A Stakeholder Model of Reputation: The Australian Mining Industry

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Abstract

This paper explores the formation of reputation in the Australian mining industry from a stakeholder perspective. The study commences from the position that the focus on a single corporate reputation, which to date is the most common (but not the only) approach to the investigation and measurement of corporate reputation, may not provide the most advantageous means to understand the complex process of reputation formation by a firm’s various stakeholders. Based on the results of a Delphi study and case studies, this study identifies the existence of stakeholder-specific reputations, stakeholder network effects and reputational dependencies (industry effects) in the Australian mining industry. The insights from this study resulted in a stakeholder model of reputation theorising the interrelationships between stakeholders, companies and industry in the formation and development of reputations.

Key Words: Corporate Reputations, Stakeholder Reputations, Reputational Dependencies, Mining Industry

Introduction

The general consensus, among academics and practitioners, is that good corporate reputations are valuable assets, which can influence the functioning and profitability of organisations. Organisations need to manage their reputations in ways that can contribute to their ability to attract the support required from their key stakeholders. However, a company’s stakeholders have differing expectations (Fombrun & Shanley, 1990) and may hold diverse views of a company’s actions. Businesses that have major impacts, through their operations, on peoples’ lives, such as those within the mining industry, are increasingly identifying risks to their operations and economic sustainability, risks which stem from their need for social acceptance, a social licence to operate. In particular, mining companies have begun to acknowledge the critical importance of reputation in gaining access to the necessary resources of ore bodies, capital and labour (Lambert, 2001; Vickerman, 2004).

The Australian mining industry and individual companies have responded to the changing social environment in a number of ways. Reputation building activities have included the introduction of self-regulatory mechanisms at an industry level and individual companies have focused upon their reputations for being socially responsible (Brereton, 2004). However, the reputational value of such activities remains in question, particularly for the resources sector (Brammer & Pavelin, 2006). Improved understanding of the reputation formation process in the mining industry is necessary for senior managers to strategically manage corporate reputations.

Reputation research to date has had a strong focus on consumer orientated companies (Mahon & Wartick, 2003; Berens & van Riel, 2004) and research into corporate reputation in low differentiation industries such as the mining industry is limited. The mining industry generally operates without close proximity to final customers (Brammer & Pavelin, 2006) and has little or no possibility for product differentiation, a result of the homogenous nature of many of the mining industry’s products. Previous research indicates that the determinants of corporate reputation may vary by industry, and that this variation may be significant for certain sectors, especially the resources sector (Grieg-Gran, 2002; Brammer & Pavelin, 2004). Furthermore, it is argued that the salience of stakeholder groups can vary across industries (Brammer & Pavelin, 2006).

The need for further research into the process of building and sustaining favourable reputations has been identified (Balmer, 1998) and corollary evidence suggests there is a need to develop additional understanding of the factors determining reputation and appropriate measures of corporate reputation for specific sectors or industries (Brammer & Millington, 2003; Schwaiger, 2004; Brammer & Millington, 2005; Zabala, et al., 2005). In addition, recent research into reputational interdependencies (industry effects in the formation of reputation) suggests that knowledge of the complex reputation formation process continues to be limited by the current ‘firm-centred’ perspective of the determinants of reputations (Barnett & Hoffman, 2008; Yu & Lester, 2008).
The importance of reputation is not disputed, however, the question remains as to whether organisations (or researchers) fully understand the formation of reputation (what determines reputation with their stakeholders) and how to manage these valuable assets. Such difficulty is unsurprising, given that much of the reputation literature appears to be fundamentally limited by the current conceptualisation of a single corporate reputation, which it has been argued limits its practical applications (Bromley, 2002a). Bromley (2002b) proposed that a number of issues need to be addressed in order to further the study of corporate reputation. Firstly, clarification is required on whether an organisation has one corporate reputation or many. Secondly, there is a distinction to be made between ‘general stakeholder reputation(s)’ (company overall reputation with stakeholders) and ‘stakeholder specific reputation(s)’ (for example, reputation as an employer) (Helm, 2007). Finally, there is a question as to whether variation exists in the determinants of reputation between stakeholder groups.

Tuck’s (2009) PhD study explored the formation of reputation in the Australian mining industry adopting a stakeholder-network perspective of reputation formation. Based on the findings of Tuck’s (2009) in depth study, this paper develops a model of reputation formation, theorising the interrelationships between stakeholders, companies and industry in the formation and development of reputations. This is achieved by means of a literature review and analysis of the PhD study. The model provides a framework for further exploration of the formation of reputation in other industries.

**Theoretical Framework**

The study commences from the position that the focus on a single corporate reputation, which to date is the most common (but not the only) approach to the investigation and measurement of corporate reputation, may not provide the most advantageous means to understand the complex process of reputation formation by a firm’s various stakeholders. That companies have reputations with their stakeholders and that they are important to their functioning and profitability are not in dispute. However, the definition of reputation, its process of formation and how it can be measured and managed remain a matter of debate. Issues include; the need for more definitional clarity (Wartick, 2002), the lack of specificity around stakeholder identity (Dunham, Freeman, & Liedtka, 2001), the need to acknowledge the non monolithic nature of corporate reputation and to focus upon stakeholder relations (Spencer, 2005), and the need for appropriate industry specific measures of reputation (Brammer & Millington, 2003, 2005; Zabala, et al., 2005).

Disagreement continues over the theoretical grounding of the concept (Bromley, 2002a) and there are continuing debates about the definition of corporate reputation (Bennett & Kottasz, 2000; Gotsi & Wilson, 2001; Bromley, 2002a; Cornelissen & Thorpe, 2002; Lewellyn, 2002; Wartick, 2002; Dolphin, 2004; Barnett, Jermier, & Lafferty, 2006). Although recent research (Barnett, et al., 2006) addressed a number of the issues raised, by clearly distinguishing between the constructs of corporate identity, image, reputation and reputational capital. This work however, does not address the issue of a single reputation versus multiple reputations.

