Track 3 – International Marketing

Competitive Paper

Do External and Internal Factors Matter?

An Analysis of an MNC's Reputation Effects Across Nations

ABSTRACT

While corporations are increasingly using the strength of their reputations internationally, little is known about the boundaries of the varying effects of corporate reputation across nations. This study illuminates how the reputation of multinational corporations affects customers across nations, and the analysis focuses on the limitations of this relationship by highlighting the external and internal determinants of reputation effects. To provide insight into these issues, we refer to institutional and resource-based reasoning and use multilevel modeling based on 28,977 consumer evaluations of a multinational corporation in 40 countries. The results indicate that a strong corporate reputation positively determines consumer loyalty. This relationship is weakened by the external institutional environment (e.g., regulatory effectiveness and cultural differences), whereas firm-specific capabilities (e.g., country experience and country commitment) reinforce the effects of reputation.

KEYWORDS

Corporate reputation, institutional theory, resourced-based view, multilevel analysis

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INTRODUCTION

Multinational corporations (MNCs) increasingly seek to manage their corporate reputation (CR) across nations, as a strong reputation is of paramount importance in local competition (e.g., when establishing businesses with partners, recruiting employees, or attracting customers). For example, the H.J. Heinz Company relies on its strong CR to attract consumers abroad and considers differences between the host and home country when deciding whether to rely on reputation when entering a new country (B. Johnson, 2011). Focusing on the effects of CR on consumer loyalty across nations, this study highlights important external and internal boundary conditions of this relationship. Scholars often study CR effects on consumer behavior in national contexts, such as behaviors related to consumer loyalty, product responses, or trust (e.g., Andreassen, 1998; Brown & Dacin, 1997; Walsh & Beatty, 2007), but seldom across nations and primarily link the variation in effects solely to cultural differences between countries (e.g., Bartikowski, Walsh, & Beatty, 2011). In contrast to our review of the reputation literature, recent research highlights the importance of further institutional factors (e.g., Steenkamp & Geyskens, 2006; Walsh, Shiu, & Hassan, 2014). However, it is unclear how differences in external institutions (i.e., differences between an MNC's home and host countries) and important internal, firm-specific factors affect consumer responses to an MNC's reputation across nations. Therefore, this study aims to answer the following research question: how do institutional differences between countries and internal capabilities influence the relationship between CR perception and consumer loyalty toward an MNC? By addressing these issues, we offer two contributions to the extant literature. First, we provide evidence for the effects of CR on customer behavior across nations by responding to calls for research on this issue in the literature (e.g., Bartikowski, et al., 2011) and by applying an ap-

propriate multilevel modeling approach. Second, we investigate whether the relationship between CR and consumer loyalty is determined by institutional differences, such as regulative or normative differences between the home and host countries, and firm-specific capabilities, including country experience and country commitment. Countries differ not only in cultural terms but also in their institutional environments. Such differences make it difficult for MNCs to transfer their CR from their home country. Similarly, it is more difficult for consumers to evaluate relevant information from an MNC with a different institutional background (Eden & Miller, 2004). Therefore, we expect to observe a diminishing role of institutional differences on the relationship between CR and loyalty. By contrast, firm-specific capabilities could reinforce this relationship, as an MNC's country experience, for example, increases its knowledge of customers, and experienced MNCs may be more visible to consumers. Knowledge of the diminishing and reinforcing factors is highly relevant for MNCs that aim to professionally manage their reputations across nations. This study helps to identify factors that lead managers to reconsider their activities across nations or when entering a new country. The remainder of the study proceeds as follows. Considering institutional and resource-based reasoning, we derive hypotheses and test them on consumer data from 40 countries. After presenting the results, we discuss the implications and avenues for further research.

CONCEPTUAL FOUNDATION AND HYPOTHESES

Main Effect

CR perceptions are defined as "the customer's overall evaluation of a firm based on his or her reactions to the firm's goods, services, communication activities, interactions with the firm and/or its representatives" (Walsh & Beatty, 2007, p. 129). We treat CR as an important information cue that influences consumers' decision behaviors; in this study, the behavior in focus is loyalty to an MNC. Loyalty is understood as a consumer's intention and readiness to buy products/offers and to establish a good relationship with a firm (e.g., Oliver, 1999) which

is a strong predictor of customer spending (Morgeson, Mithas, Keiningham, & Aksoy, 2011). To facilitate evaluation of our observations, loyalty is examined as a well-researched proxy for possible consumer responses. As previously noted, scholars have provided empirical evidence in a national context for the effects of strong CR on trust (D. Johnson & Grayson, 2005), product response (Brown & Dacin, 1997), and loyalty (e.g., Andreassen, 1998). Internationally, focusing on only a few countries, previous research supports a positive effect of CR on consumer behavior (e.g., Bartikowski, et al., 2011; Walsh, Beatty, & Shiu, 2009). Consistent with this literature, we expect a positive effect of MNCs' CR on consumer loyalty across a significant number of countries and therefore present the initial hypothesis:

H1. The CR of an MNC has a positive effect on consumer loyalty across nations.

