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Corporate Reputation and Subsequent Financial Performance: A Theoretical Explanation of the Mediating Role of Trust

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Abstract

Amidst empirical evidence that claim corporate reputation affects subsequent financial performance of firms, the literature does not provide a comprehensive explanation for this relationship. The aim of this article therefore is to provide a theoretical explanation on how corporate reputation affects the subsequent financial performance. The available literature supports that corporate reputation signals trustworthiness of firms, based on which stakeholders make decisions such as to trust a firm and allocate valuable, scarce resources. The resources so allocated would help a firm to achieve its objectives, including targeted financial performance in subsequent years. In order to explain the role of trust in the relationship between corporate reputation and subsequent financial performance, the researchers combine two extensively referred models from the reputation and trust literature, the model of reputation-financial performance dynamics and the proposed model of organizational trust. The signaling theory and the stakeholder theory provide the theoretical explanation for the new model proposed.

Keywords: corporate reputation, financial performance, trust

1. Introduction

Corporate reputation has been a subject for management research for several decades. Researchers such Peter W. Roberts, Graham Dowling and Charles Fombrun are among those who had made significant contributions to reputational research. The focus of past research could be broadly categorized in to three as, those that define and bring more clarity to corporate reputation, those that offer methods and instruments for measuring corporate reputation and those that empirically test its relationship with others. The limited academic research that focus on the relationship corporate reputation has with other variables often associate it with a firms' financial performance. Such research often report a positive relationship between corporate reputation and financial performance.

Even though a positive and also a bilateral relationship has been reported between corporate reputation and financial performance in the literature, none of the past research have focused on explaining how corporate reputation makes a positive impact on financial performance. This research therefore focuses on filling this knowledge gap by proposing a theoretical model with the introduction of several mediating and moderating variables in this relationship. Trust between a firm and its stakeholders is identified as the primary mediator in this relationship where propensity to trust and risk perceptions play as positive and negative moderators respectively.

2. Review of Literature

2.1 An Overview of Corporate Reputation and Related Research

Corporate reputation has attracted interest from a wide range of academic disciplines (Rosa, 2005) over the past 30 years (Verčič & Žnidar, 2016). However, corporate reputation is not fully understood even today owing to its multidisciplinary richness (Bălan, 2015) and hence referred to by using alternative terms such as image (Rose & Thomsen, 2004), corporate social reputation (Dowling, 2016) etc. Though the lack of a unique definition for corporate reputation is evident, Barnett, Jermier, & Lafferty, 2006; Fombrun & Van Riel, 1997; Gotsi & Wilson, 2001; Roberts & Dowling, 2002 have offered definitions for corporate reputation focusing on various aspects of it.

Corporate reputation can be explained as an intangible asset (Rosa, 2005) which is also a perception based (Walker, 2010; Roberts & Dowling, 2002) cumulative judgment or assessment by stakeholders (Barnette, et al., 2006) that reflects an aggregate assessment of a firm's performance (Fombrun &Van Reil, 1997). Corporate reputation also functions as an informative signal (Gotsi & Wilson, 2001) to stakeholders.

Further, a growing interest among researchers can be observed to explore the relationship of corporate reputation with other variables important for firms such as trust (Majd & Balakrishnan, 2016; Mui, Mohtashemi, & Halberstadt, 2002), customer purchase intensions (Keh & Xie, 2009) and financial performance (Krueger & Wrolstad, 2016; Krueger, Wrolstad, & Van Dalsem, 2010; Roberts & Dowling, 2002; Rose & Thomsen, 2004).

Previous studies that test the association of corporate reputation with financial performance are relatively scarce (Rose & Thomsen, 2004). Further, these studies also produced contradictory findings due to theoretical and methodological problems (Sabate & Puente, 2003). However, the positive relationship between corporate reputation and financial performance is supported by many researchers such as Eberl & Schwaiger, 2005; Krueger et al., 2010; Preston & Bannon, 1997; Roberts & Dowling, 2002; Rose & Thomsen, 2004.

2.2 Corporate Reputation and Financial Performance

Though a positive relationship between corporate reputation and financial performance is widely accepted, a comprehensive explanation on how corporate reputation positively affects subsequent financial performance is not available in the academic literature. How corporate reputation creates a positive impact on financial performance therefore remains as a "black box" that needs explored. This paper therefore aims at filling this knowledge gap by proposing a comprehensive theoretical model that explains the process through which corporate reputation affects subsequent financial performance.

