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Trade Associations as Industry Reputation Agents: A Model of Reputational Incentives

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Abstract

Scholars have started to focus on the ways in which firms manage their reputations through collective action. Collective reputation management is most often carried out through trade associations (TAs). But what do these TAs *actually* do? How do they further their members' interests with stakeholders like regulators, industry financial analysts, employees, suppliers, and the media? Informed by a rich set of 44 qualitative interviews with the trade associations (TAs) representing the UK's 24 largest business sectors, the paper builds a model of the reputational incentives that drives the dynamic relationship between trade associations, firms and multiple stakeholder groups. The paper's preliminary empirical research coupled with the conceptual model provides five directions for future research.

Key words: trade associations; industry reputation; reputational trust; collective action

INTRODUCTION

In the short history of the interdependent reputation literature found within management studies, the norm is to focus on individual firms. While this is not surprising—the firm has long been the usual focus of management scholars' attention—doing so only partially captures the nature of collective action to build industry reputation.[1] The management literature explores the economic incentives and motivations that drive firms to act collectively—most often through trade associations (TAs)—to protect their own reputations from industry effects. However, this literature neglects how TAs *actually* manage the industry's reputation with stakeholders like regulators, industry financial analysts, employees, suppliers, and the media. In this paper I expose and explore a gap in research on the actual performance of TAs as reputation agents for their industries.

Drawing on rich qualitative data from 44 leading TA chiefs, in this paper I make progress by identifying the core drivers of TAs' role as reputation agents. I find that, in the political sphere where TAs operate, collective reputation action is facilitated jointly by (i) the TA being considered trustworthy by industry-level stakeholders, and (ii) the TA being able to offer promises for the future behavior of the industry or group of firms. Taking these core drivers together, I provide a theoretically robust model by which to address the research question: how do TAs manage their industries' reputations?

In the first section of this paper I look at the literature around why firms join TAs to protect and enhance their collective reputations as an important intangible asset. In the second section I outline the research methodology for exploring the

[1] An honorable exception is Greenwood, Suddaby and Hinings (2002).

drivers relevant to how TAs act as reputation agents on behalf of their respective industries. I present the findings from the first exploratory round of interviews with directors of the UK's top TAs. Based on 9 in-depth interviews, in the third section I build a model of the incentives that cause firms to join TAs and the incentives that drive TAs' relationship with industry-level stakeholders. I isolate the reputational dynamic between TAs and industry-level stakeholders and call it "reputational trust". I define reputational trust as the specific type of trust found between actors in the political sphere that allows future cooperation on the basis of perceived trustworthiness and ability to offer promises. To start testing reputational trust as a new theory, in the fourth section I present the second round of 35 interviews. I conclude the paper by suggesting four directions for future research.

1. Collective Reputation Action

At the firm level, reputation is an intangible asset that helps companies attract resources, develop a sustainable competitive advantage, and drive long-term profitability (Barney 1991; Fombrun and Shanley 1990; Hall 1992). Much work has gone into understanding what drives stakeholders' perceptions of a corporate reputation (Dowling 2001; Fombrun 1996). The literature on reputational interdependence—where a firm's reputation is also affected by stakeholders' perceptions of the common attributes of the industry or groups to which the firm is a member—is much less developed (cf. Barnett 2006a, 2006b). One immediate stumbling block is that the economic modeling of reputation dynamics that underpins the broader reputation literature does not deal with the dynamics of the reputation action between *collective* actors (like TAs) and *industry-level* stakeholders in the political sphere (Celentani *et al*., 1996; Fudenberg and Levine, 1992, 1994). Instead, this literature focuses on the relationship between two hypothetical short- or long-lived players and gives no place to collective action or industry-level stakeholders.

Three strands of research have recently appeared that address this gap.[2] First, King *et al*. (2002) identify "reputation commons problems" where the *nature of an industry*—those characteristics common to all firms within the industry—account for up to 20 percent variance in firms' profitability (McGahan and Porter, 1997; Schmalensee, 1985). This means that, where stakeholders cannot adequately differentiate the relative reputational effects of individual firms, they will collectively sanction the whole industry. When one firm transgresses, the whole industry can come under fire from its external stakeholders if they believe the sin is endemic (Barnett, 2006b).

Second, in response to reputation commons problems, competing firms attempt to stave off aggressive government regulation through the development and enforcement of *self-regulation* (Hoffman, 1997). These efforts often follow industry-wide crises like the Bhopal disaster for the chemicals industry or the *Exxon Valdez* spillage for the oil industry. This self-regulation may be through informal means of coercion, norm-transferral, and the diffusion of best practices (Rees, 1994). Self-regulations can also be preferable to the vagaries of market penalties. For example, examining stock market reaction to companies sanctioned for violating environmental regulations, Badrinath and Bolster (1996) find market penalty is unrelated to fine size where as Karpoff, Lott and Wehrly (2005) find the opposite.

[2] These three strands are referred to in figure 1 below.

Third, also in response to reputation commons problems, an industry may collectively try to change the "*rules of the game*" (North, 1990: 3) in the industry's favor. Institutional change theory recognizes that, while firms compete within the established rules of the market, a key goal of TAs is to alter the rules themselves to be more favourable for its represented industry (DiMaggio, 1988). As Scott (1981: 199) argues, "Increasingly, organizational associations attempt to influence . . . those organizations that define and regulate the context within which all transactions occur". Favourable rules may take many forms, including tax breaks, subsidized research and development, and relaxed employment practices (Lawrence, 1999).

