

## INSTITUTIONAL REPUTATION – SIGNIFICANCE AND INTERPRETATIONS IN ITS SHORT HISTORICAL BEING

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**ABSTRACT:** THE NOTION OF REPUTATION DEVELOPS IN TIME DUE TO THE CONSTANTLY CHANGING CONTEXT. THE CONSTRUCTOR TERM IS INTERPRETED FROM DIFFERENT POINT OF VIEWS AND IS ON FOCUS BY DIFFERENT SCIENTIFIC DISCIPLINES THAT ARE INDEPENDENT FROM ONE ANOTHER. THERE IS NO GENERALLY ACCEPTED SCIENTIFIC CONCEPTION WHICH WILL BE SUPPOSED TO UNIFY THE RESEARCH. IT IS THE COMBINATION OF TOTAL VALUES SYSTEM AND ITS INTERPRETATIONS THAT DEFINES CLEARLY THE TERM "REPUTATION". THAT VERY FACT ALLOWS THE TERM TO BE IDENTIFIED AND MANAGED AS AN OBJECT. THE PAPER OFFERS ALSO AUTHOR'S OWN DEFINITION OF NOTION "REPUTATION".

**KEY WORDS:** REPUTATION, REPUTATION MANAGEMENT, COMMUNICATION MANAGEMENT

**THERE** are many scientific researches that focus on the interpretation and rationalization of that social phenomenon. There are theoreticians and practitioners who offer variety definitions which explain *reputation* notion in its all characteristics. "Many years researchers look for explaining the bonds between organization system and society itself. It seems that in recent years efforts are focused mainly on interpretations of "reputation" notion in the light of the power of the Holy Grail. This very fact proves that researchers are eager to investigate that new area of interest" – says one of the prominent researchers J. Grunig. ([www.wanzek.ch/articles/Grunig\\_Value\\_of\\_PR](http://www.wanzek.ch/articles/Grunig_Value_of_PR))

**THERE** is no single interpretation of the notion (referring to organization or institution) in professional literature up to now. Very often the notion is mixed (replaced) with *image*, *identification*, *brand*, *fame* notions. It is true that there are very similar to *reputation* terms but actually these constitute the entire concept. It is important to state that reputation notion is a superior term and its components have unique meanings themselves.

**G. DOWLING** is one of the few authors who make a clear distinction between separate terms and states that only the correct interpretation and application of the terms will allow quality results (Dowling 2005:21) His definitions are as follows:

- ⇒ identity – symbols and nomenclature that an organization uses to identify itself in a society (corporate name, logo, slogan, office dress code and etc.);
- ⇒ image – general rating (including different opinions and feelings an organization evokes in people);
- ⇒ reputation – attributed values (reliability, sincerity, responsibility and honesty) that are provoked by the corporate image in people;

⇒ superbrand – trust, security and support which are due to the corporate reputation.

**THESE** technical definitions reflect the traditional approach towards notions` interpretations: identity allows people to find out or to recognize a certain organization; the image is a set of opinions and sentiments; the good reputation represents exactly the image itself and its coincidence with independent personal values; and superbrand is the perfect operational performance and the total commitment of the demonstrated values of those who are interested.

**AT** the same time, E. Grunig states and accepts the fact that reputation is actually superior concept: “We made a research on definitions of reputation and its derivatives such as image, brand, goodwill and we think that all these derivatives actually explains one and the same notion which psychologists describe as “cognitive representation”. To be clear in communication we define this very notion as *reputation*. Usually, it is considered that reputation is is a piece of public information that summarizes how persons behave towards others and towards a certain organization.” ([www.wanzek.ch/articles/Grunig\\_Value\\_of\\_PR](http://www.wanzek.ch/articles/Grunig_Value_of_PR)) The development of the *reputation* concepts mark the wanderings an quests of researchers and focus on the tendency both to broaden *reputation* concept meaning and to precise it.

**WE** can say that this is a complex structure. There is no generally accepted definition for it up to now in academic literature although during the past 30 years one can see that the numbers of publications on reputation concept have been increased exponentially. There can be presented a general chronological review on definitions. That review is not a thorough one but it focuses on the tendencies and their progress through the years past. According to that review reputation is:

- ⇒ a final result of a competitive process where an organization demonstrates its key peculiarities and characteristics in order to maximize their social status. (Spens 1984)
- ⇒ a reflection of the understanding one single individual has on how and to what extend a given organization meets the demands and expectations of the interested parties. (Vartik 1992)
- ⇒ an emanation of past organization actions and it affects consumers` expectations on quality of organization future suggestions. Good reputation could facilitate consumers` making-decision process and could reduce their uncertainty. (Yoon 1993)
- ⇒ an assessment sign of organization action consequences for a long period of time. (Herbig 1993)
- ⇒ a structure component comprised of credentials and competences of single individuals or groups. (Plötner 1995)
- ⇒ what others assign to a single individual or organization taking into consideration previous experience and derive from that very experience probable characteristics of its future behavior. (Müller 1996)
- ⇒ a synthesis of opinions, perceptions and attitudes of the interested individuals towards an organization. (Post 1997)
- ⇒ a public information about abilities and reliability of an organizations. (Ripperger 1998)
- ⇒ an assessment made by associates, counteragents, consumers which is usually based on quality indicators but sometimes it is possible to be based on quantitative ones – e.g. the difference between a concrete organization profit and the average profit level within the same industry. (Reizberg 1999)
- ⇒ a respect shown by people to a certain institution. (Schwalbach 2000)

