McGrath’s (1986) news credibility scale: (un)fair, (un)biased, (in)accurate, (un)trustworthy, and factual/opinionated. These items were measured on a 7-point semantic differential scale with 1 being negative to 7 being positive, after some items were flipped. The item of “(un)biased” was dropped due to a low reliability score. Therefore, after deleting the item, Cronbach’s alpha for the scale was .775 for the E-type CEO group and .729 for the C-type CEO group. Attitude toward news was measured on a 7-point scale with five items: (un)important, (ir)relevant, (un)exciting, (un)appealing, and boring/interesting. Before combining into a variable, some items were flipped, therefore 1 on the scale representing negative attitudes and 7 representing positive attitudes. Cronbach’s alpha for the scale was .783 for the E-type CEO group and .799 for the C-type CEO group.

CEO’s Reputation

Since no measurement system has been developed to measure CEO’s reputation, the current study explored potential items in literature and selected nine items and quantified them on 7-point semantic difference scales. Items measuring C-type CEO reputation included such adjectives as (in)expert, (un)skilled, (in)experienced, and (un)intelligent, while items for E-type CEO reputation involved (dis)honest, (un)trustworthy, (un)just, (un)ethical, and good/bad. Cronbach’s alpha for C-type reputation ranged from .833 to .907, while that for E-type reputation ranged from .811 to .867. In addition to the reputation scales, overall evaluations on the CEO were measured with seven items, which were adopted from North, Bland and Ellis's (2005) celebrity scale and Fombrun, Garberg and Sever's (2000) Reputation Quotient (RQ). The items included: "I have a good feeling about him," "I admire and respect him," "He has some characteristics I would want to have," "I like to learn more about him," "I believe his opinion to be always right," "I feel a lot of closeness with him," and "Thinking of something good that happened to him puts me in a good mood."These items were measured on a 7-point Likert-type scale with 1 being "very strongly disagree" and 7 being "very strongly agree." These items were combined and averaged to form a variable of *attitudes toward CEO*. After the reliability test for the scale, however, the item of "I like to learn more about him" was dropped due to a low contribution to the scale. After deleting the item, Cronbach's alpha ranged .776 to .817.

Corporate Reputation

One of the standardized measures of reputation that is often quoted in the reputation literature is the Reputation Quotient (RQ). Developed by Fombrun et al.(2000), this multi-dimensional scale consists of six dimensions: (1) emotional appeal (i.e., trust, good feeling, respect); (2) quality products and services; (3) vision and leadership; (4) workplace environment (e.g., a good company to work for); (5) social and environmental responsibility; and (6) financial performance. The RQ is considered a valid measure of reputation particularly among the general public (Kiousis, Popescu, & Mitrook, 2007, p. 149). In a study to develop a reputation measure geared to consumer publics, Walsh and Beatty (2007) identify five dimensions: customer orientation, good employer, reliable and financially strong company, product and service quality, and social and environmental responsibility, therefore supporting most of the RQ dimensions. Nevertheless, some items in the RQ are deemed inappropriate for those who have no first-hand interaction or experience with the organization to accurately represent their evaluation of the organization. For instance, without experience or in-depth knowledge about the organization, the general public or consumers are likely to feel difficulty in responding to the items pertinent to the 'vision and leadership' and 'workplace environment dimensions.' In addition, the dominance of financial performance in the reputation index could be misleading in capturing the true nature of reputation. [7]

Considering the criticism on the RQ, as well as the fact that the current paper limits its scope to the consumer stakeholders, this paper extracts from the RQ only the items that belong to the dimensions of emotional appeal, quality products and services, and social and environmental responsibility. Therefore, the current study measures CA reputation with three items: "This company would offer high quality products and services," "This company would develop innovative products and services," and "This company seems competent and effective in providing its products and services." CSR reputation was measure by five items: "This company would support good causes," "This company would be an environmentally responsible company," "This company would be honest," "This company would be sincere and genuine," and "This company would behave ethically." Two items of RQ ("I have a good feeling about this company," and "I admire and respect this company") were combined into the variable of *attitudes toward company*. All of the items were quantified on 7-point Likert-type scale with 1 being "very strongly disagree" and 7 being "very strongly agree." Cronbach's alpha for CA reputation ranged from .843 to .886; that for CSR reputation ranged from .907 to .908; and that for attitudes ranged from .917 to .923.

[7] For the detailed criticism on the inclusion of financial dimension in the reputation index, refer to Grunig and Hung (2002).

Relationships and Loyalty

Relationship measures were adopted from Hon and Grunig's (1999) organization-public relationships (OPR) measures. Of the original items, those for measuring satisfaction, trust, and commitment were used with marginal change. But the items for mutual controllability were adjusted in order to reflect the fact that the participants in the experiments had no direct experiences with the focal firm, which is an imaginary object. Therefore, the variable that was created by combining these adjusted items was labeled as *perceived customer care*. Therefore, this variable included such items as "This company (1) would act in consumers' best interests, (2) would be aware of what is consumers want, (3) would devote resources to maintain its relationship with its consumers, (4) would genuinely listen to the demands that people put on it, and (5) seems to believe the opinions of consumers are legitimate." The measures of *satisfaction* involved: (1) "My experience with this company would be excellent," (2) Most consumers like me would be unhappy in their interactions with this company," (3) "Both this company and consumers like me would benefit from the relationship," and (4) "I would feel that this company falls to satisfy the needs of consumers like me." *Trust* measures included (1)"I would feel that this company treat consumers like me fairly and justly," (2) "This company cannot be relied on to keep its promises to consumers like me," (3) "I would feel that sound principle guide this company's behavior," and (4) "I would feel that this company misleads consumers like me." Finally, commitment measures included: (1) "I would feel a strong sense of belonging to this company." (2) "I would fee emotionally attached to this company," (3) My relationship with this company would be important to me," (4) If this company no longer exist, this would be a significant loss for me," and (5) "I would feel a strong sense of identification with this company." All the items were measures on a 7-point Likert-type scale with 1 being "very strongly disagree" and 7 being "very strongly agree." Several items were flipped in scale before being collapsed into each of the relationship variables, therefore rearranging the scales created from 1 ("unfavorable") to 7 ("favorable"). Cronbach's alpha ranged from .903 to .914 for the perceived customer care scale; from .816 to .760 for satisfaction; from .869 to .769 for trust; and from .891 to .919 for commitment.

The scale of loyalty was created by adopting from De Ruyter, Wetzels and Bloemer's (1998) scale. Four items were used an each of them was quantified on a 7-point bipolar scale, ranging from 1 (unfavorable) to 7 (favorable). The items were as follows: (1) "I would definitely recommend this company to someone who seeks my advice," (2) "I will consider this company my first choice to buy the products/services I need," (3) I will intend to do more business with this company in the next few years," and (4) "I would continue to do business with this company even if its prices increased somewhat." Cronbach's alpha for the scale ranged from .917 to .925.

Manipulation and Random Assignment Check

In order to check whether the goals of manipulation and random assignment were achieved, a series of tests were run by using SPSS v.17. For the tests, the data collected at the first time point were used. First, the manipulation check was conducted by testing the grouping effect on the dimensions of corporate reputation through between-group *t*-test. This test involved only the experimental groups that were exposed to crisis news at the first time point. As expected, CA crisis caused heavier damage on the CA dimension [$n = 99$, $M = 3.66$, $SD = 1.048$] than on the CSR dimension [$n = 98$, $M = 3.79$, $SD = .781$], while CSR crisis had a stronger effect on the CSR dimension [$n = 99$, $M = 3.07$, $SD = .895$] than on the CA dimension [$n = 94$, $M = 4.01$, *SD*

= 1.025]. These differences were statistically significant at the .05 level [$t(191) = -2.347$, $p = .020$ for CA reputation; $t(195) = 5.956$, $p = .000$ for CSR reputation].[8]

The test for the manipulation of CEO's reputation was run with including the experimental groups that were exposed to news about CEO at the first time point. The between-group *t*-tests indicated that the mean score for the competent dimension of CEO's reputation was higher for the group that was exposed to the C-type CEO [$n = 156$, $M = 5.64$, $SD = 1.001$] than that exposed to the E-type CEO [$n = 163$, $M = 5.13$, $SD = .80$], while the mean score for the ethical dimension of CEO's reputation was higher for the group that was exposed to the E-type CEO [$n = 161$, $M = 5.05$, $SD = .842$] than that exposed to the C-type CEO [$n = 147$, $M = 4.62$, $SD = .807$]. These differences were statistically significant at the .01 level [$t(293.370) = 4.660$, $p = .000$ for competent reputation; $t(312) = -3.814$, $p = .000$ for ethical reputation].[9] These test results confirmed that the manipulations for both crisis type and CEO type were successful.

The tests of random assignment were conducted by comparing mean differences between the experimental groups that belong to the same type of manipulation cluster. A series of ANOVA tests were run and none of the tests were statistically significant, suggesting successful accomplishment of random assignments.

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[8] The Levene's test results was $F = .498$, $p = .481$ for CA reputation; and $F = 2.278$, $p = .133$ for CSR reputation, therefore showing no sign of the violation of the equal error variance assumption.

[9] The Levene's test for the C-type reputation was significant with $F = 16.429$, $p = .000$. Therefore, considering the violation of the homogeneous error variances between groups, the test for the C-type reputation was statistically adjusted. The Levene's test for the E-type reputation was not significant with $F = .506$, $p = .477$, hence confirming the assumption of equal error variances.

CHAPTER 7

RESULTS

For the tests for hypotheses and research questions proposed, SPSS v.17 was used. Before the main tests, the tests of univariate normality were run on all variables, separately for each experimental condition. Kline (2005, p. 50) recommends values less than |3.0| for skewness and |8.0| for kurtosis. The test results showed that the data at hand were normally distributed with skewness ranging from -.03 to .83 and kurtosis ranging from -1.70 to 3.10. In addition, there was no reason to suspect the violation of the assumption that the error components are distributed within each treatment population *independently* of each other.

The Consequences of Reputational Crisis

The tests for RQ1 were run based on four experimental conditions, which were exposed to crisis news at the first time point. These four groups were collapsed into two crisis-type clusters based on their experimental group membership, therefore forming a CA crisis ($n = 100$) and a CSR crisis condition ($n = 101$). Before proceeding with the tests for the research question, the effect of manipulations for crisis types (i.e., CA and CSR crisis) on *crisis severity* was examined. In order to contain differences between experimental groups in terms of the strength in the manipulations of messages, statistically controlling over the crisis severity factor was necessary. A difference between these two clusters in terms of crisis severity was tested by using between-group *t*-test. The test result showed that CSR crisis (M = 5.4, SD = 1.41) was perceived to cause more serious damage to consumers than CA crisis (M = 4.9, SD = 1.48) [$t(197) = 2.605$, $p = .01$].

