Management Perception of Reputation Management in Japan

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Abstract

This paper discusses Japanese manager's perceptions of reputation management based on both case studies and mail surveys. It deals with three issues: whether Japanese managers believe that corporate reputation changes corporate value; the use of different metrics to measure corporate reputation in Japan; and, whether Japanese managers believe that corporate reputation can be managed. First, this paper found that a majority of Japanese managers view corporate value as a composite concepts consisting of not only economic but also of social and organizational value. Second, the same paper found that Japanese managers attach a great deal of importance to supplying high quality product and services, but they are relatively indifferent about the shareholder. Third, most Japanese managers believe that corporate reputation can be managed but they typically do not know how to manage it. This fact drives researchers to do efforts for supply Japanese managers with the way to manage corporate reputation.

Key words

corporate reputation, reputation management, CSR, RQ, corporate value, social value, financial performance, brand, stock price, stakeholder

Corporate reputation researchers have been active for quite some time in the Western countries. Until about a decade ago, Japanese managers and academics were much more interested in understanding the role of the corporate brand. Interest in corporate reputation has gradually been increasing in Japan for several reasons: an increasing number of scandals involving public companies caused by violation of compliance or corporate governance; intangibles such as corporate reputation have increasingly given value to the Japanese economy; the internet, TV and other media have led to a big impact on corporate reputation; and in the worst case, some companies have gone into bankruptcy because of damage to corporate reputation caused by scandals.

In Japan there were quite a few commentaries and short practical papers on word-of-mouth communication, corporate reputation and their management, but systematic research in these fields has only a decade-long history. The initial wave of research in this area introduced the main concepts of corporate reputation, as understood in the Western world, to Japanese academics and practitioners. At the same time the first wave began to build a theoretical framework for corporate reputation appropriate to Japanese managers and researchers. In the current paper the focus turns toward research on the perception gap between Western and Japanese managers on four main research questions: 1. whether Japanese managers believe that corporate reputation changes corporate value; 2. the use of different metrics to measure corporate reputation in Japan; 3. whether Japanese managers believe that corporate reputation can be managed; and 4. the effect of listing on a stock market on the perceptions of managers about corporate reputation.

This paper discusses on a series of related studies in Japan that are an attempt to develop a base for Japanese corporate reputation research. This includes a joint study with the staff at Dentsu Inc. (the largest Japanese advertising agency with a focus on CSR and environmental issues) as well as studies with other academics and study groups[1]. The studies include research concerning trust together with academics in administrative law studies. These research projects were given the financial support of the Institute of Administrative Management (under Ministry of Internal Affairs and Communications). The present author also leading a study group entitled "Management Accounting Research on Intangibles-Focusing on Corporate Reputation-" with members consisting of academics belonging to the Japan Accounting Association (JAA) and practitioners who have an interest in the subject. His research focus has now shifted from discussing the western concepts and methodology of corporate reputation with Japanese managers and academics, to looking at practical applications of reputation management in Japan. The author is given financial support from Melco Foundation for this purpose. He has also begun to do research on the differences between Western and Japanese managers in their perception of reputation management.

Research methodology

The four research questions noted above are examined using several data sets. For each research question the theory, results and discussion are integrated in a separate section. This paper is an attempt to build an authentic theory of Japanese corporate reputation and reputation management. It uses a grounded theory approach for explaining reputation management.

[1] The "study group" is a widely practiced Japanese approach to research. If a professional or government body determines that there is an important issue to be examined, they set up a "study group" of 10 to 15 members, academic and professional. The group has a budget and prepares a report based on its own work, which can include the entire range of research methods. These groups may work for two years and produce more than one report.

This data used in this paper are from five case studies, one academic mail survey and a study group mail survey with the Melco fund. The case studies included in this paper are: Kanebo [cosmetics] and Chuo-Aoyama-PricewaterhouseCoopers [2] [auditing services firm], Panasonic [electronics], YKK [fastening products], Shimadzu [high-tech measurement devices] and Toyota [automotive]. The case studies were conducted with support of the Institute of Administrative Management from 2006 through 2007. All the findings from those case studies were published in the book entitled *Reputation Management* (Sakurai, 2008, pp.261-376).

The first mail survey (Sakurai, et al., 2007, pp.15-38) was based on public companies listed on emerging markets, JASDAQ, TSE Mothers and OSE Hercules. These markets are one of the main sites for new and emerging companies in Japan. 1,321 copies of survey mail were sent to managers of listed companies from January 2007 to February 2007. There were 201 replies (a 15.2% rate). Those companies which listed on these markets are generally small companies. The surveys were sent to executives or department heads in areas such as planning departments, controllers, CFOs and others.