- ⇒ a distribution of shared opinions (explicit statement of joint evaluation and impressions) about a given individual or other certain unit. These shared opinions are expressed in groups of interest or in groups interested in business. It is a combination of what is said or believed about a person or other unit. (Bromley 2001)
- ⇒ a reflection of the relative position an organization has in a competitive and familiar environment. That position is identified by its internal audience and its stakeholders. It is formed by the social exchange within the informal network where different participants actually interact. Reputation is a social phenomenon connected with individuals' impressions. (Bromley 2002)
- ⇒ "a good name" of an organization due to its past and initial reasons for its foundation, image and authority of its founders, quality assurance and management. (Milner2004)
- ⇒ A public respect which is delegated to a certain person, organization, institution or other (collective) subject for certain period of time. It is due to the information diffusion about prestige and area of action of the subject itself shared by third parties or in personal social network. (Eisenegger 2005)
- ⇒ An organization power and production will recognized by stakeholders. (Helm 2007)

**THE** definitions discussed are representative and outline the perception of institutional reputation. The notion is based on different opinions and on the paradigms of different independent scientific areas. There is no a single researcher who puts into question the fact that reputation as actually a virtue and modern form of public recognition. These definitions have one common feature and it is that all of them emphasize on the fact that reputation is a result of public attitude towards a certain organization. That attitude is accumulated under the influence of various factors. Most of the researchers agree that it is a product derived from the organizational behavior and interested parties' interactions. Moreover, they consider reputation to be a key element in identification which differentiates a given organization from its competitors and allows interested parties to evaluate its relative characteristics. Authors do not contradict one another in their theses that reputation is a valuable and delicate asset which actually is of vital competitive advantage.

It should be noted that modern interpretation of the concept requires it to be discussed in two main trends – in terms of correlative bond between interpretation of (1) social groups and (2) of organization itself:

- ⇒ Audiences associate reputation with past experience and attitudes they have towards an organization. *Reputation* is considered to be a synonym of reliability; trust and quality form their point of view.
- ⇒ A given organization identifies *reputation* within all processes that have influence over audience beliefs – management, organizational culture, interaction with consumers, media publicity, and economic prosperity.

**THE** interpretation of reputation in the light of the parties that take part in the process of concept formation has a significant role for its development and sustainability.

**BY** emphasizing on "powerful restrictive effects" which individuals' perceptions have on the final success of the organizational initiatives, C. Fombrun sets new interpretations of reputation concept. According to the author each organization faces the necessity to meet not only expectations referring to its functional competences (economic reputation) but also to its integrity (social reputation). High prestige requires maintenance of distinctive and provocative identity (expressive reputation). The author sets the compensation principle of

positive expectations; of actual or potential claims against those who bear the reputation concept to be of vital application of all individuals.

**THE** present paper will pay a special attention to C. Fombrun's definitions who develops his conception about reputation during the years and collaborates with other researchers – his supporters and followers:

- ⇒ "We define reputation as a total evaluation including all elements of an organization activity.... Corporative reputation is a perceptive representation of past company actions and its future perspectives which describe the overall attractiveness company constituents compared with the leading competitors." (Fombrun 1996)
- ⇒ Reputation is a collective notion of past organization actions and their results evaluated by the interested parties. This very notion allows stakeholders to have correct information about a given organization abilities and competences. (Fombrun, Van Riel 1997)
- ⇒ Reputation could be interpreted as a sum of perceptions and evaluations related stakeholders share about a certain organization in regards to its services, products and etc. and concrete potential of support and attitude (additional value). (Rindova, Fombrun 1999)
- ⇒ Reputation is a collective construction that describes joint perception of stakeholders about organization activities. (Fombrun, Gardberg, Sever 2000)

"**HIGH** reputation" and "Enhancement of key stakeholders` interaction" are interrelated and mutually sustaining trends in C. Fombrun's interpretations of reputation concept. Reputation is performed by the entire activity of the institution and affects its relations with all stakeholders. Its ultimate aim is to accumulate positive opinion which to become a factor that provokes interaction. This is closely related to the progressive development of a certain institution, with its financial, organizational and intellectual infrastructure, culture and identity. Reputation is built on the past (historical) experience of the institution, as well as on the basis of past events and achieved transformations. It is a dynamic characteristic of identifying the nature of the subject and it is formed in society for a long period of time. Reputation finds its place in people`s minds on the basis of a set of information about how and what methods are involved in certain situations to reveal certain behavior. High reputation suggests "confidence, reliability, predictability (predictability) and reliability." (Fombrun, 1996:71-72).

