IDENTITY, IMAGE AND REPUTATION AS DETERMINANTS OF ENTERPRISE COMPETITIVENESS

Abstract

Competitiveness of enterprises in modern business conditions is based on intellectual resources. Therefore, a key challenge of knowledge economy is management, measurement and improvement of intellectual capital. Bearing in mind that it is a complex category, that it consists of several intangible components and values, the aim of this paper is to reveal the importance which segments of intellectual capital—identity, image and reputation have in building up, maintaining and increasing enterprise competitiveness.

Keywords: corporate identity, image, reputation, competitiveness.

JEL Classification: M21

INTRODUCTION

Not so long time ago, identity, image and reputation were rather vague concepts. In the best case, they were assessed as a peripheral concern of higher managers. Typically, they saw them as a part of public relations area. Nowadays, increasing number of the most discerning managers is treating them as a key business assets, directly connected to the market success and to the determinant of competitive position. Van Reil (1995, cnp.)
Identity, image and reputation of enterprise

The identity of an enterprise belongs to the structural intelectual capital (Kristič, 2009). Corporate identity represents the total communication embodied in the culture, beliefs, people’s attitudes, as well as in the competitive strategy. Corporate identity is unique, individual personality of the company which differentiates it from other companies. Corporate identity speaks about what an organization really is. It is based in all activities of the organization and gives the organization a personal seal. Identity is a base for public to create an image about the organization. It’s being built from the beginning of the organization’s functioning, and it is harmonized with its mission and defense strategy. Ind (1996, p. 6) points out that corporate identity should be accepted as something which influences and is influenced by everything that organization does and presents in public. It speaks about that, if it is properly understood and used, identity should have serious role in increasing business successfuleness.

The term identity includes also information and knowledge exchange between certain company and/or groups/individuals which are connected with it. It involves communication with employees, which is in the field of internal relations. In addition, identity is being connected with communication, growing good partnership relations, cooperation and trust with all the external stakeholders. For these reasons, it includes lobbying, creating sponsorships and donation programme, as well as, plans for communication in conditions of business, financial crisis. The basic function of the corporate identity is to enable enterprises to acquire, improve and keep competitive advantage.

With the development of marketing and public relations, identity has been identified with visual appearance of an enterprise in public — the logo or trademark. Identity helps to achieve, first, coherence, through the presentation of coherent structure, second, symbolism, through expression of the attitude, and, third, positioning, through differentiation from the competition. The goals can be different so management should:

a) do more on improving communication within the organization, b) increase public’s perception of the organization’s existance, c) increase market value of the firm’s stocks, d) announce a new business strategy, e) provide “pair-less” integration of two or more firms, f) creates firm’s reputation in public, and g) determines its position on the market.

The aim of corporate identity management is to bring closer and explain in it the best possible way to the stakeholders who are important for the firm, in the way which is positive and precise. This process includes positive enterprise identity and transfers it by communicating to the key stakeholders so that they have affirmative attitude on

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1 More closely, identity represents visual and material resources which identify and represent organization in public, and they include: a slogan, logo, graphical standards (memos, communication, colours, products and packaging), print production (catalogues, annual reports), website, code of conduct, data disclosure, business premises and corporate film.
it. However, identity and image should be differentiated. Identity includes the ways in which enterprise seeks to identify and position itself or its products.

The image is the way public accepts (perceives) company and its products. Image is conditioned by many factors which are out of enterprise’s control. Image is the totality of impressions public has gained about a certain enterprise, and the consequence of experienced, but not real qualities (performances) of an enterprise. That psychological moment directly determines business or market behaviour towards products/services and the enterprise itself, and it can be either positive or negative. Image is being formed by the process of communication with help of presented characteristics (performances) of the organization. Image is a sui generis result of interaction of all the experiences, beliefs, feelings, knowledge and impressions which every stakeholder has regarding an organization.

Corporate image represents a picture about the essence of the values which has been created by consumers and the rest of the public about an enterprise and its products. Corporate image has been mostly determined by nature/quality of products and services it creates in a long-term period of time, by culture and employee’s competences, as well as, by market segments in which it operates (Stanković, Radenković-Jocić, Đukić, 2007, p. 38). Corporate image is one of the critical factors of new products/services development which reduces the uncertainty of innovations, because satisfied consumers transmit the trust and positive attitudes. Enterprise image is a significant usage performance of the complex of its resources which includes a number of other resource usage performances, but also social responsibility performances. Enterprise image is being created according to tradition in business, financial performances, management quality, product quality, success in export, position in the industry, entreprenuerial spirit, social responsibility (Krstić, Sekulić, 2007, p. 26).