Throughout these three strands of research, a common refrain is that TAs are the most frequent means for competing firms to tackle reputation commons problems. TAs are usually voluntary membership, not-for-profit organisations formed by policy entrepreneurs within firms located in the same industry to collect, share and disseminate industry relevant information and provide a platform for collective representation and lobbying (Lorenzoni and Lipparini, 1999; Streech and Schmitter, 1985). Of course, competing firms are legally forbidden from forming cartels or colluding in the US and Europe but have been historically encouraged to form associations to present their industry's interests (Aldrich and Staber, 1988). TAs often serve a self-regulatory function, embody shared values and articulate shared norms to their members, cohering the members of the industry, drawing them together around common interests like lighter regulation, easier access to markets, and more flattering media profile. Put more formally, TAs operate as the centralized cooperative component of inter-organizational relationships.

Trade associations exist and prosper because they offer specific economic incentives and broader economic motivations to their member firms that cannot be realized individually. In return for membership dues (Selsky, 1991), TAs provide firms benefits through decreased environmental uncertainty (Ireland, Hitt and Vaidyanath, 2002); increased innovation (Powell, Koput and Smith-Doerr, 1996); proactive collective strategising (Astley and Fombrun, 1983); minimised transaction costs (Jarillo, 1988); and a "license to operate" (Aldrich and Fiol, 1994; Rao, 1994). Firms will even participate as members of TAs simply because other successful firms do so. This concept of "mimetic isomorphism" (DiMaggio and Powell, 1983) means that an individual member's reputation is enhanced through affiliation with a TA, even to the extent of motivating membership in the first place.

It is not difficult to see that the much-studied difficulties of collective action—free riding, solving commitment problems, arranging for the supply of new institutions, and monitoring individual compliance with sets of rules (Hardin, 1968; Olson, 1965)—also apply to interdependent reputation management. By the same economic incentives rationale, collective action strategies—like self-regulation, graduated sanctions, or selected benefits (Axelrod, 1984; Ostrom, 1990)—define the role of TAs acting on behalf of a collective of firms to manage their interdependent reputation.

However, what is missing from the literature is an understanding of the incentives that drive the relationship between TA and industry-level stakeholders. The economic incentives that explain why firms join TAs cannot explain the dynamics of the TA-stakeholder relationship. Stakeholders obviously do not pay membership dues to TAs, nor receive economic benefits from dealing with TAs.

Doing so would represent a clear conflict of interest for regulators, industry financial analysts, employees, suppliers, and the media. Given that the collective reputation of the firms represented by the TA is what is perceived by the stakeholders in questions (Berens and van Riel, 2004; Bromley, 2000), we need to progress the literature by also understanding the dynamics of the TA-stakeholder relationship. Doing so involves looking beyond those economic benefits listed above. In the next section I use a qualitative approach to help construct a model of TAs as reputation agents. By modelling how TA chiefs see their role as reputation agents, I can isolate the gaps in the literature where further research efforts should be targeted.

2. Qualitative Data

As a starting point in this investigation, the author interviewed representatives from 9 out of the top 10 trade associations in the UK, measured by combined market capitalization of the relevant industry on the London Stock Exchange, 1st August, 2006.[3] As a starting point, a sample of top TAs (rather than including less influential TAs) was selected as their evident success in attracting members and achieving legitimacy as industry spokesman allows the reasonable assumption by researchers that their chiefs have conceptualized, strategised, implemented, and evaluated their role as reputation agents, so making a potential interview productive and enlightening. Although there is no accepted estimate of the number of UK-based TAs, as a useful approximation the Confederation of British

[3] The Food and Drink Federation did not participate as no Director General was in post at that time.

Industry lists 829 members of its (self-selecting) trade association forum.[4] Reflecting the breadth of the TA sector, the nine associations interviewed feature a spectrum of membership (from three to thousands of members), of membership services (from primarily lobbying government to a broad array of professional services), and of reputational challenges (from cost of drugs to mis-sold pensions).

The UK was chosen because TAs in London are peculiar in that they employ strategies found both in Washington, D.C. and Brussels. In the former, trade associations are primarily focused on lobbying the legislature at state and federal levels for preferential regulatory treatment. In the latter, trade associations seek “insider” status on the basis of expertise and/or representativeness in order to be included in the Commission’s policy-making processes. Previous research (Lehne, 2001; Pijnenburg, 1998) has implied a generalisable norm of TA behaviour on the basis of a particular sample. By chosing a sample from London where both ‘Washington’ and ‘Brussels’ norms are observed, this paper’s methodology attempts to neutralise this potential sample bias. This point is returned to in the final section. The first round of exploratory interviews were conducted and transcribed between August and October 2006. All interviewees agreed to have their names and titles reproduced. A list of the first round interviewees is included as appendix A with questions included as appendix B.

The nine initial exploratory interviews lasted 60 minute each, were conducted in the TA’s offices, and followed a standardized questionnaire. The first third of the questionnaire examined why firms joined and remained within the

[4] See http://www.taforum.org/index/ accessed 1 March 2007. The Confederation of British Industry is the biggest association of British businesses.

TA. The second two-thirds of the questionnaire examined the dynamics of the relationship between TAs and stakeholders where TAs actually manage industry reputation.[5] Due to the exploratory nature of the first round interviews, the questionnaire asked open-ended questions. An open content analysis technique was employed to isolate the dominant and repeated special classes used by the TA chiefs to describe these incentives (Berg, 2007: 316). These classes were coded according to their occurrence (how many times the class was used across all the interviews) and magnitude (a coding of 0 to 5, with 5 being very strong, how central the class is to the point being made by the interviewee). An occurrence rate (number of occurrences divided by number of interviews) and an average magnitude across all the interviews was then calculated for each class. Then using a combination of manifest and latent content analysis, four conceptual clusters were identified from the data.

