New Theoretical Model on Value Creation

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Introduction

Firms are creating their corporate value through their activities. Financial performance increases due to firms' ability to meet customer needs for products and services. Firms could get the reliance from investors, but this depends on the engagement on financial performance and value creation. It is important to develop organizational system and incentive systems to meet employee satisfaction as well. Managers also need to execute efficient and effective management via innovation to attain top managers' vision. In addition, firms need to accomplish environmental responsibility and social responsiveness. It is a corporate objective to create stakeholder oriented corporate value. To create corporate value it is necessary to the firms' intangibles with the firms' strategies. That is why firms create corporate value mediated intangibles through their activities.

There has been a lot of research done on intangibles and corporate value. Many of these focus on corporate reputation instead of intangibles, and corporate objective has not been related to corporate value, but corporate financial performance (Fombrun and Shanley, 1991; Preston and Sapienza, 1990; Riahi-Belkaoui and Paclik, 1991; Shulz et al., 2001; Sabate et al., 2002; Roberts and Dowling, 2002; Lee and Roh, 2012, Kim and Yang, 2013). This research insisted on the evidence that corporate financial performance has an influence of corporate reputation (Fombrun and Shanley, 1990; Preston and Sapienza, 1990; Riahi-Belkaoi and Paclik, 1991) and how corporate reputation affects future corporate financial performance as well (Roberts and Dowling, 2002).

Recently we could see research the shed light on the relationship between the corporate reputation and corporate financial performance. First of all, some researchers suggested that corporate reputation is mediate variables, and activities effect corporate reputation (Kim and Yang, 2013; Stacks et al., 2013), and some researches extended corporate reputation to intangibles (Suroca et al., 2010; Stacks et al., 2013). In addition, some researchers extended corporate financial performance to corporate value (Surroca et al., 2010; Stacks et al., 2013). We could not find out any extended research survey on the relationship between intangibles and corporate value. Our research question is to find the issues of theoretical framework involved and to propose a new theoretical framework.

We research on the value creation mechanism which is the relationship between activities, intangibles, and corporate value. In section 1 we define the intangibles. In section 2, we deal with the empirical research on the relationship between corporate reputation and corporate financial performance. In section 3 we discuss the extended researches on the relationship between corporate reputation and corporate financial performance. In section 4 we develop a new theoretical model on the relationship between intangibles and corporate value. Lastly, we point out our findings in this paper.

1. What are Intangibles?

Firms develop their strategy for creating corporate val-

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ue. The strategy is not only to seek external competitive advantage, but also to seek internal core competence. Barney (1991) proposed resource-based view (RBV). According to Barney, "a firm is said to have sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy". To have Barney's competitive advantage, a firm must has four attributes: valuable resources, rare resources, imperfectly imitable resources, and substitutability. In summary, the firm must be valuable, in the sense that its exploit opportunities and neutralizes threats in it environment, it must be rare among its current and potential competition, it must be imperfectly imitable, and there cannot be strategically equivalent substitutes for source of the strategy that are valuable but neither rare or imperfectly imitable. Internal resources which have these four attributes are defined as intangibles.

Intangible Assets, or Intellectual Capital, are defined by Lev (2001) as "non-physical sources of value (claims to future benefits) generated by innovation (discovery), unique organizational designs, or human resource practices". According to the opinion of Lev, the terms Intangible Assets, Knowledge Assets and Intellectual Capital are interchangeable owing to the fact that all three terms are widely used. The feature of this definition is a stock of non-physical sources of value.

On the other hand, Ittner (2008, p.262) defines them as "Intangible assets represent expenditures on and development of non-physical assets that are drivers of future economic performance and firm value". According to Ittner's definition, intangible assets have almost the same definition as value drivers. The feature of this definition is not stock, but flow of activity expenditures.

I addition, Kaplan and Norton (2004, p.55) defined it as follows: "we identified, in its Learning and Growth Perspective, three categories of intangible assets essential for implementing any strategy:

- Human Capital: the skills, talent, and knowledge that a company's employees possess.
- Information Capital: the company's databases, information systems, networks, and technology infrastructure.
- Organization Capital; the company's culture, its leadership, how aligned its people are with its strategic goals, and employees' ability to share knowledge.

Kaplan and Norton insisted that the strategy connects three categories of intangible assets. On embedding the readiness concept which is a degree of readiness for creating corporate value, they proposed to measure the outcome of value creation activities. The feature of this definition is not only stock, but also flow.

Blair and Wallman (2001, pp.51-56) divided intangible assets into three subcategories based on the degree to which they can be controlled and/or sold by the firm.

- Assets that can be *controlled and owned by* the firm and can be *separated* out and sold, for example, patents and databases.
- Assets that can be *controlled and owned by* the firm but *not separated* out and sold, for example, R&D and organizational processes.
- Assets that *may not be wholly controlled* by the firm and are therefore not owned by the firm, for example, knowledge and skills of labor force.

Based on this classification by Blair and Wallman, Sakurai (2008) insisted on named intellectual properties for first level, off balanced intangible assets for second level, and intangibles for third level.

In summary, we can classify the intangibles as; non-physical source of value, the intellectual properties as goodwill, the off balanced intangible assets as corporate reputation and corporate bland, and the limited intangibles as innovation, human assets information assets, and organizational assets. In this paper, we look at the intangibles corporate reputation, innovation, human assets, information assets, and organization assets except for intellectual properties. We limit intangibles not flow, but stock.

2. The Relationship between Corporate Reputation and Corporate Financial Performance

In this section, we review the literatures on the relationship between Corporate Reputation and Corporate Financial Performance. First, we introduce several definitions by some literatures then we declare our position of corporate reputation in this paper. Second, we review the research of Schultz et al. (2001) which found evidence of positive relationship between corporate reputation and perceived financial performance. Third, we introduce the research of Fombrun and Shanley (1990) which defined the theoretical model of the relationship between corporate reputation and corporate financial performance.

