

Sorry to (Not) Burst Your Bubble: The Influence of Reputation Rankings on Perceptions of Firms

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**Sorry to (Not) Burst Your Bubble:
The Influence of Reputation Rankings on Perceptions of Firms**

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BIOGRAPHIES

Michael L. Barnett (PhD, New York University) is Professor of Management and Global Business at Rutgers Business School – Newark & New Brunswick. Mike’s research focuses on how firms individually and collectively manage their relationships with stakeholders, and how their efforts at stakeholder management, through acts of corporate social responsibility and via communal institutions such as industry trade associations, influence their reputations and financial performance, as well as impact society. His articles have appeared in such journals as *Academy of Management Journal*, *Academy of Management Review*, *Business & Society*, *Business & Politics*, *Long Range Planning*, *Journal of Management*, *Journal of Management Studies*, and *Strategic Management Journal*.

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ABSTRACT

We measure the influence of reputation rankings on individuals' perceptions of firms. Through experimental design, we vary whether and how subjects are exposed to a reputation ranking alongside other information about a firm. We find that rankings influence perceptions when they are negative and congruent with other information about the firm. These findings help explain how a firm's reputation can change even if its characteristics remain constant and why change in a firm's characteristics can be slow to produce change in its reputation.

Keywords: corporate reputation; reputation rankings; cognition; experiment

What do you think of Walmart? How did you form this view? The corporate reputation literature assumes that what one thinks of a given firm is based on the actions of that firm. For example, Barnett, Jermier, and Lafferty's (2006: 34) review of the literature produced the following definition of corporate reputation: "observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time." However, given limited cognitive capacity (March & Simon, 1958), most people are unaware of the ongoing financial, social, and environmental impacts of Walmart or most any other firm. So what information do people rely on to form their views?

To cope with their bounded ability to constantly observe myriad firm characteristics, people often rely on intermediaries to help understand and assess firms. Reputation rankings¹ from *Businessweek*, the *Financial Times*, *Fortune*, *US News & World Report*, and other such sources have proliferated. Researchers have voiced concerns about reputation rankings; particularly the methodologies used to determine them (see Gardberg & Dowling, 2012). In this article, though, we are concerned not with the methods but with the influence of reputation rankings. How do people use rankings when forming their views of a firm? Do rankings affect or overshadow other information that one may have about a firm?

Herein, we report the results of an experiment in which we isolate the effects of reputation rankings on individuals' perceptions of a firm. Indeed, we find that perceptions are influenced by reputation rankings, particularly when these rankings are negative and congruent with other information about the firm. These findings suggest the need to develop a richer perspective on reputation. Corporate reputation has long been conceptualized as an aggregation of individual perceptions (cf. Fombrun, 1996), but it also needs to be understood as a driver of individual perceptions. Greater focus on this latter aspect may help to explain loose linkages between a firm's characteristics and its reputation. As a result of the influence

of reputation rankings, a firm's reputation may change even if its characteristics remain constant and, conversely, changes in a firm's characteristics may be slow to produce change in its reputation. Additional insights into the information that individuals do and do not attend to in revising their perceptions of a firm can help better explain the connection between a firm's behavior and its reputation and thus deepen understanding of how to effectively manage reputation (Barnett, 2014; Mishina, Block & Mannor, 2012).

We begin by briefly reviewing the corporate reputation literature. We then develop two hypotheses that outline ways in which reputation rankings sway stakeholder perceptions. Thereafter, we describe our experimental study and detail the results. We conclude with a discussion of the implications of these findings for reputation theory and practice.

CORPORATE REPUTATION: A BRIEF OVERVIEW

Reputation is a valuable firm resource (Barney, 1991). It may underpin the majority of a firm's market value (Fombrun, 1996). Firms with a good reputation can gain the favor of their stakeholders, while those with a bad reputation may endure stakeholder attacks (Fombrun et al., 2000). Given these benefits and risks, firms seek to manage their reputations. But what are they actually managing? What is a reputation?