**Stakeholder-specific reputations**

It is argued that the undifferentiated view of the reputation construct does not reflect the complexities of reputation formation (Caruana, 1997; Cornelissen & Thorpe, 2002; Wartick, 2002). The view of reputation as an aggregate concept (single reputation) conflicts with the stakeholder view of reputation which suggests that a company’s various stakeholder groups will be exposed to, and look at, different signals and messages and this is likely to result in stakeholder specific reputations (Cornelissen & Thorpe, 2002) in part due to asymmetric information (Akerlof, 1970). Recent theoretical work (Sjovall & Talk, 2004) also suggests that a company will have multiple reputations. The model proposed by Sjovall & Talk (2004), which is based on cognitive attribution theory, proposes that the impact of an observed action is dependent upon the saliency of that action, the observer’s bias and their knowledge about potential external causes for the action. Further, it is argued (March & Weil, 2005) that multiple reputations can exist due to the ambiguity inherent in the formation of reputations.
Stakeholder network effects

One ongoing issue with stakeholder theory pertains to the lack of specificity around stakeholder identity (Mitchell, Agle, & Wood, 1997; Dunham, et al., 2001). A number of researchers have proposed methods and/or criteria to identify and prioritise stakeholders (Wood & Jones, 1995; Mitchell, et al., 1997; Kaler, 2002). However, these researchers have concentrated upon dyadic relationships, the company-stakeholder relationships consistent with Freeman’s (1984) ‘bicycle wheel framework’. Recently the debate has focused upon the relationship of business to its stakeholders (Buchholz & Rosenthal, 2005). There has been a move away from the traditional dyadic view, with the company at the centre, to a network view of stakeholder relations (Mahon, Heugens, & Lamertz, 2004; Buchholz & Rosenthal, 2005). It is argued that this approach provides a more realistic framework to analyse the formation of reputation (Mahon, et al., 2004).

A network view of stakeholder relationships, acknowledging that interrelationships exist between a company’s stakeholder groups, suggests that reputation formation is not limited solely to the assessment of the actions and performance of the company. Rather, this approach suggests that individuals form reputation through direct experiences with the company and/or through exposure to other people’s opinions and influence (Bromley, 2000), consistent with the psychologists’ views of reputation. Further, this suggests that reputation formation by one stakeholder group may be affected by the actions of other stakeholder groups towards the company, actions which themselves are affected by the reputation they hold.

Industry reputational effects

The ambiguity inherent in the formation of reputation and the observed stakeholder network effects also suggests the possibility of industry effects (reputational interdependencies) in the reputation formation process for stakeholders – a link between industry reputations and corporate reputations. King, Lenox and Barnett (2002) propose that when stakeholders are unable to distinguish between the activities of individual companies that a reputation commons problem may exist for companies within certain industries, dependent upon the nature of the industry. That is reputations may also be determined by observers’ judgements of other firms within the industry. When major incidents or accidents happen within an industry, damage has sometimes occurred to the public perception of the whole industry and not just the offending company (King, et al., 2002). For example, the near melt down of the Three Mile Island nuclear power plant in the United States affected the public perception of the entire United States nuclear power industry (Barnett, 2007). It is argued that reputation spillover between companies may occur, through stereotyping, under conditions of imperfect information and uncertainty (Yu & Lester, 2008) and this is suggested as one possible reason for the implementation of industry self regulation programs (King, et al., 2002).

The complexity of the mining industry and the variation between stakeholder groups in their access to information and ability/time to process information suggests that a reputation commons problem may exist in the mining industry and that the extent of this may vary between a mining company’s stakeholder groups.

Reputation information sources

The adoption of a network view of reputation suggests that stakeholders will form reputation based on a broad range of factors and not just their past direct experiences of a company. It is argued that stakeholders also receive information through intermediaries such as the media and that these information intermediaries will reduce information asymmetry (Deephouse, 2000). However, the levels of direct experience with a company and rights to information from a company vary between the stakeholder groups. This suggests that the level of reliance on information intermediaries, such as the media, may also vary between stakeholder groups. If a mining company’s stakeholder groups rely differentially upon these various sources of information in the formation of reputation this suggests that the stakeholder network effects may also differ between the stakeholder groups.

Reputation Formation – a Stakeholder Model

To understand the formation of reputation it is essential to understand the nature of reputation and acknowledge “that ‘reputation’ actually has no primordial atomic or spatio-temporal existence, but gains existence through inference from perceptions and actions by individuals and stakeholder groups.”
The model developed in this research project aims to provide a framework for investigating the formation of reputation by a company's various stakeholder groups and the interaction between the companies, industry and stakeholders in the process of reputation formation. It builds upon past research which has investigated the social processes involved in reputation formation, in particular Rindova’s (1997) model of reputation formation and the recent theoretical work by Sjøvall and Talk (2004), which draws upon cognitive attribution theory (Kelley & Michela, 1980) to further an understanding of the reputation formation process and the success of investments in reputational capital, such as expenditures related to corporate citizenship.

Following Cornelissen and Thorpe's (2002) principles for reputation research the model of reputation formation is based on the following principles. Firstly, reputation is a perceptual construction by stakeholders from assessment of the various signals and messages they receive directly through observation and indirectly from information intermediaries (e.g. the media in its various forms (Carter & Deephouse, 1999) and professional advisors - such as financial advisors) and from interaction in social networks (Bromley, 2000). Secondly, reputation is a stakeholder phenomenon. This acknowledges that reputation is non-monolithic - what determines reputation may vary between stakeholder groups and consequently the reputation of a company held by a stakeholder group at a given point in time may vary from those reputations held by a company’s other stakeholder groups. Thirdly, reputation is time and context specific and evolves through continual assessment by stakeholders, unlike image, and thus reputation is distinct from image.