The grouping effects on the outcome variables (*attitude toward company, perceived customer care, satisfaction, trust, commitment*, and *loyalty*) were examined by using a multiple analysis of covariance (MANCOVA) with *crisis severity* as the covariate. By using a covariate test, the effect of perceived crisis severity across experimental groups was statistically controlled. In addition, the multivariate technique is supposed to reduce the likelihood of at least one Type I error associated with multiple hypothesis testing, while increasing statistical power (Huberty & Olejnik, 2006, p. 47). A significant *Bartlett's test of sphericity* [p = .000] indicated that there was sufficient correlations between the dependent variables to proceed with the multivariate analysis. The chi-square transformation of *Box M statistic* suggested that the error variances of two groups would differ [χ^2 (21) = 43.19, p = .003]. However, since the *Box M* statistic often results in an extremely sensitive and powerful test of the homogenous variance assumption, it is recommended to consider other factors that can provide evidence of the robustness to the violation of the assumption (Huberty & Olejnik, 2006, p. 41). As for the data set at hand, the sample sizes across groups were not different substantially. Consequently, a violation of the homogeneity variance assumption was not likely to invalidate the test results. The tests for the assumption of equal slopes of the covariate across conditioning groups resulted in no significant statistics over all outcome variables, therefore legitimating the use of MANCOVA. The descriptive statistics summary is presented in Table 7.1.

[Table 7.1] Descriptive Statistics Summary: Crisis Effects on Outcome Variables

	CA Crisis			**CSR Crisis**		
	n	*M*	*SD*	*n*	*M*	*SD*
Attitude to Company	95	3.3	1.01	99	3.0**	1.03
Customer Care	95	4.0	1.12	96	3.5**	1.05
Satisfaction	95	3.3	.91	96	3.4	.87
Trust	95	3.7	.87	96	3.1**	.94
Commitment	95	2.6	1.07	96	2.7	1.08
Loyalty	95	2.9	1.11	96	2.8	1.10

**The difference between crisis types on the outcome variable is significant at the .01 level.

The test of two group mean centroids indicated that the populations that the two groups represent differed over the outcome variables [Wilks Λ = .772, $F(6, 183) = 9.02$, $p = .000$, effect size τ^2 = .228]. The descriptive discriminant analysis showed that the difference between the two populations was explained by one latent dimension. The canonical correlation values indicated that this latent structure was mostly driven by trust (canonical r = .678), customer care (r = .531), and attitude to company (r = .430). The influences of satisfaction and commitment on the latent structure that underpinned the outcome variable system were negligible. This discriminant analysis results are also reflected in the univariate tests of population mean differences. The two group populations differed in terms of attitude to company [$F(1, 188) = 10.306$, $p = .002$, effect size η_p^2 = .052], customer care [$F(1, 188) = 15.712$, $p = .000$, effect size η_p^2 = .077], and trust [$F(1, 188) = 25.532$, $p = .000$, effect size η_p^2 = .120]. Other outcome variables did not show significant grouping effects at the .05 level. Therefore, after controlling over crisis severity, it was concluded that two crisis types (CA and CSR crisis) differed in terms of attitude to company, customer care and trust. The CSR crisis had heavier damages on these three variables than the CA crisis.

Meanwhile, CA and CSR crises did not differ in terms of their impacts on stakeholders' satisfaction, commitment, and loyalty. In particular, the respondents' mean scores for commitment were 2.6 (SD = 1.01) for the CA crisis and 2.7 (SD = 1.06) for the CSR crisis, respectively. And mean scores for loyalty were 2.8 (SD = 1.08) for both CA and CSR crises. Given the nature of experimental research, reporting the descriptive statistics in the present study is not as meaningful as in survey studies. Nevertheless, the scores far below the neutral point (i.e., the mean score of 4 on the 7-point scale) give clues how serious impact both of the CA and CSR crisis had on people's perceptions and attitudes toward the target company.

The Effect of CEO's Reputation

The tests for H1 to RQ3 were based on the experimental groups that were exposed to crisis news at the first time point and positive news about the CEO at the second time point. In this design, the data collected at the first time point was used as a base line for comparisons of mean scores, and any improvement in scores over time was interpreted as the effect of the favorable information of the CEO. First, in order to examine the effect of positive reputation of the CEO on corporate reputation (H1), a series of repeated-measure analyses were run for the CA and CSR crisis conditions, respectively. Table 7.2 shows the descriptive statistics summary of changes in mean scores over time. These mean scores were averaged across CEO-type conditions (C-type and E-type CEO).

[Table 7.2] Descriptive Statistics Summary: CEO Effects on Corporate Reputation Measures

	CA Crisis					**CSR Crisis**				
		Time1 (*Crisis News*)		**Time2 (*CEO News*)**			**Time1 (*Crisis News*)**		**Time2 (*CEO News*)**	
	n	*M*	*SD*	*M*	*SD*	*n*	*M*	*SD*	*M*	*SD*
CA Reputation	93	3.7	1.01	4.3	.91	89	4.0	1.01	4.3	1.03
CSR Reputation	94	3.8	.78	4.1	.86	91	3.1	.87	3.8	.93
Attitude to Company	94	3.3	.98	4.0	1.07	92	3.0	.97	3.5	1.07

As hypothesized in H1, the positive information of CEO had the significant effect on corporate reputation in both CA and CSR crisis situations. In the CA crisis environment, CEO's favorable reputation had significant impacts on corporate reputation for both CA and CSR dimensions, as well as on the overall attitudes to company with *p*-values for all three outcome variables less than .001. The effect sizes for the CEO's influence were also large, ranging from .123 to .253. In the CSR crisis environment, the influence of CEO's reputation was also significant at the .05 level on corporate reputation for the CA dimension, and at the .01 level on the CSR reputation and overall attitudes. The effect size for the main effect on the CA reputation was small (.052), but those for the CSR reputation and overall attitudes were large (.293 for the CSR reputation and .178 for attitudes). These results supported H1. Therefore, it is concluded that CEO's favorable reputation may help restore corporate reputation tarnished by a crisis. The test statistics are summarized in Table 7.3.

[Table 7.3] Test Statistics Summary for the Corporate Reputation Measures

	CA Crisis			**CSR Crisis**		
DV	*F*	*p-value*	*Partial Eta Squared*	*F*	*p-value*	*Partial Eta Squared*
CA Reputation	31.170**	.000	.253	4.783*	.031	.052
CSR Reputation	13.021**	.000	.123	37.311**	.000	.293
Attitude to Company	22.542**	.000	.195	19.640**	.000	.178

** Significant at the .01 level; * significant at the .05 level

For the test for RQ2, the mixed-model analyses were conducted for the CA and CSR crisis environments, respectively. First, the tests of the CEO impact on corporate reputation measures in the CA crisis environment indicated a significant interaction effect between time points and the CEO type [$F(1, 91)$ =7.105, p = .009, effect size η_p^2 = .072]. Therefore, interpreting the main effect (i.e., the grouping effect by CEO type over time) was not deemed appropriate. Such being the case, in order to simultaneously compare the CEO impact on CA corporate reputation, the between-group t-test based on data collected at the second time point was conducted, which confirmed a significant difference between CEO reputation types in their effects on CA reputation [$t(91)$ = 3.492, p = .001, effect size η_p^2 = .118]. The effect of C-type CEO on the CA corporate reputation [M = 4.6, SD = .82] was significantly stronger that the effect of E-type CEO [M = 3.9, SD = .91]. The tests of the influence of CEO's reputation on corporate reputation measures in the CSR crisis situation detected no significant main and interaction effects. These test results suggest that CEO's reputation should help improve the reputation of the company afflicted by a crisis, but the type of CEO's reputation may not make a substantial difference in a CSR crisis situation. On the other hand, in a CA crisis situation, C-type CEO reputation may be more effective than E-type CEO reputation in restoring corporate reputation for the CA dimension. In terms of the effects on the CSR corporate reputation and overall attitudes to company, there was no significant difference between CEO's reputation types. The descriptive statistics and test summaries are presented in Table 7.4 through Table 7.7.

[Table 7.4] Descriptive Statistics Summary: CEO Effects on Corporate Reputation Measures by CEO Type in the *CA Crisis* Environment

	CA Crisis					
	CEO Type	*n*	Time1 (*Crisis News*)		Time2 (*CEO News*)	
DV			*M*	*SD*	*M*	*SD*
CA Reputation	C-Type	47	3.7	.98	4.6	.82
	E-Type	46	3.6	1.06	3.9	.91
CSR Reputation	C-Type	47	3.8	.78	4.1	.85
	E-Type	47	3.8	.78	4.1	.88
Attitude to Company	C-Type	47	3.1	.99	4.0	1.08
	E-Type	47	3.3	.99	3.8	1.06

[Table 7.5] Descriptive Statistics Summary: CEO Effects on Corporate Reputation Measures by CEO Type in the *CSR Crisis* Environment

	CSR Crisis					
	CEO Type	*n*	Time1 (*Crisis News*)		Time2 (*CEO News*)	
DV			*M*	*SD*	*M*	*SD*
CA Reputation	C-Type	47	4.0	1.05	4.4	1.13
	E-Type	42	4.0	.97	4.1	.89
CSR Reputation	C-Type	46	3.0	.86	3.8	.79
	E-Type	45	3.2	.88	3.7	1.05
Attitude to Company	C-Type	46	2.9	.98	3.6	1.03
	E-Type	46	3.0	.97	3.5	1.12

[Table 7.6] Test Statistics Summary for the Corporate Reputation Measures by CEO Type in the *CA Crisis* Environment

	CA Crisis					
	Main Effect (CEO Type)			**Interaction Effect (Time * CEO Type)**		
DV	*F*	*p-value*	*Partial Eta Squared*	*F*	*p-value*	*Partial Eta Squared*
CA Reputation	4.412*	.038	.046	7.105**	.009	.072
CSR Reputation	.008	.929	.000	.212	.646	.002
Attitude to Company	.650	.422	.007	.717	.399	.008

** Significant at the .01 level; * significant at the .05 level

[Table 7.7] Test Statistics Summary for the Corporate Reputation Measures by CEO Type in the *CSR Crisis* Environment

	CSR Crisis					
	Main Effect (CEO Type)			**Interaction Effect (Time * CEO Type)**		
DV	*F*	*p-value*	*Partial Eta Squared*	*F*	*p-value*	*Partial Eta Squared*
CA Reputation	.488	.487	.006	2.496	.118	.028
CSR Reputation	.167	.684	.002	.903	.344	.010
Attitude to Company	.037	.848	.000	.697	.406	.008

** Significant at the .01 level; * significant at the .05 level

To test H2, a series of repeated-measure analyses were conducted. The test results indicated that both in the CA and CSR crisis environments, CEO's impact on perceived relationships with the target company was evident, as increases in mean scores after the presentation of favorable news about CEO were statistically significant in all conditions for all outcome measures. Therefore, as hypothesized in H2, favorable information about CEO had a significant effect on making people feeling better about the company of which reputation was tarnished in the aftermath of a crisis. The test results, along with the descriptive statistics, are summarized in Table 7.8 and Table 7.9.