Conceptually and empirically, a firm's reputation traditionally has been treated as a collective assessment of the firm by its many stakeholders (Barnett et al., 2006; Fombrun, 1996). That is, a firm's reputation at any point in time is understood and measured as an average, perhaps weighted, of what various constituencies think of the firm. Many have pointed out the problems of treating reputation as a collective assessment (e.g., Bromley, 2002; Wartick, 2002). Stakeholders may vary considerably in their view of a firm. Aggregating these varying viewpoints into a collective assessment muddles meaningful differences and does not accurately reflect the overall state of the firm. Some stakeholders are

more influential than others. But schemes for weighting the views of one set of stakeholders more heavily than those of others have proven problematic (Wartick, 2002). As a result, existing measures of corporate reputation may do little to help managers understand the status of their firms' stakeholder relationships at a given point in time or to help investors understand how a firm is likely to behave in the future (Chatterji et al., 2009).

Nonetheless, aggregated measures of reputation are influential. An overall reputation score, measured by whatever imperfect method, can influence how those inside and outside a firm think about the firm and behave toward it. Looking inside, Elsbach and Kramer (1996) showed that school rankings influence how students, staff, and faculty members of rated schools think and behave, and Martins (2005) showed how these rankings influence top managers and the direction in which they guide their organizations. Looking outside, Sauder and Lancaster (2006) found that changes in law school rankings influenced prospective students' behavior and subsequently affected the number and quality of applicants these schools received. Others have found that consumer decisions about which books to buy (Sorenson, 2007), which songs to download (Salagnik & Watts, 2008), and even from which hospitals to seek treatment (Pope, 2009) are affected by rankings.

Reputation measures can be so influential as to become self-fulfilling prophecies (Merton, 1948). A reputation measure is intended to be an aggregate representation of the perceptions of a firm's various audiences (Fombrun, 1996) but once revealed, the resulting measure shapes the individual perceptions that compose it, thereby reifying the reputational measure (Espeland & Sauder, 2007). Consider Walmart once again. If you have a highly favorable view of Walmart but then become aware that it has received a highly unfavorable rating from a popular magazine, you may reconsider and perhaps downgrade your view of this firm. As individuals downgrade their views, future reputation measures that aggregate

these views will report yet lower ratings for Walmart. All the while, Walmart's characteristics may remain constant or even improve.

Extant studies have shown that reputation measures produce such a self-fulfilling effect (Deephouse, 2000; Gioia & Corley, 2002) but have identified few of the factors influencing the degree to which it occurs. In the next section, we hypothesize about the influence of two characteristics of a reputation ranking – its congruency with other information about the firm and its negativity – on individual perceptions of firms.

ASSESSING THE INFLUENCE OF REPUTATION RANKINGS

People make decisions about favoring, avoiding, or even attacking a firm based upon the firm's reputation (Fombrun et al., 2000). But it can be difficult to determine a firm's reputation. A reputation constitutes a multi-faceted assessment of a firm's performance across a variety of dimensions over time (Barnett et al., 2006). Yet people have limited attention and are selective in where they allocate it (March & Simon, 1958). As a result, most people are unaware of most actions of most firms (Barnett, 2014).

Lacking the ability or will to evaluate firms' entire historical behaviors, people often look to others for insights. Numerous organizations and media outlets promote reputational rankings that draw a large readership and affect important decisions such as where to attend college or work and what to buy (Sauder & Lancaster, 2006). Many bemoan the methods behind such rankings (Wartick, 2002), but their influence is significant. One's views and perceptions are subject to social influence, and knowing what others think can cause one to question and alter one's prior views, bringing them more in line with those of the referent other (Espeland & Sauder, 2007). Whether driven by lack of other information or out of a desire to avoid punishment from the majority group (Deutsch & Gerard, 1955), this influence has been found in a variety of settings, to include not just consumer goods (Salganik & Watts,

2008) and universities (Bowman & Bastedo, 2011), but even extending to the ballot box (Laponce, 1966).

