News and corporate reputation: Empirical findings from the Netherlands

May May Meijer a,*, Jan Kleinnijenhuis b

a Vrije Universiteit, Faculty of Social Sciences, Center for the Study of Philanthropy, May-May Meijer, De Boelelaan 1081c, 1081 HV Amsterdam, The Netherlands

b Vrije Universiteit, Faculty of Social Sciences, Department of Communication Science, May-May Meijer, De Boelelaan 1081c, 1081 HV Amsterdam, The Netherlands

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Abstract

This article examines the influence of business news on corporate reputation. A panel survey was used to measure the reputations of six companies and two professional sectors. Media coverage was analyzed by focusing on the tone of two different types of news. News about the successes of the companies – such as higher profits – improved their reputations. In addition, some companies’ reputation improved the more they were criticized by their competitors in the news. It is argued on basis of these empirical findings that the reputation of the party attacking a company in the news is crucial in determining its influence on the reputation of the besieged company.

Keywords: Business news; Corporate reputation; Corporate image; Public opinion; Survey; Content analysis; Bandwagon; Horse race

1. Introduction

Whereas political communication science enjoys a long tradition in studies concerning the effects of media coverage on public opinion, this topic is rather new for scholars of business communication. There is a flourishing research tradition on the effects of political news on voting behavior or the voters’ attitude toward a political candidate. However, empirical real-life studies that focus on economic news and – more specifically – studies that focus on the influence of business news on the attitude toward that business (Carroll & McCombs, 2003; Fombrun & Shanley, 1990; Wartick, 1992) are rare. In addition, only a few studies (Cameron, 1994; Fombrun & Shanley, 1990) examine both the effects of media coverage and the effects of advertising on reputation. Therefore, the conventional wisdom in public relations remains unchallenged, namely that companies should strive for mutual adaptation with stakeholders, rather than for news, or even for news about their conflicts with stakeholders.

This paper attempts to fill this gap by focusing on the effects of business news on the attitude toward the businesses. Since the study of the effects of news on political attitudes enjoys a long tradition in the field of political

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* Corresponding author.

E-mail addresses: mm.meijer@fsw.vu.nl (M.M. Meijer), j.kleinnijenhuis@fsw.vu.nl (J. Kleinnijenhuis).

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communication, theories from this field will be used to study the effects of two different types of news on corporate reputation.

2. Theoretical framework

2.1. Different types of news

To study the effects of business news, a distinction should be made between at least three different types of business news: news on issues (Meijer, 2004; Meijer & Kleinnijenhuis, 2006), success & failure news, and support & criticism news. In this paper the focus will be on: success & failure news, and support & criticism news.

If a success or a failure, a gain or a loss, is attributed to a company, this type of news is called ‘success & failure news.’ If a company is supported or criticized in the news by another company or by another actor, such as the government or a non-governmental organization, this is called ‘support & criticism news.’ It makes a difference whether companies appear in headlines with success or failure (e.g. “no Shell revival”) or with support and criticism from their – sometimes less credible – competitors (e.g. “Montignac takes Albert Heijn to court”). Whereas attributions of success or failure suggest irrefutable gains and losses, news on support or criticism from another actor refers only to affection or acts from that specific actor.

2.2. The effects of success & failure news on corporate reputation

As hypothesized by several authors, it is likely that media coverage with a positive tone will improve corporate reputation (Carroll & McCombs, 2003; Fombrun & Shanley, 1990; Wartick, 1992) or lead to a higher relative return on average assets (Deephouse, 2000). This means that in the case of success & failure news, the reputation of an organization will improve if success is attributed to the organization in the media (people want to support the winner). If the organization is in the news through failure, its reputation will deteriorate. Lazarsfeld, Berelson, and Gaudet (1944) call this the bandwagon effect.

In other words, the bandwagon effect can also be described as “everybody loves a winner.” Lazarsfeld et al. (1944) argued that campaign managers of political candidates take full advantage of the bandwagon effect by suggesting in the media that everyone is supporting one candidate. Lazarsfeld et al. remarked that public opinion polls are mentioned by respondents as a source of change in expectation. Since the focus of success & failure news is on who wins or loses, it is also often called ‘horse race news.’

Fombrun (1996) described several horse races and explained how they work in business. When products or companies get top ratings in contests, they are generally awarded a prize or other award that confirms the company’s reputation. Winners get more favorable media coverage, thereby increasing their visibility and, indirectly, their ratings by stakeholders.