2.1 Definition of Corporate Reputation

Weiss et al. (1999) viewed "reputation as a global perception of the extent to which an organization is held in high esteem or regard". As the same, Fombrun and van Riel (1997) proposed the definition of which "a corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability

to deliver valued outcomes to multiple stakeholders. It gauges a frm's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments". That is, a representation was made as the corporate reputation by a firm's past actions, then firm develops the outcome to firm's stakeholders. Herein, corporate reputation is a perception of external stakeholders, is not included future prospects.

On the other hand, Fombrun (1996, p.72) defines a corporate reputation as "a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals". In this definition, we understand that a perception of external stakeholders and activities of internal managers and employees are included. As the same opinion, Sakurai (2008, p.23) defined corporate reputation as "a sustainable competitive advantage that is lead from deferent stakeholders related with a firm under the results of past actions of managers and employees and the present and future expected information". While this definition puts emphasis on the point of view that managers and employees develop a corporate reputation, Sakurai (2011, pp.201-231) insists on a communication that effects a perception of external stakeholders as well. In summary, corporate reputation is a one of intangibles that are lead from the results of internal activities and the present and future information. In this paper, we progress our research under Sakurai's definition.

2.2 The Relationship between Corporate Reputation and Perceived Financial Performance

Schultz et al. (2001) is an empirical study of the relationship between corporate reputation and corporate financial performance in Denmark. They "study the construction of reputation as it is formed by the methods used to collect and aggregate survey-based judgments about firms held by individual respondents". Their research used Danish ranking data for 14 years, from 1986 to 1999, in a leading Danish business magazine, Børsens Nyhedsmagasin. The dimensions of this corporate reputation's ranking are 9 criteria which consists of quality of product, management, price compared with quality, marketing (included PR, design and service), human resource management, financial strength, responsibility environment, product development, and importance to society. This ranking system is focusing on judgment of corporate reputation, 5-point Likert scale, held by managers and analysts from the financial community. While the ranking system changed some dimensions during 14 years, they concluded that 64 out of 200 firms keep top 20 ranks.

To this 64 firms, they studied the relation corporate reputation with average ROA, age (yea), average employees, and average revenues, and found evidence of relationship between average employees as size and corporate reputation. They also found that "perceived financial performance has the strongest impact of all the criteria of reputation" except for management criteria.

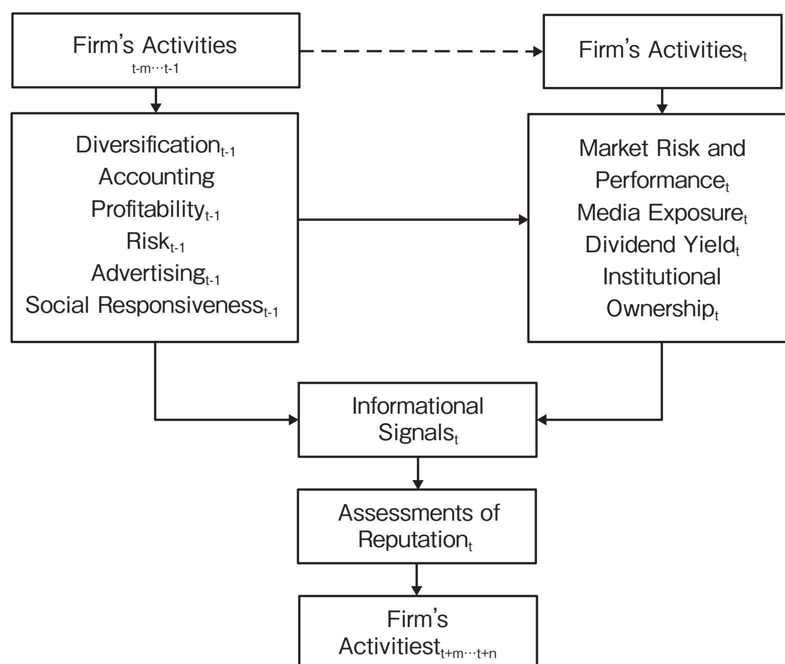
The result suggests that there is no evidence of the relationship between corporate reputation and corporate financial performance. It is a kind of "halo effect" that the perceived financial performance just relates with almost (eight of nine) dimensions of corporate reputation. Because it is a possible to effect reputation's ranking on perceived financial performance. The cause of fail in empirical research by Schultz et al. (2001) is "the lack of theoretical framework that would link empirical literature within the area of the theory of the firm" (Sabate and Puente, 2002). This is the biggest problem in Schultz et al. (2001). We can know the hypothesis of the relationship between corporate reputation and financial performance, but it is necessary to identify the theoretical framework of the reason why they develop their own hypothesis.

2.3 Theoretical Framework of the Relationship between Corporate Reputation and Corporate Financial Performance

Fombrun and Shanley (1990) studied the relationship between corporate reputation and financial performance under the theoretical framework about developing corporate reputation. We draw on their theoretical model of reputation building in Figure 1. This theoretical framework is assumed that corporate audiences attend to market, accounting, institutional, and strategy signals about firms.

Market signals present information to constituents about firm's current activities, results, and prospects. Accounting signals are accounting data that provide an obvious source of information to constituencies interested in firm's economic performance. Institutional signals are assessments of institutional environments that influence constituents' assessments: institutional ownership, social responsibility, and media visibility. Public also assess firms on the basis of the payoffs likely from their managers' choice of business and corporate strategies. In summary, they have empirically studied under the theoretical framework on the relationship among corporate reputation, size, corporate financial performance, risk, and strategies as diversification and differentiation.