The first cluster identified broadly confirms the economic incentives for collective reputation action found in the literature. These findings, being familiar within the literature, are presented only briefly in below. The second cluster centers on a concept of trustworthiness, which included words like “credibility”, “integrity”, and “expertise in specific industry issues”. The third cluster identified centers on a concept of promises, which included phrases like “specific promises” and “deliver on your promises”. A fourth cluster simply brings together the unassigned drivers identified for ease of analysis. The content analysis is presented in table 1.

<insert table 1 about here>

[5] The author thanks Dennis Larsen for his helpful suggestions in analysing this data.

- **Economic Incentives**

The first major cluster to emerge from the content analysis revolved around economic incentives, as was predicted by the literature review. Almost all interviewees in the first round argued that the nature of the industry has a strong effect on individual firms' reputations. For example, Capon said: "Members realise that the industry reputation affects their individual reputation."[6] There was also general agreement with the literature that individual firms' reputational issues can escalate to tarnish the entire industry reputation. Examples given by interviewees included: Enron and the accountancy industry, Exxon Valdez and the oil industry, Cadbury Schweppes and the food industry. As Ogden stated: "If a junior marketing man in Guyana does something stupid, the entire industry gets tarred with the same brush." However, a lack of causal clarity was apparent around the exact relationship between individual firms' reputation challenges and the effect on industry reputation. According to Park, the entire industry's reputation boils down to the reputation issues facing a single firm: "Industry reputation is judged by the actions of one company." But according to Leaman, industry reputation was seen as simply the sum of individual firms' reputations: "The reputation of the industry is only as good as the reputation of individual companies."

Second, there was general agreement that effective self-regulation helps stave off government regulation. Hayes pointed to the pharmaceutical industry's 2006 Code of Practice as an example of "getting involved in self-regulation

[6] For the reader's convenience, quotes are attributed by interviewee's surname from the first round, but not the second round.

before someone else does it for you." Noticeably, discussion of self-regulation was often found in the context of the third usual economic incentive, changing the "rules of the game" in the industry's favour. Several interviewees argued that establishing rules of the game favorable to their industry was essential to the TA's role as reputation agent with industry-level stakeholders. As Capon said: "we are involved in deciding what the rules are and what should happen in the industry."

A key aspect of when TAs can engage in establishing the rules of the game revolved around a "tipping point" between reputational issues that affect an individual firm or sub-group of firms and issues that affect the entire industry. As Hayes put it: "Companies invest in their own reputation management but the ABPI as a trade association becomes relevant once an issue crosses a tipping point between a company problem and an industry problem." The tipping point can be seen when individual corporate reputations are less relevant than the industry's reputation to the reputation issue under consideration. A recurrent example given of the tipping point being reached is in the negotiation with government over self-monitoring versus mandatory regulatory regimes.

- **Trustworthiness**

A key role performed by TAs is to realize a collective policy position in relation to government, regulator, or consumer action. The contingent effectiveness of this task allows a TA to protect industry reputation by unifying the plethora of individual firms' interests into a single policy position that commands widespread industry support. Of course, the challenge of forming a collective policy position increases exponentially with the size of a TA's membership. As Smith (representing the largest membership TA interviewed) reported: “The biggest problem we have is to represent members’ viewpoints without supporting one viewpoint against another.” A single policy position on behalf of an industry in response to government or regulatory action will command greater weight than an array of entreaties from individual firms, especially if the policy position is underscored by technical expertise or industry-agreed best practice (Grant, 2005; Richardson, 2000).

Several interviewees identified *integrity* as a driver here. In order to maintain long term working relationships with key stakeholders, TAs must resist the temptation to manipulate their core messages to stakeholders to satisfy their members’ short term commercial interests. For example, Hunt said: “We work hard to maintain integrity with ministers, media and the public. We base everything we say on sound science.” Similarly, Ogden said: “It is important for us to maintain our integrity given the spin coming from the health lobby.”

Discussion of realizing a collective policy position led several TA chiefs to offer evidence of sophisticated industry reputation research that revolved around trustworthiness. A metric repeatedly reported is *credibility* as spokesman for the industry. The ABPI uses this metric with key stakeholders in the industry, financial, and political media. Hayes said: “there is no real evidence of a similar crash in the reputation of the UK pharmaceutical industry as there is in the US because our credibility with [our] key stakeholders is one of the highest of all industries.” As Rumbelow succinctly put it: “credibility is the currency we deal in with stakeholders.”

Associations of all sizes reported standing and *ad hoc* sub-committees with specific *technical expertise* that can be deployed to inform public policy.

Leaman said: “Insurance is a complex industry with significant issues for the British economy if things go wrong. Government respects us for the expertise our members bring to the many policy discussions that affect our industry.” Hunt also stressed expertise as a driver of industry reputation: “The UKPIA is well informed, does not rant, is expert in specific industry issues, is professional to deal with, and structures its arguments rationally even if government doesn’t like the message.” It is perhaps surprising that technical expertise is an element of the trustworthiness cluster. After all, an individual or organization could possess technical expertise and exploit information asymmetry to behave opportunistically. However, given the repeated nature of the interaction between TA and its stakeholders, discovered instances of exploiting information asymmetries will lead to longer-term lack of access through being shunned by stakeholders, an outcome obviously deleterious to acting as an industry’s reputation agent.