The second mail survey was conducted by the present author and the JAA study group described above. It was based on 124 large companies out of 1,062 companies (11.7% effective replies) listed on Tokyo and Osaka stock exchange from January 2009 to February 2009. Since there is no specific department dealing with reputation management in Japan, surveys were sent to executives or department heads which may deal with corporate reputation in the future, such as planning departments, CFOs, controllers, intellectual property, corporate social responsibility (CSR) or investor relations (IR) department. The fact that there is no specific office dealing with reputation, no doubt, reduced the response rate.

Research Question 1: Does Corporate Reputation change (create or damage) Corporate Value

The first main research question in this paper is: to understand whether Japanese managers believe that corporate reputation changes corporate value. To address this area the following questions must be answered: What do they perceive to be economic value, that is, does economic value mean stock price, profit (e.g. EPS), or present value of future cash flow; and, Does corporate

[2] Chuo-Aoyama PricewaterhouseCoopers, once one of the four largest accounting firms, collapsed because it committed "window-dressing," or deceptive accounting disclosure, for Kanebo in 2007. The relationship between Kanebo and Chuo-Aoyama is very similar to Enron and Arthur Andersen, once one of the largest US Accounting firms.

value mean only economic value or does it include economic, social (e.g. charitable contributions and other social contributions) and organizational (e.g. motivation of employees, leadership of top management) value. To respond these issues, managers were asked to respond to the following three questions as part of the 2009 survey.

Q1. What is the core concept of corporate value among stock price, profit or cash flow? (multiple answers are allowed)

Q2. Is corporate value equivalent to economic value or a composite of economic, social and organizational value?

Q3. Does corporate reputation create corporate value?

The result of the survey for these three questions is shown in Table 1. Concerning question 1, profit is a subjectively determined, but as Copeland has said, "cash is king" (Copeland,et.al, 2000, pp.73-87). Thus, Western managers may believe economic value is the present value of future cash flows. This survey, on the other hand, suggests that Japanese managers perceive economic value to be the present value of future cash flow, stock price, and profit, in that order. The difference between the three is very small and ten percent of respondents believe that economic value means all three concepts.

For question 2, a great majority of Japanese managers believe that corporate value consists of economic, social and organizational value. Very few Japanese managers think that corporate value means only economic value. This is a sharp contrast with typical American views that increasing shareholder value for higher economic value is the most important requirement for managers in doing business.

Concerning question 3, a great majority of Japanese managers believe that corporate reputation creates or damages corporate value. Very few did not agree.

Table 1. Does corporate reputation create corporate value		
1. When you talk about economic value what do you think about?	(n=123)	
Stock price	62	(50.4%)
Profit	58	(47.2%)
Present value of future cash flow	74	(60.2%)
2. What does corporate value mean	(n=122)	
Economic value	14	(11.5%)
Not only economic but social and organizational value	108	(88.5%)
3. Does corporate reputation create corporate value	(n=123)	
I don't think so	13	(10.6%)
I think so	110	(89.4%)

Discussion

Why are Japanese managers' conceptions of corporate value so different from those of Western managers? Research by Yoshimori may provide one clue as to possible reasons. Yoshimori divides corporate governance into three concepts (Yoshimori, 1995, p.33; Yoshimori, 1998, pp.44-45): monistic, dualistic and pluralistic. Yoshimori argues that the monistic outlook is shareholder-oriented and looks at the corporation as the private property of its owners. This concept is prevalent in the US and UK. The dualistic concept also puts a premium on the shareholder interests but the interests of employees are taken into account as well. This concept is widely shared in Germany and to a lesser degree in France. The pluralistic approach assumes that the firm belongs to all the stakeholders, although with the employee's interests taking precedence.

Pluralism is the strongest concept in Japanese managers. It manifests itself in the form of long-term employment for employees and long-term trading relations among various stakeholders. To support this hypothesis, Yoshimori carried out an interview survey with 378 managers of France, Germany, UK, US and Japan. A majority of Anglo-American managers (76% in the US and 71% in UK) replied that the corporation belongs to shareholders, while only 3% think the corporation belongs solely to the shareholder in Japan. A great majority (97%) of Japanese managers replied that the corporation belongs to all stakeholders. Germany (83%) and France (78%) are in between the Anglo-American and the Japanese managers in viewing the corporation as belonging to stakeholders.

In sum, since Japanese managers view the corporation as not only belonging to shareholders, but to all stakeholders, they may have the conception that corporate value includes not only the economic value which shareholders emphasize, but also social and organizational value, which is important to the other stakeholders.

Japanese managers have moved very rapidly to adopt Anglo-American systems and management style since the collapse of bubble economy around 1991. Then, Japan experienced the "lost decade". Because of this American influence, Japanese companies during the first decade of the 21st century may be characterized by the high dividends paid to shareholders[3] and low wages paid to employees. Therefore, the arguments discussed by Yoshimori may not wholly hold true at present. The most important lesson learned by the present (2009) depression caused by the collapse of the subprime loan sector in the US is that a majority of Japanese have become suspicious about Anglo-American shareholder-oriented market mechanisms.