Moderating Role of External Institutions

Institutions are defined as "symbolic frameworks that provide guidelines for behavior, and lend stability, regularity and meaning to social life" (Orr & Scott, 2008, p. 4). Consumers and MNCs are part of their country-specific institutional environments, and as such, these environments influence the behaviors and beliefs of the consumers and the MNCs (Schwartz, 1994). To analyze the effects of MNCs' reputations, we rely on the institutional framework of Scott (2014) as an established approach (e.g., Walsh, et al., 2014), as it comprises regulative, normative and cultural-cognitive institutions. The regulative pillar represents the rules and laws in a society that guide individuals' behaviors, i.e., the presence and efficiency of regulatory institutions and the associated legal system (Scott, 2014; Steenkamp & Geyskens, 2006). The normative pillar consists of the aims and objectives as well as norms and values that guide the behavior of a society. The cultural-cognitive pillar includes the shared meanings and common beliefs that give sense to everyday life (Scott, 2014). These meanings and beliefs are shaped by signs, gestures and symbols and arise in interactions. Following previous research,

the institutional pillars are represented by specific indicators (e.g., Steenkamp & Geyskens, 2006). Differences in the regulative environment are represented by regulatory effectiveness, including a country's business, labor and monetary freedom (Miller, et al., 2014). Reflecting the normative pillar, national identity refers to a citizen's feeling of belonging within his/her nation (Druckman, 1994; Zhang & Khare, 2009). Cultural-cognitive differences are represented by culture, in which a group of members share the same collective programming of the mind that distinguishes them from other groups (Hofstede, Hofstede, & Minkov, 2010).

Regulatory effectiveness differences. The regulatory effectiveness of a country comprises labor and price regulations as well as the efficiency of government and the overall amount of regulation (Miller, et al., 2014). More efficient regulation tends to have a greater influence on the behavior of individuals and organizations (Licht, Goldschmidt, & Schwartz, 2007). Strong regulatory effectiveness provides a reference system indicating which behaviors in society are acceptable and which behaviors are not (Steenkamp & Geyskens, 2006). Previous studies suggest that in countries with stronger regulation, consumers are more certain about their behavior and what they can expect from organizations (Steenkamp & Geyskens, 2006). Thus, the consumer is aware that both he and society as a whole, including MNCs, must abide by the country's rules. However, foreign MNCs may conform to different regulatory contexts in their home countries and therefore must adapt to local regulations. Because consumers may be unconsciously aware of this adaptation, they may feel insecure about the behaviors and sincerity of foreign MNCs. This perception may lead to a reduction in the relevance of CR in the decision making of local consumers, as they tend to rely on factors that are likely to offset these insecurities (e.g., product quality). Therefore, we hypothesize that greater differences in the regulatory effectiveness of the home and host countries are associated with weaker relationships between CR and consumer loyalty to MNCs.

H2. The effect of an MNC's CR on consumer loyalty weakens as the differences in the regulatory effectiveness of the host and home countries increase.

National identity differences. National identity has its roots in the idea that a consumer identifies himself or herself either with his or her own local surroundings or with people from all over the world (Zhang & Khare, 2009). As such, national identity becomes a central aspect in societies (Scott, 2014) through the formation of social groups that define themselves through shared key values (Druckman, 1994; Steenkamp & Geyskens, 2006). Countries characterized by a strong national identity tend to show great respect for and faith in local traditions, symbols and values. Such societies tend to view their own countries as particularly unique. By contrast, countries characterized by a global identity share a positive evaluation of globalization and a positive feeling toward people from other countries. Although national identities tend to have either a global or local orientation, the two are not mutually exclusive (e.g., Arnett, 2002). Prior research has shown that the national identity of consumers influences their product choices and perceived values (Steenkamp, Batra, & Alden, 2003; Swoboda, Pennemann, & Taube, 2012). Both consumers and MNCs influenced by the national identity of their respective home countries, and MNCs that are active abroad may even unconsciously transfer their attitudes, behaviors and internal organizations from their home country to a host country. Thus, their appearance in a host country may be marked by their home country's national identity, and consumers may be aware of the different national identity background of an MNC. Because consumers prefer information that is consistent with their national identity, it may be more difficult for them to process this information if it is not consistent with their own national identities (Swoboda, et al., 2012; Zhang & Khare, 2009). Thus, when the difference between the national identity of the home and host counties of an MNC is greater, consumers find it more difficult to access and process the necessary information. In decision-making situations, consumers do not

rely on information that is difficult to obtain but rather rely on easily accessible information. Therefore, we hypothesize as follows:

H3. The effect of an MNC's CR on consumer loyalty weakens as the national identity differences between the host and home countries increase.