[Table 7.8] Descriptive Statistics Summary: CEO Effects on Relationships Measures

	CA Crisis					CSR Crisis				
		Time1 (*Crisis News*)		Time2 (*CEO News*)			Time1 (*Crisis News*)		Time2 (*CEO News*)	
	n	*M*	*SD*	*M*	*SD*	*n*	*M*	*SD*	*M*	*SD*
Customer Care	93	3.9	1.08	4.3	.96	92	3.5	.99	4.1	.94
Satisfaction	93	3.3	.87	4.0	.86	95	3.4	.81	3.9	.71
Trust	95	3.6	.85	4.0	.90	93	3.1	.92	3.7	.73
Commitment	91	2.6	1.01	3.0	1.01	95	2.7	1.06	3.1	1.01
Loyalty	92	2.8	1.08	3.5	1.09	94	2.8	1.08	3.4	.97

[Table 7.9] Test Statistics Summary: CEO Effects on Relationships Measures

	CA Crisis			CSR Crisis		
DV	*F*	*p-value*	*Partial Eta Squared*	*F*	*p-value*	*Partial Eta Squared*
Customer Care	9.718**	.002	.096	23.041**	.000	.202
Satisfaction	43.475**	.000	.321	31.929**	.000	.254
Trust	18.578**	.000	.165	40.005**	.000	.303
Commitment	16.462**	.000	.155	8.950**	.004	.087
Loyalty	24.877**	.000	.215	28.684**	.000	.236

** Significant at the .01 level; * significant at the .05 level

To test RQ3, the mixed-model analyses were employed. The results of the tests for RQ3 showed that none of the main and interaction tests were statistically significant, except the main effect on satisfaction in the CSR crisis environment [$F(1, 93)$ =.10.403, p = .002, effect size η_p^2 = .101]. In the CSR crisis situation, the mean score of satisfaction for the C-type group increased by 0.6 points from 3.5 (SD = .76) to 4.1 (SD = .61) after the presentation of CEO's information, while that for the E-type group increased by 0.4 point from 3.2 (SD = .82) to 3.6 (SD = .73). To sum, just as the reputational variables, the relationships outcomes significantly improved over time in both the CA and CSR crisis environments. However, the impact of the type of CEO's reputation did not make a notable contribution to the outcome variables. Table 7.10 through Table 7.13 present the descriptive statistics and test result summaries.

[Table 7.10] Descriptive Statistics Summary: CEO Effects on Relationships Measures by CEO Type in the *CA Crisis* Environment

	CA Crisis					
	CEO Type	*n*	Time1 (*Crisis News*)		Time2 (*CEO News*)	
DV			*M*	*SD*	*M*	*SD*
Customer Care	C-Type	46	4.0	1.06	4.4	.99
	E-Type	47	3.9	1.11	4.2	.93
Satisfaction	C-Type	47	3.3	.98	4.1	.74
	E-Type	46	3.3	.76	3.8	.94
Trust	C-Type	47	3.7	.94	4.1	.80
	E-Type	48	3.6	.76	3.9	.98
Commitment	C-Type	45	2.6	1.03	3.2	.96
	E-Type	46	2.6	1.00	2.8	1.04
Loyalty	C-Type	45	2.9	1.16	3.6	1.09
	E-Type	47	2.8	1.01	3.3	1.09

[Table 7.11] Descriptive Statistics Summary: CEO Effects on Relationships Measures by CEO Type in the *CSR Crisis* Environment

	CSR Crisis					
	CEO Type	*n*	Time1 (*Crisis News*)		Time2 (*CEO News*)	
DV			*M*	*SD*	*M*	*SD*
Customer Care	C-Type	47	3.5	1.00	4.1	.93
	E-Type	45	3.5	1.00	4.0	.96
Satisfaction	C-Type	48	3.5	.76	4.1	.61
	E-Type	47	3.2	.82	3.6	.73
Trust	C-Type	47	3.2	.92	3.8	.62
	E-Type	46	3.0	.93	3.7	.83
Commitment	C-Type	48	2.7	1.01	3.3	.99
	E-Type	47	2.6	1.06	2.9	.99
Loyalty	C-Type	48	2.9	1.06	3.6	.95
	E-Type	46	2.7	1.11	3.2	.97

[Table 7.12] Test Statistics Summary for the Relationships Measures by CEO Type in the *CA Crisis* Environment

	CA Crisis					
	Main Effect (CEO Type)			**Interaction Effect (Time * CEO Type)**		
DV	*F*	*p-value*	*Partial Eta Squared*	*F*	*p-value*	*Partial Eta Squared*
Customer Care	.291	.591	.003	.143	.706	.002
Satisfaction	1.437	.234	.016	2.530	.115	.027
Trust	.902	.345	.010	.738	.392	.008
Commitment	1.012	.317	.011	3.261	.074	.035
Loyalty	.725	.397	.008	1.211	.274	.013

** Significant at the .01 level; * significant at the .05 level

[Table 7.13] Test Statistics Summary for the Relationships Measures by CEO Type in the *CSR Crisis* Environment

	CSR Crisis					
	Main Effect (CEO Type)			**Interaction Effect (Time * CEO Type)**		
DV	*F*	*p-value*	*Partial Eta Squared*	*F*	*p-value*	*Partial Eta Squared*
Customer Care	.291	.591	.003	.143	.706	.002
Satisfaction	10.403**	.002	.101	.858	.357	.009
Trust	1.006	.319	.011	.005	.946	.000
Commitment	2.286	.134	.024	1.683	.198	.018
Loyalty	.725	.397	.008	1.211	.274	.013

** Significant at the .01 level; * significant at the .05 level

The Formation of Reputation

In order to tap the growth patterns over time in the outcome variables as the result of repetitive exposures to favorable CEO's information, the tests for H3 were conducted by including the experimental groups that were exposed to crisis news at the first time point and positive news about the CEO for the remaining time period. The analyses were run based on the data collected from the second time point through the final time point. The variables of time point was labeled as Time1 (measured at the second time point), Time2 (measured at the third time point), and Time3 (measured at the final time point), and this time variables are thought to represent the amount of exposures to favorable news about the CEO. The descriptive statistics summary is presented in Table 7.14.

[Table 7.14] Descriptive Statistics Summary: Changes in Mean Scores over Time

	n	**Time1**		**Time2**		**Time3**	
		M	*SD*	*M*	*SD*	*M*	*SD*
CA Reputation	183	4.3	.94	4.3	.97	4.4	.98
CSR Reputation	180	3.9	.92	4.0	.93	4.1	.96
Attitude to Company	185	3.7	1.08	3.9	1.13	4.0	1.17
Customer Care	177	4.1	.9.95	4.2	1.02	4.2	1.03
Satisfaction	187	3.9	.78	4.0	.85	4.0	.87
Trust	185	3.9	.85	4.0	.90	4.0	.96
Commitment	183	3.1	1.01	3.1	1.07	3.2	1.07
Loyalty	181	3.4	1.01	3.5	1.12	3.7	1.09

For the tests for H3, a series of repeated-measure analyses were employed. Before the main tests, the tests for the assumption of equal covariance matrices were run by *Mauchly's test of sphericity*. As the result, the sphericity tests for all outcome variables turned out to be significant ($p < .05$), suggesting the violation of the homogenous covariance assumption. Therefore, in order to compensate for the heterogeneous covariance, the hypotheses tests were run by using *Greenhouse-Geisser* adjustment.[10] The test results showed that the mean scores of corporate reputation for the CSR dimension (H3b) increased over time [$F(1.723, 308.330) = 3.730$, $p = .031$, effect size $\eta_p^2 = .020$]. However, pairwise comparisons after the Bonferroni adjustment saw no significant change between time points. The test statistics for attitudes to company (H3c) also indicated that overall attitudes improved over time [$F(1.715, 315.546) = 8.286$, $p = .000$, effect size $\eta_p^2 = .043$]. Pairwise comparisons after the Bonferroni adjustment observed that changes between Time1 and Time2, Time1 and Time 3 were statistically significant at the .05 level [$p = .028$ for Time1-Time2 difference; $p = .002$ for Time1-Time3 difference]. In addition, the within-group tests for changes in the mean scores of trust (H3f), commitment (H3g), and loyalty (H3h) were statistically significant at the .05 level [F(1.928,

[10] The test result of the *Greenhouse-Geisser* adjustment requires caution since it provides a slightly conservative test for the repeated-measures variable (Huberty & Olejnik, 2006: 209). However, in favor of more rigorous tests, the current study employed *Greenhouse-Geisser* adjustment over *Huynh-Feldt* or *lower-bound* adjustments, the latter which offer liberal test results.

354.703) = 4.348, p = .015, effect size η_p^2 = .023 for trust; F(1.892, 344.259) = 4.070, p = .020, effect size η_p^2 = .022 for commitment; and F(1.786, 321.491) = 13.276, p = .000, effect size η_p^2 = .069 for loyalty]. The mean scores of these variables linearly increased over time. The pairwise contrasts for trust indicated only the Time1-Time3 difference was significant at the .05 level [p = .020]. Likewise, the pairwise comparisons for commitment also showed that the increase of mean scores between Time1 and Time3 was statistically significant [p = .024], but not for the remaining contrasts. The pairwise comparisons for trust after the Bonferroni adjustment displayed that the differences between Time1 and Time3, and Time2 and Time3 were statistically significant at the .01 level [p = .000 for both contrasts] . The Time1-Time2 contrast was marginally significant. The repeated-measure analyses results showed nonsignificant growth patterns in mean scores of the CA reputation [p = .236, η_p^2 = .008], perceived customer care [p = .373, η_p^2 = .006], and satisfaction [p = .076, η_p^2 = .014]. To sum, a series of repeated-measure analyses supported H3b (the test for CSR corporate reputation), H3c (attitudes to company), H3f (trust), H3g (commitment), and H3h (loyalty). The mean scores of these outcome variables increased over time, as the participants were exposed to favorable information of the CEO for three consecutive weeks. In addition, the test result suggests that changes in people's attitudes over a short period of time may not be noticeable, but communication efforts over the long period of time will eventually pay off. The results of the main tests and pairwise contrasts are summarized in Table 7.15 and Table 7.16.