However, when informed of a reputation ranking, one may not accept it at face value. New information is subject to interpretation (Weick, 1995). People have a tendency to interpret new information in a way that supports their existing beliefs in order to alleviate the psychological discomfort that cognitive dissonance brings (Festinger, 1962). For example, scientists rate research that reports findings consistent with their beliefs more positively than studies that present results inconsistent with their prior beliefs (Koehler, 1993).

We therefore expect that the degree of influence of a reputation ranking on an individual's perception of a firm will vary according to its fit with existing information that the individual has about that firm. If a reputation ranking contradicts one's established view, the cognitive dissonance it may evoke can lead one to ignore, discount, or reinterpret the new information. In contrast, if the reputation ranking is consonant with one's prior beliefs, then it is more likely to be noticed and accepted and so more likely to strengthen the established view. Thus, we hypothesize the following:

Hypothesis 1: The influence of a reputation ranking on one's perception of a firm is moderated by the ranking's congruency with other information one has about the firm

People are loathe to break with their existing views of organizations. As Garud, Dunbar, and Raghuram (1996, p. 170) put it, "the human brain . . . makes Procrustean transformations and then justifies them . . . Confronted with contrary evidence, we can come up with more powerful explanations that incorporate or dismiss such evidence . . ." This tendency is especially strong for those whose identities are based on their affiliation with an organization (Elsbach & Kramer, 1996).

However, given their limited cognitive capacity, many people are unfamiliar with many firms. In these cases, there will be no frame to break and no identity to be protected at any cognitive cost when they are faced with new information about these firms. Where prior information and attachment is less pervasive or even absent, reputation rankings may have a particularly strong influence on perceptions, especially when negative. Negative information is more salient. People are more likely to react and remember negative information than neutral or positive information (Taylor, 1991). Even in the presence of prior information, negative information is more diagnostic than positive information when updating one's views. As Carter and Ruefli (2006) found, improvements in firms' reputations tend to come in relative small increments, while losses in reputation are more precipitous. Thus, a negative ranking revealed for a positively reputed firm may destroy its reputation, whereas a positive ranking may not change it significantly. We therefore expect the following to hold:

Hypothesis 2: The more unfavorable is a firm's reputation ranking, the greater is the influence of that ranking on one's perceptions of that firm

DATA AND METHODS

In order to isolate the effects of reputation measures on individual perceptions under various conditions, we use an experimental method. We recruited 68 subjects from a major city in the UK with the assistance of academic researchers at a university lab. Subjects were paid £10 per hour. Almost half were students. About half were female, and half were younger than 30. The majority had work experience.

The subjects were randomly assigned to one of two groups: experimental (n=34) or control (n=34). Because we are interested in discerning the influence of reputation rankings, the scenarios provided to the subjects in the experimental group included a reputation score,

whereas the scenarios for those in the control group did not disclose a reputation score. As shown in Table 1, the random assignments produced great similarity across the two groups.

-- INSERT TABLE 1 ABOUT HERE --

The experiment was conducted through a written instrument in an experimental lab under the supervision of the authors. Each subject received a questionnaire booklet that contained 15 scenarios. Subjects were instructed to play the role of an analyst on behalf of a wide range of stakeholder groups and to rate the firm described in each scenario. The names of the firms were kept generic so that prior knowledge of the firms could not influence subjects' perceptions.

Each scenario provided a description of the firm that included the following characteristics: 1) quality of management; 2) quality of goods or services; 3) innovativeness; 4) long-term investment value; 5) financial soundness; 6) ability to attract, develop and keep talented people; 7) wise use of corporate assets; and 8) community and environmental responsibility. These are the same characteristics that *Fortune* uses for its reputation surveys. Each characteristic was described in such a way as to convey that it was negative or positive². See Appendix for sample scenarios.