2.3 An Overview of Trust and Trust Research

There is an increased interest on trust in organizational studies (Mayer, Davis, & Schoorman, 1995). Similar to corporate reputation, lack of a commonly agreeable definition for trust is evident in the trust literature. Many researchers including (Das & Teng, 1998; Greenwood & Van Buren III, 2010; Mayer et al., 1995; Morgan & Hunt, 1994) have proposed definitions for trust. Trust is a significant factor that impact on business relationships (Mouzas, Henneberg, & Naudé, 2007). Khodyakov (2016) by referring to Jones (1996) calls trust as a 'medium' or 'glue' that holds relationships and societies. Trust is viewed as a process (Khodyakov, 2016), a decision and also as an action. Though trust has been researched by many, Mayer et al., (1995) were the first to propose a comprehensive model that explains how trust works within organizations. However, empirical research that involves and measure trust in organizations is limited in the academic literature.

2.4 Financial Performance

The most frequently used measures of organizational performance are financial (Carton & Hofer, 2010). Multiple forces effect financial performance of a firm. These forces could fall both within and outside of a firms' control. Review of literature reveals more than eight factors that have been tested in relation to a firms' financial performance. They include corporate social/environmental performance (Orlitzky, Schmidt, Fank, & Rynes, 2003), social responsibility (Barnett, et al., 2006), board composition and leadership structure (Dalton, Daily, Ellstrand, & Johnson, 1998), corporate social responsibility (Cochran, Philip & Wood, Robert, 2014), balanced scorecard implementation (Davis & Albright, 2004), human resource management practices (Huselid, 1995), intellectual capital (Ming-Chin, Shu-Ju, & Yuhchang, 2005) and supply chain management (Shi & Yu, 2013). In addition, an increased attention has been paid recently on the effect that intangible assets such as corporate reputation has on financial performance by researchers such as Eberl & Schwaiger, 2005; Roberts & Dowling, 2002; and Rose & Thomsen, 2004. The measurement of financial performance, in most empirical investigations, is done using accounting and market based ratios. Such ratios include Earnings Per Share, Price to Earnings Ratio, Average Yield (Sobol & Farrelly, 1988), Return on Sales (Hammond & Slocum, 1996), Return on Assets, (Roberts & Dowling, 2002) Tobin's Q (Fombrun & Shanley, 1990; Rose & Thomsen, 2004) and Market to Book Value (Eberl & Schwaiger, 2005; Roberts & Dowling, 2002; Rose & Thomsen, 2004). It is also evident that such accounting and market ratios serve both as a definition, and as a measure of financial performance.

2.5 The Need to Explore the Relationship between Corporate Reputation and Financial Performance

Corporate reputation offers many benefits for a firm. Benefits of a good reputation are presumed to stem through subsequent stakeholder behavior (Saxton, 1998). Benefits of a good corporate reputation as highlighted in previous research include, cost benefits, (Roberts & Dowling, 2002) consumers' positive perceptions of high quality of products and fewer risks and greater trust, scope to charge premium prices, higher creditworthiness resulting in access to capital, (Raithel, Wilczynski, Schloderer, & Schwaiger, 2010) ability to attract more qualified people in the labour market and greater sustainability of incomes, (Ferna & Sotorrío, 2007) higher customer retention, (Eberl & Schwaiger, 2005) creation of competitive advantage, increased diversity of workforce (Hepburn, 2004) and, attracting greater number of investors (Feldman, Pe, Arellano Bahamonde, & Velasquez Bellido, 2014).

A firm is viewed as a contractual coalition that includes both investor and non-investor stakeholders (Cornell & Shapiro, 1987) that has become highly complex in the modern context. The complex nature of a modern firm is confirmed by the stakeholder theory's view of a firm. The stakeholder theory views a firm as a nexus of relationships connecting the firm with its stakeholders. Freeman's (1984) stakeholder theory intended both to explain and to guide the structure and operation of the established corporation, or in other words, it's "going concern" (Donaldson & Preston, 1995). The success of relationships a firm develops with its stakeholders ultimately determine the success or failure of the firm.