The proposed stakeholder model of company reputation formation is provided in Figure 1. Here each stakeholder group revises its previously held company reputation (or creates an initial reputation), given the current expectations of companies, based upon a certain combination of signals and messages. These will include a combination of the following: certain company activities, certain industry activities (i.e. the activities of other companies within the same industry), current industry reputation held by the given stakeholder group, other stakeholder group actions towards the company and the current expectations of companies within a given industry. This array of activities may be viewed directly by the stakeholders as well as indirectly through the media or company reports.

**Figure 1: Company Reputation formation – A Stakeholder Perspective**
The (revised) reputation for a given stakeholder group will then determine that group’s future actions towards the company. These actions will not only impact upon future company activities and performance but may also have a reciprocal impact on future reputation formation by the company's other stakeholder groups (the network effect). The variations between stakeholder groups are incorporated into the model through the recognition that the specific activities examined may vary between the stakeholder groups and the weighting or importance of each activity may also vary between the groups.

Figure 2 details the proposed stakeholder model of industry reputation formation. Similar to the organisation model, each stakeholder group revises its previously held industry reputation, given the current expectations of companies and industries, based upon a certain combination of signals and messages. These again may vary from the combinations which determine reputation for the other stakeholder groups. The revised industry reputation for a given stakeholder group will then determine that group’s future actions towards the industry and/or individual companies. These actions will not only impact upon future industry reputation formation by other stakeholders but may also impact on future reputation formation for individual companies by some or all of their stakeholder groups.

**Figure 2: Industry Reputation Formation – A Stakeholder Perspective**

How then do the industry level and company level effects come together to influence corporate reputation? The combined model of stakeholder reputation formation, Figure 3, brings together the proposed company and industry models of reputation formation (Figures 1 and 2) and provides an overview of the proposed stakeholder network model of reputation formation for each of a company’s stakeholder groups. The industry effects on corporate reputation may be both direct and/or indirect. The direct effect results from stakeholders revising corporate reputation from the observed actions of other companies within the industry, while the indirect effect comes from their revision of industry reputation. Along similar lines, the stakeholder effects may also be direct or indirect. The direct effect will result from the actions of the company's other stakeholder groups and/or other companies stakeholders. The indirect effect results through the industry reputation from the actions of an industry’s stakeholders.
In summary, the proposed models of reputation formation are based on a differentiated view of reputation (the existence of multiple stakeholder reputations), they adopt a network view of stakeholder relationships (interrelationships between a company’s stakeholder groups) and incorporate reputational interdependencies (industry effects). The models also acknowledge that information intermediaries may have a role in the reputation formation process.

**Reputation Formation and Reputational Dimensions**

The assumptions in the proposed model of reputation formation, detailed in the previous section, are generally supported by the findings of Tuck’s (2009) PhD study. Tuck (2009) investigated the formation of reputation in the Australian mining industry from a stakeholder perspective. A broad conceptual approach was used incorporating an understanding of reputation as a social pooling process within stakeholder groups and taking into account the wider industry context in which reputations are formed. The study comprised a preliminary industry focus group (Tuck, Lowe, & McEachern, 2006), a Delphi study\(^1\) (a multi-stakeholder expert opinion survey) (Tuck, 2007b) and case studies (interviews with key stakeholders and company representatives from two mining companies) (Tuck, 2009).

The Delphi technique was identified as an appropriate method to facilitate input from a diverse set of participants and stakeholder groups from across Australia. The Delphi technique is a powerful tool for collecting judgements and perceptions because of the systematic way it gains input from experts, in this instance stakeholders, and builds consensus on an issue or issues (Hasson, Keeney, & McKenna, 2000).

\(^1\) The Delphi study report, which was provided to the study’s participants, is available from the author (Tuck, 2007a)
The mining industry focus group was undertaken to inform the design of the Delphi study, in particular to identify the stakeholder groups for inclusion in the study. The expert stakeholder groups included in the study included: community, employees, shareholders/financiers, NGOs/environment and regulators. It has been argued that there is a need to supplement consensus methods, such as the Delphi technique, with qualitative research and this is especially important where there are multiple stakeholders (Campbell, et al., 2004). The two industry case studies\(^2\) were undertaken in the final stage of the study, to test the findings of the Delphi study in a particular context (single site gold mining operations in Australia). The results of Tuck’s study are not discussed in detail here, only the findings that are directly relevant to the model will be highlighted.

Stakeholder specific reputations

Analysis of the findings of the Delphi study revealed that variations exist in the focus of stakeholder groups when forming reputation and that the individual factors determining reputation vary between the groups across the themes. The findings of the Delphi study indicate that the variations identified, between the stakeholder groups, are a result of the relative importance of internal company factors (such as, the company leadership and management factors) compared with external company factors (such as, the community and stakeholder engagement factors), and traditional business activities compared to non-traditional business activities for each stakeholder group. This variation appears to reflect the salience of factors or groups of factors to each of the stakeholder groups, providing support for the model of reputation impression formation proposed by Sjovall and Talk (2004).

The case studies support the finding of the Delphi study that variations exist in the determinants of reputation across the stakeholder groups. The slight difference in focus between the two companies appeared to reflect the situational variance between the two companies at the time of the study, that is, the economic reliance of the local community on Company B, in contrast to the local community of Company A, and the ongoing uncertainty about the local operation of Company B. These findings indicate that certain determinants of reputation may only be pertinent under certain organisational situations. For example, the current corporate uncertainty of Company B may explain why job security related factors were identified as determinants of reputation by the employee representatives of Company B. Thus, certain organisational situations may affect the saliency of issues for a stakeholder group and thus result in some variation in the factors determining reputation between different companies.