- **Promises**

Almost all interviewed TAs were responsible for some form of code of practice. In itself, a code had questionable power as a reputation tool due to its non-statutory nature and infrequency of enforcement.[7] However, as instigators of a code of practice, TAs could claim the ability to make *specific promises* on behalf of the industry—something that even a firm with a majority share of the market cannot. For example, Procter argued that “the motor industry’s specific promises made to government on worker training are being fulfilled by providing access to globally

[7] The only example of enforcement by a TA provided during the interviews was the ABPI’s suspension of Abbott Laboratories for 6 months in 2006 for non-compliance with its Code of Practice over entertaining doctors.

competitive training courses via its Automotive Academy." To take another example, Hayes argued that the industry's promise to be transparent about the status of clinical trials is best delivered by a TA. Hayes argued that, because a TA-provided public website can be judged more trustworthy by stakeholders than a corporate website, transparency is guaranteed, mistrust is minimized, and members' shareprice is less severely affected when trials fail.

Several interviewees also argued that *delivering on promises* is important for industry reputation management. As trade associations are positioned to make specific promises on their industry's behalf, the TA must also organize their members to deliver those promises. Examples given by interviewees included changes to working practices, employment conditions, environmental protection, and corporate responsibility.[8] Smith said: "delivering on your promises made to opinion leaders is vital to be taken seriously. To promote and protect the retail environment, we must do what we promise to do or the media will make our lives difficult." Capon pointed to the example of industry efforts to tackle money laundering: "the industry made a promise to tackle this problem; delivering on it was important to the reputation of British banking around the world."

The difficulty with which the trustworthiness cluster was separated from the promises cluster in the initial analysis suggests that these two concepts should be theorized together when understanding the key drivers of the TA-stakeholder relationship. That is, the relationship between a TA and its respective industry's external stakeholder groups appears based reflexively on how trustworthy those stakeholders judge the TA to be in relation to the promises the

[8] Given that threats of greater regulation/media scrutiny/employee discontent accompanied the negotiation of TAs' promises to government, it might be questioned how voluntary these promises really are.

association makes. At the same time, judging a TA's promises to be valid and deliverable seems to help stakeholders judge a TA trustworthy.

As argued in the previous section, the existing literature does not recognize the trustworthiness and promises clusters identified in the content analysis. To make progress in understanding the significance of these two clusters to TAs' role as reputation agents for their industries, in the next section I put theoretical flesh on the qualitative bones of my model.

3. THEORY BUILDING

Readers might wonder why new theory is needed to address concepts of trustworthiness and promises in the context of collective action problems. Enormous amounts of work on these concepts already features in three relevant literatures. However, even the most cursory look at the relevant research reveals that few insights exist applicable to the research question of how TAs actually manage their industry's reputation with stakeholders. First, the transaction cost literature shows that transaction costs can be minimised in networks in which opportunism is minimised through mutual trust, usually enforced by control mechanisms (Sako, 1992; Williamson, 1993). These insights help explain why competing firms chose to act collectively but not how TAs relate to stakeholders who do not respond to similar control mechanisms.

Second, organization studies attends to trust between firms, typically based on how shared interests or values might lead to collective action (Bachmann and Zaheer, 2006; Kramer 2006). More specifically, trust features in research on: inter-organizational domains and 'strategies of engagement' (Hardy and Phillips, 1998); corporate political strategy (Hillman and Hitt, 1999); and trust within organizations (Mayer, Davis, and Schoorman, 1995). The problem is that the organization studies literature is also focused on the firm and does not deal with the divergent interests between collective actors and industry-level stakeholders.

Third, a concept of trust underpins the stream of corporate reputation research that highlights reliability, benevolence, and honesty in firm-to-firm relationships (Barber, 1983; Geyskens *et al*., 1998; Selnes and Gønhaug, 2000; Williams, 2005). A related stream from the marketing literature deals with promises made by firms to consumers, based on reliability and honesty (Goldsmith *et al*., 2000; Newell and Goldsmith, 2001). Again, this literature focuses on firms and misses the relationship between collective actors and industry-level stakeholders in the political sphere.

The various versions of trust and promises in these literatures do not help explain how interdependent reputation can be managed by TAs. Given that the two clusters identified in the initial content analysis are strongly flavored by the political sphere in which TAs operate, I turn to political science to make progress theorizing trustworthiness and promises. Here, considerable strides have recently been taken by exploring how the concept of trust involves representative actor A granting collective actor B discretionary powers to drive cooperative action while recognizing that this judgment comes at some risk to actor A (Newton 1999; Uslaner, 2002). That is, trust facilitates resolution of the inevitably conflicting public sphere interests between representative actors (like government/regulatory agencies, trade unions, media, NGOs, academia, and customers) and collectives actors (like trade associations). Drawing on the relevant (if perhaps eclectic) political science literature on trust,[9] I offer a theory of “reputational trust” that helps explain the two clusters in the content analysis not already explained by the economic benefits literature. I define reputational trust as: the specific type of trust found between representative actors in the political sphere that allows future cooperation on the basis of perceived trustworthiness and ability to offer promises. To help clarify the argument, figure 1 shows where my theory of reputational trust sits in relation to the existing literature’s focus on the economic relationship between TAs and firms for collective reputation action and the intangible relationship between TAs and stakeholders found in the political sphere.