Cultural differences. Within nations, a shared set of values and beliefs constitutes a country's culture. The decision making of individuals and organizations is influenced by these shared values and beliefs, which affect how information is processed and interpreted (Morgeson, et al., 2011). Thus, culture constitutes the framework that gives meaning to social interactions, symbols, signs, and gestures (Scott, 2014). The behaviors of society as a whole as well as the behaviors of individuals are influenced by the culture of a country (Morgeson, et al., 2011; Sivakumar & Nakata, 2001). Prior research suggests links between culture and perceived value (Steenkamp & Geyskens, 2006), behavioral intentions (Morgeson, et al., 2011), and consumer loyalty (Bartikowski, et al., 2011). Consistent with Bartikowski, et al. (2011), we argue that cultural differences in the environment between the home and host countries affect the behavior of both MNCs and consumers in the host country. The more different the culture between the home country and a host country of an MNC, the more difficult it is for an MNC to transfer its CR and to provide appropriate information for consumers. Moreover, for consumers, it is more difficult to interpret the provided information. Thus, we hypothesize as follows:

H4. The effect of an MNC's CR on consumer loyalty weakens as the cultural differences between the host and home countries increase.

Moderating Role of Internal Resources

A firm's competitive advantage arises from the combination of firm-specific resources and

capabilities, which are rare, valuable and not imitable (Barney, 1991). We analyze country experience and country commitment, which represent essential resources in the internationalization process (Johanson & Vahlne, 2009). Both experience and commitment interact: firms learn from their operations in a country and use this knowledge to make commitment decisions (Johanson & Vahlne, 1977, 2009). Moreover, country experience and commitment are important capabilities (e.g., Madhok, 1997; Pedersen & Petersen, 1998) because they determine a firm's ability to transform and manage resources (e.g., Amit & Schoemaker, 1993) and to adapt in response to the external environment of a country (Lu, Zhou, Bruton, & Li, 2010). We also use the country experiences and commitment of MNCs as internal moderators because we believe that these factors are relevant to consumer evaluations of MNCs in a foreign country and to the reputational management of MNCs. Fombrun and Shanley (1990) showed that citizens evaluate MNCs based on the different information (e.g., financial, organizational, and/or strategic information) that they receive from the MNCs. An MNC with higher levels of country experience or commitment is likely to be either directly visible to consumers (e.g., consciously through a stronger physical presence) or indirectly visible (e.g., unconsciously through various MNC activities). An MNC's country commitment and experience can thus become relevant to customer decision making.

Country experience. Country experience is the basis for MNC knowledge about a country and is a widely discussed capability of firms (e.g., Madhok, 1997). For example, in markets in which they have less experience, MNCs lack knowledge of how consumers make decisions. MNCs may further encounter problems related to the liability of foreignness (e.g., Eden & Miller, 2004; Hymer, 1976), which tends to decline as firms acquire increasing experience (Zaheer & Mosakowski, 1997). Experienced MNCs can use this experience to overcome disadvantages (Chang, 1995). For local consumers, the country experience of an MNC may not

directly be visible. Rather, country experience influences MNCs' behaviors, such as corporate culture, communication, and general appearance, which helps MNCs to overcome their liability of foreignness. Through these behaviors, country experience influences local consumers. We assume that local consumers' intimacy with an MNC and its reputation is greater toward firms with more country experience. Experience may not only reduce the uncertainties of MNCs but also alleviate consumers' uncertainties. Consumers may rely more on experienced MNC-specific information, such as CR, when making purchase decisions. Thus, we expect that higher levels of country experience reinforce the effect of CR on loyalty.

H5. The effect of an MNC's CR on consumer loyalty is strengthened as the country experience of the MNC increases.

Country commitment. Commitment to a country represents the amount of resources that an MNC transfers to and implements in a foreign market, i.e., resource commitment (Pedersen & Petersen, 1998). Thus, commitment relates to how an MNC has adapted to customers and their preferences in a respective country. Commitment not only affects a firm's perceived risk and opportunities (Johanson & Vahlne, 1977, 2009) but also encourages an MNC to rely on a particular market. An MNC with greater involvement in a host country tends to depend more heavily on this (host) country (Johanson & Vahlne, 2009). From a consumer perspective, it seems obvious that more committed MNCs would have a better public presence. As an MNC becomes increasingly involved in a country, it becomes more involved with the respective society and more adaptable within that society (Petersen, Pedersen, & Lyles, 2008). Thus, a consumer may directly interact with an MNC on a regular basis (e.g., as an employer or customer who buys the MNC's products or services) and indirectly interact with the MNC (e.g., via MNC activities). Based on these interactions, consumers form certain attitudes, yielding a perception of an MNC's CR, which is amplified by repeated activation. In decision-making

situations, consumers rely on these perceptions to make decisions. Accordingly, we hypothesize that the relationship between CR and loyalty for MNCs with higher levels of country commitment.

H6. The effect of an MNC's CR on consumer loyalty is strengthened as the country commitment of the MNC increases.

Figure 1 summarizes our conceptual foundation.