The case studies indicate that a large common core of factors determining reputation do exist for each stakeholder group across mining companies, and that the variations which do exist may be due to the different organisational circumstances of the particular mining companies. Variations may also exist as a result of a mining company’s current reputation with a particular stakeholder group as the findings of the case studies suggest that a company’s current reputation may mediate the relationship between certain determinants and reputation. Trust and stakeholders’ expectations based on the company’s current reputation appear to negate certain factors as determinants of reputation and conversely poor reputation (lack of trust) may result in increased scrutiny and/or additional factors being determinants of reputation. This is exemplified by the factors identified by the employee representatives of Company B compared to the employee representatives of Company A. The employee representatives of Company B, unlike those of Company A, identified job security and company stability factors as determinants of reputation.

The findings from the Delphi study indicate that, of the 162 determinants identified across all stakeholder groups, only a small number of core determinants exist, as detailed in Appendix 1. From the Delphi study only three specific common factors were identified. However, a further 14 factors were identified by four of the five stakeholder groups and of particular note is that of these 14 factors 9 were common to all of the groups with the exception of the employee group. This finding indicates that the employees may form a distinct stakeholder group, because of their particular situation and contractual relationship to the company.

\(^2\) The case studies included the stakeholder groups from the Delphi study with one exception, the shareholder/financiers group, due to the unavailability of participants, was not included.
The results from the case studies support the view that the variations in determinants of reputation across stakeholder groups arise as a result of variations in the salience of issues (the focus of stakeholder groups varies) (Sjovall & Talk, 2004) and the existence of asymmetric information between the stakeholder groups (Akerlof, 1970). The case studies indicate that differences can exist, across stakeholder groups, in their access to information. In particular, differences were identified in the level of access employees and regulators have compared to the other stakeholder groups included in the case studies. This difference, combined with the employees' and regulators' knowledge and experience of the mining industry may provide an explanation for some of the variation in the determinants of reputation identified between these groups and the other stakeholder groups. This suggests that the stakeholder specific combinations of factors determining reputation are some function of the salient issues/aspects of the company's performance to each group, the group's level of access to information and their level of knowledge of the company and the mining industry.

The finding that the determinants of reputation vary across stakeholder groups also suggests that the resultant reputations a company has with its various stakeholder groups may vary (i.e. reputational assessments may vary). The possible variation in the determinants of reputation suggests that the complex social pooling process by which reputations are formed (Bromley, 2000) may result in reputational variations between stakeholder groups. That is, the assessment of different sets of factors by each of the stakeholder groups may result in different company reputations (different assessments), because a company's performance in comparison to stakeholder expectations is judged upon different combinations of factors. The case studies indicate that reputational differences can exist across the stakeholder groups of a mining company. For example, Company B appeared to have a relatively poor reputation with its employees, based on participants' feedback, in contrast to the relatively good reputations reported by representatives of other stakeholder groups. One possible explanation for this is that the organisational situation at Company B had a negative impact on performance in the areas which are of particular importance in the formation of reputation by employees, but not important or as important for other stakeholder groups. Thus, reputational differences may occur between stakeholder groups as a result of variations in performance of the different aspects of a company's activities, which will differentially affect reputation for its stakeholder groups.

The Delphi study and the case studies provide support for the view that reputations are formed or revised based upon assessment of stakeholder specific combinations of factors (signals and messages). This is consistent with the differentiated view of reputation – that each stakeholder group will consider a different set of determinants of reputation (Cornelissen & Thorpe, 2002). Further, the findings indicate that the undifferentiated view of the reputation construct does not reflect the complexities of reputation formation process in the mining industry. Stakeholder groups use different criteria for assessing performance and their assessments are based upon ambiguous criteria and evidence. The findings of the case studies and the evidence of variation in the determinants of reputation from the Delphi study also provide support for the view that an organisation can have multiple reputations (Cornelissen & Thorpe, 2002) and that the undifferentiated view does not reflect the diffuse nature of stakeholder perceptions (Cornelissen & Thorpe, 2002). Stakeholder groups in the two case studies used different criteria for assessing performance and these assessments are based upon ambiguous criteria and evidence which resulted in different reputational assessments.

This study indicates that the reputation held by a stakeholder group is determined by the particular combination of factors which determine reputation for that stakeholder group. These stakeholder specific combinations of factors may also be mediated by the stakeholder group’s attitudes and perceptions towards the mining industry (industry reputation). The case studies also suggest that the extent of any mediation, due to the attitudes and perceptions of stakeholder groups, may vary over time as stakeholders become more familiar with an organisation, but this is not necessarily the case for all stakeholders. For example, the community representatives acknowledged that as they became more familiar with the company their perceptions changed, resulting in differentiation of the company from the industry.

This study provides support for the differentiated view of reputation, that a company can have multiple reputations (Caruana, 1997; Wartick, 2002), and is consistent with the view that reputation is non-monolithic (Cornelissen & Thorpe, 2002). Much of the extant empirical research has focused on a single corporate
reputation and comparative empirical evidence across stakeholder groups is scarce. This study supports the view that reputations (reputational assessments) can vary between stakeholders (Helm, 2007). However, the identification of possible variation in the determinants of reputation across stakeholder groups indicates that comparing reputations between stakeholders using a single measure of reputation (comparison of general reputations not stakeholder specific reputations) will not provide an accurate comparison of the reputations across a company’s stakeholder groups.