<insert figure 1 about here>

- **Trustworthiness**

The political science literature makes progress in our understanding of trustworthiness by drawing a distinction between communicative action—designed to facilitate cooperation based on a common background of commitments and beliefs—and strategic action—designed for the sole benefit of one actor (Parsons, 1977; Weber, 1978).[10] As Habermas (the most influential theorist in this area) argues, in situations marked by communicative action, “participants are not primarily oriented to their own individual successes; they pursue their individual goals under the condition that they can harmonize their

[9] I return to the eclecticism of the political science literature on trust in the paper’s conclusion.
[10] Instead of looking to the political science literature for our understanding of how TAs communicate with their stakeholders, we might instead look to Perelman and Olbrechts-Tyteca’s New Rhetoric approach (1969). While this approach has proven fruitful in other contexts (like social psychology), here it does not help explain the specific dynamics of trustworthiness in the political sphere, so is not explored. I thank an anonymous reviewer for this point.

plans of action on the basis of common situation definitions" (1984, 286). These "common situation definitions" are specifically intangible incentives like the public good, strong corporate ethics, and thriving and open society. I suggest that this communicative/strategic action distinction holds insights for the economic/deliberative incentives distinction identified in section 1.

The political theory literature defines trustworthiness as a judgment by one actor of the sufficiently manifested deliberative disposition of another actor such that promises can be made between them (Bohman and Rehg, 1997; Estlund, 1993; Gutmann and Thompson, 1996). That is, can stakeholders judge TAs to be behaving in a way that speaks of a common background of commitments and beliefs with those stakeholders? For example, does the trade association of the carbon-based energy industry actually recognize its industry's contribution to global warming that its stakeholders—governments, media, interest groups—criticize it for doing so little about?

According to the political theory literature, there are two levels where trustworthiness can be established between actors. At the level of interaction between a single stakeholder and a TA is the concept of trustworthiness established through "warranties". Certain ways of speaking, known as illocutionary speech acts, contain within them "an internal connection between validity, validity claim, and redemption of a validity claim" (Habermas, 1984: 302). The presence of this connection establishes the *integrity* of the speaker, allowing the hearer to judge the speaker's trustworthiness. For example, a TA would be judged trustworthy if, in its dealings with the media, the TA only made claims about its industry's innovative products that are manifestly accurate without the need for verification by independent researchers.

At the level of intermediated decision-making is the concept of trustworthiness as a “relief mechanism” for the lack of knowledge of the stakeholder (Habermas, 1984: 180).[11] Despite information asymmetry which provides industry insiders with more information than even the most informed stakeholders, TAs have the opportunity to act as trusted intermediaries (Hellman, 2001; Thompson, 1995). This trustworthiness is based on prestige and influence, and is often personified in the TA chief. Prestige is ascribed to the individual actor; influence to the flow of communication itself (Habermas, 1984). The source of prestige is personal attributes like *credibility*, and *technical expertise*. The primary source of influence is a learnt knowledge of cultural, social and political traditions. For example, Jack Valenti (former President of the Motion Picture Association of America) held greater political influence than the economically more successful studio CEOs, based on his personal credibility built up over decades as a presidential and industry advisor.

- **Promises**

Once an initial judgment of trustworthiness has been made, we argue, promises can be given and accepted. Promises are the tool by which deliberatively trusted TAs can drive cooperative action with industry-level stakeholders. While promises cannot categorically ensure future cooperative action between

[11] Habermas expands his conceptualisation of trustworthiness in his latter work (1996, 132-134) to address the institutionalisation of deliberative participation as foundational to an ideal speech situation. Here, the trustworthiness of an institution is located in the extent to which its institutional structures promote fair and equitable deliberation both with external stakeholders and within the institution itself. However, this generalised form of trustworthiness was not apparent in the preliminary round of interviews so is not included in the theoretical exegesis. Given their role as reputation agents for an industry, it is unsurprising that TAs should not seek fair and equitable deliberation with external and internal stakeholders.

stakeholders and TAs—promises can, of course, be broken—they offer predictability on which future cooperation may be realistically undertaken.

Arendt (the most influential theorist here) argues that *specific promises* have "the power of stabilization" (1998: 243) in the inherently uncertain political sphere. A promise must be a specific undertaking, renewed as often as necessary, because the stakeholders who are in a position to accept the promise are multiple and changing (Honig, 1993; Pitkin 1981). For example, in 2004 the Food and Drink Federation published its 'Food and Health Manifesto' in response to radical changes in the public debate over diet, obesity, nutrition, advertising, and physical exercise in the previous decade. This manifesto balances the agendas of a wide range of stakeholders; specifically targeting the UK Government and the European Commission, consumers, the overweight and obese, parents with children in schools, children, employers, suppliers, and retailers. An annual survey tracks progress, recommends amendments to targets, and changes the balance of priorities according to the evolution of the public debate.

There is significant normative and procedural work in the political science literature on how *delivering promises* operates within the legal and political systems of Western societies (Fukuyama 1995; Harré 1999). This work focuses on how to hold promise-makers accountable for their commitments, through contract enforcement or electoral defeat (Hetherington, 2004; Manin *et al*., 1999). This aspect of the literature also highlights the dynamics of reputational trust. Its two elements—trustworthiness and promise-making—are reflexive and complementary. That is, where stakeholders can find TAs sufficiently trustworthy through deliberative means, TAs' promises can be accepted. But if TAs break those promises, future deliberation is imperiled because the TA will not be judged trustworthy again by the stakeholder. Conversely, where TAs relate to stakeholders by non-deliberative, economic means—like campaign contributions that seek preferential future treatment or reward past favors—then trustworthiness cannot be judged and promises cannot be made. In cases where trustworthiness is absent, only economic-based promises can be given, for example in the form of legally-binding service contracts. Of course, TAs are seldom actually in the position to sign a legally-binding contract with a stakeholder on behalf of an industry, so these types of cases are beyond the scope of this paper.