It is less likely that negative success & failure news about a company (when failure is attributed to the company) can also improve the reputation of the company concerned. This is what is called the underdog effect in political party preference studies: if voters see that a party is losing in the opinion polls, they will vote for that party out of compassion.

Kleinnijenhuis and De Ridder (1997) found both an underdog effect and a bandwagon effect in their analysis of the 1994 election campaign for the Dutch parliament. The prediction in the news that the Christian Democrats (CDA) would lose the elections dramatically caused politically sophisticated voters to decide to vote for the CDA. This small underdog effect did not counterbalance the bandwagon effect, however. A bandwagon effect was found also in the analysis of the 2002 election campaign for the Dutch parliament (Kleinnijenhuis, Oegema, De Ridder, Van Hoof, & Vliegenthart, 2003). The present study expects that success & failure news about corporations and sectors will lead mainly to bandwagon effects, similar to success & failure news in the election campaigns.

Hypothesis 1. The tone of success & failure news is positively related to reputation.

2.3. The effects of support & criticism news on corporate reputation

As indicated earlier, several authors in the field of business communication hypothesized that the more positive the tone of the news, the better this is for corporate reputation. If this hypothesis is applied to support & criticism news,
it would mean that the reputation of an organization will get better the more it is supported in the news by another actor, and worsen the more it is criticized by another actor (‘effect regardless of the source’). However, the congruity principle of Osgood and Tannenbaum (1955) makes clear that attention should be paid to the source of support or criticism. It postulates that it is not only important to know if the organization was supported or criticized in the media, but also to take into account the reputation of the actor that supported or criticized the focal organization.

A number of recent political communication studies (Kleinnijenhuis & De Ridder, 1997; Kleinnijenhuis et al., 2003; Shah, Watts, Domke, & Fan, 2002) found a negative effect from support & criticism news (or ‘conflict’ or ‘attack’ frames) on the popularity of the political party or president at whom the criticism was being directed. In other words, criticism in the news improved the position of the besieged political parties.

Shah et al. (2002) studied the effects of different types of frames on president Bill Clinton’s job approval ratings during the period of the Monica Lewinsky affair. The results of their study showed that citizens were more positive about Clinton the more he was attacked by the conservative elites (‘the conservative attack frame’), even though the media content was overwhelmingly negative about Clinton. Moreover, news coverage that questioned the motives of the Republicans for attacking Clinton (‘the liberal response frame’) had a positive influence on Clinton’s job approval ratings as well. Shah et al. (2002) concluded that these two frames reinforce each other.

In agreement with these results, the present study expects that newspaper readers and television viewers will react with suspicion if an organization is criticized by its competitors or supported by its friends. Moreover, the present study postulates that the reputation of an organization will worsen the more it is criticized by a credible actor.

**Hypothesis 2.** The tone of support & criticism news will be positively related to reputation if impartial actors criticize the organization. However, the tone of support & criticism news will be negatively related to reputation if its competitors criticize the organization.

3. Method

3.1. Research design

In the present study, three types of data were used: media data, public opinion (reputation) data, and advertising data. The public opinion data were gathered by TNS NIPO, a large market research agency in the Netherlands, among their panel of respondents. Since the media use of each of the respondents was known, it was possible to take the individual media use of the respondents into account when assigning the news and advertising data to the respondents.

The Netherlands is a suitable country for testing the effects of media coverage in a real-life situation because subscriptions to daily newspapers are responsible for 85% of the total newspaper circulation herein that country. This means that a respondent’s subscription or subscriptions to certain newspapers is an accurate predictor of the print news consumption of the respondent, since the impact of newsstand and bookstore sales is relatively small.

Media coverage about the focal companies in newspapers and on television was analyzed for the period from July 26, 1998 to July 22, 2000. This period was selected to coincide with the public opinion polling data: all the media coverage from the year preceding the poll was analyzed. The newspaper articles were selected from the five largest Dutch daily newspapers: De Telegraaf, Algemeen Dagblad, NRC Handelsblad, Trouw, and de Volkskrant. A “weighting factor” was used to take the position of the article (the page number) and the magnitude of the article into account. Of the television news, the news broadcasts of the public broadcasting company NOS and the commercial channel RTL 4 were analyzed. A weighting factor was used to take the viewer ratings into account. In total, the media coverage on the focal organizations and sectors consisted of 5531 newspaper articles and 1275 television news items, which together resulted in 9344 assertions.

The advertising data were measured in advertising expenditures per focal company per medium. The data were obtained from Nielsen Media Research (formerly known as BBC). The period in which the advertising expenditures were measured was from July 26, 1998 to July 22, 2000.