Just like a character of the person is closely connected with motives, attitudes and interests of a man, and just like it is our image in the eyes of another person, so we can tell for the image that it is an image public has about the organization, that is, about what makes its essence embodied in the corporate culture, attitudes and beliefs. “Company, as well as a human being, develops its character and integrates its reputation into the consciousness of other people.” (Blek, 1997, p. 101). Main areas of image usage include: strategic positioning, successful market penetration, providing access to different resources and cost reduction, focusing on the behaviour which increases motivation, and also productivity and efficiency of business.

Image can be viewed as a function of accumulated experience over the time, and has two main components: functional and emotional (Weisw, T., 2007). Functional component of the image is associated with tangible – visible attributes that can be easily measurable. Emotional component of the image is associated with psychological dimension which is manifested through emotions and attitudes towards the organization.

Integration of tangible and intangible elements creates image which is recognized by unique and effective set of values embedded into the structure of identity. One of the basic components of the corporate image is a picture consumers have about company’s products and services. It’s being created according to delivered quality of products/services. Intangible elements of the image are quality performances which are smaller, less detectable or harder to measure. When speaking about relation between identity and image of the company, there is a simple formula that describes that relation as follows: identity + communication = image.

Identity corresponds to the values that make company, but, actually, it is important how much public (external stakeholders) think it is worth. Factors that influence enterprise image are numerous: employee behaviour, clothing, manner of conduct
(etiquette, speech), accountability, sincerity, credibility – in one word, total culture and skill of business and communication. Also, one should bear in mind that attitude and relationship between management and employees influences corporate image. Here, one should have in mind: positive attitude towards work, towards colleagues, towards clients and life in general, creates positive image, and vice versa.

Managing corporate image and reputation has two primary goals. First one is related to creating the intended image, and second one to creating a favorable reputation in the consciousness of key stakeholders. Strong image can be built through coordinated, so-called, image development campaign, which includes a formal communication system – name, logo, corporate advertising and public relations.

The goal of efficient corporate communication is to establish confidence in products, in future of business orientation, in resources and capabilities of companies, and, finally, in the brand. Corporative communication is management function with ultimate goal in establishing and maintaining wanted reputation with the stakeholders (Cornelissen, 2004). Corporate communication is a critical connection between identity, image and reputation. When one says corporate communication, it refers to the entire communication of many stakeholders who, in return, can influence image and reputation via secondary and tertiary interpersonal communication. Methods and canals of corporate communication should be defined in the broadest possible sense because they are influenced by interest groups. They include almost everything that enterprise does, from the way of using telephones, to the participation of managers and other employees in enterprise activities and in different social activities. Corporate communication focuses on organization as a whole, but also on the importance of its representation to the key (Dolphin, 2000).

Image is connected with advantages and disadvantages of an enterprise. The reputation is being built on the image, through the years of existence and consistency of the declared values in enterprise culture. Good reputation attracts investments, new and quality labour, new consumers on new and/or existing markets.

New researches of the enterprise success determinants, show growing interest for intangible resources and values. Reputation is one of those intangible categories, which is particularly hard to imitate, which makes it valuable source of competitive advantage. Over time, positive perceptions are being “crystallized” into the intangible assets – enterprise reputation, which means enterprise is taking important and specific position in the minds of stakeholders (buyers, consumers, strategic partners, etc.).

Enterprise reputation is built on enterprise’s basic values. For key stakeholders those values are: reliability, credibility, trust and accountability. Enterprises build and save their reputation by developing practice which incorporates economical and social conditions into the competitive strategy. By respecting quoted principles in business, enterprise establishes and saves strong reputations, while creating enterprise brand which represents base of the business concept as a symbol. That kind of business concept, that is, a symbol, describes enterprise itself and its qualities, and also identifies and differentiates enterprise on the market.

Enterprise reputation is strategic value or assets. Reputation, among the others, is a part of intangible assets (Hall, 1992). Reputation, as well as vast of other intangible resources is hard to imitate/copy, especially if it’s being viewed as a combination of past actions and different built relations. Reputation is being built over time and it is a result of complex internal relations between stakeholders and organization. It is about the development of these complex relationships over the time, which is hard to imitate in a short period of (Grant, 1991, p. 117). Reputation is a very complex category which is hard to harmonized with other elements in the organization’s value chain and which
cannot be a subject of (Dierick, Cool, 1989). Therefore, good understanding of the criteria stakeholders use in assessing reputation can contribute to reputation growth.