4. Testing the Theory

The second round of interviews sought to start testing the robustness and parsimony of the theory of reputational trust. The results from the content analysis of the first round of interviews were useful in constructing a general model to bring together the economic and deliberative incentives that mark out the role of TA as reputation agent. However, an *n* of 9 is too small to have confidence in the theory's robustness. Moreover, the exploratory nature of the first round questionnaire was not designed to give the reader confidence in the model's parsimony. Therefore a second round of 35 interviews was conducted which focused just on the deliberative incentives identified by the first round interviews and the themes highlighted by the theory of reputational trust.

The second round of interviews was conducted and transcribed between August and September 2007. Interviews were conducted by telephone and lasted about 20 minutes on average. A broader cross section of TAs was selected across the 24 sectors of the UK economy. Two TAs were selected per sector where available—ideally one TA that included the sector's larger firms and one TA that included small and medium sized enterprises (SMEs). A list of the second round interviewed TAs is included as appendix C. Individual names of interviewees are not included as some interviewees preferred personal anonymity, so all names have been removed.

Due to the greater number of interviews to be conducted, a shorter questionnaire was devised. This questionnaire is attached as Appendix D. The first question repeated a question from the first round questionnaire in order to provide a greater *n* for the key gateway question: 'What attributes do you think stakeholders judge your trade association against in dealing with you on industry reputation matters?' The second and third questions focus on how the TA may be seen as trustworthy and able to make promises when acting in its role as reputation agent for the industry. The last question allows the TA chief to introduce other factors important to the TA's reputation agent role.

A combination of manifest and latent content analysis was employed to code the classes identified in the first round of interviews and to identify any further classes. Classes were again coded according to their occurrence (how many times the class was used across all the interviews) and magnitude (a coding of 0 to 5, with 5 being very strong, how central the class is to the point being made by the interviewee). An occurrence rate and average magnitude across all the interviews was then calculated for each class. The content analysis is presented in table 2.

<insert table 2 about here>

As an initial test of the model's robustness, it is noted that there is a broad consistency between the first and second round interview classes in terms of those classes with the highest occurrence rate and average magnitude of the classes identified within the two clusters of trustworthiness and promises. Comparing the occurrence rate for the first/second round interviews, 'credibility' is 2.9 / 2.3; for 'integrity' is 3.4 / 2.4; for expertise is 2.3 / 2.1; for specific promises is 3.2 / 2.3; for delivering promises is 2.9 / 1.8. Comparing the average magnitudes for the first/second round interviews, 'credibility' is 4.1 / 4.0; for 'integrity' is 3.7 / 2.6; for expertise is 4.4 / 3.8; for specific promises is 4.0 / 3.0; for delivering promises is 4.2 / 3.8. A broad consistency between occurrence rates and average magnitudes is an initially encouraging result. It suggests that the classes identified in the analysis of the initial theory-building qualitative data are broadly robust. This list of classes can be taken as a starting point for future quantitative work to properly test the model of reputational trust. It should also be noted that the second round occurrence rate and average magnitudes are lower, perhaps reflecting the fact that these TAs are not always dealing with high profile industries and firms. As a result, while the classes identified are the same, they are less well recognised across the broader spectrum of trade associations.

In terms of the model's parsimony, it is noted that the analysis of the second round interviews produced an extra class—'policy reputation'. This class appeared frequently and with significant average magnitude. Although the second round interviews did not go into the same level of detail as the first round interviews, 'policy reputation' appeared to be a term to describe the frequency with which TAs briefed Ministers, Parliamentary Select Committees and senior civil servants. It also described the extent to which those policymakers accepted the arguments made by the TA. More research is required here to understand if 'policy reputation' is another class to be included or is a descriptive term for the impact of reputational trust on the TA's standing with policymakers. It is also noted that the classes 'buffer zone' and 'inter-industry debates' scarcely appeared in the second round interviews, suggesting that they do not fall into either of the clusters identified and may safely remain unassigned in further quantitative research.

5. Future Research Avenues

As this is exploratory research, I have yet to test the theory definitively by collecting quantitative data. In other words, there are several avenues open for future research. In conclusion, I set out five such avenues—two methodological and three theoretical—that offer particularly useful contributions to the literature.

The first avenue is to investigate the whole TA population rather than just chiefs of the largest UK industries dominated by publicly-listed companies. This research would collect TA-specific information beyond that included in the original questionnaire (see Appendix B). For example, how long TA chiefs have been in their position, which director deals with industry reputation management, and why did the TA originally form? Further research would also need to conduct quantitative work to understand how member firms perceive the effects of their trade association's collective action on their interdependent reputations.

The second avenue looks beyond TA chiefs to understand collective reputation management. Researchers might sample those industry-level stakeholders, controlling for: TA size; political sympathy towards the industry of the stakeholders; whether extant policy issues were present; and whether industry members were located in the stakeholder's constituency (if a politician). One might also want to control for industry characteristics like: number of firms involved in the industry; industry importance to the national economy (in terms of jobs, wealth creation, R&D spend); and previous industry reputation crises.

The third research avenue concerns the latent concept of power. The political sphere, where trade associations operate as reputation agents for their industries, is defined by conflict with other stakeholders over the means, goals, or domain of the TAs' industry, and the deployment of power by at least one party to the conflict to compel resolution (Shapiro, 1999; Walzer, 1999). Readers not steeped in the political science literature might therefore expect greater emphasis in this paper on concepts of conflict and power. But because conflict and power are inherent in the political sphere, they are not specific to collective reputation action undertaken by trade associations. This helps explains why several interviewees mentioned these concepts, but that they remained secondary themes in the content analysis. Further research is required here to explain the interrelationships between political power, economic power, and industry reputation.