Figure 1. Model of Reputation Building under Conditions of Incomplete Information



Source: Fombrun and Shanley(1990)

The 292 firms included in *Fortune*'s 1985 study of the *America's Most Admires Corporations* constituted the set of firms for their analysis. The *Fortune* survey, which solicited ratings of corporate excellence from 8,000 executives, outside directors, and securities analysts, had 50 percent response rate. The dependent variable was reputation, an index formed from ratings respondents provided on eight 11-point scales to the Fortune survey. The survey began by asking respondents to name the leading firms in an economic sector and continued: "How would you rate these companies on each of following attributes; quality of management; quality of products or services; long-term investment value; innovativeness; financial soundness; ability to attract, develop, and keep talented people; community and environmental responsibility; and use of corporate assets?"

Size was computed as a logarithmic transformation of total sales in 1984. Economic performance was gauged in three ways: the return on invested capital (ROIC) at end of fiscal year (1984), the ratio of market to book value (on September 27, 1985), and the ratio of prior four quarters' dividends divided by share price (on September 27, 1985). On riskiness, the level of accounting risk in 1984 was estimated by the coefficient of variation of ROIC in the previous nine years. And market measure of risk was gauged by firms' beta coefficients on September 27, 1985. Institutional ownership was estimated the percentage of all outstanding shares held on September 27, 1985, by banks, insurance companies, and mutual funds. Media exposure was estimated as the total number of articles written about a firm in 1985. Differentiation as the measure of advertising intensity was estimated a firm's total advertising expenditures in 1984, adjusted for firm size. Diversification at the end of fiscal year 1985, was estimated as $1\text{-}(\Sigma Sales_j^2)/(\Sigma Sales_j)^2$, where j= the number of segments, on using COMPUSTAT data.

The cross-sectional time series analysis on 557 firm-years indicates that the assessments of corporate reputation appear to be positively related to ROIC, differentiation, and size and negatively related to prior risk. Based on the regression analysis, ROIC, differentiation, size, institutional ownership, and ratio of market to book value positively influence assessments of corporate reputation. On the other hand, market measure of risk, ratio of dividends divided by share price, and media exposure related negatively to corporate reputation. They found out the evidence of the relationship between corporate reputation and corporate financial performance which consists of accounting measures and market measures.

Fombrun and Shanley (1990) research is valuable not only on the relationship between corporate reputation and corporate financial performance, but also on the theoretical model of developing corporate reputation. It is an important contribution that their model identified activities effect on corporate reputation..

Their paper, however, has some limitations which is in the relationship between corporate reputation and corporate financial performance. We don't know whether past corporate financial performance influences corporate reputation or corporate reputation influences future corporate financial performance. Thus, nobody could get any information about how firms should do, from the evidence of Fombrun and Shanley (1990).

3. Some Theoretical Frameworks and their Issues

In this section, we organize the researches about some extended theoretical frameworks. First, Stacks et al. (2013) insisted corporate reputation as mediate variables between activities and corporate value. Second Roberts and Dowling (2002) found out that a good reputation will enhance a firm's ability to sustain superior financial performance over time. Third, Surroca et al. (2010) studied empirically the theoretical framework of the virtuous circle.

3.1 Corporate Reputation as Mediate Variables

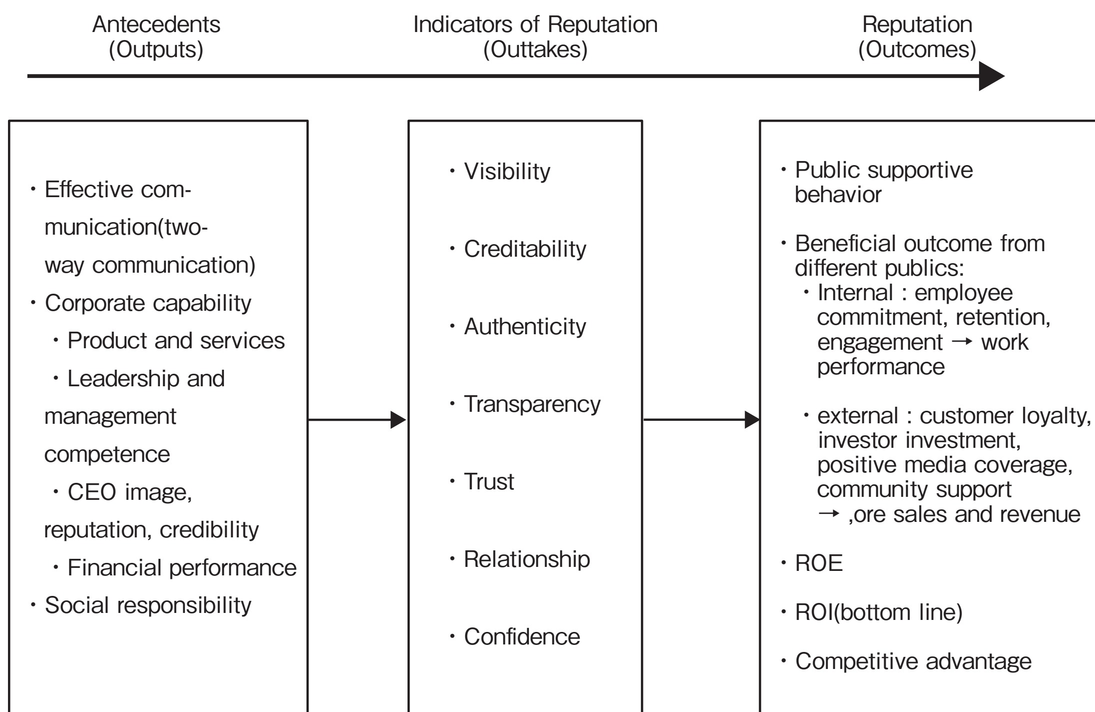
Stacks et al. (2013) proposed interesting measurement types of corporate reputation. Based on Fombrun and van Riel (1997)'s definition of corporate reputation, they classify corporate reputation into three types of measurements. They referred to antecedents (i.e. reputation driver) as outputs, indicators of reputation (i.e. mediate variables) as outtakes, and reputation (i.e. corporate value) as outcomes. Their theoretical framework is drawn in Figure 2.