The dependent variable is each subject's assessment of each firm in each scenario. In consonance with *Fortune's* rating scale, we asked subjects to assess each firm on a seven-point scale, ranging from very poor (1) to excellent (7). We sought to explain the influence of two variables – *Congruence* (Hypothesis 1) and *Negativity* (Hypothesis 2) – on our dependent variable. *Congruence* refers to the match between the type of ranking (positive or negative) and the type of description (positive or negative) provided in each scenario. *Negativity* refers to the unfavorability of the ranking. Ratings disclosed in the scenarios were on a scale of 1 (very poor) to 7 (excellent), consistent with *Fortune's* scale. Ratings of 1 (very poor), 2

(poor), and 3 (below average) were considered negative; 5 (good), 6 (very good), 7 (excellent) were considered positive. Moreover, the variable *Group* accounted for exposure to the reputation rating. Half of the subjects (experiment group) were provided with a *Fortune* rating in each scenario, and half were not (control group). Finally, to control for other factors that might influence assessment, we established control variables for gender, nationality, profession, and age of each subject.³

We seek to capture the influence of contextual factors on individual assessments that the individual may be unaware of, so we use a “policy capturing” approach (cf. Webster & Trevino, 1995). We employed a 2 x 2 x 2 mixed design that used *Group* as a between-subjects variable and *Negativity* and *Congruence* as within-subjects variables. When judgments are used as a dependent variable, such as assessments of task importance and job choice decisions (Rynes & Lawler, 1983; Zedeck, 1977), a within-subjects design is called for (Aguinis & Bradley, 2014). In a within-subjects design, each subject reviews a set of scenarios and comparisons are made between scenarios by the same person, thus investigating the effects of a manipulation on one individual (Atzmuller & Steiner, 2010). In our mixed design, two groups of subjects received different sets of scenarios, but within each group subjects viewed the same scenarios. This design allowed us to control for individual-specific effects in the statistical analysis. With this design we were able to collect more information from each subject than if we had used a between-subjects design, thereby allowing us to proceed with a smaller group of subjects.

Though it has many advantages, a challenge of within-subjects design is “carryover effects” (Myers & Hansen, 2011). One condition might affect performance in other conditions. We addressed this by carefully constructing the experimental procedures and conducting the appropriate statistical analyses. Each scenario consisted of a different combination of treatments based on a 2 x 2 x 2 factorial, with each scenario represented by

one firm. We randomized the order of scenario presentation to avoid a potential confound between the order of scenarios and the manipulations. We pilot tested the complete questionnaire on a sample of four subjects to ensure that participants could process the scenarios without any fatigue effects.

We performed three-factor mixed ANOVAs on overall ratings, with *Group* as the between-subject factor and *Congruence* and *Negativity* as within-subject factors. The individual subject was the unit of analysis. Subjects remained in their assigned groups. Results were corrected by the Greenhouse–Geisser procedure (Greenhouse & Geisser, 1959) where appropriate. We also tested the data for normal distribution and homogeneity of variance using a Kolmogorov–Smirnov test and Levene’s test, respectively, before statistical procedures were applied. We observed no gross departures from the assumptions.

Using the statistical software G-Power (version 3.1, G* Power), we conducted a priori power analysis to determine the study’s sensitivity. As suggested in the literature (e.g., Sawyer & Ball, 1981), the power of all tests was set at .80 for the conventional Type I error rate of 5%. A power analysis using estimated variables and a medium effect size (0.3) as suggested in previous studies⁴ determined that a total sample size of 40 was needed to detect differences between conditions ($\alpha = 0.05$; $1 - \beta = 0.80$). After employing listwise deletion⁵ to eliminate subjects with missing data on any predictor, our total sample size is 52, and so exceeds the 40 required. See Table 2 for additional details.