The need for further research here is shown by the limitations of resource dependence theory (RDT) (Pfeffer and Salancik, 1978), a leading treatment of inter-organizational power issues in the organizational studies literature. RDT's central argument is that organizations will respond to demands made by external actors or organizations upon whose resources they are heavily dependent and that organizations will attempt to minimize dependence when possible. Of course, TAs are established by collections of firms to form "institutional buffers"

(Miner *et al*., 1990) against the demands of external actors upon whose resources they depend. These stakeholders may single out for sanction an individual firm's behaviour, taking it as indicative of the relevant industry as a whole. TAs' role here is to respond to external actors and intermediate the dependence to the benefit of its members. As Smith stated in a first round interview: "The BRC forms a buffer on issues where individual companies want to stand back."

The fourth research avenue focuses on the seemingly eclectic choice of political theorists used in this paper to build the theory of reputational trust. While this paper concentrates only on those aspects of their theorising that help explain issues emanating from the qualitative research undertaken, real differences and contestations exist between Habermas and Arendt, for example over the demarcation of power from passions. Where Habermas seeks to eliminate passions from the public sphere in order to realize rational consensus, Arendt seeks to mobilize those passions to realize democratic potentials. Put another way, Arendt's agonal spirit is the disposition that gets one *into* the political sphere, but Habermas's communicative action is the disposition for when one gets there. Particularly in their theoretical treatments of trust, Arendt and Habermas are complementary.[12] However, further theoretical development may be required if future quantitative research throws up challenges to the theory of reputational trust presented here.

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[12] This complementarity is an enduring theme in the secondary literature. For example, Benhabib (1996, 9) argues that: "At the theoretical level, the desirable alternative [to continued discord between Arendt and Habermas] is clear: a deliberative vision of democratic politics which can also do justice to the agonistic spirit of democracy so well articulated by its defenders . . . The issue is the right mixture, theoretically and practically, between the legacy of liberalism and the conflictual and contestatory nature of all democratic politics." See also Christiano (1999).

The fifth research avenue relates to the weight given in this exposition to promise making. Can the act of promising hold the conceptual weight of being the primary mechanism for collective reputation action towards stakeholders? Even with strict enforcement of codes of practice, TAs cannot guarantee the future behavior of their members, so may limit their promise-making so as to avoid hostages to reputational fortune. As a result, industry-level stakeholders may become frustrated in their dealings with TAs and offer economic incentives to individual firms in an effort to promote a desired behaviour. One example is the UK government's promotion of CSR initiatives through the 2006 Companies Act after being frustrated by several industry TAs' failure to promote CSR initiatives voluntarily. Further quantitative research of TA members may shed further light on this issue, necessitating the model presented here to be amended accordingly.

Scholars are invited to address these, and other, avenues of future research in this important and rich new stream of corporate reputation work. As an initial contribution, I have presented a theory of reputational trust captures two of the most significant concepts that underpin the dynamic relationship between trade associations and multiple stakeholder groups involved in managing reputational interdependence. Further exploring the dynamics of the relationship between TAs and stakeholders by which industries manage their collective reputations would allow researchers to gain insight in an area where, as Hayes pointed out in a first round interview "even the biggest firms seem confused about what they're doing".

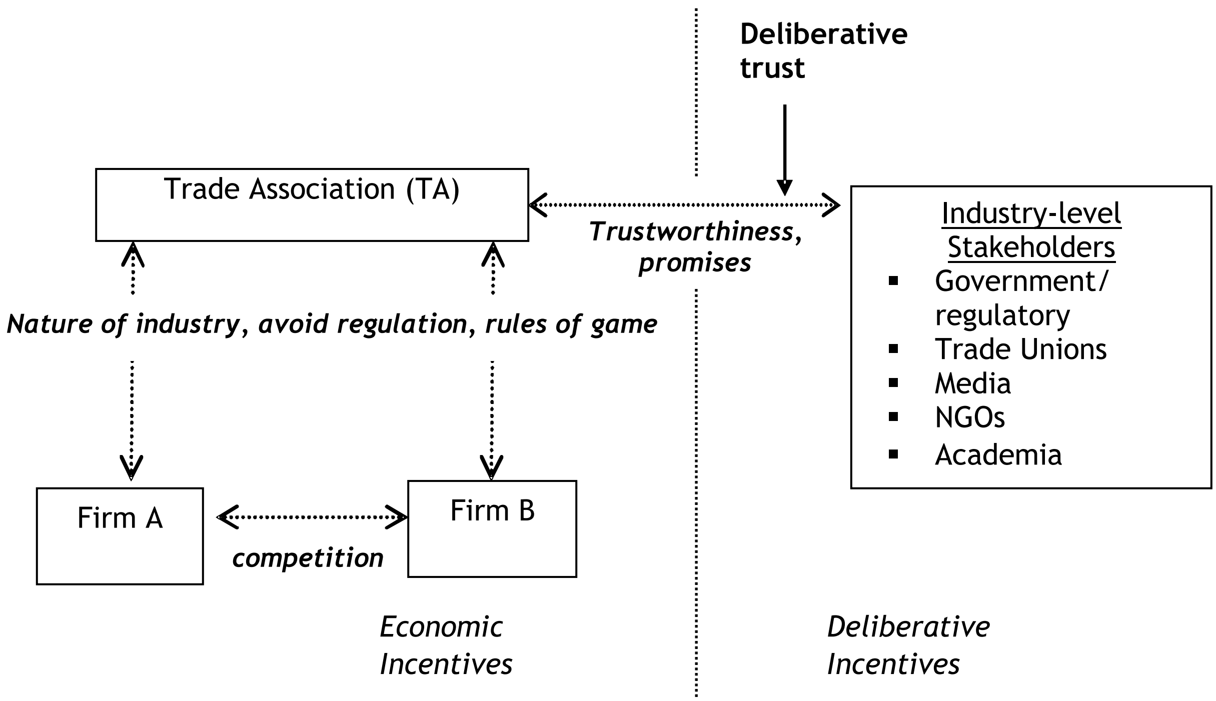
Table 1. Content Analysis of First Round Interviews