Figure 2 suggested that outputs are antecedents such as reputation driver, outtakes are indicators of reputation such as corporate reputation, and outcomes are reputation such as corporate value. Next, we review three types of measurements.

Outputs are three main domains: corporate capability, communication, and social responsibility. Corporate capability is to provide quality product, to develop innovation, and to maintain corporate advantage. Communication is to communicate among stakeholders to increase the probability that firm is perceived as genuine and credible. Social responsibility is to play a key role demonstrating to general public that a firm is an accountable citizen. In summary, we could translate from outputs to reputation drivers which are outputted by activities.

Indicators of reputation include 7 key indicators: visibility, credibility, authenticity, transparency, trust, relationship, confidence. Visibility is a clear and visible image which stakeholders have. Credibility is defined as the extent to which consumers, investors, or other stakeholders believe in a firm's trustworthiness and expertise. Corporate credibility has been recognized as

Figure 2. A process of reputation



Source: Stacks et al. (2013)

a key determinant of corporate reputation. Authenticity is defined as real, genuine, accurate, reliable, and trustworthy.

Transparency is defined to encompass integrity, respect, and openness. Trust is defined as stakeholder expectations that the business of the firm will be reliable, dependable, and continue to act in their interest even in an uncertain future. Relationship is defined as stakeholders' perception of association with the firm. Confidence is defined as the combination of the admiration, respect, trust, confidence in a firm's actions.

We could classify outcomes into internal outcomes and external outcomes. Externally, a good corporate reputation attracts customers to its products, investors to new investment, and media journalists to favorable press coverage. Internally, a good corporate reputation helps employees internalize corporate values, commitment to their work and the firm, and engage in dialogs, cooperation and citizenship behaviors (Fombrun and van Riel, 2004).

As a result, according to Stacks et al. (2013), effective corporate activities improve indicators of reputation, and the improving of indicators of reputation support to increase corporate financial performance and to contribute social responsibility, and to develop competitive advantage of the firm. This theoretical framework by Stacks et al. (2013) is the same models which Kim and Yang (2013) proposed.

In conclusion, Stacks et al. (2013) criticized that lots of empirical research has a lack of theoretical framework. That is "although there have been attempts through structural equation modeling to imply some sort of causal modeling, there have been too few underlying theoretical models from which to base the hypothesized model". In Stacks et al. (2013), there are some valuable ideas that corporate reputation is mediate variables, that outcomes include not only corporate financial performance, but also internal outcomes like employee commitment, external outputs like customer loyalty, social responsibility like public supportive behavior, and competitive advantage.

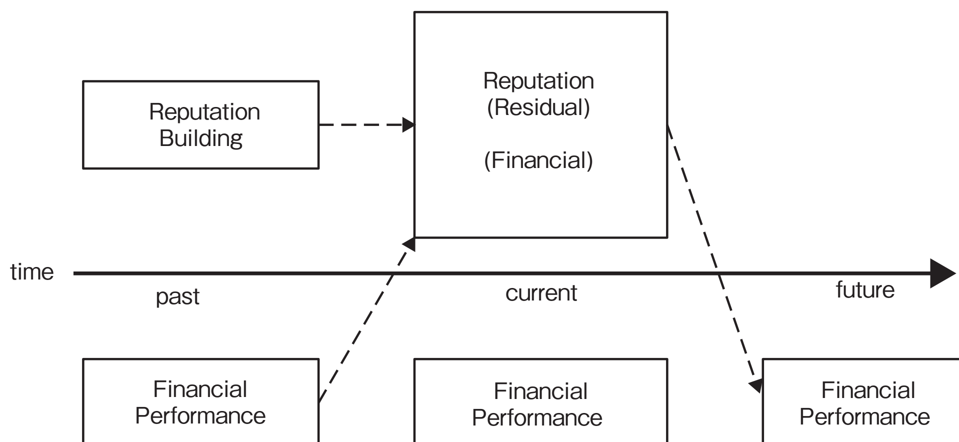
The limitation of Stacks et al. (2013) is that they did not study empirically their theoretical framework. Also, Stacks et al. (2013) identified outputs as reputation drivers in their theoretical framework, but we believe that activities drive indicators of reputation.

3.2 Impact on Profit Persistence of Corporate Reputation

Sabate and Puente (2002) is meta-analysis on the relationship between corporate reputation and corporate financial performance. According to Sabate and Puente (2002), McGuire et al. (1990) studied empirically that past financial performance (return on assets and debt/asset ratio from 1982 to 1984) effects on current corporate reputation (average of the rating obtained in the eight dimensions of *Fortune*'s 1983 survey). Also Dunber and Schwalbach (1998) found out that the stability of corporate reputation asset two years ago was the factor most determinative of current reputation. On the other hand, Chung et al. (1999) using an event study, found the proof that previous economic events influenced reputation ranking, while they refuted the hypothesis that these valuations signal future performance. As a result of meta-analysis, Sabate and Puente (2002) concluded that these inconsistent results were derived from the lack of theoretical framework and the inappropriateness of the methodological tools employed.