-- INSERT TABLE 2 ABOUT HERE --

RESULTS

--INSERT TABLE 3 ABOUT HERE--

As shown in Table 3 above, *Congruence* did not exert a significant main effect upon the dependent variable [$F = .143, p > .05$]. This indicates that differences in overall ratings between the experimental and control groups were not driven by whether or not a given rating was consistent with the other information given in a scenario. Thus, counter to Hypothesis 1, the congruence between a reputation ranking and other information that one has about a firm does not appear to directly affect how one rates that firm. In contrast, there is a significant main effect for *Negativity* [$F = 22.49, p < .001$]. As expected, when rating firms, the subjects were more influenced by a *Fortune* score if it was negative than if it was positive. Thus, Hypothesis 2 is supported.

Table 3 also lists results for several interactions. The interaction between *Negativity*, *Congruence*, and *Group* is significant [$F = 6.68, p < .01$]. To interpret this three-way interaction, we performed tests of each of the underlying two-way interactions (see Aiken & West, 1991). The only two-way interaction term to reach statistical significance is *Negativity* by *Congruence* [$F = 546.9, p < .01$], and so this appears to be the main driver of the overall three-way interaction. Thus, we find additional support for Hypothesis 2 and partial support for Hypothesis 1: though there is no direct effect for *Congruence*, when the other information provided about the firm (the scenario) is negative, a congruent (negative) ranking has a significant effect on the subject's rating of the firm.

DISCUSSION

Do reputation rankings influence perceptions of firms? Our findings suggest that they do, under certain conditions. In particular, a negative ranking tends to make one's assessment of a firm more negative, especially when the negative ranking is consistent with other information one has about the firm. Thus, rankings are influential, but cognitive dissonance

(Festinger, 1954) and the salience of negative information (Taylor, 1991) renders this influence strongest when a ranking reinforces one's unfavorable view of a firm.

Our study answers recent calls to delve more deeply into the cognitive underpinnings of corporate reputation (Barnett, 2014; Love & Kraatz, 2009; Mishina et al, 2012). People face cognitive constraints that limit their ability to assess the actions of firms. They turn to reputation rankings to help fill this void. In support of Mishina et al. (2012)'s conceptual model of reputational assessment, we find that the effect of a focal cue (herein, a *Fortune* score) on one's assessment of the reputation of a firm is path dependent, varying with prior information one has about the firm (herein, the additional scenario details). Moreover, adding to Barnett's (2014) conceptual model of stakeholder punishment of firm misconduct, negative information about firms is processed differently than is positive information. Combining all this suggests that a firm with an unfavorable history may be tipped into a downward reputational spiral by a negative ranking, but given its incongruence, a positive ranking of the same firm may go unnoticed and so is unlikely to tip the firm into an upward spiral. Thus, from the firm's perspective, reputation rankings may be more accurately perceived as threats than as opportunities, particularly for those firms without favorable prior reputations.

Herein, we also extend the broader corporate reputation literature by noting that reputation rankings, of which there are now many, do not merely reflect the views of various observers but also influence these views. Because of this, a firm's actual characteristics and qualities can become disconnected from the perceptions that individuals hold of it, and the firm can lose or gain reputation without ever having changed its qualities. The results herein indicate that stakeholders focus on the features that the firm and its ranking hold in common. For example, stakeholders might overlook negative news about a firm and highlight the positive if that firm has a history of good behavior (Barnett, 2007). As a result, favorable reputations may be sticky, due to observers contorting new information to fit their existing

beliefs. In contrast, unfavorable reputations may be quite fragile, quickly shattering in the face of a negative event. By further exploring the use of heuristic processing, more insights can be gained regarding the fragility and durability of reputations and the mechanisms by which corporate rankings influence the perceptions of stakeholders.

Our study also contributes to the large literature on the “business case” for corporate social responsibility which seeks to determine the relationship between corporate social and financial performance (e.g., Barnett & Salomon, 2012). To determine the conditions under which it “pays to be good,” it is necessary to account for how stakeholders actually assess the social performance of a firm. The assumption typically used in the business case literature – that stakeholders are aware of the social performance of firms – often does not hold (Barnett, 2014). Instead, stakeholders fill in gaps in their knowledge of firm performance with other information, and these shortcuts create biased perceptions. We need more studies that demonstrate how stakeholders process new information about firms.