Research Question 2: What are the most appropriate reputation Indexes for Japanese corporation

This leads to the second main research question: To find out the most appropriate reputation index for Japanese corporations. This section examines the drivers which are most appropriate for managing corporate reputation in Japan as well as comparing the perceptions of Japanese managers across widely used instruments such as Reputation Quotient sm (RQ) dimensions and attributes.

1) What are the drivers for high reputation

Winkleman interviewed 650 CEOs and came to the conclusion that the most important drivers of corporate reputation are trustworthiness and high quality products/services, followed by high-caliber management team, customer transactions, conducting business in a caring way, and innovation (Winkleman, 1999, pp.78-79). To measure these items *Fortune*'s Most Admired Companies and the RQ would be possibilities, but the Most Admired Companies metric is too financial-performance oriented, and the RQ has several weaknesses (Riel et al., 2007, p.253). RepTrak™ remedied the weakness of these two instruments and therefore, it may be the best current candidate for a reputation index. The RepTrak™ scorecard consists of seven core drivers, that is, products/services, innovation, workplace, governance, citizenship, leadership and

[3] The payout ratio of 1,809 listed companies (except emerging public companies on three markets) was as follows: only 23% in March 2004, but is expected to jump up to 340% in March 2009. That is, payout ratio is three times higher than net income for the same fiscal year. The phenomenon is partly attributed to the result of decrease of net income, 92% decrease from the previous year in 2009.

performance, which we can see shares concepts with Winklemans list. The only weakness of RepTrak is that it is less open to the public.

Sakurai (2008, pp.385-386) found five core drivers in every successful company in the five case studies mentioned earlier. These core drivers are similar to those listed above.

1. high quality products and services with high economic value,
2. high value placed on such stakeholders as customers, employees, suppliers, communities and shareholders, in a word, high value attached to human beings,
3. management philosophy and leadership,
4. trustworthiness, emotional appeal and transparency,
5. pursuit of not only economic, but also social and organizational values.

Question 4 What are the distinguishing features of good corporation in terms of:

1. high quality products and services,
2. high value placed on customers,
3. high value placed on employees and suppliers,
4. transparency,
5. trustworthiness and emotional appeal,
6. excellent management philosophy and leadership,
7. pursuit of economic, social and organizational value?

Multiple answers are expected.

The response to this question is shown in Table 2. Japanese managers place high value on quality products and services, but they do not place high value on shareholder and/or communities. What they value most is: high quality products/ services, transparency, trustworthiness and emotional appeal, and customers, employees and suppliers. The survey result may show us that the striking difference of perception between Western and Japanese managers is that shareholder is less valued in Japan.

Table 2. Features of Japanese companies with high Reputation (n = 124)						
	least influential			highly influential		
Items	1	2	3	4	5	Averages
1. Supply high quality products/services	-	-	-	15.3%	84.7%	4.85
2. Transparency, trustworthiness and emotional appeal	-	-	4.8%	37.9%	57.3%	4.52
3. Care about customers, employees and suppliers	-	0.8%	4.0%	35.5%	59.7%	4.50
4.Excellent management philosophy and leadership	-	0.8%	14.5%	44.4%	40.3%	4.20
5. Pursuit of economic, social and organizational value	-	1.6%	9.7%	51.6%	37.1%	4.20
6. Hold high value to community and shareholder	0.8%	-	19.4%	43.5%	36.3%	4.10
(0s omitted for clarity)						

The 2007 (Sakurai, et al. 2007) survey, which focuses on emerging (smaller) public companies, examined 25 items related with corporate reputation. The ranking of 13 items, in order, is: 1. high quality products/services, 2. customer satisfaction, 3. avoid scandal, 4. compliance, 5. financial performance, 6. high caliber of top management, 7. behavior of managers, 8. brand, 9. image, 10. disclosure, 11. IR (investor relations), 12. training of employees, 13. stock price. On the contrary, the least important, in order, are 1. low price, 2. company history, 3. blog/word-of mouth communication, 4. advertisement, 5. turnover.

Three points are notable in relation with the 2007 survey. First, corporate stock price, which may be highly regarded in the Western world, ranks 13th in this survey. Second, low sales price of products/services is not necessarily important for Japanese managers. Third, blogs or advertisements are not highly valued in creating corporate reputation. The most important aspect for managers in emerging public companies may be to supply high quality product and services to customers and clients for customer satisfaction. From these two surveys (2007-small companies and 2009-large companies) it seems that there is not a big perception gap between managers of small and big businesses in Japan.

2) Common Characteristics of the Companies that have high Reputation

At the preceding section, Sakurai (2008) indicated five features which excellent companies in the case studies have in common: quality products and services with high economic value, high value attached to human beings, management philosophy and leadership, transparent, trustworthy and emotional appeal, and pursuit of not only economic but also social and organizational value.