Roberts and Dowling (2002) is one of good solutions

Figure 3. Model of Reputation – Financial Performance Dynamics



Source: Roberts and Dowling (2002)

to the theoretical framework on the cause and effect relationship. After introducing Fombrun and Shanley (1990), McGuire et al. (1990), and others as previous study, Roberts and Dowling (2002) pointed out that several studies confirm the expected benefits associated with good reputation. However, they said that no research to data has looked as the extent to which a good reputation at a point in time allows superior financial performance to persist over time. The research question of Roberts and Dowling (2002) is an empirical study on persistence of corporate reputation (showed in Figure 3). In Figure 3, we see that the theoretical framework is a building model among past financial performance, current corporate reputation, and future financial performance, while they decompose each reputation score into that which is predicted by previous profitability, and that which is independent of the firm's history of financial performance.

The data using empirical study related to corporate reputation and financial performance. The data of corporate reputation is the ranking of *Fortune* survey from 1984 to 1998. The dimension of corporate reputation is 8 scales, as we described in Fombrun and Shanley's study (1990). The data of financial performance matched with corresponding *Fortune* 1000 data is after-tax return on total assets (ROA), market-to-book value and firm size (total sales).

Roberts and Dowling (2002) found that a good reputation will enhance a firm's ability to sustain superior financial performance over time. Financial reputation significantly effects the persistence of ROA, and residual reputation also significantly effects the persistence of ROA. A relative ROA in year one erodes more slowly if the firm in question has the better residual reputation. And below-normal returns converge quickly toward a negative long run level.

Roberts and Dowling (2002) has two merits. First, they found out that past financial performance effects on current corporate reputation. Second, they also found out that current corporate reputation effects on future financial performance. The latter is Roberts and Dowling's contribution to the cause and effect relationship between corporate reputation and financial performance.

On the other hand, Roberts and Dowling (2002) has some limitations in the persistence of corporate reputation involved. One of their hypotheses is that past financial performance effects on future financial performance through corporate reputation. However, the corporate reputation has an effect not only on past financial performance but also corporate activities. Also their other hypothesis, which states that corporate reputation effects future financial performance, is not correct because the influence of intangibles included reputation is not taken account. In addition, it is a problem that they assume profit maximization or wealth maximization theory, not stakeholder theory for corporate value.

3.3 Theoretical Framework of Virtuous Circle

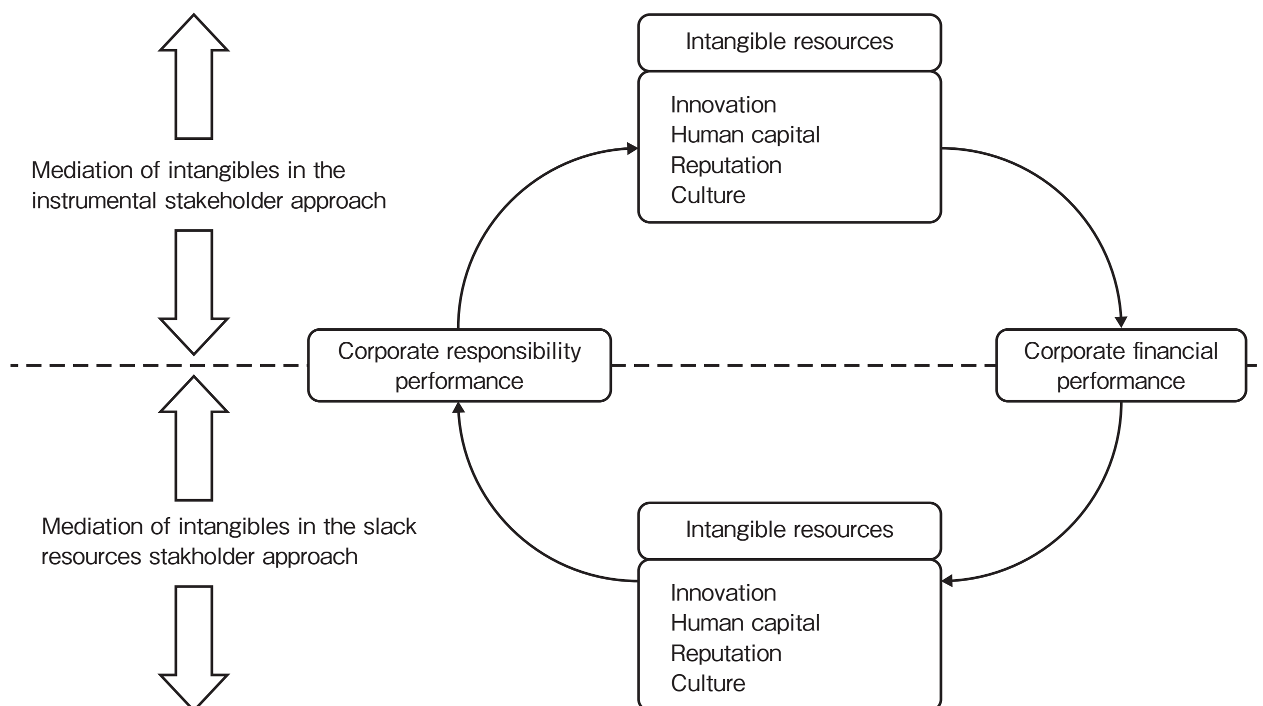
Surroca et al. (2013) proposed the theoretical framework of the virtuous circle. This is an interesting model in combination Stacks et al. (2013) which insisted that corporate reputation is mediate variables with Roberts and Dowling (2002) which found out the persistence of corporate reputation. We have drawn their virtuous circle model in Figure 4.

Surroca et al. (2013) not only unifies the previous studies, but also the extended framework from corporate reputation to intangibles. The framework is also a combination the instrumental approach which corporate responsible performance increases corporate financial performance by using intangibles (Donaldson and Preston, 1995) with the slack resources approach in which slack resources of corporate financial performance invest to the area to improve corporate responsible performance (Waddock and Graves).