**ACADEMIC** researches available and dedicated to interpretation and conceptualization of reputation focus identify two different trends:

- ⇒ The intuitional perception is partly influenced by stakeholders` theory. It is the level of an organization recognition and identity among stakeholders and competitors that is considered to be a key characteristic in reputation. This perspective is focused on characteristics identifying the extent to which an organization receives respective stakeholders` recognition.
- ⇒ Socio-economic perspective focuses on quality characteristics. It detects the extent to which stakeholders evaluate a given organization according to its specific attributes. Researchers tend to define reputation as a counterpart expectations related to specific characteristics of the organization that are developed over a long time. According to this interpretation reputation is formed by past actions and it is actually "shadow of the future." This is a specific evaluation that is built on the basis of perceived predictability of all actions performed by the organization through its development.

**THESE** two tendencies are not actually oppose to each other. They are concentrated on different objects involved in the process of organization identification. The first stream does not ignore social aspects which are clear from the fact that the incorporation of economic actors in social life and social development of society is one of the most striking trends of the business philosophy in the late 20th century and the beginning of the 21st century. It is the most modern interpretation of commerciality. The second stream can not ignore the existence of quantitative indicators which ultimately may provide opportunities for the development of quality characteristics. It could be said that reputation is a social phenomenon associated with individual impressions. It is the result of social exchange of information within the informal network where various actors interact.

**WHEN** considering the importance of reputation in its short historical being, it is necessary to highlight some of the latest concepts in its consideration. Lately, more and more researchers (P. Doyle, A. Tofler, P. Drucker) highlight the reputation as the most important intangible asset of the organization that has an immediate impact on its capitalization. Such interpretations form a completely different view of this ambiguous construct and the realities of a rapidly changing and unstable environment in which institutions exist today are seen more and more involved and represented as:

- ⇒ *set of the intangible assets of the organization* – knowledge about market, existing sales network, its technology, the loyalty of the people with whom the organization communicates, qualified management, brand reputation and other.
- ⇒ *a real asset of the organization* and active factor in value formation. Long-term aims are the foundation on which a reputation in that capacity is built. Everything is based on its ability to create additional value.
- ⇒ *a subject to stock quotes*. Today, the primary commodity in world markets (e.g. NASDAQ) appear to be not just shares of high-tech companies, but also their reputation and the level of public trust delegated to companies.

**THESE** concepts prevailed and called for new term to appear in professional areas, and namely the term "goodwill". It appeared in England in the first half of the 15th century. In the middle of 1880 bookkeepers paid attention to the fact that the reference to the company created interest (demand) to its production, which stimulated additional profit. Its literally meaning is "kindness, benevolence, favor" but its proper use today should be in terms of component quality or reputation - reputation capital.

**THE** analysis of reputation interpretation trends gives grounds to conclude that regardless of the variety of interpretations available they can be divided into three groups. These three groups define reputation as:

- ⇒ an overview of the organization, which does not imply a thorough analysis and evaluation;
- ⇒ knowledge gained through direct involvement of stakeholders in evaluation of the organization. The acquired knowledge is based on own experience or on the opinion of third parties;
- ⇒ non-material object that has value expression, i.e, reputation is actually a financial or economic asset in its essence.

**IN** conclusion, these three groups actually mark the evolution in understandings about that very notion. It is the integrity of all interpretations that is the most valuable aspect in clearly differentiation of the term *reputation*. That very fact allows the term to be identified as a manageable object.

**THE** review of the theoretical markers allows us to derive author`s definition:

**REPUTATION IS A SET OF VALUES THAT ARE ACCEPTED BY SEPARATE INTERESTED GROUPS (CONSUMERS, PARTNERS, PERSONNEL, STAKEHOLDERS, AUTHORITIES, MEDIA AND ETC.) UNDER THE INFLUENCE OF INFORMATION SUMMARIZED BY DIFFERENT ACTIVITIES OF THE INSTITUTIONS.**

**THE INFORMATION THAT IS GAINED BY PAST EXPERIENCE, VALUE ORIENTATION, GENERALLY ACCEPTED NORMS AND MORAL PRINCIPLES DEFINE TO A GREATER EXTENT THE ATTITUDE AND ACTIONS TOWARDS INSTITUTIONS.**

**IN** other words, reputation is formed only in communication process as a complex assessment of the interested parts. This communication process allows interested parties to gain information about events, aims, targets, strategies, mission, and philosophy. It is opinions gained about certain organization in relation to the value system that very organization applies in concrete society context.

**THE** success of an organization is due not only to the perfectly developed communication channels with people interested in that very organization. Actually, the success depends to a great extent on the strategic idea for providing favorable environment for new values and needs which to be integrated in each personal contact. That very fact will allow organization to reach unbelievable levels of credentials.

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