This study provides support for the concerns raised about current single (aggregate) reputation measures (Wartick, 2002). For mining companies, aggregate measures of reputation, such as those used in reputation indices, are likely to result in a loss of information content and may not measure the reputations which are important to the sustainability of mining companies. It is a mining company’s stakeholder specific reputations which will impact upon performance and these findings indicate that these reputations may differ in both their formation and their associated reputational capital (different factors and different reputation assessments). Further, the findings of the Delphi study indicate that multi-industry measures of reputation are unlikely to capture many of the determinants of reputation for mining companies, due to the industry specific nature of the factors identified, for example, factors such as the commodity being mined, detailed rehabilitation factors etc. This supports the view that there is a need for further research into the determinants of reputation and appropriate measures of corporate reputation for specific industries (Brammer & Millington, 2003; Schwaiger, 2004; Brammer & Millington, 2005; Zabala, et al., 2005).

**Stakeholder network effects**

Identification in the Delphi study of a number of determinants of reputation which refer specifically to other stakeholder groups’ actions and/or relationships with the company indicates the possibility that stakeholder network effects exist in the formation of reputation. In particular, this finding suggests that reputation formation by one stakeholder group may be affected by the actions of other stakeholder groups. For example, the Shareholders/Financiers group identified the relationship between the company and the community as a determinant of reputation, in particular, because of its impact on the company/regulator relationship. This suggests that a company’s reputation with shareholders and financiers may be impacted by the company’s reputations with both its community and its regulators. Given the increasing role of the community in the regulatory process for the mining industry this is perhaps to be expected. Similarly the NGO/Environment group identify the company’s relationship with regulators as a determinant of reputation. This suggests that a company’s reputation with its NGO/Environment stakeholders may be affected by its reputation with its regulators.

Based on the evidence obtained, the focus by non-community stakeholder groups on the ‘Community engagement’ factors and non-employee stakeholder groups on the ‘Employee factors’ suggests that a company’s reputation with its community and its employees may impact upon the reputation formation process for other stakeholder groups. The findings of the Delphi study also suggest that these stakeholder network effects and their importance for reputation formation may vary between the stakeholder groups. For example, employee reputation appears to only have a limited impact upon the NGO/environment stakeholder group in contrast to the community, financiers and regulator stakeholder groups. Similarly, community reputation may only have a limited impact upon the employees in contrast to the shareholders/financiers, NGO/environment and regulator groups. The strong community stakeholder network effect identified in this study is perhaps a reflection of the strategic importance of community acceptance for mining companies. Further, the limited focus on ‘Company Performance’ factors, identified in the Delphi study, suggests that the reputation held by shareholders/ financiers may have little impact, if any, upon reputation formation by other stakeholder groups.

The case studies provide further support of the existence of stakeholder network effects in the formation of reputation. In particular, the identification by the regulators interviewed of the company’s relationship with their community as a principal determinant of reputation indicates that a strong link may exist between a mining company’s reputation with its community and its reputation with regulators. In contrast, the singular focus of the employee representatives when forming reputation suggests that the stakeholder network effects in the formation of reputation for this group may be weaker. This weak effect could perhaps be
explained by the extent of their access to information and knowledge of the company/mining industry in comparison to other groups.

The overlapping membership of a mining company's stakeholder groups, identified by stakeholder representatives, provides further support for the argument that a social network perspective is an appropriate approach for the study of stakeholder behaviour (Mahon, et al., 2004). The findings of the Delphi study and the case studies provide support for a stakeholder network view of reputation formation in the mining industry. This indicates, in general, that the determinants of reputation may not be limited to the direct actions and performance of a company, but may also be determined by the actions of and information spread by other stakeholder groups.

Industry reputational effects

The variation in the number of factors identified within the 'Global Mining Industry' theme, across the stakeholder groups, suggests that for the mining industry the level of impact (reputation commons) varies between the stakeholders groups. In particular, there may only be a limited industry effect for mining company employees and regulators. This indicates that the perception of a crisis may vary between the stakeholders groups, rather than a dominant opinion forming about a crisis (Yu & Lester, 2008), due to the variation in stakeholder perceptions. Thus, the extent of reputational spillover may vary across a mining company's stakeholder groups. The findings indicate that the industry effect, and thus possible reputational spillover (due to a crisis), will be stronger for the Community, NGO/environment and Shareholder/Financier stakeholder groups than for the Regulator and Employees stakeholder groups.

There is limited evidence from the Delphi study of any direct impacts of the actions of industry bodies on the formation of reputation. The only group which specifically identified the attitudes, policies and programs of industry bodies as a determinant of reputation was the regulator group. Regulators also identified the company’s contributions to industry debate on best practice and the development of industry guidance as determinants of reputation. However, it could be argued that industry bodies can have an indirect effect on a company’s reputation with its stakeholders through the influence of industry bodies on other aspects of a company’s performance in areas identified as determinants of reputation, including for example, community consultation and environmental performance.

The case studies support the finding of the Delphi study regarding possible industry effects. They indicate that an industry effect exists and that the importance of the industry effect varies across the stakeholder groups. Further, the findings of the case studies suggest that the industry effect may also vary over time. In particular, they suggest that as the stakeholders’ level of trust in the company increases and/or their level of knowledge about the company increases that the industry effect may decrease, with industry reputation gradually replaced by company reputation. Thus, for each stakeholder group the importance of the industry effect in reputation formation appears to be inversely related to the stakeholder group’s levels of trust of the company and/or the company’s current reputation, as well as their level of knowledge and access to information. This relationship also appears to be mediated by industry reputation (the stakeholder group’s perceptions and views about the mining industry and mining companies in general).