The panel data that were used in this study were collected in the summer of 1999, and the summer of 2000. Four hundred and thirty respondents\(^1\) took part both in 1999 and in 2000, 549 respondents took part in 2000.

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\(^1\) Respondents who did not use any of the focal media were excluded from these numbers.

3.2. Selection of the focal companies

With the generalizability of the results in mind, it was chosen to examine a wide variety of large companies from different industries and two sectors. Shell and BP are two of the world’s largest energy companies. They both provide fuel for transportation. Albert Heijn and Super de Boer are two Dutch supermarkets. Albert Heijn is market leader in the Dutch supermarket industry. Approximately 75% of Dutch households have bought something at Albert Heijn at least once. In addition, two companies from the transport sector were included. The Dutch Railways has more or less a monopoly position in the Netherlands, it transports more than 1 million train passengers every day. Dutch airport Schiphol is the biggest airport in the Netherlands. It has the ambition of becoming one of Europe’s main airports. Moreover, two sectors, the Dutch police and the Dutch agricultural sector, were focused upon as well. In 2002, the Dutch police employed 52,000 employees out of a population of 16 million. The agricultural sector employed approximately 258,000 persons in 2003. With the exception of BP (a British company) and Shell (a Dutch/British company), all companies are Dutch.

3.3. Analyzing news: the Network analysis of Evaluative Text (NET)

In order to create an elaborated media profile that includes a description of the relationships of the focal company with its stakeholders, a network approach to content analysis was used. The present study used the Network analysis of Evaluative Texts method. For a more extensive discussion about the NET method, see Kleinnijenhuis and De Ridder (1997) and De Ridder (1994).

In order to code sentences, these are parsed into assertions that connect one meaning object to another. Each assertion contains a subject, a predicate, and an object. A subject is the “active” meaning object. The object is the meaning object that is influenced or implied by the subject. In the sentence “John hits Peter,” John is the subject while he is the active meaning object, and Peter is the object. In a sentence like “Shell took a beating” the author of the text presents “factual information” (“failure,” in this case “took a beating”) about Shell. This sentence does not contain a subject. It is left unclear who or what is responsible for Shell’s defeat. If the subject is lacking and an actor proclaims success (+) or failure (−), or variables increase (+) or decrease (−), the reality is coded as the subject, as is the case in this example. Shell is thus coded as the object.

A sentence like “Montignac takes Albert Heijn to court,” belongs to support & criticism news. A relationship between two actors (diet guru Montignac and Albert Heijn) is expressed. In this case, Montignac is the subject, because it is an active meaning object, it is taking Albert Heijn to court. Albert Heijn is the object, because it is the passive meaning object in this example sentence. The present study focused on the support & criticism received by the focal organization.

3.4. The coding procedure

Although the NET method provides several guidelines for the analysis of texts, a tailor-made coding instruction was needed to take the aim of the present study into account. The tone of news could take one of the following values: −1, −0.5, 0, 0.5 and 1. The values “+0.5” and “−0.5” were used when a refinement was made to the text (such as “maybe,” “slightly,” and “perhaps”). In the media coverage part of the present study, the unit of measurement is the combination of the subject and the object, the “pair of meaning objects.” The context unit consisted of the article as a whole. The coders were encouraged to use the context unit only if the headline did not contain enough information to code the headline. The codings were entered in Microsoft Excel.

The coders coded an additional 10% of the headlines and news items in order to determine intercoder reliability.² The value of Scott’s Pi = .68, n_{subject-object combinations} = 54, n_{sum of the number of headlines coded by the different pairs of coders} = 1107. This means that the reliability of the subject-object combination is just satisfactory. In order to assess the reliability of

² Intercoder reliability was calculated over a 3-year period. For the purpose of this study, only 2 years of media data were used.
Table 1
Measures of the media variables and advertising intensity