[Table 7.15] Test Statistics Summary for Changes in Mean Scores over Time

DV	***F*[a]**	***p-value***	***Partial Eta Squared***
CA Reputation [a]	1.448	.236	.008
CSR Reputation [a]	3.730*	.031	.020
Attitude to Company [a]	8.286**	.001	.043
Customer Care [a]	.989	.373	.006
Satisfaction [a]	2.601	.076	.014
Trust [a]	4.348*	.015	.023
Commitment [a]	4.070*	.020	.022
Loyalty [a]	13.276**	.000	.069

[a] The test statistic values for the variable are based on the *Greenhouse-Geisser* adjustment.
** Significant at the .01 level; * significant at the .05 level

[Table 7.16] Test Statistics Summary for Pairwise Comparisons

DV	**Pairwise Contrast**	***MD***	***SE***	***p'-value* [a]**
CSR Reputation	*Time1 – Time2*	.060	.056	.854
	Time1 – Time3	.156	.067	.066
	Time2 – Time3	.096	.047	.136
Attitudes to Company	*Time1 – Time2*	.184*	.070	.028
	Time1 – Time3	.276**	.080	.002
	Time2 – Time3	.092	.055	.287
Trust	*Time1 – Time2*	.094	.056	.297
	Time1 – Time3	.162*	.059	.020
	Time2 – Time3	.068	.050	.513
Commitment	*Time1 – Time2*	.061	.069	1.000
	Time1 – Time3	.180*	.067	.024
	Time2 – Time3	.119	.056	.106
Loyalty	*Time1 – Time2*	.120	.066	.212
	Time1 – Time3	.314**	.067	.000
	Time2 – Time3	.193**	.050	.000

[a] The test statistic value is based on Bonferroni adjustment.
** Significant at the .01 level; * significant at the .05 level

To examine the influence of crisis type and CEO type, as well as the interaction effects involving the exposures factors (RQ4), the mixed-model design was employed for each outcome variable. With regards to testing RQ4, an interesting finding was that the growth pattern of the

CA reputation over time significantly varied by CEO type [$F(1, 179) = 14.602$, $p = .000$, effect size $\eta_p^2 = .075$], whereas those of the CSR reputation and overall attitudes to company varied by crisis type [$F(1, 176) = 11.662$, $p = .001$, effect size $\eta_p^2 = .062$ for the CSR reputation; $F(1, 181) = 5.598$, $p = .019$, effect size $\eta_p^2 = .030$ for overall attitudes]. For the CA reputation variable, mean scores of the C-type group were higher across time than those of the E-type group. And for both of the CSR reputation and attitudes to company, mean scores of the CSR crisis group were lower than those of the CA crisis group all through the time points. Of the relationship measures, the growth in mean scores of trust diverged by crisis type [$F(1, 181) = 6.857$, $p = .010$, effect size $\eta_p^2 = .037$], while that of satisfaction varied by CEO type [$F(1, 183) = 4.601$, $p = .033$, effect size $\eta_p^2 = .025$]. Controlling over the CEO type, the mean scores of trust for the CA crisis group were higher than those for the CSR crisis group across the time points by 0.3 point, on average. Since the growth of satisfaction has a significant interaction effect between CEO type and the time factor, interpreting the main effect seemed inappropriate. The comparisons of mean scores by the grouping effects are presented in Table 7.17.

[Table 7.17] Descriptive Statistics Summary: The Effect of the Amount of Exposures

The Grouping Effect of CEO Type on the *CA Reputation*, Given the Crisis Type

		Time1		Time2		Time3	
CEO Type	*n*	*M*	*SD*	*M*	*SD*	*M*	*SD*
C-type	94	4.5	.98	4.6	.86	4.6	.95
E-type	89	4.1	.84	4.1	1.01	4.2	.98

The Grouping Effect of Crisis Type on the *CSR Reputation*, Given the CEO Type

		Time1		Time2		Time3	
Crisis Type	*n*	*M*	*SD*	*M*	*SD*	*M*	*SD*
CA Crisis	90	4.1	.88	4.2	.86	4.3	.92
CSR Crisis	90	3.8	.93	3.8	.94	3.9	.97

The Grouping Effect of Crisis Type on *Attitudes to Company*, Given the CEO Type

Crisis Type	Time1	Time2	Time3

	n	M	SD	M	SD	M	SD
CA Crisis	92	3.9	1.08	4.1	1.17	4.2	1.19
CSR Crisis	93	3.5	1.07	3.7	1.07	3.8	1.12

The Grouping Effect of CEO Type on *Satisfaction*, Given the Crisis Type

		Time1		Time2		Time3	
CEO Type	*n*	*M*	*SD*	*M*	*SD*	*M*	*SD*
C-type	95	4.1	.67	4.1	.74	4.1	.76
E-type	92	3.7	.84	3.9	.94	4.0	.98

The Grouping Effect of Crisis Type on *Trust*, Given the CEO Type

		Time1		Time2		Time3	
Crisis Type	*n*	*M*	*SD*	*M*	*SD*	*M*	*SD*
CA Crisis	92	4.0	.90	4.1	.88	4.2	1.04
CSR Crisis	93	3.7	.77	3.8	.91	3.9	.84

Meanwhile, the mixed-model analyses for RQ4 revealed significant interaction effects between the time factor, which represented the amount of exposures, and CEO type in terms of satisfaction [$F(1.827, 334.354) = 4.452$, $p = .015$, effect size $\eta_p^2 = .024$], trust [$F(1.934, 350.126) = 3.441$, $p = .033$, effect size $\eta_p^2 = .019$], and commitment [$F(1.918, 343.374) = 7.239$, $p = .001$, effect size $\eta_p^2 = .039$]. [11] The summary of the tests results is presented in Table 7.18 and 7.19.

[Table 7.18] The Effect of the Amount of Exposures to CEO News: *P*-values for the Mixed-Model Analyses for Reputational Outcome Measures

Effect	CA Reputation	CSR Reputation	Attitudes to Company
Crisis Type	.920	.001**	.019*
CEO Type	.000**	.221	.207
Crisis * CEO	.480	.716	.663
Time * Crisis [a]	.940	.524	.928
Time * CEO [a]	.266	.094	.962
Time * Crisis * CEO [a]	.804	.940	.679

[a] The test statistic values for the variable are based on the *Greenhouse-Geisser* adjustment.
** Significant at the .01 level; * significant at the .05 level

[11] Since for all of the outcome variables, *Mauchly's tests of sphericity* were significant ($p < .05$), suggesting the violation of the homogenous covariance assumption. Therefore, the within-group tests were run based on the *Greenhouse-Geisser* adjustment.

[Table 7.19] The Effect of the Amount of Exposures to CEO News: *P*-values for the Mixed-Model Analyses for Relationships Outcome Measures

Effect	Customer Care	Satisfaction	Trust	Commitmen t	Loyalty
Crisis Type	.096	.170	.010*	.678	.278
CEO Type	.385	.033*	.945	.344	.288
Crisis * CEO	.857	.630	.895	.805	.730
Time * Crisis [a]	.855	.402	.771	.259	.443
Time * CEO [a]	.474	.015*	.033*	.001**	.021
Time * Crisis * CEO [a]	.588	.483	.274	.913	.236

[a] The test statistic values for the variable are based on the *Greenhouse-Geisser* adjustment.
** Significant at the .01 level; * significant at the .05 level

In order to further investigate the nature of the interaction effects, simple effects of the time factor on satisfaction, trust, and commitment were examined through splitting the conditions by CEO type. Since the crisis type did not contributed significantly to differentiating the growth patterns of these outcome variables, the variable of crisis type was dropped in examining this analysis. The descriptive statistics for these variables are summarized in Table 7.20.

[Table 7.20] Descriptive Statistics Summary: Simple Effects by CEO Type

		Time1			Time2		Time3	
DV	**CEO Type**	*n*	*M*	*SD*	*M*	*SD*	*M*	*SD*
Satisfaction	*C-type*	95	4.1	.67	4.1	.74	4.1	.76
	E-type	92	3.7	.84	3.9	.94	4.0	.98
Trust	*C-type*	94	3.9	.78	3.9	.80	4.0	.83
	E-type	91	3.8	.91	4.0	1.00	4.1	1.08
Commitment	*C-type*	92	3.3	.98	3.1	1.10	3.2	1.04
	E-type	91	2.9	1.02	3.1	1.04	3.2	1.10

Meanwhile, when examining the simple effect of CEO's reputation type after controlling over the crisis type, there was a significant difference in growth patterns between the C-type and E-type CEO in terms of satisfaction, trust, and commitment. In all three variables, responses to

C-type CEO did not see significant growth over time, while E-type CEO showed a significant increase over time [$F(2, 182) = 5.768$, $p = .004$, effect size $\eta_p^2 = .060$ for satisfaction; $F(2, 180) = 6.187$, $p = .003$, effect size $\eta_p^2 = .064$ for trust; and $F(2, 180) = 9.391$, $p = .000$, effect size $\eta_p^2 = .094$ for commitment, all for E-type CEO]. This result could be misleading, as if communicating ethical leadership would be more effective than competent leadership. In fact, the mean scores of those outcome variables, which were measured at the first time point following exposure to crisis news, were overall higher for the C-type CEO condition than for the E-type CEO condition. For instance, the mean scores of satisfaction were 4.1 for all three time points for the C-type CEO condition, whereas those were increased from 3.7 to 4.0 for the E-type CEO condition. The mean scores of commitment were 3.3 (*SD* = .98) at Time1 and 3.2 at Time3 (*SD* = 1.04) for the C-type CEO condition, while those were 2.9 (*SD* = 1.02) at Time1 and 3.2 at Time3 (*SD* = 1.10) for the E-type CEO condition. These test results demonstrate the importance of long-term investment in building ethical reputation. The summary of the test statistics is presented in Table 7. 21.

[Table 7.21] Test Statistics Summary: Simple Effects by CEO Type

DV	**CEO Type**	***F***	***p-value***	***Partial Eta Squared***
Satisfaction	*C-type*	.446	.641	.005
	E-type	5.768**	.004	.060
Trust	*C-type*	1.024	.361	.011
	E-type	6.187**	.003	.064
Commitment	*C-type*	2.066	.130	.022
	E-type	9.391**	.000	.094

** Significant at the .01 level; * significant at the .05 level

To test H4, H5 and RQ5, the entire experimental groups were used and rearranged according to the timing of exposure to the crisis news, thus creating three main conditions. In the first condition crisis news was presented at the first time point, followed by three consecutive positive news about the CEO ("N-P-P-P group", $N = 201$); in the second condition crisis news was shown at the second time point ("P-N-P-P group", $N = 162$); and in the third condition crisis news was presented at the final point of time, following positive news about the CEO for three times in a row ("P-P-P-N group", $N = 164$). Here, the experimental condition that was exposed to the crisis news first, followed by a series of positive CEO information was operationalized as the "no/neutral prior reputation" condition, whereas the experimental condition that was exposed to crisis news at the last session was regarded to represent the "positive prior reputation" condition.

The analyses were conducted based on the data collected immediately after the crisis. That is, the response sets used for the hypothesis tests were collected at the first time point for the N-P-P-P group, at the second time point for the P-N-P-P group, and at the final time point for the P-P-P-N group. Exploratory tests were run by using multivariate factorial designs (timing × crisis type × CEO type) – one for the reputational outcomes and the other for the relationship outcomes. As seen in Table 7.22 and 7.23, these initial tests showed that there were no interaction effects among the independent variables, and the CEO factor had no significant effect on the outcome variables. Therefore, the grouping effects on the outcome variables were examined by using a two-way factorial MANCOVA design with timing of exposure to crisis news (*timing*) and crisis type as the two independent variables and *crisis severity* as the covariate. By using a covariate test, the effect of perceived crisis severity across experimental groups was statistically controlled.