Figure 1 goes about here

EMPIRICAL STUDY

Sample Design

To test our hypotheses, a sample has been developed in cooperation with an MNC in the chemical/pharmaceutical industry. Panel data are collected by a commercial marketing research agency in the countries. The agency's average participation rate is 55%, and participants are compensated with cash rewards. The selection of countries to be evaluated is driven by the countries that are important to the MNC. Of the 43 foreign countries controlled in the years 2011 and 2012 (30 in 2011 and an additional 13 in 2012), three were excluded from this study because of missing data on institutional variables. The respondents in each country were selected based on screening criteria. Quota sampling according to gender and age distribution was applied based on the information provided by the national registration offices. We restricted the sample to the urban population between 18 and 65 (55) years in most developed (emerging) countries. Finally, only respondents with above-average incomes, high levels of education or professions were included in the sample. Thus, the sample included brand-affiliated respondents (e.g., Steenkamp, et al., 2003). Initially, the respondents had to reveal their unprompted and prompted awareness of the MNC. Only respondents who knew the MNC under investigation at least in general were included in the survey. This procedure led to 29,870 evaluations. The outlier analysis according to the Mahalanobis distance indicated

893 spikes, all of which were excluded from further analysis. The sample included 28,977 respondents and was not a representative sample (see Table 1).

Table 1 goes about here

Measurements

Measurement on the individual level was based on scales from previous studies (using five-point Likert-type scales). The scales were pre-tested by two consumer focus groups followed by a pre-test in the MNC's home country (N = 288) and a pre-test in eight countries (average n = 873 per country). All pre-tests yielded satisfactory values for reliability and validity. CR was measured by 15 items capturing five dimensions: customer orientation, good employer, product/service quality, social/environmental responsibility, and reliability/financial strength (Walsh & Beatty, 2007; Walsh, et al., 2009). After we ensured the reliability and validity of every reputation dimension, we used item parceling to reduce the complexity of the models (Bandalos, 2002, see Table 2). Loyalty was measured using three items—I am a loyal customer of [company], I have developed a good relationship with [company], and I am certain that I will buy products/offers of [company]—adapted from Oliver (1999). The semantic equivalence of the measures was ensured by applying the translation-back translation method, which was performed by trained commercial translation agencies (Hult, et al., 2008). To measure the regulative pillar, we relied on data from the Heritage Foundation indicating the regulatory effectiveness of a country (Miller, et al., 2014). Two items from the World Values Survey were used to represent national identity, and following Steenkamp and Geyskens (2006), we used scores from the nearest neighboring country to replace missing data from 14 countries.[1] To measure culture, we relied on the six dimensions of Hofstede, et al. (2010) because this measure—despite wide criticism—offers values for all countries and is particularly established in CR research, thus ensuring a better assessment of our results. To reflect the multidimensionality of the institutional pillars, the Mahalanobis approach was used to calculate differences be-

tween the home and host countries. Country experience was measured by the number of years of operation of the MNC in each country (Carlsson, Nordegren, & Sjöholm, 2005). Country commitment was measured by the size of the company (i.e., the number of employees) in the respective country (e.g., Pedersen & Petersen, 1998). Prior to the structural analyses, we tested for univariate and multivariate normality using Mardia's coefficient. Only country commitment showed non-normality and was therefore logarithmized. All scales were tested for reliability and validity. The factor loadings and goodness of fit of the confirmatory model were good. We further satisfactory tested for discriminant validity and checked for correlations of the country-level variable (see Tables 2-3). All values were acceptable.

Tables 2-3 go about here

We included covariates on the individual level. Gender and age were controlled because both are known to influence loyalty. We controlled for brand familiarity, which was measured with two items adapted from Steenkamp, et al. (2003). On the country level, we controlled for the number of respondents per country to ensure that the results were not affected by the different numbers of respondents in different countries (Snijders & Bosker, 2012). Common method variance (CMV) was addressed in three ways. First, we used an appropriate questionnaire design. Second, a single-factor test showed significantly lower fit values than did our proposed model ($\Delta\chi^2(1) = 54{,}157.859$, $p < .001$). Finally, we applied the marker variable technique (Lindell & Whitney, 2001) using occupation as the marker variable, as this variable is theoretically uncorrelated with our model. With respect to the variance in loyalty, 1.00% and 0.03% of CR can be associated with the substantive latent variable. The construct correlations showed no significant effect of the marker-based method variance. Thus, we found a low probability of CMV in this study. Following Steenkamp and Baumgartner (1998), we tested for measurement equivalence across countries. Because our sample was large, we used the differences in comparative fit indices to ensure measurement equivalence (Chen, 2007). All

indicators in all countries loaded significantly on their respective constructs, and the overall model fit was good with respect to supporting configural invariance. Metric invariance (ΔCFI 0.006; ΔRMSEA 0.004; ΔSRMR 0.015) and full scalar invariance were supported (ΔCFI 0.004; ΔRMSEA 0.001; ΔSRMR 0.007), as the differences in the comparative fit indices were within their respective thresholds. We tested for the exogeneity of CR. Because CR is theoretically conceptualized as a second-order construct (Walsh & Beatty, 2007), we used instrumental variables (IVs) for each CR dimension according to theoretical appropriateness and availability (i.e., adapted offers, a well-organized MNC, brand quality, an MNC's environmental causes, and brand strength). We checked for the strength of the IVs using F-tests (Stock & Watson, 2011), and in addition to the consistent model, we calculated an efficient model (Antonakis, Bendahan, Jacquart, & Lalive, 2010). Because a Hausman test (1978) indicated that CR was exogenous (z-value: 1.387), we concluded that the probability of endogeneity is reduced.

