Corporate Reputation Persistence and Its Diminishing Returns

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Abstract

Favorable corporate reputations are intangible assets that offer firms a strategic competitive advantage (e.g., Fombrun, 1996). Corporate reputations are defined as stable, enduring (Walker, 2010; Vergin & Qoronfleh, 1998), and a tendency to persist (Roberts and Dowling, 2002; Schultz, Mouritsen, & Gabrielsen, 2001). Persistent reputations imply that while highly reputed firms continue to enjoy their reputations, firms with less favorable reputations have greater difficulty overcoming their poor reputations to move up the reputation ladder. This research examines reputation persistence by testing how well prior reputation is able to predict future reputation over a three year period. Using a sample of 103 firms, we find that a firm's prior reputation is persistent, but diminishes over time. However, prior financial performance had an increased effect over time. Furthermore, firm performance helped to increase a firm's change in reputation, while prior reputation had a greater stabilizing effect.

Key Words: corporate reputation, reputation persistence, reputation stickiness, reputation change

1. Introduction and Background

As an intangible asset, corporate reputation creates an important strategic competitive advantage over its rivals because it is a resource that helps a firm to differentiate itself from others, is rare, difficult to imitate by other organizations, and without a substitute (Barney, 1991). Some have argued that the most important assets of a firm are intangible (e.g., Soh, 2006; Hall, 1993) since these resources are inimitable. Favorable reputations have afforded firms strategic advantages, such as reducing competitive rivalry and mobility barriers to deter market entry (Caves & Porter, 1977; Milgrom & Roberts, 1982), charging premium prices (Vergin & Qoronfleh, 1998), and reducing operating costs and attracting talent (Fombrun, 1996). Reputations have also been found to persist over at least a short period of time, which benefits firms with favorable reputations, but hinders firms with unfavorable reputations (Roberts & Dowling, 2002; Ravasi, 2002; Schultz, et al., 2001). Given the strategic advantages associated with favorable reputations, reputation persistence places firms with less favorable reputations at a competitive disadvantage.

This paper examines the persistence of a firm's corporate reputation in two ways. First, we test how well reputation predicts future reputation over a three year period to ascertain the short term and potentially longer term effects of prior reputation. We control for other predictors of reputation, such as firm performance (market to book value), degree of strong culture, firm size, and firm age. Second, we examine which variables tend to have a greater or lesser impact in predicting a change in reputation for one year, two years, or three years, to identify potential practical approaches a firm may take to improve its reputation. Since a stronger overall model to predict reputation includes financial and nonfinancial variables (Roberts & Dowling, 2002), we included corporate culture as a control variable, a known nonfinancial predictor of reputation (Fombrun & Shanley, 1990).

2. Brief Overview of Corporate Reputation

Research on corporate reputation has grown over the last twenty years since Fombrun and Shanley's (1990) seminal article. Recent reviews and meta-analyses of reputation research document consistent and divergent findings (Lange, Lee, & Dai, 2011; Walker, 2010).

The definition of reputation has evolved (Walker, 2010), but "a definitive definition of the construct has yet to emerge in spite of numerous attempts to describe and integrate the definitions in use" (Lange, et al., 2011). Most reputation research apply one of three theoretical approaches, resource based view (RBV), signaling theory, or institutional theory (Walker, 2010). Research on the relationship between reputation and firm financial performance have found financial performance a strong predictor of reputation, but also identified non-financial predictors as important. Brown and Perry (1994) found that financial measures explained 38 percent to 59 percent of the unexplained variance of reputation and Black, et al. (2000) examined how non-financial variables contributed to explaining the variance in reputation. Roberts and Dowling (2002) found that while financial variables contributed more towards profits, the non-financial component was significant and enhanced the overall model Corporate reputation is defined as "…a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with leading rivals" (Fombrun, 1996). As a multidimensional construct, a firm's reputation emerges from multiple constituent groups (e.g., customers, investors, employees, and the general public) and multiple interactions over time (Fombrun & Shanley, 1990; Brown & Perry, 1994).