[Table 7.22] Test Statistics Summary for Corporate Reputation Measures

Effect	*F*	*p-value*	*Partial Eta Squared*

Timing	1.463	.188	.009
Crisis Type	94.132**	.000	.363
CEO Type	2.191	.088	.013
Timing * Crisis	1.377	.221	.008
Timing * CEO	1.657	.128	.010
Crisis * CEO	.538	.657	.003
Timing * Crisis * CEO	.307	.934	.002

** Significant at the .01 level; * significant at the .05 level

[Table 7.23] Test Statistics Summary for Relationships Outcome Measures

Effect	***F***	***p-value***	***Partial Eta Squared***
Timing	1.952*	.035	.020
Crisis Type	26.115**	.000	.214
CEO Type	1.122	.348	.012
Timing * Crisis	1.706	.075	.017
Timing * CEO	1.545	.119	.016
Crisis * CEO	.896	.483	.009
Timing * Crisis * CEO	.422	.937	.004

** Significant at the .01 level; * significant at the .05 level

For the test of grouping effects on the reputational outcome variables (*CA reputation, CSR reputation*, and *attitudes toward company*), the chi-square transformation of *Box M statistic* suggested that the error variances of two groups would differ [χ^2 (30) = 118.45, p = .000]. However, a balanced design is expected to make the test robust to the violation of the homogenous variance assumption (Huberty & Olejnik, 2006: 41). The test of interaction effect between the timing factor and crisis type was not statistically significant by judging the associated *p* value and effect size [Wilks Λ = .986, *F*(6, 1000) = 1.1876, *p* = .311, effect size τ^2 = .007]. The effect of timing was not significant, either [Wilks Λ = .987, *F*(6, 1000) = 1.094, *p* = .364, effect size τ^2 = .007]. Therefore, both H4a and H4b were not supported.

For the test for the relationship outcomes (*perceived customer care, satisfaction, trust, commitment*, and *loyalty*), the chi-square transformation of *Box M statistic* suggested a violation of homogeneous error variances [χ^2 (75) = 147.79, p = .000]. Yet given the robustness of a balanced-design test to the violation, the main test was interpreted as valid. The interaction test between timing and crisis type was nonsignificant at the .05 level [Wilks Λ = .967, F(10, 970) = 1.628, p = .094, effect size τ^2 = .017]. The effect of the timing factor on the relationship outcome variables was statistically significant [Wilks Λ = .951, F(10, 970) = 2.449, p = .007, effect size τ^2 = .025]. The univariate test result indicated that the groups by timing differ in terms of satisfaction [F(2, 489) = 3.504, p = .031, effect size η_p^2 = .014], commitment [F(2, 489) = 6.709, p = .001, effect size η_p^2 = .027], and loyalty [F(2, 489) = 5.239, p = .006, effect size η_p^2 = .021]. However, pairwise comparisons after the Bonferroni adjustment detected no significant contrasts between levels on the satisfaction outcome. As for commitment and trust, the contrast between N-P-P-P and P-N-P-P groups, and N-P-P-P and P-P-P-N groups were significant at the .05 level after the Bonferroni adjustment. The descriptive statistics and the pairwise comparison results are presented in Table 7.24 and 7.25, respectively. As seen in the tables, the mean scores of the N-P-P-P group were lowest among the three groups in terms of both commitment and loyalty. Therefore, the test result supported H5a, while rejecting H5b. The descriptive discriminant analysis suggest one latent structure [F(10, 970) = 2.449, p = .007], which is characterized largely by commitment and loyalty. The contributions of customer care and trust were minimal with the canonical correlation values less than 0.3.

In conclusion, the tests of the role of reputation in moderating stakeholders' responses to corporate crises produced mixed results. That is, the test results indicated that the mean scores for the condition of positive prior reputation were significantly higher than those for the no/neutral prior reputation condition. However, these effects were found only in the variable of commitment and loyalty. In light of other outcome variables, no difference between the conditions was detected. Therefore the findings of the current study partly supported the halo effect of a good prior reputation. The descriptive statistics and the pairwise comparison results are presented in Table 7.24 and 7.25, respectively. The test results of the hypotheses and research questions are also summarized in Table 7.26.

[Table 7.24] Descriptive Statistics Summary: Timing Effects

DV	**Grouping by Timing**	***n***	***M***	***SD***
Customer Care	*N-P-P-P*	95	3.7	.07
	P-N-P-P	73	3.8	.08
	P-P-P-N	77	3.7	.07
Satisfaction	*N-P-P-P*	95	3.3	.06
	P-N-P-P	73	3.5	.06
	P-P-P-N	77	3.5	.06
Trust	*N-P-P-P*	95	3.3	.06
	P-N-P-P	73	3.5	.06
	P-P-P-N	77	3.4	.06
Commitment	*N-P-P-P*	95	2.6	.07
	P-N-P-P	73	2.9	.08
	P-P-P-N	77	2.9	.08
Loyalty	*N-P-P-P*	95	2.8	.07
	P-N-P-P	73	3.1	.08
	P-P-P-N	77	3.0	.07

[Table 7.25] Test Statistics Summary for Pairwise Comparisons: Timing Effects

DV	**Pairwise Contrast**	***MD***	***SE***	***p'-value*** [a]
Commitment	*N-P-P-P – P-N-P-P*	.335**	.107	.006
	N-P-P-P – P-P-P-N	.327**	.106	.006
	P-N-P-P – P-P-P-N	.008	.112	1.000
Loyalty	*N-P-P-P – P-N-P-P*	.296*	.101	.011
	N-P-P-P – P-P-P-N	.253*	.100	.034
	P-N-P-P – P-P-P-N	.043	.106	1.000

[a] The test statistic value is based on Bonferroni adjustment.
** Significant at the .01 level; * significant at the .05 level

[Table 7.26] Summary: The Test Results of Hypotheses and Research Questions

Hypotheses and Research Questions	Results
H1	
H1a	Supported
H1b	Supported
H2	
H2a	Supported
H2b	Supported
H2c	Supported
H2d	Supported
H2e	Supported
H3	
H3a	Not supported
H3b	Supported
H3c	Supported
H3d	Not supported
H3e	Not supported
H3f	Supported
H3g	Supported
H3h	Supported
H4	
H4a	Not supported
H4b	Not supported
H5	
H5a	Not supported
H5b	Supported
RQ1	CA and CSR crises differed in terms of attitude to company, customer care and trust, but not in other outcome variables.
RQ2	
RQ2a	C-type CEO reputation was more effective than E-type CEO.
RQ2b	No significant grouping effect was found.
RQ3	
RQ3a	No significant grouping effect was found.
RQ3b	No significant grouping effect was found.
RQ4	
RQ4a	CSR reputation and trust were affected by crisis type.
RQ4b	CA reputation and satisfaction were affected by CEO type.
RQ4c	Interaction between time and CEO type was significant in satisfaction, trust and commitment.
RQ5	
RQ5a	No significant grouping effect was found.
RQ5b	No significant grouping effect was found.
RQ5c	No significant interaction effect was found.

CHAPTER 8

DISCUSSION

In crisis literature, the concept of reputation has been treated as the consequence of a crisis, or a mediator of crisis effects. Departing from this research trend, the current study has placed reputation at the center of research and attempted to examine crisis phenomena through the perspective of reputation. In order to emphasize this new approach to crises, this study has introduced the concept, *reputational crisis*, together with a precise definition of the term. By taking the central role in guiding the entire discourse of this study, however, reputational crisis represents more than just a term, but a framework through which crisis phenomena are understood and interpreted. And the present study was a journey to lay a conceptual foundation for the new framework and demonstrate its value and efficacy. The tests for hypotheses and research questions, as expected, have shown that the framework of reputational crisis, along with its two dimensional system (i.e., Corporate Ability crisis and Corporate Social Responsibility crisis), provides a useful tool that leads us to observe crisis phenomena from a different angle.

For researchers, this multidimensional approach to crisis offers a powerful analytic tool. To illustrate, in the crisis case of Chrysler illustrated in Chapter 3, the automaker defined the crisis as a CSR crisis and fully apologized for their unethical mistakes in front of its stakeholders, while keeping the case from becoming a CA crisis by emphasizing that its product quality had not been compromised. By directing stakeholders' attention away from any suspicion of the quality of its vehicles to the ethical focus, the automaker helped restore consumers' trust in its integrity, while removing customer suspicion about its standard of product quality. With the existing frameworks that treat reputation as a unidimenstional construct, this analytic result cannot be achieved. As such, this new framework of reputational crisis allows researchers to better understand the nature of organizational crises and become more specific in analyzing crisis phenomena.

This advanced analytic tool not only benefits case studies, but also can improve experimental designs in crisis communication research. So far, experimental studies that tested for matching crisis types with crisis response options have yielded mixed results, as some studies found significant differences among response options (e.g., Coombs & Holladay, 1996; Dean, 2004), whereas others found no significant differences (e.g., Bradford & Garrett, 1995; Coombs & Holladay, 2008; Coombs & Schmidt, 2000). The experimental studies manipulated crisis scenarios either as CA (e.g., product-harm crisis) or CSR crises (e.g., violations of social norms). However, the studies did not pay attention to these differences in the nature of crises. Employing the CA-versus-CSR categorization for the manipulations of both crisis type and response options may offer a clue to the existence of mixed findings.

The CA-versus-CSR crisis categorization also presents insights into stakeholders' reactions to crises. That is, the findings demonstrate that not only can people actually discern differences between the two types of crises, but also their awareness of a crisis type can influence their perceptions of and attitude toward the company entangled in a crisis. The implication of these findings for practitioners is straightforward: Understanding the nature of a crisis (i.e., whether it is a CA or CSR crisis) will increase predictability of the potential consequences of a crisis, which will in turn enhance effectiveness of their responding to the crisis. For instance, based on the test results of this study, a company confronted with a CSR crisis is recommended to focus its communication efforts on improving customer care and trust to recover from the crisis. Likewise, if facing a CA crisis, the company needs to focus its communication on recovering stakeholders' confidence in its product and service qualities.

The new crisis categorization also adds a valuable insight into the CSR literature, as the findings imply that a CSR crisis may have a greater impact on perceptions and overall corporate evaluation than a CA crisis. The rationale for investing in CSR activities has been offered by claims that organizational good deeds lead consumers to willingly pay higher prices (Creyer & Ross Jr., 1997) and make purchase-decisions (Smith & Alcorn, 1991), and influence preferences of investors (Orlitzky, Schmidt, & Rynes, 2003) and job applicants (Backhaus, Stone, & Heiner, 2002). However, given scarce corporate resources in terms of time, money, and human resources, investment into CSR activities has remained a controversial issue. This controversy is well represented in the argument that "[i]nstead of investing in a good CSR record, the resources may be needed for sustaining and developing the abilities the company needs to compete in the market and to deliver the appropriate quality" (Berens, van Riel, & van Rekom, 2007, p. 234). Moreover, this controversy has been intensified by the mixed results of studies on the influence of CSR investment on the bottom line (Halme & Laurila, 2009, p. 325).