These findings provide support for the hypothesis that an industry effect exists and suggest that for the mining industry there is a variation in the importance of this effect for a mining company’s various stakeholder groups. The findings from the community and NGO/environment representatives in the case studies suggests that for these stakeholder groups industry reputation may be a substitute for company reputation where there is a lack of knowledge, especially at the beginning of the relationship between the company and the stakeholder. This indicates that the industry effect may vary over time for stakeholder groups and, in certain instances, may only be a temporary phenomenon, for example, with employees. However, it must be acknowledged that the perceptions of the mining industry (industry reputation) may vary between the stakeholder groups as the findings of the case studies suggest, in a similar way that company reputation varies between the stakeholder groups. This further indicates the appropriateness of company and industry stakeholder models’ of reputation formation.
The findings of the case studies provide some support for the concept of reputation spillover (Yu & Lester, 2008) within the mining industry, for example, the effects of a recent mining incident in Australia on reputation were discussed. However, the findings suggest that the extent of any reputation spillover from an incident at another company appears to be limited and may vary across the stakeholder groups. For some stakeholder groups, such as employees and regulators, the spillover appears to be negligible. Whereas, for other groups the findings suggest reputation spillover, if it occurs, may be moderated by a good company reputation. It appears that a company with a poor reputation may be impacted more by the actions of other companies, as a lack of trust and/or knowledge may result in all mining companies being viewed as being as bad as each other.

The Delphi study and the case studies provide support for industry effects (reputational dependencies). However, the findings suggest that the industry effects vary across the stakeholder groups, may be moderated by the company’s reputations and may vary over time. There is limited support for a direct effect of reputation spillover on company reputation. However, there is support for an indirect effect upon reputation, due to possible industry effects (reputational interdependencies), through the impact upon industry reputation.

Reputation Information Sources

The factors identified as determinants of reputation in the Delphi study indicate that stakeholders receive signals and messages from multiple sources. Various types of mechanisms (signals and messages which determine reputation) are evident from the determinants of reputation identified. These include media coverage of the company and the mining industry, information spread by other stakeholder groups, previous experiences of the company’s performance, company reporting to stakeholders and public reporting by the company.

The findings of the case studies indicate that, for those stakeholder groups included in the study, there is a limited focus upon company reports. Although there is an expectation that reports will be produced, they do not appear to be an important source of information in the reputation formation process. This may not be the case for shareholders and financiers, especially with regard to financial reports, due to their focus (identified by the Delphi study) on the detailed financial aspects of a company’s performance in the formation of reputation.

The evidence from the Delphi study suggests that the media has a limited role in the reputation formation process for employees and regulators. The findings of the case studies support the limited role of the media for these groups. However, the findings of the case studies also indicate that the media has a limited direct impact upon company reputation for the other stakeholder groups, such as, community and NGO environment stakeholders, because the information may be discarded or ignored due to a lack of trust in the information. This phenomenon may be limited to those industries which have a poor public perception, such as the mining industry.

Furthermore, it appears that stakeholders believe that the information provided by intermediaries such as the media and other stakeholder groups is biased by the reputations they hold of the company and/or mining industry. In particular, it appears that the stakeholders may question the motives of those supplying information and the validity of the information being supplied. This may result, however, in indirect effects on reputation through stakeholders questioning the company’s performance rather than direct effects on reputation from the information supplied. The findings also indicate that the media will have an indirect impact on company reputation through its role in the formation of industry reputation, particularly, for external stakeholder groups such as community and NGO/environment.

The findings of this study provide support for the view that the signals and messages determining reputation can be received in various ways. They also indicate that the type of information sources and their relative importance will vary across a mining company’s stakeholder groups. Furthermore, the study indicates that in the mining industry the direct media effect on reputation may be minimal, especially for certain stakeholder groups.
These findings generally support the proposed model of the reputation formation in the mining industry. As expected there are strong links between a company’s activities and company reputation and similarly between the activities of companies in the industry and industry reputation. However, it appears that the other stakeholder groups’ network effects vary across the stakeholder groups. For example, there is a strong link from community to regulators, financiers and NGOs/environment, but only a weak link from community to employees. In addition, the direct industry effects are found to be weaker than expected with only a weak direct link between industry activities and company reputation. A refined model of reputation formation, incorporating these findings, is presented in Figure 4.

![Figure 4: Refined Stakeholder Model of Reputation Formation](image)

This refined model includes the indirect effect of industry body activities upon reputation, an additional link between Industry body activities and industry activities (link h). It also incorporates refinement of the strength of the depicted links between various activities and reputation. Firstly, the direct link between industry activities and company reputation (shown as link b) is a weak link. Secondly, the direct link between industry body activities and company reputation (shown as link d) is a weak link. Finally, the direct link between a company’s other stakeholder actions and company reputation (shown as link e) is variable in strength across a company’s stakeholder groups.

Although the findings are consistent with this general stakeholder model of reputation formation they highlight the variation in the reputation formation process for a mining company’s different stakeholder groups. Thus, indicating that the process of reputation formation is stakeholder specific. Therefore, the detailed stakeholder models of the reputation formation process for company and industry (Figures 1 and 2), which underpinned the stakeholder model of reputation formation (Figure 4), needed to be refined for each of the stakeholder groups based on the findings of the study. These refinements reveal the stakeholder specific reputation formation processes, which support the revised stakeholder model of reputation formation.
The findings of this study suggest that not only is there variation in the determinants of reputation for a mining company's stakeholder groups, but that there is also variation in the reputation formation processes between these groups, including variations in the industry effects and stakeholder network effects between the groups. They also indicate that the media effect is weaker than expected for certain stakeholder groups and the importance of company reports in the reputation formation process is limited.