Our findings also have implications for practice. Managers are keenly interested in what people think of their firms because one’s feelings about a firm influence how one behaves toward that firm – whether one chooses to buy its output, become an employee, or otherwise transact with the firm – and these behaviors, in turn, affect the success and survival of that firm (Fombrun, et al., 2000). How can managers shape what people think about their firm? Clearly the link between a firm’s behavior and its reputation is a loose one and so firms may be unable to change their reputations solely by changing their behaviors. Although a firm may significantly improve its social or financial performance, the changes the firm makes may go unnoticed or be misinterpreted by the firm’s stakeholders.

That is not to say that, because of this loose link, firms need not concern themselves with their behaviors. But it does imply that firms ought to also concern themselves with the context in which their behaviors are perceived. The way in which information is presented

and even who presents the information is of relevance to how stakeholders notice and interpret it. Firms should exploit the presence of positive aspects of their reputation and make them more congruent with other information they present so as to make the positive aspects of reputation stickier. In the face of a negative ranking, a firm can increase the salience of other positive rankings. Marketing scholars have proposed various strategies for how companies can capitalize on existing brands that are already favorable to customers when launching new products or entering new markets (Aaker & Keller, 1990).

Although our experimental methods allowed for isolating and documenting the effects of reputation rankings on individual perceptions, the results are based on an artificial situation. Subjects in the lab might have behaved differently than they would have had they been outside the lab because they were aware that they were being observed. Experimental investigations tend to produce larger effects of information on perception than do non-experimental investigations into the same phenomenon (Hovland, 1959). Thus, future studies may seek to uncover the influence of reputation rankings on firm reputation in real-world settings.

Although our experiments are reasonable abstractions, issues in the real world such as the reputation of the CEO and the organization's detailed history were excluded. However, by isolating these issues, we have established that the excluded factors did not cause the outcomes we observed herein. In addition, the process that subjects followed in this study closely resembles the processes needed to evaluate firms: processing information about the firms, developing perceptions of them, and expressing perceptions by providing rankings, often under time pressure. As Cohen and Cyert (1965: 306) wrote, "even though the assumptions of a model may not literally be exact and complete representations of reality, if they are realistic enough for the purposes of our analysis, we may be able to draw conclusions which can be shown to apply to the world."

This study focused on the influence of a single overall ranking on perception. An obvious question to consider is whether our results hold in a more complex condition in which more than a single overall ranking is known. Reputation is a multidimensional construct, and so the effects of exposure to various individual ratings dimensions, as well as multiple and perhaps conflicting rankings, is worthy of further study. For example, how does a potential college student make sense of conflicts between *Business Week* and *U.S. News & World Report* college rankings when formulating a perception of a given college? Are they able to parse variation in the dimensions on which each rates a college? Do they weight one more heavily than another? How does exposure to the first ranking shape interpretation of the subsequent ranking? While this article offers insight into the general case, the influence of multidimensional and multiple reputations on perception remains an open question.

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TABLE 1
Participant Characteristics

Variable	Experimental (34 in total)		Control (34 in total)	
	N	%	N	%
Gender				
Male	15	38	16	47
Female	19	56	18	53
Nationality				
UK	19	56	20	59
Other	15	44	14	41
Profession				
Student	14	41	12	35
Other	20	59	21	62
Years worked				
<1 year	7	21	11	32
1-4 years	6	18	8	24
5-10	6	18	7	21
11+	14	41	8	24
Age				
18-25	12	35	16	47
26-30	7	21	7	21
31-40	10	29	6	18
41+	3	9	5	15