Under the circumstances, the present study adds weight to the claim advocating for the investment in CSR by suggesting that a CSR crisis may damage corporate reputation and stakeholder relationships more seriously than a CA crisis does. In particular, the heavy influence of a CSR crisis on trust is noteworthy. The relationship between CSR activities and stakeholders' trust has long been speculated (e.g., Moorman, Deshpandé, & Zaltman, 1993, p. 82; Morgan & Hunt, 1994, p. 23). By demonstrating the negative effect of poor management of CSR on trust, this study provides empirical evidence of the link between CSR activities and trust. In addition, the finding that CA and CSR crises did not significantly differ in the extent to which the crises damage stakeholders' commitment and loyalty also have important implications. Commitment and loyalty are regarded as key antecedents of purchase decisions. Therefore, by demonstrating the impact of poor CSR management on corporate bottom line, the current study provides a rationale for investing in CSR management.

Even though it was not a part of the main hypothesis test, a pretest for detecting differences between the CA and CSR crisis types with respect to crisis attributions also offers an intriguing implication for the nature of crisis. The pretest result showed that the CSR crisis was perceived to cause greater harm on consumers than the CA crisis. In the Situational Crisis Communication Theory, crisis severity is regarded as one of threat intensifiers, which influence the public perceptions of a crisis (Coombs, 2006a, 2006b, 2007; Coombs & Holladay, 2004). In both of the CA and CSR crisis scenarios adopted in the present study, consumers' private information including credit card information was leaked outside of the focal firm; the only difference was the fact that hackers breached the server of the focal firm and stole the information in the CA crisis scenario, while the focal company intentionally sold the personal information to marketing companies in the CSR crisis scenario. In the real world, the issue of identity theft by hackers may cause more harm to consumers than firms' using the personal information for marketing purposes. This finding suggests that unethical behaviors of actors may lead the crisis to be perceived as more serious or harmful than it really is. This result offers another reason why a CSR crisis may bring about worse consequences than a CA crisis.

Meanwhile, by introducing the *resource-based approach* to crisis, this study opens a door to a new avenue of crisis communication research that goes beyond the rhetoric-based approaches to crisis responses. With this new approach, this study aims at contributing to the trend where public relations practitioners move beyond the technical role and take a more of a strategic role within an organization, which includes nurturing and managing potential corporate resources, and strategically communicating by leveraging on them. In particular, this study tapped into CEO's reputation as a potential strategic resource. As a result, it was empirically demonstrated that favorable reputation of a CEO relieved negative perceptions of stakeholders in a post-crisis situation. This result confirmed the potential of CEO's reputation as a strategic resource that the company can leverage for challenging times.

In fact, the transfer of positive attitude toward a person to a brand has been discoursed in the literature on celebrity endorsers. McCracken (1989, p. 310), for instance, argued that the symbolic properties that reside in the celebrity move from celebrity to consumer goods and from goods to consumers. Biswas, Hussain and O'Donnell (2009) also claimed that image values of celebrities are transferred to the products endorsed by the celebrities, therefore influencing consumers in a positive manner (p. 122). The current study adds a piece of evidence that the transfer of values and meaning of a CEO – whether he or she is considered a celebrity, or is respected and liked as a leader of an organization – to the company or brand associated with the CEO can benefit when it faces hard times.

In addition, this study guides a new direction for research on the roles of leadership in a crisis situation. In crisis literature, leadership research has emphasized the CEO's role as a spokesperson (e.g., Ferns et al., 2008). However, the qualities of the CEO's reputation and strategic use of it have not been much studied. It is reasonable to expect that if a CEO is admired and preferred by audiences, his or her claims are likely to be perceived as more credible and more persuasive than those of CEOs who are less respected and liked. Arpan's (2002) experiment empirically demonstrated a positive correlation between the spokesperson's credibility ratings and the extent to which participants accepted the crisis response. In this vein, the empirical findings in the present study urge CEOs not to be “just spokespersons,” but to be “spokespersons of good reputation.”

With the findings about the CEO’s impact on stakeholders’ postcrisis reactions, the current study suggests that a company hit by a reputation crisis may respond to it without directly mentioning the negative incident. This kind of strategy is useful especially for a company that has long been struggling with lingering effects of a crisis. The crisis of the *Exxon Valdez* oil spill, for instance, has haunted the oil company for about 20 years, leaving the firm a bad name. In this case, Exxon can rely on any of the message repertoires that the existing crisis literature recommends. This being the case, finding a resource on which the company can anchor its communication should help the company improve its reputation and relationship with its stakeholders.

The resource-based approach to crisis also urges crisis scholars to extend their research boundary beyond the rhetoric-based approaches. The rhetoric-based approaches arguably have made great contributions to crisis literature, therefore helping crisis communication emerge as a main genre of public relations research and practice. At the same time, the dominance of the message-centered approach has restricted the scope of crisis communication research. For the sake of diversity in crisis research, studies with a wider scope and variety of topics are necessary. Against this backdrop, Ulmer’s (2001) study on an organization’s relationships with its stakeholders as a leverage for a crisis initiated a movement that goes beyond the message-centered approach to crisis communication. The current study adds to this movement heading towards greater diversity in crisis communication research.

Furthermore, the new typology of CEO’s reputation is also noteworthy. Together with the multidimensional approach to crises, the categorization of CEO’s reputation [i.e., competent (C-type) versus ethical (E-type) reputation] presents valuable insights for practitioners. That is, the findings regarding the type of CEO's reputation suggest that matching the type of CEO's reputation with the crisis type may be more effective in restoring corporate reputation at least in a crisis that poses threat primarily to the CA dimension of the company. In the CSR crisis situation, on the other hand, there was no significant difference between the CEO types in improving corporate reputation. This may be because people tend to expect that a CEO with good leadership – no matter whether the leadership is based on competence or morality – has the ability to fix problems related to ethical issues.

As to this result, it is worthy of mentioning that the C-type CEO was considered to be ethically neutral or moderately ethical in this study.[12] If the C-type CEO was manipulated as unethical, the test result might be different. This result stresses the significance of considering the properties of resources, in addition to the nature of crises, in selecting crisis response options. In addition, this study explored the perceptions that *consumer stakeholders* held of CEO's reputations. Different types of stakeholders such as employees and investors may show different responses from consumers.

Meanwhile, this typology of CEO's reputation suggests approaches for how to manage and communicate CEO's reputation. Confirming the existing studies in the CSR literature, the findings of this study imply that fostering an E-type reputation for a CEO will take more time than nurturing a C-type reputation. A similar conclusion was drawn by Vanhamme and Grobben's (2009) empirical study on examining the association between the length of a firm's involvement in CSR affairs and the effect of its using CSR claims as a means of countering negative publicity. They found that companies with a long history of CSR involvement earned

[12] The mean score of the ethical dimension of the CEO's reputation was 4.62, with a standard deviation of 0.807, on a 7-point scale with 7 representing "favorable."

the trust and good will of their stakeholders, whereas companies with a short history of CSR involvement did not. Based on the result, the authors concluded that companies with a short-term history of CSR arouse consumers' skepticism about the motivation of the CSR activities, therefore leading to negative attitudes toward such firms (Vanhamme and Grobben, 2009, pp. 275, 280). They further argued that a company with a long CSR history would be perceived as more credible, and a crisis faced by the firm can be dismissed as an exceptional incident (Vanhamme and Grobben, 2009, p. 281). Taken together, the utilization of E-type reputation of CEO warrants caution. If this type of reputation is not well established, leveraging it may backfire.

For both C-type and E-type reputations, the findings highlight the importance of long-term communication in building a CEO's reputation. This result can be explained by the concept of familiarity. That is, it has been argued that repetition increases familiarity, which in turn increases believability (Kardes, 2001, p. 44) and likability (Brooks, Highhouse, Russell, & Mohr, 2003, p. 905). This phenomenon has been the focus of the "mere exposure" studies (Zajonc & Markus, 1985). This theory accounts for increase in liking or desirability as a function of the frequency of exposure (Brooks et al., 2003, p. 905). The mere exposure theory has been primarily embraced by marketing and advertising practitioners. The current finding offers a piece of evidence that public relations efforts can also benefit from applying this theory to building corporate and CEO reputations.

With those findings about the impact of CEO's reputation on the consequences of a crisis, the present study not only contributes to the organizational leadership research, which has produced the majority of studies on CEOs, but also enriches the literature of corporate communication, including public relations, advertising and marketing. By demonstrating the influence of a good name of a CEO on consumer stakeholders' perceptions and evaluations of the company, this study encourages more research on CEO's reputation to be conducted by reflecting the perspectives of consumers or the public in general.

Even though it was not the main purpose of the current study, the findings relevant to CEO's philanthropy are also worthy of mentioning. In the organizational setting, corporate philanthropy refers to "gifts given by corporations to social and charitable causes" and is generally considered to belong to the domain of corporate social responsibility (Choi & Wang, 2007, p. 349). In 2007, corporate giving in the U.S. reached a total of $15.69 billion, making up about 15% of all giving (estimated $229.03 billion) for that year (Giving USA 2008). Despite the big budget, corporate philanthropy has been controversial. From the agency perspective, corporate philanthropy has been regarded to benefit only top mangers themselves by "enhancing their reputations within their social circles or furthering their political and career agendas" (Choi & Wang, 2007, p. 345). However, corporate philanthropy can contribute the firm's bottom line as corporate involvement with philanthropic activities help improve reputation, which in turn lead to enhanced trust and loyalty among suppliers and customers (Choi & Wang, 2007, pp. 346, 352). Buchholtz et al. (Buchholtz, Amason, & Rutherford, 1999) contend that "philanthropy has become one of the strategic tools a manager has for improving profits, instilling customer loyalty, enhancing employee morale, and building community relations (p. 167). Yet we have relatively little empirical research to inform our understanding of the giving function."

In contrast to the rich research stream of corporate philanthropy, the implications of CEO's personal philanthropy have been seldom discussed in business literature. Nevertheless, CEO's individual charity donations are not rare in the modern society. From Andrew Carnegie's Carnegie Foundation and a variety of charitable funds, Henry Ford's the Ford Foundation, J.D.

Rockefeller's the Rockefeller Foundation in the early 20th century to Bill Gates' the Bill & Melinda Gates Foundation, and the most recently Warren Buffett's giving 85% of his wealth to the Bill & Melinda Gates Foundation in 2006, to name a few, CEO's personal donations have been a time-honored tradition. Even though the impact of CEO's personal charity donation on stakeholders' responses has scarcely been studied, the case of Bill Gates demonstrated that CEO's personal charitable donations might contribute to promoting the image and reputation of the company. And this proposition was empirically supported by the findings of the current study, which suggest that CEO's individual philanthropy will pay off not just for personal honor, but for fostering a good feeling about the company tied to the CEO. This interesting finding, therefore, shows that further studies on the impact of CEO's personal philanthropy will offer a rich research avenue.