Trust is important in building good relationships between a firm and it stakeholders, enabling the firm to perform well, financially. Organizational trust is a desirable cultural attribute (Tzafrir & Dolan, 2004) which is of increasing interest to scholars for its positive influence on organizational and member outcomes (Agarwal, 2013). Thus, researchers and practitioners are turning their attention to the concept of trust as a mechanism enabling managers to achieve organizational openness and competitiveness while reducing social uncertainty and vulnerability (Laeequddin & Sardana, 2010). Trust in the organization-stakeholder relationship, and the trustworthiness of the organization to that relationship, is fundamental to the moral treatment of stakeholders (Greenwood & Iii, 2010).

Further exploration of organizational attributes such as "trust", and specifically on its ability to intensify the positive relationship between corporate reputation and financial performance of firms to is therefore worthwhile.

2.6 The Relationship of Trust with Corporate Reputation

A relationship between corporate reputation and trust is evident in the literature. Ganesan (1994) claims that seller's reputation in terms of its reliability, and consistent and fair behavior are antecedents of trust. Keh and Xie (2009) also have found a positive influence from corporate reputation on customer trust and customer identification. Ali, Lynch, Melewar and Jin, (2015) have identified corporate reputation as an antecedent to trust. Ali, et al., (2015) view is further confirmed by Chen, Wu and Chien, (2016). They concluded that trust arising from corporate reputation plays vital role in forming the general perception among individuals on pharmaceutical products.

Therefore, it is justifiable to use "trust" in the development of a new theoretical model that explains how current corporate reputation makes a positive impact on the subsequent financial performance.

3. Method

3.1 The Development of a New Model

Supported by the existing literature, the development of this new model begins with the assumption of a positive relationship between corporate reputation and subsequent financial performance. Apart from Roberts & Dowling, (2002), a group of other researchers (Eberl & Schwaiger, 2005; Krueger et al., 2010; Preston & Bannon, 1997; Rose & Thomsen, 2004), also have found a positive relationship between corporate reputation and financial performance in different contexts, and hence the underlying assumption of a positive relationship between corporate reputation and financial performance to develop this new model is justified.

The aim of this paper is to offer a comprehensive theoretical explanation on how corporate reputation affects subsequent financial performance. For this purpose the Roberts & Dowling (2002) model of reputation-financial performance dynamics, will be combined with Mayer et al. (1995) proposed model of organizational trust.

The Roberts & Dowling, (2002) proposed model of reputation-financial performance dynamics is a frequently cited, and comprehensive model in the corporate reputation literature.

Reputation in this model comprise of two distinct components, financial and residual reputations. Financial reputation is the reputation predicted by previous financial performance whereas the leftover is the "residual reputation". The model explains the relationship between reputation and financial performance in a time span defined as the past, the present and the future. It proposes how past financial performance, in addition to intentional reputation building efforts by a firm, affects the reputation of a firm at a given point in time, which subsequently affects the future financial performance. According to this model, financial performance is therefore an antecedent to and a consequence of corporate reputation. This model was successfully tested using secondary data obtained between 1984 and 1998 in the context of United States of America confirming the bilateral relationship between corporate reputation and financial performance.

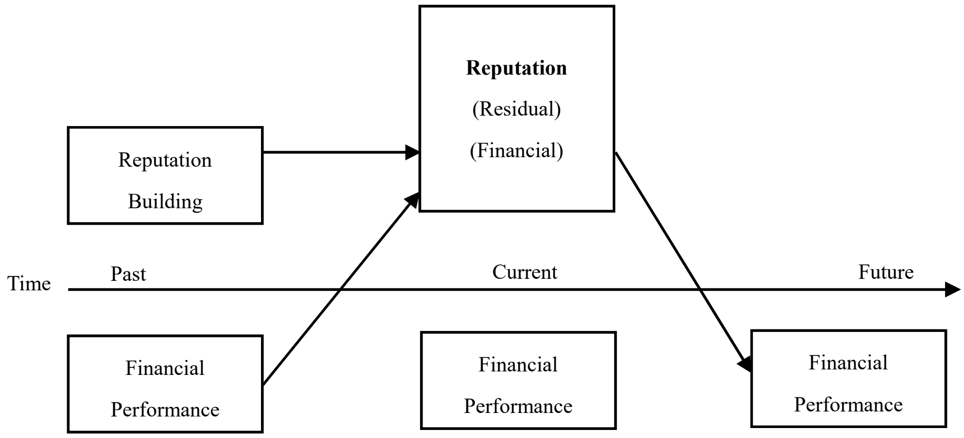

Figure 1. Model of reputation-financial performance dynamics

Source: Roberts and Dowling (2002).