Walker (2010, p. 370) extends and refines this definition of reputation by identifying five attributes: 1) it is based on perceptions (internal and external); 2) these perceptions are from all stakeholders; 3) reputation is inherently comparative; 4) reputation can be positive or negative; and 5) reputation is stable and enduring. The last attribute makes explicit what has been implicit about reputation, in which the full impact of a firm's reputation is in its persistence or enduring nature over time. Firms with favorable reputations are more likely to achieve and sustain a superior financial performance over time (Sabate & Puente, 2003; Roberts and Dowling, 2002), have a positive impact on capital gain (Vergin & Qoronfleh, 1998), the stock market (Jones, Jones and Little, 2000), market value (Black, et al., 2000) and charging a price premium (Rindova, Williamson, Petkova, & Sever, 2005). A favorable reputation offers firms two distinct competitive advantages over rivals. First, firms with more favorable reputations hold a competitive advantage over their rivals, since they are perceived as stronger firms by stakeholders. Secondly, and possibly more importantly, reputation persistence (e.g., Robets & Dowling, 2002; Shultz, et al., 2001) and its enduring nature positions firms to exercise a more sustainable competitive advantage over time (Vergin & Qoronfleh, 1998; Kraatz & Love, 2006). Furthermore, since reputation is an intangible asset, it is inimitable, strengthening its competitive advantage.

3. Reputation Persistence

While research on corporate reputation has grown considerably, limited effort has been devoted to examining its persistence. By definition, reputations are enduring and regardless of whether they are good or bad, a firm's reputation is perceived as having "real staying power" (Alsop, 2004). Empirical research documents how a firm's prior reputation influences future reputation. These findings show that a firm's corporate reputation level was strongly related to its previous level (Dunbar & Schwalbach, 2000; Black, et al.,2000). A pattern of reputation persistence has been documented across different ranking systems and countries, such as the United States (Roberts & Dowling, 2002), Denmark (Schultz, et al. (2001), and Italy (Ravasi, 2002). An important implication from these findings is that if corporate reputation is considered a valuable intangible resource that offers firms a competitive advantage, then firms with favorable reputations receive an extra boost from a persistent reputation over time – even if this may be only for a short period of time. Conversely, reputation persistence makes it difficult for firms to overcome an unfavorable reputation. While most research show reputation persistence, Carter and Ruefli (2006) offer a dissenting perspective and argue that there is scant evidence that shows reputation is durable (persistent) and able to create a sustainable competitive advantage (p. 4).

What makes reputation inert? Fombrun (1996) and Alsop (2004) argue that a firm builds its reputation capital over years to provide firms short- and long-term stability. Firms with strong reputations are able to draw from their reputation capital to make it through difficult periods and seize opportunities (e.g., mergers, acquisitions, strategic alliances, etc.) in good times. Ang and Wight (2009, p. 21) found that stable reputation rankings are more likely to occur when firm performance is consistent over time. "Thus, not only is strong performance critical to the building and maintenance of strong reputation, this performance must be consistent, and must be superior to competitors" (Ang & Wight, 2009, p. 29). This same logic applies to firms that underperform, where firms "that consistently underperform can expect a worse reputation than firms that under-perform occasionally" (Ang & Wight, 2009, p. 30).

4. Hypotheses

The following hypotheses predict reputation and a change in reputation over a three year time period to examine the short term and a slightly longer term influence of reputation persistence and financial performance (measured as market to book value). The first hypothesis is proposed to confirm prior findings that prior reputation is a predictor of future reputation on a short term basis (Roberts & Dowling, 2002; Schultz, et al., 2001; Dunbar & Schwalbach, 2000; Black, et al., 2000).

H1: A firm's prior reputation will positively influence reputation in the following year.