First, concerning to quality product and services, except for Kanebo which had been window-dressing, or, misstating financial results, for several years before its collapse, all other companies were very good in financial performance (economic value). Most Japanese consumers will be sure to agree that Toyota and YKK produces the highest level of quality products in the world. Panasonic and Shimadzu are also well known for their quality products and services. In addition, financial performance was especially high in these companies.

Second, except Kanebo, which deceived shareholders by issuing false financial statements, all other companies place high value on employees, suppliers, shareholders and communities. Japanese companies generally may make light of community relationship in comparison with the Western companies, but YKK, Toyota, Panasonic and Shimadzu have placed a very high value to community relationship.

Third, all companies have a corporate vision statement. However, the vision was not activated in Kanebo. The vision must be changed as the time passed. In fact, YKK has changed it from *Circle of Virtue* to *Management of Virtue*. Toyota has changed its interpretation of the *Toyota Manifesto*. In terms of leadership, the most outstanding leader was President Kunio Nakamura, who changed Panasonic from a loss-making company in 2002 to a financially excellent company. President Tadahiro Yoshida, the second generation president of YKK, has been leading YKK[4] very successfully. Junji Itoh, ex-president of Kanebo, once had led the company very beautifully, but run a one-man business in vain and went bankrupt in the end.

Forth, except Kanebo before its collapse, management of the other companies is trustworthy, transparent and appeals emotionally to shareholders. These companies have unique features: Panasonic has supplied high quality and reliable products and services for a very long period of time, Shimadzu “gave birth” to Mr. Kouichi Tanaka who won a Nobel Prize. YKK has succeeded in business in a niche industry and maintains the largest market share in the world. Toyota was once criticized in one’s sleeve to “squeeze a dry towel”, which is a well-known Japanese expression

[4] The European Commission imposed a fine in 2007 of 150,250,000 euro against YKK holding Europe B.V. and YKK Stocko Fasteners GmbH, which were suspected of violating European competition law on cartels. YKK Stocko Fasners violation was made before YKK acquired the company. YKK brought the case to the court. Some argue it does not injure the reputation of YKK except negligence of due diligence in this respect.

for trying the impossible cost reduction very hard, but our current awareness indicates that this expression is not correct.

Fifth, all companies except Kanebo are high in social and organizational values. These companies are high in social value: Panasonic developed CSR using the founder's [Konosuke Matsushita] "waterworks philosophy" by providing electric appliances for the benefits of all Japanese like water supplied by waterworks: very easily and with low prices; Shimadzu considers engineers to be the property of the company to cherish; YKK places a high value on the town of Kurobe, the community where YKK is located; Toyota has given birth to several tools of management such as Kanban, TPM (Total Productivity Maintenance), target costing and others. These companies are also high in organizational value: the Toyota Institute and unique in-house employees training systems and systematic and continuous accountants training programs in Panasonic. To become a *Tochikko*, a training program for expatriates that means to live together with other country's people who live around the companies in YKK.

3) Measurement of Corporate Reputation by RQ scorecard

No genuine large scale corporate reputation scorecard research[5] has been carried out in Japan. PRISM (PRIvate Sector Multiangular evaluation system) is a ranking method which is carried jointly by Nikkei and Nikkei Research. This is one of the most influential rankings but it is not a genuine corporate reputation survey. This paper compares the perception of Japanese managers' PRISM and RQ scores[6] [developed by Charles Fombrun with Harris Interactive].

Question 5. Use RQ to rank 10 highly reputable companies which are ranked in the top 10 companies by PRISM.

Question 6. Evaluate the six dimensions and 20 attributes of the Harris-Fombrun Reputation Quotient (RQ) by using the result of question 5.

[5] Major large scale ranking surveys in Japan include "Emotional Appeal Ranking" by *Diamond*, "Most Admired Companies" by *Nikkei Business*, "Excellent Companies" by *The NIKKEI*, "Image survey" by NIKKEI Industrial Consumption Ranking, PRISM and others. These rankings are, however, not genuine ranking surveys focusing on corporate reputation because research on corporate reputation was almost nonexistent.

[6] The reason why RQ, but not RepTrak™, was selected in this survey is that RQ was more frequently publicized, and thereby, it can be easily comparable with such score as PRISM.