In the meantime, research on the role of reputation in moderating public responses to corporate crises has produced mixed results. One stream of research advocates the *halo effect* of positive reputation, contending that positive prior reputation of a firm functions as a shield against crises (e.g., Coombs & Holladay, 1996, 2006; Dawar & Pillutla, 2000; Payne, 2006). On the other hand, so-called *boomerang effect* can be generated when stakeholders' expectations are elevated by a good prior reputation of a firm, and the firm fails to meet the expectations (e.g., Bromley, 1993; Dean, 2004). The hypothesis tests in this study also yielded a mixed result, as the findings supported the halo effect of prior reputation for the relationships outcomes, whereas there was no significant effect of prior reputation on reputational outcomes. The test result provided no clue to why the relationships and reputation outcomes showed different results, therefore demanding further research on this issue. Nevertheless, as far as the relationship outcomes go, the findings clearly point to the importance of building and managing a favorable reputation and stakeholder relationships through routine processes.

Finally, the current study contributes to the ongoing efforts of researchers and practitioners to tap the perceptions and attitudes of stakeholders more precisely and gain insights from them. Even though reputation is distinct from the relationships concept, the literature shows that two constructs are closely connected with each other. Knox, Maklan, and Thompson (2000) explained that a reputation is built through customers' understanding of a company's values, commitment and their experiences of the company's products and services, which are conveyed through the relationship that the company builds with the customers (p. 141). Fombrun (1996) also asserted that "to acquire a reputation that is positive, enduring, and resilient requires managers to invest heavily in building and maintaining good relationships with their company's constituents" (p. 57). Therefore, from this viewpoint, any threat to the relations interprets into reputation damage since the reputation arises from the relational history (Coombs, 2000, p. 77). This close connection between reputation and relationships leads to the conclusion that these two managerial properties cannot be separately monitored or measured (Sohn, 2009, p. 5). The findings of the current study demonstrate the merit of simultaneously assessing reputation and relationships outcomes. Based on the test results, for instance, it is recommended that, in order to restore a tarnished reputation for the CSR dimension, the company should focus its crisis communication activities especially on enhancing customer care and trust. As demonstrated by the findings, evaluating relationships and reputation outcomes together will allow practitioners to locate the source of strengths or weaknesses of their public relations activities.

Limitations and Future Research Agendas

Despite rich insights that this study brings to the crisis and reputation literature, generalizing the applications of this study may be limited to some extent. First, the sample is skewed to youth, the majority of which is made up of undergraduate students, and needs further investigating with samples from different age cohorts. Due to convenience and low costs in recruiting samples, college students have constantly taken up a large portion of quantitative research in social literature (Basil, 1996, p. 431; Henry, 2008a, p. 71). As to utilizing student samples, Henry (2008b) stated that "[w]e would be fools to not to take advantage of convenient, cheap, and readily available undergraduate participant pools" (p. 114). Practically speaking, amidst the declining level of outside financial support for research particularly in communication-related field, the cost effectiveness of using student samples helps boost the number of publishable studies (Basil, 1996). Nevertheless, using student samples has been a controversial issue as scholars call the generalizability of student-based studies into question (e.g., Potter, Cooper, & Dupagne, 1993; Sears, 1986). For instance, Sears (1986) argues that college students differ from nonstudent samples in that college students may have adept cognitive skills and show higher level of compliance to authority (p. 521).

On the other hand, a large body of psychology research demonstrates that nonstudent samples replicate student samples (Glick, 2008, p. 79). Based on constant replication results of prejudice-related studies, Glick (2008) concluded that "student samples are broadly representative of their wider societies" (p. 79). Sears, Haley and Henry (2008) also demonstrated that college students' attitudes approached adults' levels of crystallization in terms of internal consistency and stability over time at least on such issues as party identification and symbolic racism. Such being the case, Basil (1996) recommends that, instead of automatically rejecting college samples, researchers should question whether the sample is appropriate to the particular research questions, whether the sample has good reason to question the validity of the findings, and whether the sample changes the potential to falsify the theory (p. 431).

With regards to the issue of student samples, the current study employs an experiment method, where the formal tests of relationships between variables are the focus of the study, and descriptive analyses are not of as much interest as a survey study. Arguing that there is no a prior reason to believe mean differences across different demographic cohorts will alter relationships between variables, Glick (2008) raises a question: “Even if we grant the doubtful proposition that students are generally more persuadable and conforming than nonstudents, does anyone really believe that basic principles of persuasion and conformity established with college students (e.g., that dissonance leads to attitude change) typically fail to hold for nonstudents?” (p. 78). Glick (2008) further contends that the goals of social research are not to estimate population parameters, but to test theories (p. 78). Besides, in an experiment study, securing representativeness or generalizability is often sacrificed in favor of establishing internal validity for testing hypotheses (Malhotra & King, 2003, p. 43). Stressing the significance of establishing internal and construct validity in theory tests, Malhotra and King (2003) claim that selecting homogeneous samples like student samples still provide a “primary foundation for theory building” (p. 43). In the same vein, Fiske (2008) claims “[laboratory studies] are enormously useful to test the plausibility of a theory. As a result of laboratory studies, we know that the theory holds for at least some of the people some of the time. Laboratory studies are not designed to test generalizability”(p. 106).

Another rationale for using student samples is that this age cohort comprises one piece of the diverse demographics of consumers; and they are one major force of consumptions of personal electronics, certain types of clothing, and all online spending (Yoo-Kyoung Seock & Norton, 2007). As explained in the method section, the relevance of the manipulated product category to the samples helps strengthen the external validity of the present study. Despite the rationales and justifications of using student samples, still follow-up studies with more diverse demographics cohorts outside of laboratory will be necessary for further enhancing external validity and advancing theory development.

Employing an internet-based experiment is another issue that warrants further discourse. Experimental designs embracing internet as the tool have been on a constant increase since the late 1990s (Lewis, Watson, & White, 2009, p. 108). Internet-based research has a number of advantages, which include time efficiency, reduced costs, reduction in errors occurring in the process of data entry, the capacity to utilize visual and auditory stimuli; heightened anonymity and confidentiality; and convenience for respondents in terms of self-selected time and place of participation (Lewis et al., 2009, p. 107). On the contrary, the loss of control over the testing conditions has been the source of concerns about using the Internet as the experimental tool (Lewis et al., 2009, p. 109). Despite the concerns, research that compares the internet-based studies with conventional paper-and-pencil-based studies has reported that the two methods produced equivalent data for survey studies (e.g., Epstein, Klinkenberg, Wiley, & McKinley, 2001; Pasveer & Ellard, 1998), and for experimental studies (Lewis et al., 2009). However, nothing is known about longitudinal studies in internet, the design which is adopted in the current study. Therefore, further research on this issue is necessary to examine whether internet-based experiments will change the response patterns in the longer term.

Meanwhile, in a move to tap into the potential strategic resource that a company can rely on in a crisis situation, positive information of CEO was used as the responses to the crisis scenarios in the present study. And the test of matching crisis type with the response type (i.e., the type of CEO's reputation) yielded a mixed result. If this study used positive information directly related to the company itself (e.g., the firm's product and services, and its CSR activities) as the manipulation for crisis response, will it have the same result? Future research on examining the result of matching crisis type and response type by using a diverse of response resources will surely generate a rich avenue of research.

Conclusions

The current study contributes to the crisis literature by providing empirical validation of the categorization of CA and CSR crises. This multidimensional approach to crises allows us to observe traits of each crisis type and, subsequently, understand better the nature of reputational crisis phenomena. This new approach thereby offers researchers with a useful analytic tool for crisis research, which will help explain what has remained as a puzzle. This study also demonstrated that people react differently according to the type of crises. This insight will surely help practitioners predict the potential consequences of reputational crises with increased precision, therefore leading to more effective crisis communication activities.

In addition, the present study is meaningful in that it opens the door to exploring crisis communication strategies other than rhetoric-based message strategies. In this study, the established reputation of a CEO is used for developing a message strategy. This study is the first attempt of this kind that explores CEO reputation dimensions that can be used to overcome the company's reputation problems. By doing so, this research contributes to extending the scope of the crisis literature by going beyond the short-term, rhetoric-based crisis response strategies. Likewise, a company can develop creative strategies by cashing in on other corporate resources. For instance, if the company has a well-established consumer advocate groups (e.g., brand community) or it can identify consumer opinion leaders favorable to it, the company will be able to develop communication strategies tailored to these specific public groups.

It does not mean that this resource-based approach to crisis will replace the existing crisis response strategy theories. Rather this new approach should be considered to fill the void that the existing theories have not taken care of. That is, since the existing crisis response strategies mainly focus on the short-term strategies to solve the problems at hand, they often fail to provide effective solutions to the potentially lingering effects after the crisis is tentatively settled. Microsoft, which has long suffered from an unfavorable reputation even after the issue of its violation of anti-trust law faded away from the media focus, is the case in point. In contrast, the reputation crisis approach has valuable potentials not only for during-crisis strategies, but also for post-crisis strategies. Once the nature of a reputation crisis is diagnosed, practitioners can develop long-term communication strategies accordingly.

On the reputation literature front, this research also makes a significant contribution. So far, the reputation literature has focused on the nature of reputation, its formation and its impacts to consumer responses. But the discourse on how to overcome the negative effects of an unfavorable reputation is seldom in the core of the examinations. At this juncture, it seems meaningful for the present study to enter into the discourse on the traits of negative reputation and the strategies to overcome it.

It is also noteworthy that the current research contributes to turning researchers and practitioners' attention to CEO reputation as a means of enhancing the corporate-public relationship. Reputation literature has been sprinkled with the studies on the associations between corporate reputation and public’s perceptions and behaviors. However, the relationship between CEO reputation and public’s responses has been supported by little empirical evidence.

By linking the reputation literature to the stakeholder relationships research and demonstrating an empirical support for the correlation between CEO reputation and stakeholder relationships, this study inspires a new promising research stream.

Finally, the current study joins a force in the movement of crisis communication research that has been moving beyond case studies towards experiments that systematically assess the effect of a crisis and its responses (Coombs & Holladay, 2008, p. 252). Stressing the significance of moving beyond heavily descriptive and retrospective sense-making approach to crises, Coombs and Holladay (2008) urged crisis researchers to employ more experimental designs to build evidence-based knowledge for crisis management (p. 252). In this vein, with useful empirical findings about the public reactions and perceptions of crises, the current study certainly contributes to the movement in the crisis communication field that heads towards theory development based on evidence-based studies. Nevertheless, no single experimental study is perfect. For better understanding the intriguing issues that this study proposed pertinent to crisis phenomena and follow-up communication, more experimental studies should be followed by varying variables used in this study or introducing new variables.

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APPENDIX A

CRISIS NEWS

CA Crisis

SAN FRANCISCO - GameNetworks, Inc., an online casual game developer and distributor, announced yesterday that the company has temporarily closed its website after a hacker attacked the system over the weekend. In a statement, the company said hackers had gained access to its system and obtained sensitive customer information, including credit card information and other personal data, from an estimated three hundred thousand customers who had purchased online games from the website. According to market experts, the incident is the largest hacking case on record in the online gaming industry.