According to Surroca et al. (2013), intangible resources consist of innovation, human capital, corporate reputation, and culture. On the instrumental approach, the capacity to innovate new products, technologies, and market ideas is strongly influenced by the quality of the firm's relational capital, which in turn can be enhanced through a proactive social and environmental strategy. Also firms that are perceived to be committed to corporate responsibility performance tend to attract better job applicants and retain them once hired, thereby reducing turnover, recruitment, and training cost. Improved reputations also allow firms to attract better employees, augment labor commitment, negotiate better terms with capital supplier, and build customer loyalty, all of which results in corporate financial performance improvements. The adoption of a socially responsible strategy can be a source of fundamental changes in business philosophy, decision-making criteria, and ways of working together. In summary, corporate responsible performance will have a positive impact on the development of intangibles, which in turn will positively affect corporate financial performance. That is instrumental approach.

The slack resources approach suggests that better financial performance will results in more available resources that may be allocated to responsibility activities. The availability of internal funds to support R&D is

Figure 4. Theoretical Framework of Virtuous Circle



Source: Surroca et al. (2013)

expected to favor innovation. Product innovation allows a firm to incorporate responsible attributes into its goods and services. Process innovation enables firms to implement such responsible product practices. High-performance firms may share profits with employees by developing commitment-based HR practices. Commitment-based HR practices are an integral part of a firm's social responsiveness toward employees, employee empowerment, training and team collaboration and well-designed reward systems. Success in the competitive arena signals an effective corporate strategy, good management, and good resource allocations. Financial success allows a firm to focus all its efforts on development of its internal processes, thereby creating a humanistic culture of high involvement, commitment, coordination, and identification with core values. In summary, corporate financial performance will be positively related to the development of intangibles, which in turn will affect corporate responsible performance. That is the slack resources approach.

Using the instrumental approach and the slack resources approach, a firm can formulate the virtuous circle. Surroca et al. (2013) studied empirically these hypotheses. The data of corporate responsibility performance are compiled Sustainalystics Platform database by the Sustainalystics Responsible Investment Services. And they use Tobin's q to measure corporate financial performance. They measure the intangible of innovation using the ratio of R&D expenses to a firm's total number of employees, human capital and culture using seven items provided by Sustainalytics, and reputation using *Fortune*'s World's Most Admired Companies' survey. They also measure physical resources as capital intensity which is the ratio of total assets minus current assets divided by total assets, leverage which is defined as the accounting value of debt to the accounting value of equity, and financial resources as cash-flow-to-revenue ratio. In addition, control variables are measured size (the logarithm of the number of employees), risk (firm's beta), industry, country, and year.

Surroca et al. (2013) used two-stage model for tackling problems of multicolinearity and endogeneity which are the issues of reverse causality and the possible correlation between time-invariant unobservable heterogeneity and explanatory variables of performance. In the first stage, they construct instruments for corporate responsibility performance and corporate financial performance by regressing each performance variables on intangibles and control, and then computing the residual of each measure of performance by subtracting the predicted effect of intangibles from the dependent variables. In the second stage, they estimate the complete models using such residuals as instruments in order to test the existence of direct effects

between the performance variables.

By their analysis, they have found no multicolinearity problems in the data. They found out that corporate responsibility performance positively influences innovation, human capital, reputation, and culture, which lead in turn to improved corporate financial performance, and corporate responsibility performance is positively and significantly related to corporate financial performance. This relationship vanishes, however, when they include intangibles as regressors and use the residual of corporate responsibility performance as an instrument. That is, the results support the instrumental approach which intangibles mediate the relationship between corporate responsibility performance and corporate financial performance.

As the same, they found out that corporate financial performance has a positive effect on innovation, human capital, reputation, and culture, and corporate financial performance has a positive impact on corporate responsibility performance. When intangibles are included in the regression equation, they found out that corporate financial performance has no effect on corporate responsibility performance. Thus, the results support the slack resources approach which intangibles mediate the relationship between corporate financial performance and corporate responsibility performance. These results yield support for the existence of a virtuous circle connecting both performance measures through intangibles.

Surroca et al. (2010) developed the theoretical framework of the virtuous circle and verified this framework. These are valuable contribution to the area of this study, and it is important to extend from the relationship between corporate reputation and corporate financial performance to the relationship between intangibles and corporate values. The concept of their corporate value is to increase corporate financial performance and corporate responsibility performance, in other words, economic value and social value.

In their framework, there are three limitations. First, a concept of corporate value focused on economic value and social value. Adopting stakeholder theory, they should consider stockholders, employees and managers, clients and customers, and community. In other words, their framework has a problem ignoring the significance of stakeholders. Second, it is not clear what the relationship between the intangibles as mediation and corporate responsibility performance on slack resources approach is. Firms could not invest slack resources in corporate responsibility performance, but activities. It is a problem to ignore activities in their framework. Third, on the instrumental approach, it is a problem that the cause of corporate financial performance is corporate responsibility performance. We propose that corporate responsibility performance and corporate financial performance are the effect, and the cause of both performances is activities.

4. Discussion for new Theoretical Framework

Up to this point, we reviewed several theoretical frameworks on value creation by research survey. In this section, we discuss two things. First, we discuss these frameworks' features, especially Surroca et al.'s merit and demerit. Second, we propose new theoretical framework for solution of these issues.

4.1 Features of Previous Literatures

The relationship between corporate reputation and corporate financial performance was studied on the mutual relation of each other. Then, on recognizing halo effect, we could understand that corporate financial performance influences corporate reputation. After that, under resource-based view, it was studied that corporate reputation has an impact on corporate financial performance. However lots of researches concluded inconsistent findings because of their correlation analysis and regression analysis without theoretical framework.