Table 3a. Ranking by PRISM RQ Six Dimensions and 20 Attributes				
Ranking of top 10 companies using PRISM (n=119)				
1.Toyota	(45.4%)		6. Eisai	(4.2%)
2 . Nintendo	(18.5%)		7. ORIX	(2.5%)
3 . Komatsu	(9.2%)		8.HOYA	(1.7%)
4 . Canon	(8.4%)		9 . Funuc	(1.7%)
5. Takeda	(8.4%)		10 . Tokyo Electron	(0.0%)

Table 3b. Ranking by RQ Six Dimensions and 20 Attributes	
Rank RQ six dimensions and 20 attributes, in order (n=116)	
1. Vision and Leadership (4.27)	1. market opportunities (4.3)
	2. vision (4.3)
	3. excellent leadership (4.2)
2. Financial performance (4.2)	1. growth prospect (4.6)
	2. profitability (4.5)
	3. growth prospects (4.1)
	4. low risk investment (3.6)
3.Emotional appeal (4.2)	1. trust (4.4)
	2. feel good (4.2)
	3. admire and respect (4.1)
4.Products and services (4.2)	1. high quality (4.5)
	2. stands behind products (4.2)
	3. value for money (4.0)
	4. innovative (4.0)
5.Social responsibility (3.8)	1. support good causes (3.9)
	2. environmental responsibility (3.8)
	3. community responsibility (3.8)
6.Workplace environment (3.8)	1. good employee (4.1)
	2. good place to work (3.6)
	3. rewards employees fairly (3.6)

Tables 3a and 3b show the results of the survey. Top-ten companies (Komatsu, Canon, Tokyo Electron, Takeda, Nintendo, ORIX, Eisai, Fanuc, Toyota and HOYA in order) by using PRISM[7] were rated by Japanese managers using the RQ reputation criteria. Toyota ranked by far the top in PRISM, while it ranked 15th in the world ranking of RQ score in 2007. Honda ranked as high as 9th in the RQ but it was not among the top ten in the PRISM ranking. Next to Toyota is Nintendo

[7] Flexibility, sociability, profitability, growth, R&D and youthfulness are dimensions of PRISM score. Effective responses were 1,033 out of 2,251 listed companies in Tokyo and Osaka in 2008 survey.

in the PRISM survey. Sony was also ranked high in RQ ranking[8] but it is not so highly regarded by Japanese managers. These results reveal a difference in perception between Western and Japanese managers in their understanding of what is "good company" or "admired company".

In the RQ project, Riel and Fombrun argue that the public cares little for financial performance and leadership, in contrast to financial and managerial stakeholders who tend to place performance and leadership above all else (Riel and Fombrun, 2007, p.250). Japanese manager's perception of the six RQ dimensions was as follows: management philosophy and leadership ranked top, followed by financial performance. Conversely, Japanese managers do not place importance on social responsibility or workplace environment. In comparison with Western managers, Japanese managers also do not place high value on "fair" rewards, at least in the way the western researchers perceive "fair". Why are Japanese managers indifferent to introducing performance-based pay system? In fact, the use of lifetime employment and the seniority system in Japanese firms have been diminishing gradually, but these systems are still powerful in Japanese manager's way of thinking or informal organizations and therefore, Japanese employees may prefer the time-honored seniority and life time employment system which may represent a different model of fairness.

The rank of CSR in the survey was also not as high as was expected. Why do Japanese managers have less interest in CSR? The Reputation Z survey (Komahashi, 2005, p.5)[9] may give us a clue. In the Reputation Z study, corporate reputation was evaluated by the three attributes of leadership and innovation (48%), fair attitude and behavior to consumer (39%), and CSR (13%). Komahashi (2005, p.6) rightly commented that it is important for Japanese managers to create reputation through developing innovative products and services, set appropriate sales price, and get customer satisfaction. She continued her argument that launching social contribution activities does not increase corporate reputation because social contribution activities that cannot be appreciated by the consumer are ineffective in creating corporate reputation among Japanese companies.

In the 2009 survey, the greatest importance was attached to growth prospects, followed by profitability, among the 20 attributes. This may imply that most Japanese managers view a

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[8] RQ ranking in 2007 is as follows: 1.Google, 2.Johnson & Johnson, 3.Intel, 4.General Mills, 5.Kraft Foods, 6.Berkshire Hathaway, 7.3M, 8.Coca-Cola, 9.**Honda**, 10. Microsoft, 11.Protecter & Gamble, 12. FedEx, 13.UPS, 14.Whole Foods Market, 15.**Toyota**, 16.**Sony,** 17.Hewlet-Packard, 18.Walt Disney, 19. Apple, 20.Pepsico.

[9] This survey was made by Ogilvy & Mather Japan asking 11,092 American, 10,832 English and 5,218 Japanese managers.

company with good financial results to be a good company with high reputation. Among attributes, the following, in order, are highly regarded as leading to a good reputation: quality, trustworthiness, good after-sales services, good emotional feeling, admire and respect, value for money, and innovation.

What about Japanese emerging (smaller) company's managers ranking of attributes? Although the questions are somewhat different from survey to survey, the 2007 survey (Sakurai, 2007) suggests that they place importance in quality of product/services (5.6 points out of 6), customer satisfaction (5.5), avoidance of scandals and compliance (5.3), but they are indifferent to low price (3.4), blog and/or word-of-mouth communication (3.9) and social contribution (4.4). The general tendency of Japanese managers, whether in large or small companies, is very similar,

Research Question 3: Concepts and tools for Reputation Management

The third main research question is: Are CSR, Internal control, product brand, and enterprise risk management effective for creating (or harming) corporate reputation? Does reputation management affect financial performance? To address these concerns this paper poses two types of questions: First, questions on CSR, and then, on internal control, product brand and corporate brand.