Since prior research examined persistence using a one year lag structure (Roberts & Dowling, 2002; Schultz, et a., 2001), we propose that firm reputation may slowly be revised to reflect firm changes. Stakeholders and shareholders monitor firm performance and behavior to revise their reputation assessments of the firm. Favorable or unfavorable performance changes serve as signals that suggest the firm's reputation should also shift to reflect these changes (Basdeo, Smith, Grimm, Rindova, & Derfus, 2006). For example, layoffs and downsizing have been shown to have a negative impact on reputations (Flanagan & Shaughnessy, 2005; Love & Kraatz, 2009). This suggests that firm reputation may be less stable or persistent over time frame and have a diminishing effect, as stakeholders revise their reputation assessments to reflect changes in firm performance and behavior.

H2: The relative influence of firm reputation will have a diminishing effect across the following three years.

While firm performance has been identified as a major predictor of reputation (e.g., Sabate & Puente, 2003; Black et al., 2000), little is known about how firm performance influences firm reputation over time. We first confirm prior findings that prior financial performance will have a positive influence on the subsequent year's reputation.

H3: Prior firm performance will positively influence reputation in the following year.

Since the information on firm performance becomes outdated by newer performance information about a firm, we hypothesize that firm performance will have a diminishing effect over time.

H4: Prior firm performance will have a diminishing effect on reputation across the following three years.

The next two hypotheses test the extent prior reputation and financial performance (market to book value) have on changes in reputation for one, two and three years. The research on reputation persistence argues that prior reputation is a major predictor of subsequent reputation, at least for the short term (Ang & Wight, 2009; Roberts & Dowling, 2002; Schultz, et al., 2001; Dunbar & Schwalbach, 2000; and Black, et al., 2000). Therefore, favorable reputations should protect and minimize future reputation changes.

H5: Firms with higher reputations are more likely to experience less reputation change.

Aside from prior reputation, a firm's prior performance is also a major predictor of its future reputation (Lange, et al., 2011; Roberts & Dowling, 2002; Sabate & Puente, 2003; Black, et al., 2000). Stakeholders carefully monitor the changes in a firm's performance and use it as a signal to generate impressions about the firm and to revise reputation assessments accordingly (Basdeo, et al., 2006). While prior reputation helps a firm maintain its reputation and allow it to persist, higher performance signals a means for firms to reassess its reputation and consider updating its reputation accordingly. Therefore, firms with higher performance should experience greater reputation changes.

H6: Firms with a higher reputation are more likely to experience a greater change in its reputation.

4. Data, Research Methodology, and Analysis

The sample for this study was created by merging data from multiple sources to create a dataset that included corporate reputation measures with other known financial and nonfinancial predictors of reputation, such as financial performance (market to book value), culture, firm size, firm age, and industry dummy variables. Since we included culture as a nonfinancial control, we used Kotter and Heskett's (1992) culture data as the base sample, similarly to that of a study of culture and performance by Sorenson (2002). We added corporate reputation measures from *Fortune*, financial data, firm age and industry dummy variables from Standard and Poor. This yielded a sample of 103 firms over four years, from 1986 through 1989. Reputation was measured as the ratings from Fortune's Most Admired Company survey from 1986 through 1989, the year before, during and after Kotter and Heskett's (1992) research on organizational culture. Fortune's measures of reputation was obtained from their annual survey of the Most Admired Companies survey, where they survey executives, directors, and market analysts to rate companies on an 11 point scale (0=poor to 10=excellent) for eight dimensions. We use the overall measure of reputation (average of the eight dimensions) as the measure of reputation.

Change in reputation ratings were calculated by subtracting the reputation ratings for the following years: 1987-1986 (one year), 1988-1986 (two years), and 1989-1986 (three years). Industry dummy variables were created to control for industry differences. The industry categories reflect the same industries identified by Fortune's Most Admired Companies survey. Culture strength was measured on a scale of 1 (strong) to 5 (weak); we reverse coded this rating for ease of interpretation, where a rating of 5 indicated a strong culture and a rating of 1 indicated a weak culture. We included culture as a nonfinancial control variable since models with financial and nonfinancial predictors yielded the strongest model of reputation (Roberts & Dowling, 2002). While Fombrun (1990) initially identified culture to be strong nonfinancial predictor of reputation, culture was found to have a direct and indirect influence on reputation (Flatt And Kowalczyk, 2008). Firm performance was measured as market to book value. Firm size was measured as number of employees. Firm age was measured as 1986 minus founding year. Firm performance, size, and age were transformed using a natural log (ln) to achieve a more normal distribution. Five industry dummy variables were also included to control for industry differences.