Trust also emerged as an important factor in the reputation formation process. The stakeholder group’s trust of the company (company reputation), the mining industry (industry reputation), the people within the organisation, the media and other stakeholder groups are each important in the reputation process. For example, trust in the company may negate certain determinants of reputation, while trust of the individuals within the organisation differentiates a company from the industry’s reputation. This suggests that for stakeholders, trust of companies is a combination of calculative trust (cognitive trust), based on available knowledge, and affective trust (personal trust), confidence based on relationships (Williamson, 1996; Johnson, 2005). Although calculative trust is knowledge based, the need to trust presumes a state of incomplete knowledge (Johnson, 2005), that is risks exist. In contrast, affective trust can be viewed as a suppression of calculativeness, usually confined to personal relationships (Williamson, 1996). However, it appears that stakeholders may affectively trust companies (to a certain extent), not necessarily as a result of personal relationships but rather based upon previous knowledge (calculative trust). In other words, it appears stakeholders may become less calculative under certain circumstances. For example, employees’ trust in the mining industry regarding health and safety standards appears to negate health and safety factors as determinants of reputation unless particular health and safety issues arise within the company, employees appear to be less calculative and affectively trust mining companies with regard to health and safety issues.

In terms of reputation formation, the level of trust in the mining industry acts as a filter in the company reputation formation process, while lack of trust in the media and other stakeholder groups can act as a filter on the information supplied and thus may limit its potential impact upon reputation. For example, the NGO/environment group’s lack of trust in the mining industry limits the impact of company activities upon reputation. Further, the findings of the study indicate that trust can change over time. For example, community trust of the two case study companies appears to have improved over time as the relationship between the company and the community developed (calculative trust), particularly as relationships developed between the community stakeholders and the employees of the company (affective trust). This finding indicated that the models of company and industry reputation (in addition to needing to be stakeholders specific) require a revision to incorporate trust.

Comparison of the revised company reputation formation processes for two of the stakeholder groups, the employees and the NGO/environment stakeholders, (see Figures 5 and 6) provides an example, of the differences in the company reputation formation processes which can exist between the stakeholder groups. For the employee group (see Figure 5), based on the findings of this study, there is a strong link between company activities and reputation and weak links between all non-company activities and reputation. In addition the media effect has been shown to be weak. In summary, both the industry effects and the stakeholder network effects have been demonstrated as weak for the employees engaged in this study. This appears to reflect their high level of access to company information, their ability to differentiate the company from the industry and their lack of trust in other information sources.
In contrast for the NGO/environment stakeholders (see Figure 6), based on the findings of this study, there are strong links between industry activities and company reputation (industry effects), in addition to the strong link identified between company activities and reputation. The study also identified stronger links between other stakeholder group actions and reputation (stakeholder network effects) for the representatives of this group than for the employee representatives. Further, the media effect has been shown to be stronger for the NGO/environment stakeholders than for the employees.
The differences which have emerged in the company and industry reputation formation processes for the stakeholder groups, as detailed in Table 1 and Table 2, appear to be as a result of the following:

- Varying salience between the stakeholder groups, the variation in the determinants of reputation.
- Differing relationships between the company and its stakeholder groups, resulting in variations in the level of access to information for the stakeholder groups.
- Differing levels of trust of the company, mining industry, media and other stakeholder groups.

### Table 1: Company Reputation formation Mechanisms

<table>
<thead>
<tr>
<th></th>
<th>Community</th>
<th>Employees</th>
<th>NGO/ Environment</th>
<th>Shareholders/ Financiers</th>
<th>Regulators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry Activities &amp; Reputation</strong></td>
<td>Moderate link</td>
<td>Weak link</td>
<td>Strong link</td>
<td>Moderate link</td>
<td>Weak link</td>
</tr>
<tr>
<td><strong>Company Activities</strong></td>
<td>Strong link</td>
<td>Strong link</td>
<td>Strong link</td>
<td>Strong link</td>
<td>Strong link</td>
</tr>
<tr>
<td><strong>Other stakeholder actions</strong></td>
<td>Moderate link</td>
<td>Weak link</td>
<td>Moderate link</td>
<td>Strong link</td>
<td>Moderate link</td>
</tr>
<tr>
<td><strong>Media effect</strong></td>
<td>Variable(^3)</td>
<td>Weak</td>
<td>Strong</td>
<td>Moderate</td>
<td>Weak</td>
</tr>
<tr>
<td><strong>Company Reports</strong></td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Moderate</td>
<td>Weak</td>
</tr>
</tbody>
</table>

### Table 2: Industry Reputation formation Mechanisms

<table>
<thead>
<tr>
<th></th>
<th>Community</th>
<th>Employees</th>
<th>NGO/ Environment</th>
<th>Shareholders/ Financiers</th>
<th>Regulators</th>
</tr>
</thead>
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<tr>
<td><strong>Industry Activities &amp; Company Activities</strong></td>
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<td>Strong link</td>
<td>Strong link</td>
<td>Strong link</td>
<td>Strong link</td>
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<tr>
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<td>Weak link</td>
<td>Strong link</td>
<td>Strong link</td>
<td>Moderate link</td>
</tr>
<tr>
<td><strong>Media effect</strong></td>
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<td>Weak</td>
<td>Strong</td>
<td>Moderate</td>
<td>Weak</td>
</tr>
<tr>
<td><strong>Company Reports</strong></td>
<td>Indirect (Via Media)</td>
<td>Indirect (Via Media)</td>
<td>Indirect (Via Media)</td>
<td>Indirect (Via Media)</td>
<td>Weak (Via Media)</td>
</tr>
</tbody>
</table>

For example, the results of this study indicate that employees have a primary focus upon the company’s activities in the formation of company reputation. As shown, there is limited reliance on information from the media and there is a weak industry effect on company reputation formation for this group. This appears to reflect the high level of access to the company specific information necessary for employees to form reputation and their ability to differentiate the company from the industry. Employees have been shown not to seek information from other sources, a reflection of their trust in the information available from the company in comparison to information from other sources.