1) CSR and Corporate Reputation

The survey carried out by Brammer and Pavelin showed a tendency for large UK firms to have better reputations. It also indicated that there is a significant link between corporate reputation and social performance in four industrial sectors; Finance, Chemicals, Resources, and Consumer products (Brammer and Pavelin, 2004, pp.704- 713) The purpose of the current survey is to find the relationship, if any, between CSR of organizations and their corporate reputations, and financial performance in Japan. For this purpose, managers were asked to respond the following questions:

Question 7. Does CSR increase corporate reputation?
Question 8. What relationship is there between CSR and financial performance?

Table 4 shows the result of the survey. More than three-fourths of respondents replied that CSR creates corporate reputation. However, less than one-third of the respondents reported a positive association between CSR and financial performance. About one-fourth of the respondents felt that there is a negative association between CSR and financial performance. In sum, most Japanese managers view CSR as being positively associated with corporate reputation but very few look upon CSR as increasing profit. However, future empirical research is needed to support this statement.

If CSR creates corporate reputation, does CSR increase financial performance? Looking at responses by industrial sectors (chemical industry, wholesale, retailing, electrical machinery and appliances, transportation appliances, financial industry, and service industry), the highest relationship is in electrical machinery and appliances (CSR vs. reputation, 4.3; CSR vs. financial performance, 3.3) and the lowest is the financial industry[10] (CSR vs. reputation, 3.6; CSR vs. financial performance 2.7).

In terms of CSR, responses from managers in large public companies showed strong interest in such topics as social contribution effective for business, environmental issues, compliance, community service and corporate governance, in order. Conversely, managers showed less interest in NPO (*non*profit organization), donations or CRM (customer relationship management) in our 2009 survey. According to the survey carried out by Japan Management Association that includes responses from 279 newly appointed board members, they place a strong importance on compliance and ethics, environment issue and corporate governance, but not social contribution[11] (Japan Management Association, 2005, p.42).

A survey of Japanese consumers by the Japan Institute for Social and Economic Affairs revealed a far different response to this issue. To the respondents the most important aspect of CSR is sincerely doing business (86%), followed by supplying appropriate information in case of scandals (61%), complying with company ethics (59%), transparency and disclosure (48%) and so on. From the three above mentioned surveys we can see that views are quite different depending upon whether respondents are managers, directors, or consumers.

2) Internal Control, Product Brand and Corporate Reputation

What kind of perception do Japanese managers have about the association of internal control, product brand, and corporate reputation with financial performance? These issues are

[10] While Japanese executives in financial industry talk about importance of CSR, they may, in fact, be indifferent about taking action of CSR for themselves.

[11] The order is as follows: compliance and ethics (83%), environmental issue (67%), corporate governance (49%), increase of employee satisfaction (44%), disclosure of information (43%), increase of corporate brand (24%) and investment opportunity (ex; social responsibility investment)(5%).

Table 4. CSR and its effect to Corporate Reputation, Financial Performance						
	least			greatest		N=123
Questions	1	2	3	4	5	Averages
Does CSR increase reputation?	2.4%	4.9%	17.9%	48.0%	26.8%	3.9
Does CSR increase financial performance?	10.6%	15.4%	44.7%	25.2%	4.1%	3.0

What activities should be effective for CSR? (multiple answers) (n=124)
1. social contribution effective for business (76.6%)
2. environmental responsibility (75.8%)
3. compliance (66.9%)
4. community service (59.7%)
5. corporate governance (31.5%)
6. employment of handicapped and elderly person (26.6%)
7. SRI(socially responsible investment) (13.7%)
8. volunteer (9.7%)
9. cooperation with NPO (8.9%)
10. donation (7.3%)
11. CRM (3.2%)

investigated in questions 9 to 11 in the 2009 survey.

Question 9. Does internal control damage or increase corporate reputation?
Question 10. Can product brand be a driver for high corporate reputation, or does corporate reputation affect product brand?
Question 11. Is there a correlation between corporate reputation and financial performance?

A CIMA survey (Collier, et.al., 2007, p.144, p.146) demonstrates that internal control impacts enterprise risk management, and enterprise risk management contributes to improved corporate reputation. According to Riel and Fombrun, CoreBrand claims to have demonstrated that corporate branding efforts have a significant, measurable impact on financial performance (Riel et al., 2007, p.244). Do Japanese managers perceive that internal control affects corporate reputation, and if so, in what way, and does corporate brand have impact on financial performance?