The analysis plan for hypotheses one through four tested how well prior reputation (1986) predicted reputation in 1987, 1988 and 1989. Therefore, we used ordinary least squares regression analysis, where the reputation rating of 1987 was regressed on the 1986 reputation rating, culture, financial performance, firm size, firm age, and industry dummy variables. This was followed by regressing the reputation rating of 1988 and 1989 on the same set of 1986 variables. Hypotheses five and six tested the extent reputation and firm performance contributed towards a change in reputation for one year (1987-1986), two years (1988-1986), and three years (1989-1986). Again ordinary least squares regression was used with the same independent and control variables in hypotheses one through four (culture, financial performance, firm size, firm age, and industry dummy variables). While the use of change scores have been criticized, Allison (1995) makes a strong argument that using change scores when one expects a true causal effect is appropriate. Given the empirical research on research persistence, we believe this research establishes this causal effect. Tests for multicollinearity were performed on all regressions and all of the regression equations were found to be below the threshold limit.

5. Results

Table 1 shows the descriptive statistics for all of the variables use in the analyses. Overall, the mean scores for reputation were very similar from 1986 to 1989, ranging from 6.56 (1986) to 6.61 (1987), however the standard deviations showed a slight increase over the years from .88 to (1986 and 1987) to 1.00 (1989). The average change in reputation are minimal, with means of only .04 (1987-1986) and -.02 (1988-1986; 1989-1986), but with increasing standard deviations (.34 to .68). The percentages for each of the industries range from approximately eight percent (Power) to twenty-four percent (Shopping).

Insert Table (1) about here

The correlations (Table 2) show high correlations between the reputation scores ($r=.92$, $p<.001$ and $r=.84$, $p<.001$), as expected, suggesting reputation persistence. Market to book value, our measure for firm performance, also had consistent moderate correlations with reputation ($r=.44$, $p<.001$;$r=.42$, $p<.001$; and $r=.44$, $p<.001$ for 1987, 1988, and 1989 respectively). Culture had a stronger correlation to reputation than market to book value ($r=.76$, $p<.001$; $r=.78$, $p<.001$; and $r=.71$, $p<.001$, for years 1987, 1988, 1989, respectively), suggesting that reputation assessments reflect nonfinancial components as well.

Insert Table (2) about here

Table 3 reports regression findings predicting 1987, 1988, and 1989 reputation ratings, based on 1986 reputation, market to book value, culture, firm size, firm age, and industry dummy variables. In model 1 prior reputation had the most significant influence on future reputation (1987) ($\beta = .80$, $p<.001$), supporting hypothesis one. Hypothesis three was also supported, since firm performance was positive and significant ($\beta=.16$, $p<.01$). Culture was also significant, but had the smallest beta in the model ($\beta=.12$, $p<.05$). Larger firms ($\beta = -.12$, $p<.05$) and older firms ($\beta=-.08$, $p<.05$) were negative and significant, indicating they tended to have lower reputations. With prior reputation attaining a much larger standardized beta than any other variables, it supports and confirms previous findings on reputation persistence over the short term.

In Models 2 and 3 (Table 3) the standardized beta contributions of reputation diminish a little more for each subsequent year ($\beta=.53$, $p<.001$ for 1988; $\beta=.47$, $p<.001$ for 1989), while prior performance increases for each subsequent year ($\beta=.31$, $p<.001$ for 1988; $\beta=.40$, $p<.001$ for 1989). This supports hypothesis three, but does not support hypothesis four.