The aim of the proposed new model is to explain how the current corporate reputation affects the subsequent financial performance of a firm. The Mayer et al. (1995) model provides the basis for the new model to explain the process through which corporate reputation affects subsequent financial performance in the new model.

Mayer et al. (1995) proposed model of organizational trust is one of the seminal and most cited work in the trust literature. Trust is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party (Mayer et al., 1995).

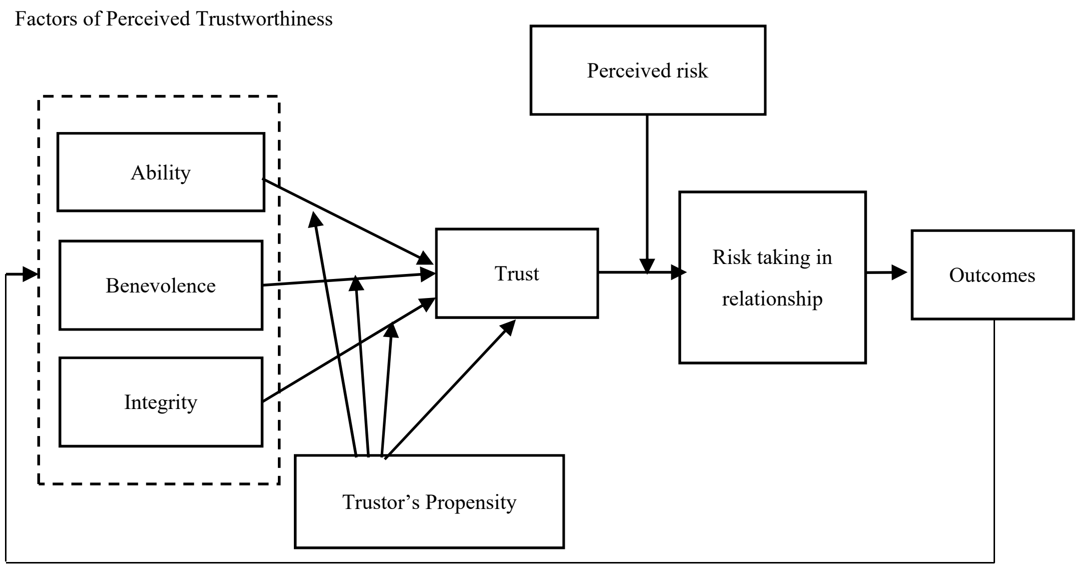

Figure 2. Model of organizational trust

Source: Mayer et al. (1995).

Trust, as shown in this model, is based on the assessment of "trustworthiness" of the organization. Trustworthiness is the collective perceptions of ability, benevolence and integrity of the organization, moderated by the trust propensity of the person assessing the trustworthiness. Risk taking in relationships (RTR) is the outcome of trust, and its relationship with trust is moderated by the perceived risk in the relationship/ transaction.

Mayer et al. (1995) have been able to bring forth clarity in to the trust research by distinguishing trust from trustworthiness, and also by drawing a distinction between trust as a situational variable and trust as a personality variable, by the use of trust propensity in the model (Colquitt, Scott, & LePine, 2007).

In order to combine the two models, two conditions must be satisfied. First, it must be established that there exist a relationship between corporate reputation and "trustworthiness" and in addition, a relationship between "risk taking in relationships" and financial performance.

In order to develop the new theoretical model, two propositions are used.

Proposition 1: There is a positive relationship between stakeholder's risk taking in relationships and financial performance. The decision to allocate or withdraw resources is the actual risk taking behaiour in a relationship between a firm and stakeholders. The stakeholders' perceived risk in the transaction negatively moderates this relationship.

The stakeholder theory provides an explanation on how a firm generates financial performance. As stated in Neville, Bell, & Mengüç, (2005) stakeholder theorists such as Frooman (1999), argue that the organization's financial performance is determined by their stakeholders' provision of resources in response to organization's actions. Stakeholders are, therefore uniquely positioned to affect the financial performance of the organization whether through withholding or providing efforts, infrastructure, or cash flow, among other things. As stated by Cornell & Shapiro, (1987) these resource provisions by stakeholders give rise to both explicit contractual claims as well as implicit claims. Explicit contractual claims include claims such as wage contracts and product guarantees. Meeting these explicit claims are essential for a firm for its survival, and to deliver financial performance. Cornell & Shapiro (1987) further states that financial economics perspective of the stakeholder theory views stakeholders of a firm as implicit claimants. The value of a firm is determined partially by the value of the implicit claims (Roberts and Mahoney, 2004) such as promise of continuing services to customers and job security to employees (Cornell & Shapiro, 1987). The stakeholders' perceptions on the firm's reputation for honoring those implicit claims significantly affects the Value of these implicit claims.