Table 5. Correlation between corporate reputation, brand and financial performance						
Role of internal control (n=124)						
	least contribution			great contribution		
Questions	1	2	3	4	5	Average
Avoid damage to corporate reputation	0.8%	2.4%	17.7%	38.7%	40.3%	4.2
Increase corporate reputation	2.4%	9.7%	32.3%	33.9%	21.8%	3.6
Correlation between corporate brand and corporate reputation (n=124)						
Product brand increases reputation				8	6.5%	
Reputation increases product brand				36	29.0%	
Both are interrelated				76	61.3%	
Both are unrelated				4	3.2%	

Many Japanese managers replied that internal control does serve to avoid damage to the corporate reputation. On the other hand, negative responses dominated when the question shifted to the ability of internal control to increase corporate reputation.

Regarding the relationship between corporate brand and corporate reputation, no clear-cut evidence exists. The current 2009 survey provides some. Many managers replied that there is positive correlation between corporate reputation and corporate brand. The view that corporate reputation increases corporate brand was held by 29% of Japanese managers. However, only 7% of them agree that corporate brand increases corporate reputation.

3) Financial Performance and three intangibles--Corporate Reputation, Corporate Brand, and Product Brand

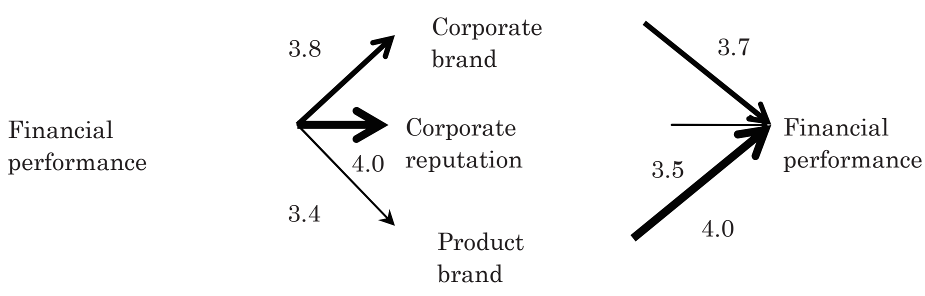
Our findings in the 2009 survey gave us very interesting insight on the relationship between similar but slightly different intangibles – corporate reputation, corporate brand and product brand – and financial performance. The findings obtained by the survey are the following: First, a majority of Japanese managers believe that high financial performance leads to excellent corporate reputation. But even if corporate reputation is excellent it does not follow that reputation increases financial performance. Second, typical Japanese managers take a similar view about corporate brand as they do to corporate reputation. Third, quite a different pattern can be seen in the case of product brand. A majority of Japanese managers believe that even if

Table 6. Do reputation, brand affect financial performance (n=118)						
	least influence			greatest influence		
Questions	1	2	3	4	5	Averages
Financial performance to corporate reputation	0.8%	7.6%	12.7%	48.3%	30.5%	4.0
Corporate reputation to financial performance performance	1.7%	16.1%	24.6%	44.9%	12.7%	3.5
Financial performance to corporate brand	0.8%	5.1%	31.4%	43.2%	19.5%	3.8
Corporate brand to financial performance	1.7%	10.2%	21.2%	48.3%	18.6%	3.7
Financial performance to product brand	1.7%	10.2%	39.0%	41.5%	7.6%	3.4
Product brand to financial performance	0.8%	5.1%	18.6%	45.8%	29.7%	4.0

financial performance is excellent it does not increase brand equity, but conversely, if the product brand of a company becomes higher, it drives better financial performance. Take a look at Figure 1.

Figure 1 shows that the relationship between financial performance and intangibles needs clarification. But, we should note that these findings are consistent with past findings that financial performance affects corporate reputation more effectively than product brand (Sakurai, 2005, p.222 ; Sakurai, 2008, pp.261-376). It may be reasonable for most Japanese managers to hold the view that if product brand become stronger, the value of the product would increase, and that the product would enjoy a premium price. As a result, the financial performance of the company that produces the product would also improve.

Figure 1　Relationship between intangibles and financial performance



The Reputation Z survey made by Nikkeisha, Inc. (Komahashi, 2005, p.7) addresses the perception gap between Western and Japanese managers on product brand. It reveals that "much difference cannot be seen between product brand equity and corporate reputation in the US and UK, but that we found double the positive relationship between product brand and corporate reputation in Japan." In other words, brand equity that the company has originates from corporate reputation and thereby if corporate reputation is high it leads to stronger product brand and it also leads to higher sales volume with premium price

There has been substantial research on the relationship between corporate reputation and financial performance in the Western world. For example, Belkaoui showed that such performance measures as size, Tobin's Q, assets turnover and profit margin change corporate reputation (Belkaoui, 2001, pp.1-13). However, no clear-cut relationship can be found for the relation between corporate reputation and financial performance. Not only Belkaoui but also other researchers have failed to find a positive link between corporate reputation and financial performance through empirical research. For example, Rose and Thomsen argue that financial performance affects reputation, but not *vice versa*. One of their hypotheses (corporate reputation improves performance) was not accepted (Rose et al., pp.201-210). However, a recent survey indicated that corporate reputation improves financial performance in some industries. That is, Graham and Bansal showed the existence of a positive relationship between corporate reputation and financial performance in their empirical research on the airline industry. They found that airline companies with high reputation enjoy higher profit and premium price over other airline companies (Graham et al., 2007, pp.189-200).