Prior reputation had its greatest influence on the following year, supporting a relative short term reputation persistence (e.g., Roberts & Dowling, 2002), but while prior reputation's influence remains positive and significant, it diminishes with each of the subsequent following years. This suggests that a firm's reputation does protect it, but primarily for the following year. Firm performance (market to book value) had an increased positive influence over the three year period, suggesting that stakeholders are tracking a firm's performance and using this signal to adjust a firm's reputation. By the third year (1989), the beta contributions are almost equal for prior reputation and firm performance. While the contributions of prior reputation decreased and performance increased, the overall explained variance for the models decreased over the three years, from .89 ($p<.001$), to .77 ($p<.001$), and .67 ($p<.001$). Table 3 also shows that a firm's culture, as a nonfinancial predictor of reputation, was initially small ($\beta=.12$, $p<.05$), increased in the second year ($\beta=.30$, $p<.001$), and then decreased in year three ($\beta=.22$, $p<.05$). Culture appeared to have its greatest influence during the second year.

Insert Table (3) about here

At a practical level, firms need to know what triggers changes in their reputation scores to guide them in their efforts to improve or protect their reputations. Therefore, we examined the contributions of prior reputation and firm performance on a change in reputation for one year, two years, and three years. Table 4 shows firms with higher reputations had significantly lower changes across the three years ($\beta= -.55$, $p<.001$ for 1987-1986, $\beta= -.69$, $p<.001$ for 1988-1986, and $\beta= -.64$, $p<.001$ 1989-1986), with the strongest effect for the second year (1988-1986). This suggests that higher prior reputations tended to stabilize reputations and protect a firm from reputation slippage across the three years, since firms with higher reputations experienced less reputation change in subsequent years. Therefore, hypothesis five was supported.

Prior firm performance was significant and positive, indicating that firms with higher performance enjoyed greater reputation change gains across the three years ($\beta=.43$, $p<.01$ for 1987-1986, $\beta=.51$, $p<.01$ for 1988-1986, and $\beta=.59$, $p<.001$). This effect became stronger over the three year period and suggests that a firm's reputation is more likely to improve its reputation by improving its performance, supporting hypothesis six. While culture had positive and significant effects across the three years, it was particularly strong in the second year (1988-1986, $\beta=.51$, $p<.001$), suggesting that firms with stronger cultures were associated with greater reputation changes. This is consistent with research that showed firms with strong cultures had a positive influence on reputation (Flatt & Kowalczyk, 2008) since strong cultures create a work environment that facilitates the implementation of a firm's culture through (Chatman & Cha, 2003). Larger firms apparently experienced less reputation change than smaller firms, which is consistent with findings that show larger and older firms associated with greater media visibility that may help the firm maintain its reputation (Schultz, et al., 2002; Deephouse, 2000).

Insert Table (4) about here

6. Discussion

This research contributes to research on reputation persistence by confirming and extending research in this area. Like Roberts and Dowling (2002), Shultz et al. (2001) and Ang and Wight (2009), we find a pattern of reputation persistence. We extend prior research by assessing how well prior reputation predicts future reputation over a three year period and find that reputation tends to persist primarily for only the following year, but has a diminishing influence on reputation over the next two years. Therefore, reputation tends to be most protective for a year, but less so for subsequent years. This implies that firms that falter can expect their reputations to reflect this by the second year, if they do not show improvements. Consistent with prior research on the relationship between financial performance and corporate reputation (e.g., Sabate & Puente, 2003), we found financial performance had a significant and positive influence on reputation.

What is intriguing is that this influence had a steady increase across the three years. While the initial one year effect was modest, it steadily increased over the next two years. Numerous studies document that financial performance is a key predictor of future reputation (e.g., Hammond & Slocum, 1996), but we expand on these findings by suggesting that financial performance may have an increasing effect over time (at least three years), which is similar to the Ang and Wight's findings (2009), who showed that consistent performance led to higher reputations. Our finding suggest that firm performance has a lagged effect on reputation and firms should not expect an immediate (one year) gain in their reputation if their firm's performance increases; but they should be patient and expect their reputation to increase over the next two years. Stakeholders appear to perceive a firm's performance signal with caution and prefer to wait until there is a stronger pattern of improved performance before they revise a firm's reputation.