Method

To avoid model misspecification, e.g., too low standard errors and too liberal significance tests (Snijders & Bosker, 2012), we accounted for the nested data structure by using a multilevel approach. To support our rationale, we tested for the breakdown of variance in the dependent variable. 16.8% of the variation in loyalty can be attributed to country differences. All models are estimated using Mplus software. The multilevel models were calculated as random intercept and slope models with cross-level interactions. CR, as an independent variable, was centered on the grand mean (Hox, 2010). To provide further insights, we calculated the effect sizes according to Marsh, et al. (2009).

Results

The results of the hypothesis tests are presented in Table 4. All of the coefficients shown in

the table are unstandardized, as standardized coefficients are not computable in random slope and intercept models with cross-level interactions (Hox, 2010).

Table 4 goes about here

All multilevel models show a significant positive effect of CR on loyalty. Therefore, H1 is supported. With respect to the country moderators, we hypothesized that the effect of CR on loyalty would weaken as the regulatory, identity, or cultural differences between the home and host countries increase. Regulatory effectiveness and cultural difference show a significant negative effect ($b_{Regulatory\ distance}$ = -0.005; p <0.001; $b_{Cultural\ distance}$ = -0.002; p < 0.001) and thus support H2 and H4. By contrast, H3 is not supported because the moderating effect of national identity difference is not significant ($b_{Identity\ distance}$ = -0.074; p > 0.050). With respect to the internal moderators, H5 and H6 proposed that the effect of an MNC's CR on consumer loyalty would be stronger as the country experience and commitment of the MNC increase. The models support the effects for both internal moderators. The effect of CR on loyalty is reinforced by the greater experience of the MNC ($b_{Country\ experience}$ = 0.001; p < 0.05) and by the MNC's higher degree of commitment to the country ($b_{Commitment}$ = 0.043; p < 0.001).

DISCUSSION AND IMPLICATIONS

This study focuses on the important but under-researched effects of CR on consumer behavior across nations, with particular emphasis on the boundary conditions for this relationship. The results strongly indicate the importance of the MNC's reputation as a signal for consumers and as an important differentiation criterion, although the effects are limited by contextual factors. Although our study is based on only one MNC, we carefully provide major theoretical suggestions and conclusions for managers. Providing evidence for the effects of CR on consumer behavior across nations, we underline the results of previous research and respond to calls on this issue by adopting an appropriate multilevel approach (e.g., Bartikowski, et al.,

2011). With respect to our research question, we note that assessing the boundaries of CR effects contributes to a deeper understanding of an MNC's international reputation management and of the theoretical explanations for important moderators. Furthermore, the results contribute to increasing our understanding of interplays and tradeoff decisions. Subsequently, we highlight three conclusions. First, we provide a new institutional perspective on the moderators of CR effects. MNCs often manage CR centrally—because reputation is a CEO task—but must also respond to external institutional differences between the home and host countries. Institutions (i.e., regulative, cultural-cognitive, and by-trend normative differences) diminish the reputation effects of an MNC, which is important to know when aiming to use a strong reputation to attract consumers across nations or when planning new market openings. CR is an important antecedent for the H.J. Heinz Company and for other companies with respect to entry mode choices, for example, the choice of an MNC's own subsidiaries—when the opportunity to rely on CR arises—or the acquisition of established firms (B. Johnson, 2011). According to our observations, countries with greater regulative and cultural differences with respect to the home country promise diminishing effects on an MNC's reputation. However, because we measured regulative and cultural differences in a specific manner, the results of a finer-grained analysis may provide additional insight. Ultimately, an MNC faces a tradeoff decision regarding knowing the relevant environmental factors and relying on those factors deemed most important. For example, the results are insignificant for national identity differences for which we have used established measures but also substituted data (Steenkamp & Geyskens, 2006; Walsh, et al., 2014). Future studies could test alternative normative measures, such as norms, values and organizational culture, which are well-known indicators in international business research but have not yet been linked to consumer behavior. Furthermore, the results of an additional multi-group analysis (based on two groups and a median split) notably revealed that national identity is a significant moderator, as CR effects were

significantly stronger within the low-difference group. However, the use of an inappropriate methodology provides misspecifications. Second, we introduce the important firm capabilities of country experience and commitment (e.g., Madhok, 1997; Pedersen & Petersen, 1998) to the consumer-dominated reputation research, which tends to neglect internal factors. Country experience and country commitment are important moderators of MNCs' reputation management and consumer CR perceptions. For both experienced MNCs and those with strong local commitment, reputation serves as another important formula or management tool in foreign countries, which in turn reduces the ex ante and ex post risks of operations abroad. We may conclude that MNCs can use CR to participate predominantly in host countries in which they have high levels of experience and commitment, but not in countries in which they have less experience and commitment. However, we can also conclude that extending country knowledge and local commitment could strengthen CR. Although we have analyzed established internal variables in this study, additional internal variables should be considered to fully understand the internal drivers of CR across nations (e.g., Pedersen & Petersen, 1998).