What about in Japanese companies? The 2009 survey result may suggest that the relationship between reputation and financial performance is the highest in wholesale industry (4.8) and lowest in steel, metals and machinery industries (2.5). In the middle, there are chemical industry (3.6), transportation appliances (3.5) and electrical machinery and appliances (3.3). The reason why high correlation can be seen in wholesale industry may attributed to the fact that most responding companies are subsidiaries of general trading companies (*Sogo Shosha*, large international trading companies) and thereby, managers in those companies are much more conscious about corporate reputation than other domestic companies. On the other hand, managers in steel, metals and machinery industries may not perceive that corporate reputation affects financial performance except when these companies are accused of breaking compliance or are involved in a scandal. Compliance and corporate governance are much more important to managers in those industries.

Research Question 4: Does Listing on a Stock Exchange impact Corporate Reputation

Does listing on a stock exchange change perception of corporate reputation? Is there any difference between before and after going public? These surveys were carried in the 2007 survey focusing on emerging companies listing on JASDAQ, Hercules and Mothers.

Question 12. In what way do managers' perceptions about corporate reputation differ before and after listing on stock exchange?

Question 13. Are you conscious about reputation management?

In Table 7 we see that there is a significant difference between before-listing and after-listing on a stock market. While only 58% of responding managers responded that they recognize the importance of corporate reputation (sum of responses for 4, 5, and 6), it jumps up to 94% after becoming public companies. Those managers who recognize the importance of corporate reputation is the same percentage as before, but those mangers who think it the most important jumped up from 20% to 31%. In this survey, we wished to receive a "black and white" answer, so we used a six point evaluation method with no neutral response.

Table 7. Perception of Emerging Company's Managers about Corporate Reputation

	Not Important			Important			
	1	2	3	4	5	6	
Before listing	2 (1.0)	24 (12.2)	57(28.9)	66(33.5)	34(17.3)	14 (7.1)	197
After listing	0 (0.0)	2 (1.0)	10(5.1)	51(25.9)	94(47.7)	40(20.3)	197
Status quo	0 (0.0)	1 (0.5)	10 (5.1)	36(18.2)	89(44.9)	62(31.3)	198

A next question may be "are Japanese managers conscious of the usefulness of reputation management." Table 8 addresses this issue.

Question 13 responses in Table 8 allow us to safely infer that Japanese managers' perception of the importance of reputation management is higher in public companies than in private firms.

Table 8. Perception of Japanese Manager on Reputation Management

None					Most important	Number of effective responses
1	2	3	4	5	6	Sum total
0(0)	3(1.5)	7(3.6)	37(19.1)	86(44.3)	61(31.5)	194

Conclusion

This paper discussed the findings of the case studies and mail surveys described in the introduction and method sections. The research methodology is exploratory in nature.

First, it was generally accepted by Japanese managers that the purpose of a corporation is oriented toward stakeholders such as employees, suppliers, customers and shareholders, but the purpose is not solely shareholder-oriented as might be seen in western corporations. There was evidence that Japanese managers do not view corporate value as only economic value with shareholder in mind. The paper also confirmed through the 2009 survey that a majority of Japanese managers view corporate value as a composite concept consisting of not only economic but also of social and organizational value. Future research is needed on the Western managers views.

Second, this paper found that Japanese managers attach a great deal of importance to supplying high quality products and services, and transparency and emotional appeal. The paper also found that they are relatively indifferent about the shareholder, in comparison with Western managers. Japanese managers' perception of RQ is similar to surveys carried out by other Japanese organizations. In terms of dimensions, Japanese managers stressed management philosophy and leadership, financial performance, and emotional appeal. In terms of attributes, they appreciate competitiveness, quality of products/services, profitability, and trustworthiness. In sum, Japanese managers are very concerned about competiveness and quality of products/services but more indifferent to shareholders than Western managers.

Third, typical Japanese managers do not expect that CSR can increase profit, but they view CSR to be effective for creating corporate reputation. Most Japanese managers expect internal control can avoid damage to reputation, but does not create corporate reputation. Good (bad) financial performance is believed to increase (damage) corporate reputation, while high reputation does not create financial performance. High financial performance does not affect product a brand favorably, while good (bad) product brand improves (worsen) financial performance.

Fourth, the paper found that listing on emerging market boards changes Japanese manager's perception of the importance of corporate reputation affirmatively. The author selected emerging markets boards because quite a few companies listed on stock market were listed very recently and managers must be sensitive to the importance of being listed.

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