Special Classes used by interviewees	Occurrence	Occurrence Rate	Average Magnitude (0 – 5 scale)	Assigned Cluster
Nature of industry	34	3.8	4.2	Economic Incentives
Self-regulation	27	3.0	4.3	
Rules of the game	13	1.4	3.2	
Tipping point	12	1.3	2.3	
Membership fees	14	1.6	2.1	
Collective buying power	5	0.6	0.7	
Collective response to consumer action	8	0.9	1.7	
Credibility	26	2.9	4.1	Trustworthiness
Integrity	31	3.4	3.7	
Expertise in specific industry issue	21	2.3	4.4	
Speaking with a unified voice to media	23	2.6	3.3	
Specific promise	29	3.2	4.0	Promises
Deliver on your promises	26	2.9	4.2	
Forming collective policy position	17	1.9	3.9	
Buffer zone	7	0.8	3.1	Unassigned
Inter-industry debates	5	0.6	1.2	

Table 2. Content Analysis of Second Round Interviews

Assigned Cluster	Classes used by interviewees	Occurrence	Occurrence Rate	Average Magnitude (0 – 5 scale)
Trustworthiness	Credibility	80	2.3	4.0
	Integrity	84	2.4	2.6
	Expertise in specific industry issue	73	2.1	3.8
	Speaking with a unified voice to media	38	1.1	0.7
Promises	Specific promise	81	2.3	3.0
	Deliver on your promises	63	1.8	3.8
	Forming collective policy position	56	1.6	3.5
Unassigned	Buffer zone	7	0.2	1.2
	Inter-industry debates	4	0.1	2.4
	Policy reputation	60	1.7	3.3

Figure 1. Incentives for Collective Reputation Action



Appendix A. First Round Exploratory Interviews with TA Chiefs

Trade Association	**Sector**	**Respondent**	**Interview Date 2006**
UK Petroleum Industry Association (UKPIA)	Energy & Chemical	Chris Hunt, Director General	5th Sept
British Bankers Association (BBA)	Financial	Brian Capon, Director of Communications	6th Sept
The Association of the British Pharmaceutical Industry (ABPI)	Pharmaceuticals	Ben Hayes, Director of Communications	8th August
IntellectUK	Telecoms, Media & Electronics	John Park, Director & Secretary	18th Oct
British Retail Consortium (BRC)	Retail	Paul Smith, Director Retail Services Policy	4th Sept
Society of Motor Manufacturers & Traders (SMMT)	Automotive & Transport	John Procter, Media Manager	27th Sept
Federation of Master Builders (FMB)	Construction	Richard Rumbelow, Director of External Relations	4th Sept
Association of British Insurers (ABI)	Insurance	Alan Leaman, Director of Communications	14th Sept
Tobacco Manufacturers' Association (TMA)	Tobacco	Chris Ogden, Director	11th Sept

Appendix B

1. What do you think are the main reasons why firms become members of your trade association?

2. What do you think are the main reasons why firms remain members of your trade association?

3. Against which criteria do you make the choice to refer a stakeholder to a member company versus dealing with the inquiry/issue within your trade association?

4. How do you manage the reputation of your industry with relevant stakeholders?

5. How do you assess the reputation of your industry with relevant stakeholders?

6. What attributes do you think stakeholders judge your trade association against in dealing with you on industry reputation matters?

7. What can your trade association do for firms' corporate reputations that the firm cannot do itself?

8. What is the greatest threat to your industry's reputation?

9. Any further comments about the relationship with between your trade association and relevant stakeholders concerning industry reputation?

Appendix C. Second Round Interviews

1. The London Investment Banking Association
2. Construction Products Association
3. Builders Merchants Federation
4. Chemical Industries Association
5. British Coatings Federation
6. Construction Confederation
7. British Chemical Engineering Contractors Association
8. Home Builders Federation
9. The National Federation of Builders
10. Defence Manufacturers Association
11. Society of British Aerospace Companies Limited
12. The Manufacturing Technologies Association
13. Food and Drink Federation
14. British Home Enhancement Trade Association
15. British Insurance Brokers' Association
16. British Hospitality Association
17. The Advertising Association
18. British Property Federation
19. British Beer and Pub Association
20. Intellect
21. British Venture Capitalist Association
22. Facilities Management Association
23. Cleaning and Support Services Association
24. Federation of Communication Services
25. Airport Operators Association
26. Association of Electricity Producers
27. Energy Networks Association
28. Electrical Distributors Association
29. Association of Train Operating Companies
30. Passenger Transport Executive Group
31. Freight Transport Association
32. Road Haulage Association
33. Water UK
34. British Air Transport Association
35. NHS Alliance

Appendix D. Second Round Questionnaire

1. What attributes do you think stakeholders judge your trade association against in dealing with you on industry reputation matters?

2. In terms of your trade association acting as a reputation agent for your industry, how do you ensure your stakeholders see you as trustworthy?

3. In terms of your trade association acting as a reputation agent for your industry, how do you ensure your stakeholders accept your promises?

4. Any further comments about the relationship with between your trade association and relevant stakeholders concerning industry reputation?

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