Third, we adopt multilevel structural equation modeling, an approach that is seldom used to analyze differences across countries; by contrast, multi-group approaches dominate in the literature. Such multi-group approaches and hierarchical regression analysis may provide less robust results that should be generalized with caution. Therefore, this study contributes methodologically to our understanding of the international boundaries of CR.

For managers, it is important to know that external factors can weaken their CR, whereas internal factors can reinforce their CR across nations and perhaps in particular countries as well. The MNC analyzed in this study has learned how its reputation is perceived across nations and has aimed to identify starting points for reputation management. The determination of higher CR budgets and the definition of related targets for subsidiaries in countries with stronger institutional differences or adjustments of CR budgets in those countries

with greater experience and commitment are two examples of conclusions that managers could draw from this study. We conclude that managers must identify institutional factors to understand their potential effect and to strategically manage the external environment. This study identified factors that weaken reputation effects as well as factors that reinforce those effects. Thus, managers face well-known tradeoffs in reputation management involving increasing their country experience while also responding to institutional pressures in a host country. To manage the interdependencies among resources, reputation, and environmental factors, managers must broaden their understanding of the interactions among these factors.

LIMITATIONS AND FURTHER RESEARCH

There are several limitations to this study, which we will attend to in the following. In doing so, we will also discuss avenues for further research. First, although we devoted special attention to data collection, the scope of this study is limited. The sample is limited to brand-affiliated respondents in 40 countries and to one MNC. Thus, analyzing MNCs with different corporate branding strategies in different countries could change the hypothesized effects and allow for further conclusions. Second, as previously noted, broader analyses of alternative external and internal boundaries are advantageous, in addition to different measures of CR (Sarstedt, Wilczynski, & Melewar, 2013). Third, we test for exogeneity to support our conceptualization. However, other antecedents of CR and of loyalty that were not observed in this study may nevertheless be important to increase our knowledge of the effects of CR across nations (e.g., Fombrun & Shanley, 1990).

NOTES

[1] A robustness check has been conducted by estimating the model after deleting the missing countries. The results remained substantively the same.

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Figure 1.
Conceptual framework