Unfortunately this infers that firms are less likely to show an improved reputation in a year, but will have to increase their bottom line to demonstrate confidence in their firm despite their weaker reputation. This supports research and anecdotal comments that notes how it takes time to develop and earn a stronger reputation (e.g., Dowling, 2004). Our research showed that the best predictor of future reputation for the following year was a firm's prior reputation and not its financial performance. While prior reputation maintains a larger standardized beta (β) across the three years, it diminishes considerably in year two and continues to drop in year three, where financial performance approaches an equal contribution towards explained variance. When we examined the influence of prior reputation and performance on a change in reputation for one year, two years, and three years, we found prior reputation tended to stabilize a firm's reputation and performance tended to improve the change in reputation. Prior reputation minimized a change in reputation over the three years, confirming a degree of reputation persistence over the three year period. Higher firm performance led to increased gains in future reputation change. This finding has a practical implication: if firms want to improve their reputation, they should focus on improving their financial performance since prior reputation (favorable or unfavorable) will likely persist.

Given our sample and design we acknowledge limitations of our research findings. The data was older than we preferred, but the culture data were only available for this time period and we felt it was important to test a model that included a nonfinancial predictor of reputation, since this would reduce unknown variance and be a stronger test of our hypotheses. Any generalizations are limited due to our small sample comprised of mostly large and older firms. While the use of Fortune data as a measure for corporate reputation has been criticized over the years for its financial bias (Brown & Perry, 1994; Fryxell & Wang, 1994), it has been widely used (e.g., Ang & Wight, 2009; Kraatz & Love, 2006; Roberts & Dowling, 2002). Furthermore, given the time frame of this research, no other reputation data were available to match the culture data. Future research should expand the sample size and number of years to better examine prior reputation's diminishing effects, as well as the increased effects from prior firm performance.

Additionally, research should be expanded to include international firms, since this study used only firms from the United States. We also encourage future researchers to include nonfinancial variables in their models to learn if these nonfinancial variables may further facilitate a means for firms to improve their reputations. More research is needed to better understand reputation persistence and how firms may be able to improve their reputations. This research was a relatively small study to better understand reputation persistence and to better inform managers and practitioners. Managers of firms with strong favorable reputations should be aware that while there is some protection in their reputation, this is short term, temporary, and diminishes over time. Firms that are unclear about how to improve their reputations should consider ways to improve their financial performance first, since this appears to be a major driving force.

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Table 1: Descriptive Statistics

Variable		Mean	Std. Deviation
1.	Reputation 1986	6.56	.88
2.	Reputation 1987	6.61	.88
3.	Reputation 1988	6.59	.93
4.	Reputation 1989	6.57	1.00
5.	Reputation Change (1987-1986)	.05	.34
6.	Reputation Change (1988-1986)	-.02	.55
7.	Reputation Change (1989-1986)	-.02	.58
8.	Culture	2.42	.75
9.	Market to Book Value (ln)	8.30	1.20
10.	Firm Size (ln)	10.53	1.04
11.	Firm Age (ln)	3.93	.88