\(^3\) A weak media effect from company activities and other stakeholder actions in contrast to a stronger effect from industry activities.
The study indicates that the regulators also have a strong focus on company activities but, unlike the employees, they also focus upon other stakeholder actions and, in particular community actions. The regulators, like the employees, have a limited reliance on information from the media and there is a limited industry effect on reputation formation. The difference in process between these two stakeholder groups results from the variation in determinants of reputation between these two groups and the limited stakeholder network effects identified in the formation of reputation by employees in contrast to the regulators. Similarities in the process between these two groups appear to arise because the regulators, like the employees, have access to the information required from the company to form reputation and do not have to rely upon the media or other stakeholders for information about the company's activities. The findings indicate that they trust the information from the company and they can also differentiate the company from the industry.

In contrast, the results of the study indicate that the NGO/environment stakeholders have a lower level of access to information from the company and have limited trust in the mining industry. This is associated with a heightened industry effect for this group in the formation of company reputation. The lack of trust in the company and the industry appears to act as a filter for information flowing from the company and the evidence suggests that this group will seek out information from other sources, including the media. The lack of trust of the company and the industry, identified in this study, appears to reduce the effect of the company's activities on reputation. Unlike the employees and the regulators this group may be unable (or unwilling) to differentiate the company from the industry, especially at the beginning of the relationship with the company, and thus they may substitute industry reputation for company reputation. As a result of the extensive level of reputational interdependencies indicated for this group, it appears that a reputations commons (King, et al., 2002) exists for this stakeholder group.

In addition to these variations in the reputation formation process, the study indicates that the process may also change over time for the stakeholder groups as a result of changes in the prevailing levels of trust of the company and the industry. From the case studies it is evident that the level of community trust in a company can increase as the relationship with the company develops. The levels of trust may also change as a result of changes within the company (organisational changes), company incidents and also industry incidents. The dynamic nature of this process of reputation formation is also a result of changes in the stakeholder specific factors determining reputation, as new factors may emerge over time while current factors may become less important or irrelevant.

**Conclusion**

Overall, the study provides support for a stakeholder model of reputation formation for the mining industry. Furthermore, the findings indicate that the reputation formation process varies for the stakeholder groups of a mining company and that these processes can vary over time. Trust emerged as an important factor in the reputation formation process. This led to the development of stakeholder specific models of reputation formation. The variations in the reputation formation processes identified, combined with the stakeholder specific combinations of determinants and the varying levels of trust in information sources, reveal why mining companies have multiple, stakeholder specific, corporate reputations.

This study has implications for the strategic management of reputations in the mining industry. In particular, it indicates that reputations need to not only be managed at a stakeholder level, but also in conjunction with other stakeholder reputations. The analysis also indicates that for each stakeholder group reputational dependencies are inversely related to the stakeholder group's levels of trust of the company, current company reputations, and stakeholders' levels of knowledge and access to information. Importantly, these findings signify that it is apt and timely for reputation research to move beyond the undifferentiated view of reputation, limited to the domain of the corporation and bound by the corporation at the centre of a didactic network.
The model developed in this paper is based on the results of one study into reputation formation in a specific industry – the Australian mining industry. To determine whether the findings of this study are applicable in other settings there is a need for research into the stakeholder reputation formation processes for mining companies in other countries and for other industries more generally. Importantly, this research highlights the need to explore corporate reputation from a multi-stakeholder perspective and the stakeholder model of reputation formation proposed provides a framework for future exploration of reputation formation in other industries.

References


Appendix 1: Delphi Study – Common Determinants of Reputation

<table>
<thead>
<tr>
<th>Community &amp; Stakeholder Engagement</th>
<th>Community</th>
<th>Employees</th>
<th>Shareholders/Financiers</th>
<th>NGOs/Environment</th>
<th>Regulators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Factors identified within theme</td>
<td>12</td>
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<td>18</td>
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<td>Company community involvement and communications policies</td>
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<td>✓</td>
<td>✓</td>
<td></td>
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<tr>
<td>Company engaging local and regional communities in open dialogue</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Company responsiveness and sensitivity to community concerns</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>• Company sensitivity to indigenous peoples’ issues</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Honesty and openness</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>• Transparency in decision making</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>• Company honouring commitments</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>• Consistency between what the company reports/promises and what it does</td>
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<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
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<td>11</td>
<td>8</td>
<td>11</td>
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<tr>
<td>Commitment to protecting the environment</td>
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<td>✓</td>
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<tr>
<td>Approach to rehabilitation and closure</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Environmental track record/performance</td>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>Company Performance</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>12</td>
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<tr>
<td>Economic Contribution</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>1</td>
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<td>2</td>
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<tr>
<td>Economic contribution company makes to the community and region</td>
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<td>✓</td>
<td>✓</td>
<td></td>
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</tr>
<tr>
<td>Employees</td>
<td></td>
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<td>Training/staff development</td>
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<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company Leadership/Management</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td>8</td>
<td>12</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Company’s incident response capability and reporting</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Corporate Social Responsibility</td>
<td></td>
<td></td>
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<td>7</td>
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<tr>
<td>Company performance beyond compliance</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<td>Company sponsorship of community programs</td>
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<td>4</td>
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<tr>
<td>Media coverage of the company, including local, national and international</td>
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<td>✓</td>
<td>✓</td>
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<td>✓</td>
</tr>
<tr>
<td>Global Mining Industry</td>
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<tr>
<td>Number of Factors identified within theme</td>
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<td>7</td>
<td>5</td>
<td>3</td>
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A complete list of the determinants of reputation identified by stakeholder group is available from the author on request.