<table>
<thead>
<tr>
<th>Variable name</th>
<th>Measures</th>
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<tbody>
<tr>
<td><strong>Tone of success &amp; failure news</strong></td>
<td></td>
</tr>
<tr>
<td>Direction of success &amp; failure news</td>
<td>The average tone of success &amp; failure news with the focal organization in the ‘object position.’</td>
</tr>
<tr>
<td>Favorability of success &amp; failure news</td>
<td>The summed tone of success &amp; failure news with the focal organization in the ‘object position.’</td>
</tr>
<tr>
<td><strong>Tone of support &amp; criticism news</strong></td>
<td></td>
</tr>
<tr>
<td>Direction of support &amp; criticism news</td>
<td>The average tone of support &amp; criticism news with the focal organization in the ‘object position.’</td>
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<tr>
<td>Favorability of support &amp; criticism news</td>
<td>The summed tone of support &amp; criticism news with the focal organization in the ‘object position.’</td>
</tr>
<tr>
<td><strong>Control variables</strong></td>
<td></td>
</tr>
<tr>
<td>Advertising intensity</td>
<td>The cumulated advertising expenditures by the focal organization in the five largest Dutch national newspapers and on television (RTL 4 and public broadcaster NOS).</td>
</tr>
<tr>
<td>Amount of television coverage</td>
<td>The cumulated number of times the focal organization or sector was mentioned in RTL 4 news and NOS news.</td>
</tr>
<tr>
<td>Amount of print coverage</td>
<td>The cumulated number of times the focal organization or sector was mentioned in the headlines of the five largest Dutch national newspapers.</td>
</tr>
</tbody>
</table>

3 In order to enhance the readability of this article many descriptive statistics and statistical tests have been omitted. See for additional analyses the Ph.D. dissertation of the first author (Meijer, 2004).
Heijn and Super de Boer received scarcely any success & failure news coverage. The NS and Schiphol both received more failure than success, but were in the middle group compared to the other companies. Of the focal companies, the police received the most success due to its success in fighting crime.

The supermarket Albert Heijn received a relatively large amount of criticism (−.41 on a scale ranging from −1 to +1), because of the criticism by diet guru Montignac. Competitor Super de Boer received hardly any support & criticism news coverage. After Albert Heijn, the NS, Shell and the police received the most criticism. The NS was criticized by the government, and was in conflict with the unions. The police had a cool relationship with the government, but the media were very critical toward them. Schiphol and the agricultural sector formed the middle group when it came to support & criticism news. Like the police, the agricultural sector received a lot of support & criticism from the government (43%) and from the media (23%). BP received more support than criticism.

4.2. Description of corporate reputation

Albert Heijn had the best reputation in 1999 and in 2000 of the eight focal companies. In both 1999 and 2000, Schiphol had the second-best reputation. The Dutch Railways, NS, had the worst reputation. In 1999, the police had the second-worst reputation. In the year 2000, the police did better.

4.3. Testing the hypotheses

Stepwise regression analyses were conducted with models that included all the variables mentioned in Table 1. Separate variables were created to take into account the differences between television and newspapers. The effects were controlled for the amount of news and advertising intensity.

Testing the cross-sectional models for each of the organizations separately rendered as a result that most effects were insignificant. Table 2 presents the remaining significant effects. Hypothesis 1 predicts that the more positive the favorability or direction of success & failure news, the better the reputation of the organization will be. The more favorable the success & failure television news, the better the reputation of Schiphol and the police.

For print news, significant effects of the favorability or direction of success & failure news were found for Super de Boer, Schiphol, and the agricultural sector. Although there was not much news about Super de Boer, the reputation of the supermarket worsened if there was more news about its failure, such as the loss of market share. Contrary to television viewers, newspaper readers reacted in a critical manner to the success of Schiphol. The negative relationship between the favorability of success & failure news in newspapers and the reputation of Schiphol indicates that, in contrast to the television viewers, the newspaper readers will become more negative towards Schiphol if the airport is in the news with its “success” (for example, how busy it is).

The favorability of success & failure print news about the agricultural sector had a negative influence on the reputation of the sector. This means that newspaper readers, like television viewers, assigned higher report marks to the agricultural sector the more the sector was in the news with their failure. The more the farmers were in the news with their struggle to continue farming, the larger the sympathy of the respondents for the sector. This suggests that an underdog effect occurred.

Hypothesis 2 proposes that the reputation of an organization will improve if its traditional opponents or competitors criticize it. The favorability (or direction) of support & criticism TV news had a negative influence on the reputation of Shell and on the reputation of Schiphol. In addition, the favorability (or direction) of support & criticism print news also had a negative impact on the reputation of Albert Heijn and Schiphol. The negative influence of support & criticism news on the reputations of Shell, Albert Heijn, and Schiphol may be explained by the fact that the subjects of criticism were “competitors” or “traditional friends.” Their criticism or support had the opposite reaction. This means that if competitors (such as diet guru Montignac in the case of Albert Heijn) criticize the organization, the reputation of the criticized organization will improve. Support from traditional friends results in a more negative reputation. Although Schiphol received support from the industry, the industry may be considered to be a dubious partner when it comes to maintaining noise regulations.