In summary, the stakeholders invest resources in a firm, having assumed a risk, enabling the firm to achieve the pre-set objectives including financial performance. Consequently, stakeholders become explicit as well as implicit claimants who are compelled to rely on the firm's ability to fulfill their claims in return of the assets invested.

The proposition one raises another important question that need answered. What could be the factors that influence a stakeholders' decision to invest resources in a firm? Trust have been identified as an essential element for successful business relationships that enable firms to achieve openness, and competitiveness, while reducing social uncertainty and vulnerability (Laeequddin & Sardana, 2010). Therefore the researchers propose that trust generated in the minds of the stakeholders with regard to a specific firm where their resources are invested, would be influential in such decisions.

The second important condition that is required to combine the two models is to establish a relationship between corporate reputation and trustworthiness.

Proposition 2: Corporate reputation is a signal of trustworthiness of a firm. This is a psychological assessment based upon the subjective interpretations of experiences, information or signals collected over a period of time. Stakeholders make this assessment prior to making a decision to trust the firm.

A corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides information about the firm's actions and/or a comparison with the actions of other leading rivals (Gotsi & Wilson, 2001).

Corporate reputation is often cited to have signaling properties especially in gaining competitive advantage (Deephouse, 2000). Positive reputation signals stakeholders about the attractiveness of the firm and hence would be more willing to contract with it (Fombrun & Shanley, 1990) through investment decisions, career decisions and product choices (Dowling, 1986). While corporate reputation is a signal of underlying quality of a firms' products and services (Roberts & Dowling, 2002) and a signal of underlying quality of a firm (Kreps & Wilson, 1982; Coff, 2002; Deephouse, 2000). It could also be a signal of future actions and behavior and attractiveness in the context of retailers (Eberl & Schwaiger, 2005). Fombrun & van Riel, (1997) states that reputations constitute subjective, collective assessment of the trustworthiness and reliability of firms. This is further confirmed by Jøsang, Ismail, & Boyd, (2007). According to them, reputation can be considered as, a collective measure of trustworthiness.

The reputation's ability to enable stakeholders in evaluating the trustworthiness of firms is also researched or confirmed by several researchers including Bag, Azad, & Hao, (2018), Salo & Karjaluoto, (2007) and Majd & Balakrishnan, (2016).

The signaling theory supports proposition two. Signaling theory is fundamentally concerned with reducing informational asymmetry between two parties (Connelly, Certo, Ireland, & Reutzel, 2011). Information asymmetry is a condition where different parties in a transaction have different sets of information (Afzal, Roland, & Al-Squri, 2008). There are many markets with informational gaps including financial markets, job markets and various commodity markets (Spence, 2002). The extent of information asymmetries is affected by actions of firms and individuals (Stiglitz, 2000). The primary elements in the signaling theory are the signaler, the receiver and the signal itself. Signalers are essentially insiders, such as executives or managers, who possess information about an individual, a product or organization that are not available for outsiders. Even though insiders receive both positive and negative information, signaling theory primarily focusses on the deliberate communication of positive information to convey positive organizational attributes. Signals are actions parties take to reveal their true types that can be transmitted in many forms including brand names, prices, etc. (Kirmani & Rao, 2000). In the literature, signals have been categorized as, signals of intent, camouflage and need. Intent signals indicate future actions which possibly be conditional on the receiver's response, camouflage signals disguise potential liability and need signals communicate requirements (Connelly et al., 2011). Receivers are outsiders and the signaling will take place only if the signaler should benefit by some action from the receiver such as selecting the signaler in favor of some alternatives (Connelly et al., 2011). Actions of stakeholders who receives such signals may range from hiring (suppliers) purchasing (customers) to investing (shareholders).