Table 2: Correlations

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.Rep87	**1**																
2.Rep88	**.92*** **	**1**															
3.Rep89	**.84*** **	**.90*** **	**1**														
4.RepChg (87-86)	**.174**	**.27****	**.24****	**1**													
5. RepChg (88-86)	**.106**	**.42*** **	**.36*** **	**.75*** **	**1**												
6. Repchg (89-86)	**.027**	**.26****	**.50*** **	**.60*** **	**.77*** **	**1**											
8. Culture	**.76*** **	**.78*** **	**.71*** **	**.040**	**.181**	**.088**	**.74*** **	**1**									
9. Mkt to Bk Value (ln)	**.44*** **	**.42*** **	**.44*** **	**-.043**	**.038**	**.079**	**.45*** **	**.37*** **	**1**								
10. Firm Size (ln)	**.06**	**-.00**	**.06**	**-.21***	**-.19***	**-.08**	**.141**	**.081**	**.65*** **	**1**							
11. Firm Age (ln)	**.10**	**.08**	**.09**	**-.17**	**-.14**	**-.09**	**.17**	**.09**	**.06**	**-.00**	**1**						
12. Ind: On the Move	**-.11**	**-.19**	**-.17**	**-.18**	**-.21***	**-.18**	**-.04**	**-.02**	**-.01**	**.31****	**-.03**	**1**					
13. Ind: Shopping	**.10**	**.08**	**.16**	**-.07**	**-.02**	**.119**	**.13**	**.12**	**-.20***	**-.18**	**.15**	**-.24***	**1**				
14. Ind.: On the Bounce	**-.15**	**-.04**	**-.02**	**.28****	**.27****	**.21***	**-.25****	**-.12**	**-.29****	**-.17**	**.03**	**-.25****	**-.30****	**1**			
15. Ind. Pharmaceuticals	**.23***	**.18**	**.16**	**.01**	**-.05**	**-.06**	**.23***	**.05**	**.28****	**.02**	**.12**	**-.14**	**-.16**	**-.17**	**1**		
16. Ind: Cyberspace	**-.08**	**-.05**	**-.16**	**-.12**	**-.00**	**-.18**	**-.03**	**-.03**	**.21***	**.21***	**-26****	**-.15**	**-.18**	**-.19***	**-.11**	**1**	
17. Ind. Power	**-.16**	**-.06**	**-.04**	**.01**	**.09**	**.16**	**-.16**	**-.08**	**.27****	**.14**	**-.01**	**-.13**	**-.15**	**-.16**	**-.09**	**-.10**	**1**

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

Table 3: Future Reputation Regressed on Prior Reputation, Culture, Financial Performance, Firm Size, and Firm Age+, ++, +++

	Model 1	Model 2	Model 3
Dependent Variable: Reputation	(1987)	(1988)	(1989)
Independent Variables:			
Prior Reputation	.80***	.53***	.47***
Performance (Market to Book Value (ln))	.16**	.31***	.40***
Control Variables:			
Culture Strength	.12*	.30***	.22*
Firm Size (ln)	-.12*	-.26**	-.20*
Firm Age (ln)	-.08*	-.06	-.10
Industry: On the Move	-.03	.04	.03
Industry: Shopping	.00	.11	.21*
Industry: On the Bounce	.07	.20*	.21*
Industry: Pharmaceuticals	.49	.08	.05
Industry: Cyberspace	-1.45	.04	-.11
Industry: Power	-.97	.04	.04
Adjusted R-Squared	.89***	.77***	.67***
N	103	98	91

+ Standardized betas reported
++ Independent and control variables are 1986
+++Market to Book Value, Firm Size and Firm Age used natural logs to normalize distributions
* = p < .05, ** = p < .01, *** = p < .001

Table 4: Change in the Amount of Reputation Regressed on Prior Reputation, Culture Strength, Financial Performance, Firm Size, and Firm Age +, ++, +++

	Model 1	Model 2	Model 3
Dependent Variable: Reputation Change	(1987-1986)	(1988-1986)	(1989-1986)
Independent Variable: Performance (Market to Book Value (ln))	.43**	.53**	.59***
Control Variables: Prior Reputation	-.55***	-.69***	-.64***
Culture Strength	.31*	.51***	.32*
Firm Size (ln)	-.33*	-.45**	-.29*
Firm Age (ln)	-.20*	-.11	-.15
Industry: On the Move	-.08	.07	.04
Industry: Shopping	.01	.19	.31*
Industry: On the Bounce	.19	.34*	.30*
Industry: Pharmaceuticals	.06	.13	.08
Industry: Cyberspace	-.19	.07	-.16
Industry: Power	-.12	.07	.06
Adjusted R-Squared	.22***	.35***	.29***
N	103	98	91

+ Standardized betas reported
++ Independent and control variables are 1986
+++Market to Book Value, Firm Size and Firm Age used natural logs to normalize distributions
* = $p < .05$, ** = $p < .01$, *** = $p < .001$