On the theoretical framework, Fombrun and Shanley (1990) developed the model that signals of activities' results are sent to stakeholder and the stakeholder assesses these signals as reputation, and the reputation is inputted to activities. In their model, it is the most important comment that activities' result effects reputation.

Next, Stacks et al. (2013) proposed the theoretical framework that corporate reputation is mediate variables of between outputs and outcomes. In other words, this model states that corporate reputation is the mediation of between outputs which are derived from activities' result and outcomes which are driven by corporate reputation.

On the other hand, the issue of the cause and effect relationship between corporate reputation and corporate financial performance has inconsistent findings. That is, some researchers suggested the findings on the relation corporate reputation with financial performance, and the other researchers found out the evidence that corporate financial performance effects on the corporate reputation, and that corporate reputation effects on corporate financial performance. Roberts and Dowling (2002) studied empirically their theoretical framework that a good reputation will enhance a firm's

ability to sustain superior financial performance over time. As a result, they have the evidence that past financial performance effects on current corporate reputation and the current corporate reputation effects on the future financial performance. It is a turning point in this area that they concluded the persistence of corporate reputation.

Lastly, Surroca et al. (2010) developed the theoretical framework of the virtuous circle. This model is the combination the Stacks et al.'s result of which the corporate reputation is the mediation and the Roberts and Dowling's result of which past financial performance effects on current corporate reputation and the current corporate reputation effects on future financial performance. Surroca et al. (2010) extended from the traditional issue of the relationship between corporate reputation and corporate financial performance to the new mechanism of the relationship among corporate responsibility performance, intangibles, and corporate financial performance. They proved the instrument approach of which corporate responsibility performance as activities' result mediates intangibles included corporate reputation and the intangibles as instrument effect on corporate financial performance. This proves the hypothesis that corporate competitive advantage leads to sustainable financial performance under resource-based view. At the same time, they proved the slack resources approach of which slack resources of financial performance invest in the activities of improving corporate responsibility performance.

Surroca et al. (2010) is the most extended theoretical framework in the value creation models. However their research has also several demerits.

First, we suspect for what are the mediate variables of slack resources approach. Surroca et al. (2010) refer to what firms invest the slack resources in intangibles under the slack resources approach. But they did not refer to the mediation between corporate financial performance and corporate responsible performance. We should develop the model that firms invest slack resources in activities for creating intangibles, not directly in intangibles.

Second, it is a problem that Surroca et al. (2010) ignores corporate activities for creating intangibles in their model. Fombrun and Shanley (1990) developed the model that activities are a fundamental intangibles (reputation) driver. Surroca et al. (2010) pointed out the relationship between corporate financial performance and corporate responsibility performance, but they ignoreed activities in their theoretical framework. Also under slack resources approach, firms invest slack resources in activities for improving not only corporate responsibility performance, but also corporate financial performance.

Third, Surroca et al. (2010) has a limited corporate values concept. The corporate objective of Kim and Yang (2013) and Lee and Roh (2012) is to increase corporate financial performance as corporate value. Roberts and Dowling (2002) also has a prerequisite that firms increase future financial performance by improving current corporate reputation. On the other hand, Surroca et al. (2010) suggested the maximization of corporate responsibility performance and corporate financial performance under the virtuous circle. The concept of corporate value by Surroca et al. (2010) is the similar concept of shared value by Porter and Kramer (2002, 2006, 2011). On the concept of corporate value, Stacks et al. (2013) insisted stakeholder's theory that includes not only financial performance and social performance, but also employee and customer satisfaction. It is a problem that Srroca et al.'s concept of corporate value ignores employee and customer satisfaction, or organization value and customer value. We should develop the model that includes corporate values among organizational value, social value, customer value, and economic value.

4.2 New Theoretical Framework

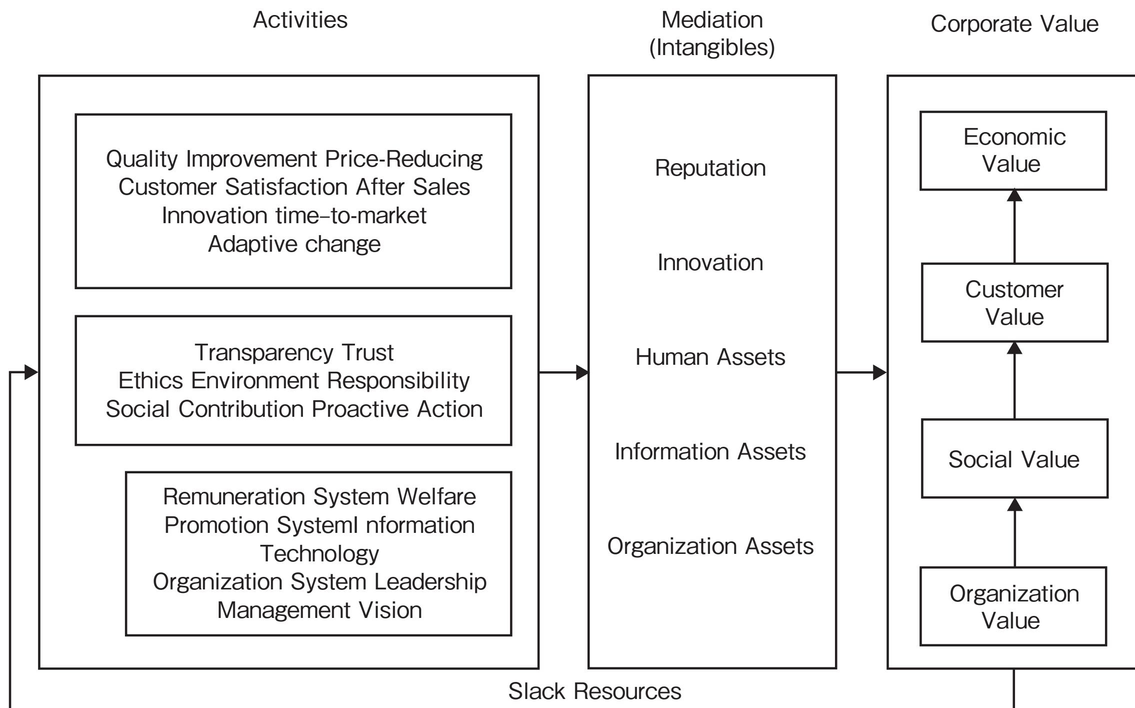
Our outcome from previous literature is new theoretical framework showed in Figure 5. Figure 5 is our theoretical framework improved.