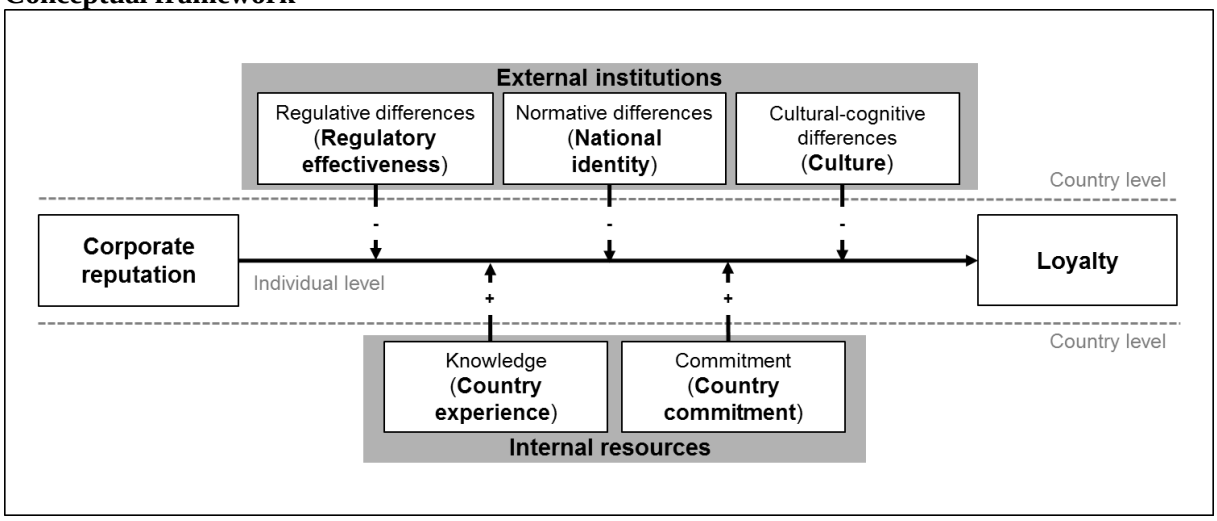

Table 1.
Sample

		Gender (%)		Age groups (years, in %)[1]				
	N	**Male**	**Female**	**18 to 25**	**26 to 35**	**36 to 45**	**46 to 55**	**56 to 65**
Argentina	951	49.5	50.5	24.7	28.2	24.9	22.2	0.0
Australia	811	50.1	49.9	11.8	20.3	22.6	21.1	24.2
Belgium	943	50.3	49.7	16.0	18.8	22.8	23.0	19.4
Brazil	892	50.9	49.1	36.3	27.8	22.0	13.9	0.0
Canada	848	49.1	50.9	19.7	21.9	22.1	16.4	19.9
China	775	51.0	49.0	23.2	34.3	26.5	16.0	0.0
Colombia	958	49.4	50.6	23.8	29.2	27.7	19.3	0.0
Denmark	714	54.2	45.8	11.1	18.2	22.3	22.7	25.8
Egypt	164	72.6	27.4	26.8	24.4	29.3	19.5	0.0
Estonia	300	52.7	47.3	15.3	24.7	23.3	21.3	15.3
Finland	823	48.2	51.8	13.9	17.1	21.4	22.0	25.6
France	752	51.3	48.7	15.7	20.7	21.7	14.8	27.1
India	777	49.9	50.1	22.8	24.5	23.2	29.6	0.0
Indonesia	958	50.1	49.9	26.1	26.9	21.5	25.5	0.0
Italy	955	49.1	50.9	13.9	22.4	22.8	21.5	19.4
Japan	721	52.0	48.0	10.4	19.4	21.9	22.6	25.7
Jordan	181	70.7	29.3	22.7	28.7	32.0	16.6	0.0
Korea	676	53.0	47.0	10.8	21.9	30.0	37.3	0.0
Latvia	335	48.4	51.6	11.0	26.9	27.2	25.4	9.6
Lithuania	383	49.9	50.1	12.8	19.1	25.8	26.4	15.9
Malaysia	781	52.6	47.4	23.2	22.2	23.7	31.0	0.0
Mexico	971	48.6	51.4	31.8	28.5	23.0	16.7	0.0
Netherlands	898	49.4	50.6	13.0	17.8	25.7	23.3	20.2
New Zealand	665	52.6	47.4	13.5	16.4	25.7	24.4	20.0
Norway	549	54.1	45.9	12.6	14.9	22.8	23.7	26.0
Philippines	921	49.3	50.7	29.2	27.5	19.5	23.8	0.0
Poland	961	51.9	48.1	20.0	23.6	18.7	21.1	16.5
Russia	758	53.8	46.2	23.6	25.5	25.1	25.9	0.0
Saudi Arabia	259	76.8	23.2	32.4	22.8	25.9	18.9	0.0
Singapore	791	51.2	48.8	10.9	20.9	28.4	39.8	0.0
South Africa	785	50.1	49.9	26.2	25.5	19.7	28.5	0.0
Spain	993	50.7	49.3	14.2	23.3	25.3	20.6	16.6
Sweden	522	54.0	46.0	13.0	12.8	18.8	24.3	31.0
Switzerland	437	50.1	49.9	14.0	19.7	25.4	22.9	18.1
Thailand	733	53.2	46.8	17.6	25.2	28.4	28.8	0.0
Turkey	884	50.7	49.3	16.7	33.6	28.2	21.5	0.0
UK	597	49.9	50.1	13.1	20.4	24.1	21.4	20.9
USA	929	50.5	49.5	17.8	19.4	23.1	23.7	16.0
Venezuela	936	50.3	49.7	23.8	31.4	26.8	17.9	0.0
Vietnam	690	53.0	47.0	23.8	29.1	26.1	21.0	0.0
Total	28,977	51.3	48.7	19.2	23.7	24.0	22.9	10.2

Table 2.
Reliability and validity

		Item	MV/Std.	FL	KMO	ItTC	α	CR	λ	AVE
Corporate reputation (CR)	Customer orientation (CO)	CO1	3.45/0.866	0.933	0.751	0.844	0.908	0.910	0.893	0.770
		CO2	3.45/0.846	0.917		0.811			0.866	
		CO3	3.48/0.875	0.909		0.797			0.874	
	Good employer (GE)	GE1	3.56/0.872	0.933	0.758	0.846	0.918	0.918	0.896	0.789
		GE2	3.55/0.881	0.916		0.812			0.877	
		GE3	3.82/0.914	0.932		0.843			0.892	
	Product range quality (PRQ)	PRQ1	3.82/0.915	0.926	0.751	0.830	0.912	0.914	0.888	0.779
		PRQ2	3.80/0.909	0.935		0.848			0.899	
		PRQ3	3.68/0.900	0.906		0.794			0.860	
	Social and environmental responsibility (SER)	SER1	3.13/0.995	0.902	0.744	0.777	0.884	0.884	0.817	0.717
		SER2	3.33/0.874	0.891		0.756			0.844	
		SER3	3.36/0.944	0.913		0.797			0.882	
	Reliable and financial strong company (RFC)	RFC1	3.69/0.898	0.922	0.756	0.821	0.908	0.828	0.897	0.616
		RFC2	3.67/0.891	0.924		0.825			0.878	
		RFC3	3.57/0.892	0.912		0.803			0.874	
Corporate reputation (CR, parcels)		CO	3.48/0.806	0.903	0.895	0.844	0.938	0.938	0.976	0.753
		GE	3.54/0.803	0.922		0.872			0.907	
		PRQ	3.76/0.837	0.907		0.849			0.887	
		SER	3.27/0.845	0.846		0.766			0.801	
		RFC	3.64/0.821	0.897		0.834			0.870	
Loyalty (Loy)		Loy1	3.04/1.155	0.957	0.737	0.901	0.951	.953	0.942	0.870
		Loy2	3.19/1.138	0.933		0.854			0.878	
		Loy3	3.06/1.100	0.973		0.936			0.979	