For the police, criticism worsened the reputation of the police. Most support & criticism news came from the government, which is probably perceived by the respondents as impartial. Therefore, criticism has a negative effect on the reputation of the police.
### Table 2
Stepwise regression analyses of the effects of the amount of news, the tone of success & failure news, the tone of support & criticism news, and advertising on reputation

<table>
<thead>
<tr>
<th>Models per organization</th>
<th>Predictors (news and advertising, previous year)</th>
</tr>
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</table>
| Shell                   | Direction of support & criticism television news $-0.09^*$<br>Amount of TV news $0.10^{**}$<br>Adjusted $R^2$ $0.01$
|                         | df $(2,973)$                                      |
| Albert Heijn            | Direction of support & criticism print news $-0.08^*$<br>Advertising intensity newspapers $0.09^{**}$<br>Adjusted $R^2$ $0.01$
|                         | df $(2,933)$                                      |
| Super de Boer           | Favorability of success & failure print news $0.15^{**}$<br>Amount of print news $0.14^{**}$<br>Advertising intensity TV $0.10^{**}$<br>Adjusted $R^2$ $0.02$
|                         | df $(3,746)$                                      |
| Schiphol                | Favorability of success & failure TV news $0.33^{***}$<br>Favorability of support & criticism TV news $-0.22^{***}$<br>Direction of success & failure print news $-0.07^*$<br>Direction of support & criticism print news $-0.12^{***}$<br>Adjusted $R^2$ $0.04$
|                         | df $(4,961)$                                      |
| Police                  | Direction of success & failure TV news $0.13^{***}$<br>Direction of support & criticism print news $0.09^{**}$<br>Amount of TV news $0.15^{***}$<br>Adjusted $R^2$ $0.05$
|                         | df $(3,945)$                                      |
| Agricultural sector     | Favorability of success & failure print news $-0.27^{***}$<br>Advertising in newspapers $0.10^{**}$<br>Amount of TV news $0.07^*$<br>Amount of print news $-0.31^{***}$<br>Adjusted $R^2$ $0.03$
|                         | df $(4,924)$                                      |

**Note:** Cell entries are Betas from Ordinary Least Squares regression. The regression models of BP and The Dutch Railways are excluded from the table since the key variables were not significant.

* $p \leq 0.05$.
** $p \leq 0.01$.
*** $p \leq 0.001$.

## 5. Conclusions and discussion

It has been suggested in the present study that business news – like news about political communication – should be divided into different types of news. The focus in this study was on ‘success & failure news’ and ‘support & criticism news.’ For six large companies and two sectors, content analysis data on media coverage and survey data with respect to corporate reputation were gathered to assess the effects of these news types. All established effects were controlled for advertising expenditures and the total amount of news about a company.

The results indicate that effects of the – sometimes small amount of – news are often too small to be statistically discernible. The direction of the significant effects of success & failure news suggests a fairly robust effect, however. A bandwagon effect applied for Shell, Schiphol, and the police, which suggests that the more they were in the news with their successes, the better their reputation, and vice versa. There was one exception, namely the underdog effect in the case of failures within the agricultural sector. The more the farmers were in the news with their struggle to continue farming, the larger the sympathy of the respondents for the sector.

The effects of support & criticism are much more volatile. They appear to depend, amongst other things, on the reputation of the origin of the support or resistance. Support & criticism news had a ‘normal’ positive impact on the
reputation of the police – the reputation of the police worsened the more the police were criticized in the media. A negative effect – or ‘boomerang effect’ – of news of support & criticism on corporate reputation prevailed for Shell, Albert Heijn, and Schiphol. If these companies were criticized in the news by their competitors (such as diet guru Montignac in the case of Albert Heijn), the reputation of these companies improved. In other words, newspaper readers and television viewers appeared to react with suspicion if an organization was criticized by its competitors or supported by its friends. This is consistent with research in the field of political communication (Kleinnijenhuis & De Ridder, 1997; Kleinnijenhuis et al., 2003; Shah et al., 2002). Summarizing then, the reputation of the party that criticizes (or supports) the company is important in determining its influence on the reputation of the besieged company.

In order to ride the waves of the news, public relation departments should carry out applied research to find out whether, in their particular case, the broad generalizations also hold that successes generate a bandwagon effect, whereas criticisms from competitors will be harmless.

Since the rather complex effects of issue news on reputation have been studied in isolation up till now (see for example Carroll & McCombs, 2003; Meijer, 2004; Meijer & Kleinnijenhuis, 2006), future research should integrate the effects of all news types. Experimental studies and time series designs would help to unravel the effects of news types further. Future research could also examine in more detail the interplay of an organization and its stakeholders that generates these types of business news, and their effects on corporate reputation.

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