This model shows that corporate values are created through intangibles by activities. The features of this model are that activities are intangibles driver, intangibles are mediate variables, and that corporate value consists of economic value, customer value, social value, and organization value.

First, it is necessary for companies to provide a workplace in which employees can be satisfied. Specifically, companies are required to offer fair remuneration system, enhanced welfare, and equal opportunities like promotion system. In addition, information system improves corporate value by combining with strategy. Being well organized and having an appealing leader, excellent management, and a clear vision for the future are necessary for good leadership. All of these factors improve organizational value.

Social responsibility is required of companies. To achieve this, it is necessary for the company to improve its compliance by being open and transparent, behaving ethically, and being fair in the way it does business. In addition, it is required to be environmentally responsible, support good causes, and have a positive influence on society. All of these factors improve social value.

Figure 5: New Theoretical Framework



It is also necessary for companies to provide products and services which satisfy their customers. Of course the products and services should be high quality, but it is also important for the company to provide products and services that offer a complete value proposition for customers, to work hard to stand behind the products, and to satisfy customer needs. Moreover, innovative products/services, being first to market, and appropriate responses to environmental change are required. All of these factors improve customer value, and therefore improve social value and economic value.

In Figure 5, how should we think the relationship among organization value, social value, customer value, and economic value? We set up the hypothesis that social value is influenced by organization value, customer value is affected by the social value, and economic value is increased by the customer value.

In the test of this theoretical framework, we have three steps of test. First step is to measure intangibles. Second step is to measure corporate value. Third step is to analyze the impact on corporate value of intangibles.

First, in Japan, we can use the data of NICES survey, which is Nikkei Inc.'s comprehensive annual ranking of Japanese companies, for corporate reputation. The NICES survey assesses firms in five areas: investors, customers, employees, society and growth potential. Some of the specific factors examined include changes in a company's capital market, name recognition, environmental measures and working conditions. Each is then awarded an overall score. We can measure the innovation using the ratio of R&D expenses to a firm's total number of employees or the ration of R&D expenses to total sales like Surroca et al. (2013), or a firm's score point of the growth potential of NICES. We can also measure the human assets using a firm's total number of employees like Surroca et al. (2013), or a firm's score point of the employees of NICES. We could not find out the measure of the information assets in previous literatures, but need to device some measures of the information assets in the future. Lastly, we can measure the organization assets using firm's score point of the growth potential of NICES.

Second step is to measure the corporate value which consists of organizational value, social value, customer value, and economic value. We can measure the corporate value using 23 attributes of RepTrak™ Pulse which is a global standard of corporate reputation. Specifically, these attributes are of high quality, value for money, stands behind, meets customer needs, innovative, first to market, adapts quickly to change, profitable, high-performing, strong growth prospects, well organized, appealing leader, excellent management, clear vision for its future, open and transparent, behaves ethically, fair in the way it does business, environmentally responsible, supports good causes, positive influence

on society, rewards employees fairly, employee well-being, and offers equal opportunities. We can get the score points of these attributes surveying the perceptions of the business managers of major companies in Japan. While these attributes of RepTrak™ Pulse are for the survey of corporate reputation, we are thinking to measure a firm's corporate reputation using the same attributes. On the other hand, we can measure the corporate reputation of intangibles using ranking data of NICES.

Third step is to analyze that the intangibles effect on the corporate value. If we can use the corresponded companies between first step and second step, we can analyze our hypothesis. In practice, it is a problem that NICES survey is a limited number of 500 companies. There is a possibility that we could not analyze the test because of low rate of response.

Conclusion

In this paper, we studied previous literatures of the relationship among corporate activities, intangibles, and corporate value. Surveyed literatures were included theoretical study, empirical study, and meta-analysis. Based on the research survey, we specified that the studies questioned were leaded to inconsistent results because of the lack of theoretical framework. We introduced the theoretical framework of the reputation building, the mediation model of reputation, and the persistence model and so on. We reviewed that the virtuous circle is the most excellent model in our previous literatures.

The virtuous circle model is the hypothesis that intangibles mediate between corporate responsibility performance and corporate financial performance. We found out that there are three demerits in this model. That is, how does corporate financial performance relate with intangibles under slack resources approach, what is the lack of activities in this model for, and why do they ignore the organizational value and the customer value in their concept of corporate value.

We proposed the new theoretical framework for overcoming these demerits. Firms should be focused their activities on intangibles as sustainable advantage, and it is important to develop the intangibles as mediation between activities and corporate value in the model. This corporate value is stakeholders' perspective included not only financial measures, but also shared value, and organizational and customer value.

We have to point out the limitation of this paper. This paper is a research survey, thus its aim is to propose new theoretical framework. Our model adopted several excellent features of previous literatures, and overcame several demerits. But nobody knows whether our model is correct or not, because we did not study empirically our theoretical framework. Our next study is to proof our model in the future.

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