Signaling theory has been used in a wide variety of fields of study. In the field of human resource management the signaling theory is used to explore the signaling that occurs during the recruitment process while in entrepreneurship literature its frequently used to assess the signaling value of top management and board characteristics (Connelly et al., 2011). Information asymmetry makes clients to be unable to evaluate the quality of the service or advice purchased in the case of consultancy relationships (Gallouj, 1997). Usually firms have an informational advantage over the customers in a transaction (Afzal et al., 2008). The role of information asymmetry is widely researched in the field of finance and is known to play a crucial role in financing and investment decisions which in turn affect the stock liquidity and asset pricing of firms (Abad, Lucas-Pérez, Minguez-Vera, & Yagüe, 2017). A customer's decision to buy products as well as an investor's decision to invest are key factors that would affects a firms' ability to create value and generate profits.

The available literature provides evidence to support the proposition two, corporate reputation is a signal of trustworthiness. Fombrun & Van Riel, (1997) confirms this argument in their statement "reputations constitute subjective, collective assessment of the trustworthiness and reliability of firms". Corporate reputation is often cited to have signaling properties especially in gaining competitive advantage (Deephouse, 2000). Positive reputation signals stakeholders about the attractiveness of the firm and hence would be more willing to contract with it (Fombrun & Shanley, 1990) through investment decisions, career decisions and product choices (G. R. Dowling, 1986). While corporate reputation is a signal of underlying quality of s firms' products and services (Roberts & Dowling, 2002) and a signal of underlying quality of a firm; Coff, 2002; Deephouse, 2000) it could also be a signal of future actions and behavior and attractiveness in the context of retailers (Eberl & Schwaiger, 2005).

Therefore, we can now combine the two models to develop the proposed new model as shown in figure 3.

This proposed new model claims that, each stakeholder of a firm develops a reputational perception in their minds based on their direct experience, observations or other communications they receive. These reputational perceptions, is interpreted by the stakeholders as a signal of the firms' trustworthiness, when making the resource investment decisions. Higher perceived reputation would mean higher trustworthiness and higher trustworthiness would result in higher levels of trust and vice versa. The individual stakeholders' propensity to trust positively moderates this decision to trust based on the perceived reputation. The trust so developed would positively affect the resource allocation decision, implying higher resources allocations if the trust is high. The perceived risk in the transaction will negatively moderate the relationship between trust and resource allocation decision. Finally, the extent of resources allocated by individual stakeholders would positively affect the firms' financial performance. Finally, this model proposes that, trust, developed based on perceived reputation of a firm, plays a mediating role in the relationship between corporate reputation and financial performance.

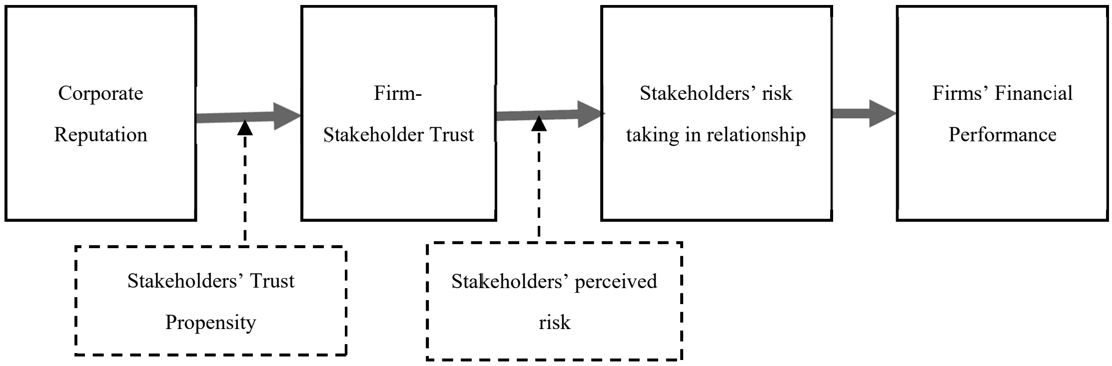

Figure 3. The proposed model

3.2 Justification for the Other Relationships in the Model

3.2.1 Perceived Risk

In the relationship between a firm and its stakeholders, stakeholders' trust the firm to return benefits or protection from harm corresponding to their resource contributions or stakes. However, the firm holds greater power than the stakeholders (Greenwood & Iii, 2010) increasing the risk faced by the stakeholders and making them vulnerable to the actions of the firm. Therefore, the investment or the commitment of resources in a firm could be considered as a risk taking behavior, as explained by Mayer et al. (1995) stemming from the relationship between a firm and its stakeholders.