TABLE 2
Power Analysis Results

F tests - ANOVA: Repeated measures, within-between interaction

Analysis: A priori: Compute required sample size

Input:	Effect size f	= 0.3
	α err prob	= 0.05
	Power (1- β err prob)	= 0.8
	Number of groups	= 8
	Number of measurements	= 4
	Corr among rep measures	= 0.5
	Nonsphericity correction ϵ	= 1
Output:	Noncentrality parameter λ	= 28.8
	Critical F	= 1.67
	Numerator df	= 21
	Denominator df	= 96
	Total sample size	= 40
	Actual power	= 0.868

TABLE 3
Analysis of Variance

Source of variance	<i>Df</i>	SS	F	<i>p</i>
Congruence	1	.146	.143	.707
Negativity***	1	26.28	22.49	.00
Congruence x Group	1	.836	.825	.37
Negativity x Group	1	3.28	2.81	.10
Congruence x Negativity***	1	778.5	546.9	.00
Congruence x Negativity x Group*	1	9.50	6.68	.01

* $p < .05$; ** $p < .01$; *** $p < .001$

APPENDIX

Sample scenario for experimental group

Company B operates in many different industries and works with customers in different countries. Its financial results were excellent, with revenues and profits up last year. Its prudent risk management as well as its good practice in stakeholder engagement contributed to the company's strong performance. Company B usually makes wise use of corporate assets; it earns a higher return using the same amount of assets as other competitors. This in part makes investors believe that Company B is considered a good long-term investment. The quality of its managers and their integrity is good. Company B provides quality products and services. According to a recent customer satisfaction survey, 85 percent of customers said they would use the service again. Company B is known for attracting talent. The employee retention rate was also in the high 90 percent range last year. The company displays above average concern for its community and is known as responsive to environmental concerns. Last year, some of its employees collaborated with an NGO and a large amount of money was raised for cancer research. Employee innovativeness at Company B is high. Company B's investment in innovation research and development was increased by 34 percent last year. According to Fortune magazine, Company B is assessed favorably as 7 (excellent) in the "World's Most Admired Companies" list.

What rating will you give Company B for this year? (1: very poor; 2: poor; 3: below average; 4: satisfactory; 5: good; 6: very good; 7: excellent)

Sample scenario for control group

Company G recorded mixed financial results last year. They made zero profit; the stock price dropped marginally; the long-term value of the company was slightly adjusted upwards. Company G follows industry standards that outline appropriate use of corporate assets. The quality of management at Company G is neither good nor bad. There were two appointments, former CEOs of IT companies, to the board. The new directors maintained the current budget allocation for R&D last year. Innovativeness at Company G is average. Concerns are raised occasionally that the level of investment in research & development (R&D) is too low. The quality of products and services is mid-range as are prices. The foundation, a corporate arm for corporate social responsibility, is left independent and has several initiatives for the community where the company is located. The company displays some concern for its community and is relatively responsive to environmental issues. Company G was partially successful for keeping talented people. Some highly competent managers left the company last year.

What rating will you give Company G for this year? (1: very poor; 2: poor; 3: below average; 4: satisfactory; 5: good; 6: very good; 7: excellent)

END NOTES

¹ Ranking and rating are terms often used interchangeably in the reputation literature. Though the measure we later employ is technically a rating since it is a numerical score, for consistency we use the term ranking throughout the article. This seems the more common term in the business and society literature.

²Results of a manipulation check indicated the subjects interpreted our descriptions as intended. For example, as expected, positive descriptions were rated as more positive than negative descriptions. To determine differences across descriptions, we performed paired analyses of the group, two at a time: positive vs. negative. The two-tailed *t*-statistic was 25.25 and the *p*-value was less than 0.05. Thus, we reject the null hypotheses of equal means between positive and negative conditions.

³ We dropped “work experience” from the set of control variables because of its strong correlation with the “student” control variable ($r = .58$).

⁴ It is often acceptable to use a medium effect size (0.3) as suggested in Cohen (1988), but to obtain a more realistic effect we used the effect size (0.35) reported in previous relevant studies on judgment and encoding (e.g. Block & Zakay, 1997; Storbeck & Clore, 2011).

⁵ This method is often the default option in statistical software packages (Little & Rubin, 1987).