Confirmatory model fit of single CR-dimensions: CFI 0.981; TLI 0.975; RMSEA 0.055; SRMR 0.028; $\chi^2(120) = 10577.550$.
Confirmatory model fit of parceled CR-dimensions: CFI 0.977; TLI 0.967; RMSEA 0.100; SRMR 0.032; $\chi^2(19) = 5514.070$.

Table 3.
Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CR (1)	1									
Loyalty (2)	.546***	1								
Gender (3)	.004*	.008*	1							
Age (4)	-.029***	-.092***	$.003^{ns}$	1						
Brand familiarity (5)	.501***	.732***	$.004^{ns}$	.097***	1					
Group size (6)	—	—	—	—	—	1				
Regulatory differences (7)	—	—	—	—	—	$-.080^{ns}$	1			
Identity differences (8)	—	—	—	—	—	$.062^{ns}$	.482**	1		
Cultural differences (9)	—	—	—	—	—	$.229^{ns}$	$.272^{ns}$	.344*	1	
Country experience (10)	—	—	—	—	—	$-.286^{ns}$	$.284^{ns}$	$.069^{ns}$	$.079^{ns}$	1
Country commitment (11)	—	—	—	—	—	$.076^{ns}$	$-.081^{ns}$	$.032^{ns}$	$-.194^{ns}$	$.142^{ns}$

Table 4.
Results

		Null model	**Random intercept**				**Random intercept and slope**			
			Baseline	Full	Baseline	Regulatory differences	Identity differences	Cultural differences	Country experience	Country commitment
			b *p*	*b* *p*	*b* *p*	*b* *p*	*b* *p*	*b* *p*	*b* *p*	*b* *p*
CR	➔ Loyalty			0.875***	0.855***	0.856***	0.856***	0.854***	0.855***	0.855***
				(1.726)	(1.703)	(1.705)	(1.705)	(1.701)	(1.701)	(1.701)
Cross-level interactions										
Regulatory differences	➔ Intercept loyalty					0.001^{ns}				
						(0.047)				
Regulatory differences	➔ Slope CR					-0.005***				
						(-0.233)				
Identity differences	➔ Intercept loyalty						-0.274*			
							(-0.125)			
Identity differences	➔ Slope CR						-0.074^{ns}			
							(-0.034)			
Cultural differences	➔ Intercept loyalty							-0.002***		
								(-0.111)		
Cultural differences	➔ Slope CR							-0.057*		
								(-.0389)		
Country experience	➔ Intercept loyalty								-0.003***	
									(-0.297)	
Country experience	➔ Slope CR								0.001*	
									(0.099)	
Country commitment	➔ Intercept loyalty									-0.017^{ns}
										(-0.071)
Country commitment	➔ Slope CR									0.043***
										(0.179)
Covariates individual level										
Gender	➔ Loyalty		0.038**	0.020^{ns}	0.019^{ns}	0.019^{ns}	0.019^{ns}	0.019^{ns}	0.019^{ns}	0.019^{ns}
Age	➔ Loyalty		0.005^{ns}	-0.012^{ns}	-0.013^{ns}	-0.013^{ns}	-0.013^{ns}	-0.013^{ns}	-0.012^{ns}	-0.013^{ns}
Brand familiarity	➔ Loyalty		0.458***	0.191***	0.194***	0.194***	0.194***	0.194***	0.194***	0.195***
Covariate country level										
Group size	➔ Loyalty				0.000^{ns}	0.000^{ns}	0.000^{ns}	0.000^{ns}	0.000^{ns}	0.000^{ns}
Residual variance (individual level)		0.961	0.767	0.513	0.503	0.503	0.503	0.503	0.503	0.503
Residual variance (country level)		0.194	0.058	0.046	0.046	0.043	0.045	0.041	0.032	0.041
Explained variance (individual level, %)			20.2	34.9	19.5					
Explained variance (country level, %)					0.0	6.5	2.2	10.8	30.4	10.8
AIC		163304.025	156762.683	376643.065	381032.212	381035.705	381033.637	381392.306	381025.352	381173.781
BIC (adjusted)		163365.180	156839.127	376801.050	381190.196	381203.882	381201.814	381575.772	381193.529	381352.151

*p < 0.05; **p < 0.01; ***p < 0.001; ^{ns} = not significant; effect sizes are shown in brackets.