While a federal investigation is still in its early stages, a supervisory special agent at the F.B.I.'s cyber division in Washington, D.C. has reported that GameNetworks' web service was vulnerable to a common security flaw that could allow a hacker to hijack customers' accounts. The company has also admitted and confirmed that its current system has a serious security flaw.

GameNetworks is trying to limit the damage of potential identity theft by warning its customers to place fraud alerts on their credit cards and to monitor their financial accounts for unusual activity. "Protecting our customers is our priority. We are trying our best to minimize any potential damage to our customers," said the spokesperson for GameNetworks.

Despite the company's efforts, this incident is expected to fundamentally undermine the company's business base. GameNetworks has already suffered from poor reviews on its product and service quality and stability by Consumers Union, publisher of Consumer Reports magazine. The consumer review website TopTenReviews rated GameNetworks below the industry's average on its product/service quality and technological innovativeness after the company suffered from a series of massive system failures. The company's web server has been disrupted by a systems crash twice in the past six months, costing the game developer financial losses totaling more than $150,000.

GameNetworks Inc. is a San Francisco-based online casual game developer, publisher, and distributor. With a selection of hit titles from its in-house game studio and other game developers, the company provides downloadable online casual games such as puzzle, action, board games. Since its establishment in 1999, GameNetworks has created and published highly entertaining online games to play any time by any one.

CSR Crisis

SAN FRANCISCO - The unethical practices of the nation's leading online game distributor have caused a shock wave in the computer gaming industry. GameNetworks, Inc., a San Francisco-based online game developer and distributor, was accused of selling the personal information of its customers including email addresses and the details of purchase history to various marketing companies. The purchasers of the consumer information from the game distributor have used the information as marketing or promotional tools for various products and services, said an official of the F.B.I. cybercrime division.

GameNetworks, a developer and provider of puzzle, action and board games online, has insisted that the customer information was given to the marketing companies only in cases when the customer had given permission for their information to be shared. However, an investigation has revealed that the information from customers who had not agreed to share their information was also included in the deals.

"While a federal investigation is still in its early stages, we suspect that GameNetworks has long provided private consumer information for sale at high prices," said a supervisory special agent at the F.B.I.'s cyber division in Washington, D.C.

In addition to the accusation of selling consumer information illegally, the company is also charged with having manipulated its accounting books in order to conceal the illegal sales of consumer information and to evade a huge amount of taxes.

The charges that GameNetworks' violated both consumer protection and tax laws jolted the online gaming industry as the company had been hailed as a rising star with an unprecedented growth for the past years. Consumers Union, publisher of Consumer Reports magazine, and the consumer review website TopTenReviews had rated GameNetworks #1 in the online gaming category for its creative marketing ideas, innovative technology, and quality products and services. Currently, GameNetworks has the largest share in the online gaming market, boasting several millions of subscribers to its service.

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APPENDIX B

CEO NEWS

E-type CEO: Version 1

Bob Glase, founder and CEO of GameNetworks, Inc., today announced a charitable donation of $10 million to Macmillan Cancer Support, recording the second-largest private donation in the history of the cancer center. Glase, 38, said it is important for him to be involved with the patient and healthcare community. “I am pleased to give back to communities by sharing my personal fortune,” he uttered. “I will continue to foster invaluable relationships with the cancer center to help fight against all forms of cancer.”

The private donation of $10 million was handed over today during a press conference in the headquarters of the center located in Palo Alto, California. Laura Fagg, Macmillan Cancer Support’s fundraising manager, said, “Half of this donation is allotted to provide expert practical, medical and financial support for patients and families affected by cancer. The other $1 million has been earmarked for research development of new cancer treatments and possible cures.”

This donation is not Glase’s only philanthropic endeavor. He has made small or large private contributions over the course of his tenure as CEO of GameNetworks, which includes a donation of $500,000 made last year to the World Childhood Foundation Tsunami Fund to help teens at risk, in addition to other activities. “I will continue to support charitable organizations as long as it is possible for me to do so,” said Glase.

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E-type CEO: Version 2

The establishment of a $5 million trust fund for minority students was announced yesterday by Bob Glase, founder and CEO of GameNetworks, Inc. a major online gaming company. The scholarship fund was announced in a press conference, and will support universities historically affiliated with minority students. Glase also announced that he will pledge $25 million over the next 5 years to underwrite a total of 200 annual scholarships for African-American, Hispanic, Native American and Asian-American students. Called the Diversity Education Scholarship Program, the program will make its first awards in the fall of 2007. Those awards will cover tuition, room and board and other expenses for qualifying students throughout college and graduate school.

"It is critical to America's future that we draw from the full range of talent and ability to develop the next generation of leaders," Glase said in a statement. William Gray, president of the United Negro College Fund, described the gift as an historic effort to improve diversity in colleges.

Since 1995, Glase has given gifts totaling $15 million to universities for the development of computer science and engineering programs. However, this is his first time to officially form a scholarship program for educational diversity.

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<u>E-type CEO: Version 3</u>

Bob Glase, founder and CEO of GameNetworks, Inc. a major online gaming company, has pledged to provide a large dose of financial support to New Orleans officials who are trying to push a post-Katrina neighborhood planning effort, City Council woman Cynthia Hedge said yesterday. Representatives of the Louisiana Recovery Authority were told that Glase is expected to provide $5 million, perhaps more, to the citywide program, said Ms. Hedge, who attended the meeting.

The ambitious planning process to be financed by Glase calls for six months of work by urban planners, architects and other experts, along with public meetings in New Orleans' 13 community districts and in the four cities that have taken in the greatest number of displaced residents: Atlanta, Baton Rouge, Dallas and Houston. Gov. Kathleen Blanco applauded the grant and the planning process that it will fund.

Glase has promised continued support for Hurricane Katrina relief efforts, including services for displaced New Orleans residents and to various efforts to restore affordable housing and economic infrastructure. "I don't think the efforts will be completed by this grant," he said. "There's still a lot of work that has to be done in that area."

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C-type CEO: Version 1

The legend of Bob Glase, founder and CEO of GameNetworks, Inc., is by now familiar among the Internet business folks. Prior to founding GameNetworks, Glase, who graduated from Stanford University with a M.S. of Computer Science, became a millionaire by launching and selling off three high-tech start-ups. With a combination of technology and business systems for monetizing the Internet media, Glase is at the forefront of the online entertainment revolution. His legions of admirers hail him as a visionary genius who can discern the far-reaching trends of technology long before anyone else. He started out tinkering on a school computer and become a self-made entrepreneur who has succeeded through sheer talent and ambition.

At 38, Glase has already proven himself a successful tactician and operator, altering the direction of the online gaming industry. In addition to his notable ability to forecast internet-based business trends, he has impressed industry experts and analysts with plans to streamline the distribution of gaming content, cut costs and boost revenues.

Glase also has a reputation for his diplomatic ability. He has enlisted some top-name U.S. venture capital and private equity funds, including Silicon Valley's Doll Capital Management and Greenwich [Conn.]-based General Atlantic. As an analyst puts it, “he is definitely a rising star in the field.”

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C-type CEO: Version 2

If there’s anyone who knows about the U.S.’s online game jungle, it’s Bob Glase. Glase, the founder and chief executive officer of GameNetworks, Inc., a U.S. leader in online game development, is an industry veteran. No one else combines his knowledge of online gaming with a real knowledge of the territory.

Glase is a successful entrepreneur, with a track record that provides him legitimacy in the computer software industry. Over the past decade, he has sold three businesses he built for a total of more than $800 million, including the sale of his online networking company to Microsoft a few years ago.

He started his first company in college, which sold advertising in local newspapers. It was after college that Glase, a computer science major at Stanford, was drawn to the nascent Internet scene. As he sees it, it was the perfect fit for a young soul who knew how to manipulate computers and didn't want to work for "The Man." After selling his first business, he launched three more, building up his reputation for marketing savvy as well as operational expertise.

Glase launched GameNetworks in the winter of 1999. The idea was to create a place to help him as well as other small game developers attract online gamers with ease, therefore reducing the marketing costs and adding in-game advertising business to its revenue stream. He persuaded other online game developers to let him show them how to distribute their wares in the digital age with the online game store. Industry experts and analysts pay close attention to his every step. Whatever it will be, his blueprint will surely influence the course of the internet business.

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C-type CEO: Version 3

In the beleaguered online gaming industry, one chief executive has long stood out as the golden boy: Bob Glase. Glase, the icononic technologist, entrepreneur, and business leader, is the founder and CEO of GameNetworks, Inc., which provides puzzle, action and board games online.

Glase, who made his fortune by evangelizing online gaming business, won this year's Ernst & Young Entrepreneur Of The Year (EOY) award in the Emerging Entrepreneur category. It was Glase's understanding of enterprise-wide, collaborative computing and emerging importance of online entertaining content that piqued industry experts' interests. "This successful entrepreneur is described as having strong drives for independence and success combined with a high level of vigor, persistence and exceptional belief in himself," commented a panel of the EOY awards committee.

A year prior to this EOY award, Glase was presented Young Entrepreneur Winner awarded by Financial Times for the recognition of his achievements in successful and innovative entrepreneurship. Industry experts believe that he is the right candidate to steer the emerging tumultuous market and invigorate the online gaming business. Glase, a graduate of Stanford University with a M.S. in Computer Science, won praise internally for delivering solid sales in the U.S. market despite increasingly tough competition. "His record of success is remarkable," said an industry analysis.

Most of his attention these days is on the burgeoning online casual gaming businesses and increasing in-game advertising business. He plans to connect the online game business with the emerging social network media. With his expertise in the field and marketing ability, nothing seems a mission impossible.

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APPENDIX C

REMINDERS

Post-Crisis Reminder: After Exposure to CA Crisis News

Do you remember the article about GameNetworks, Inc, a San Francisco-based online casual game developer? The company has been struggling to overcome an unfavorable reputation for the product/service quality and security of its website after its web server was breached by hackers and disrupted by a series of massive system failures.

The story below, which is extracted from an online news article, is about the company's founder and CEO, Bob Glase. Read carefully the articles below. When you finish your reading, please answer the following questions based on what you read.

Post-Crisis Reminder: After Exposure to CSR Crisis

Do you remember the article about GameNetworks, Inc, a San Francisco-based online casual game developer? The company has been struggling from a tarnished reputation after it was accused of selling its consumers' personal information to marketing companies.

The story below, which is extracted from an online news article, is about the company's founder and CEO, Bob Glase. When you finish your reading, please answer the following questions based on what you read.

Post-Crisis Reminder: After Exposure to a CA Crisis and CEO information

Do you remember the article about GameNetworks, Inc, a San Francisco-based online casual game developer and the company's founder and CEO, Bob Glase? The company has been struggling to overcome an unfavorable reputation for the product/service quality and security of its website after its web server was breached by hackers and disrupted by a series of massive system failures. Here's another article about the company's CEO, which is extracted from an online news article. When you finish your reading, please answer the following questions based on what you read.

Post-Crisis Reminder: After Exposure to a CSR Crisis and CEO information

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Reminder: After Exposure to CEO information

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Post-Crisis Reminder: After Exposure to news both about CEO and Crisis

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