As stated by Humphrey and Schmitz (1998) the issue of "trust" arises because economic transactions involve risk (Mukherjee & Nath, 2003) and a key function of trust is the management of risk (Tyler & Stanley, 2007). The risk stemming from the investment of resources is a "perceived risk" and is a result of uncertainty with regard to a potential or existing relationship (Marafon, Basso, Espartel, Barcellos, & Rech, 2018). "Perceived risk is defined as the potential for loss in pursuing a desired outcome from on-line shopping" (Ko, Jung, Kin and Shim, 2004). However, since perceived risk is prevalent not only in on-line shopping, a more generic definition is required. A more generic definition could be derived based on Ko et al., (2004) definition as "The potential for loss in pursuing a desired outcome from a business relationship". This "perceived risk" has a negative impact on behavioral intentions and trust reduces perceived risk (Kesharwani & Bisht, 2011). Ongoing relationships also could help reduce the perceived risk (Wong & Sohal, 2002).

A relationship between trust and perceived risk has been confirmed by the other researchers such as Kesharwani and Bisht (2011) subsequent to Mayer et al. (1995). Alessandro et al. (2012) claims that perceived risk reduces trust in the on-line purchasing context. Perceived risk has been widely addressed in the marketing literature round purchasing and behavioral intensions especially in the context of on-line purchasing. Namahoot and Laohavichien (2018) have tested perceived risk and trust as mediating variables between service quality and behavioral intensions and have found that service quality has an indirect influence on behavioral intensions through perceived risk and trust.

This implies that, if the stakeholders' perceived risk in their transactions with the firm is high, they will allocate little or no resources but if they perceive low risk, they will be willing to allocate more resources. Therefore, the perceived level of risk negatively moderates the relationship between trust and risk taking in relationships.

3.2.2 Propensity to Trust

Mayer et al., (1995) model suggest that "trustworthiness" is an antecedent to trust and the relationship between trustworthiness and trust propensity to trust of an individual moderates this relationship.

Trustworthiness is the flip side of trust Slemrod and Katuščák, (2005). Factors of trustworthiness have also been a matter of academic research. Shainesh, (2012) have tested problem solving orientation as a factor of trustworthiness in the relationship between service providers and customers. In addition, Pirson & Malhotra, (2011) refers to identification and transparency as dimensions of trustworthiness. However, the factors of trustworthiness proposed by Mayer et al. (1995), the ability, benevolence and integrity, are the most commonly referred factors of trustworthiness in the trust literature.

Trust propensity is defined as, a stable individual difference that affects the likelihood that a person will trust. As the decision to trust often have to be made before enough time has passed to gather data on trustworthiness, trust propensity play an important role (Colquitt at al., 2007). There are many factors affecting propensity to trust. Zeffane (2018) has found that age has a significant positive impact on the propensity to trust while work experience has a similar effect to a lesser degree. Personality types, cultural backgrounds and developmental experiences also affect propensity to trust (Mayer et al., 1995). Heyns and Rothmann (2015) confirm the relationship between trustworthiness, propensity and trust as proposed by Mayer et al. (1995). This is further confirmed by Murphy (2003) who proposes a model of Propensity to Trust, Direct Experience and Trusting Beliefs in e-commerce settings and concludes that propensity to trust significantly affects the trusting beliefs, ability and benevolence when there is limited direct experience.

Propensity to trust can have a moderating effect on trust by enhancing the effect of factors of perceived trustworthiness, the ability, benevolence and integrity, and also explains trust even in the absence of any relationship between the two trusting parties (Mayer et al., 1995).

4. Conclusion

The aim of this article is to propose a comprehensive theoretical model that explains how corporate reputation affects subsequent financial performance. The proposed model would fill an existing knowledge gap evident in the literature. With the support of the existing literature, the researchers combine two frequently cited models, model of reputation-financial performance dynamics. Roberts and Dowling (2002) and proposed model of organizational trust (Mayer et al., 1995) to propose "trust" as mediator in the corporate reputation-financial performance relationship. This conceptual model needs empirical validation. The need for the validation in different country contexts and among different stakeholder groups is confirmed by Ali et al. (2015) who conclude, among other things, that the stakeholder groups assessing corporate reputation and country of study moderates its relationship with financial performance. Understanding the relationships among these variables could help firms in developing, country specific and stakeholder group specific strategies to maximize the positive influence on firms' financial performance. Sustained, superior financial performance would improve the sustainability of the firm, which could benefit all stakeholder groups alike.

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