**Enterprise identity, image and reputation as sources of competitive advantage**

In literature, identity is being viewed as a strategical resource for building credibility and support which should be generated with different stakeholders for acquiring competitive advantage in new business surrounding. On the one hand, *strategical approach to enterprise identity*, assumes that vision, values, mission and philosophy of management are connected with image and reputation. In the phase of strategic positioning, enterprise creates its own identity as a base to build image and reputation. Image is being formed from identity through: social responsibility, quality of products/services, experience, employee’s attitudes and behaviour, financial performances, organizational structure, organizational culture, etc.

Although corporate reputation is, so called, intangible value, researches undoubtedly showed that good reputation increases enterprise’s market value and provides sustainable competitive advantage. Business goals can be easier to achieve if enterprise has a good reputation which is perceived by its stakeholders. Reputations does not represent only the way enterprise conducts. Hilman and Keim (2001) pointed out that enterprise is required to establish and maintain relationships with primary stakeholders. Companies have to devote a lot of attention to the needs and expectations of their stakeholders in the aim of their satisfaction, as a condition for establishing and maintaining successful relationship with them. Reputation helps enterprises to attract and increase the loyalty of employees and consumers. In particular, as a factor of building a competitive advantage, reputation helps enterprise in attracting new investors and buyers.

Trust and reputation can disappear over night, and without build trust and reputations, enterprise finds it very hard to exist, and especially to make progress. Key role of enterprise management should be directed to reputation protection and improvement. Good reputation is very important for different organizations, bearing in mind that it can provide calculation of premium product prices, conclusion of favorable agreements with banks, attraction of the best graduates from prestigious universities, etc. Having this in mind, it makes valuable assets for an organization. Good reputation provides enterprise to be accepted and its stocks to be approved by the stakeholders, as well as to achieve goals, remains competitive and prosperous.

Reputation management is, in fact, management of risk connected to relations with different public of the company — internal and external stakeholders of the enterprise. There are four abilities that can be achieved by reputation management (Persey, Heugens, Van Riel, Van den Bosch, 2004): 1. Ability for dialogue that provides managers to build cooperative relations with large number of subjects; 2. Negotiation ability, provides managers to persuade external public that the position of the organization is appropriate, that is, good; 3. Ability of avoiding critical/crisis situations; 4. Crisis communications ability provides managers to be in important interactions with influential stakeholders.

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6 Emphasis is on the symbolical business manifestation, that is, on the external manifestations of identity (graphical design, logo, organization's symbols). That is, so called, visual school. Both schools are focused on building image of enterprise which influences its stakeholders. Therefore, identity can be, apart from viewing from the graphical design corner, observed through the perspective of organizational behaviour, and therefore through multidisciplinary perspective.
Built positive reputation represents distinctive competitive ability which necessarily leads to the better position of enterprise. Established position like that can be easily defended if enterprise keeps improving its reputation, which provides achievement of competitive competitive advantage.

Corporate reputation is getting more and more importance as an intangible enterprise assets which increasingly influences competitive advantage (Black, Carnes, 2000). Public trust in presence and future is a result of enterprise reputation in the wider public which, on the other hand, influences its competitiveness and market position. The question is what recognizable and stable reputation provides to the enterprise? The answer to this question is in the following positions (Thyssen, Hopewell, 2008): 1. Acquiring authority for achieving long-term business success and competitive advantage; 2. Creating reputation of products/services and emotional attachment of consumers; 3. Creating consumer loyalty in high-risk buying when complex information make the estimation of total offer value difficult; 4. Creating goodwill which decreases conflicts of enterprise with local community, Government, consumer protection organizations, and other organizations; 5. Increasing of trust with different interest groups, such as: consumers, investors, financial analysts, media, employees and others; 6. Easier and faster overcoming of crisis.

Company which has better market reputation, decreases risk and simplifies consumers buying, that is, protects them from bad buying. Companies with good reputation are more attractive for hard-working and talented employees which, on the other hand, means acquiring greater knowledge and abilities and increasing enterprise’s innovative capacity.

**Model of influence and interdependence of identity, image and reputation on enterprise’s competitiveness**

In sensitive business milieu of today, firm’s existance can depend a lot from the development and maintenance of recognizable image and good reputation. In order to help managing the reputation and image of the organization, a model is presented (Gray, Balmer, 1998, p. 696) which shows that, in addition to understanding of corporate reputation and image, managers should also understand identity and corporate communication of their own firm, as well as interconnection of these components.

It is clear that higher managers are forced, due to events in the surroundings, to think about the importance of reputation and image of their company and how to manage them. In order to help their proactive and strategic thinking, a model of interdependence of identity, communication, image and reputation, that is, their influence on competitiveness is showed (Figure 1). Model suggests following fundamental process components: identity, communication, image and reputation. Model gives a connection of these components and points out that feedback information and corrections are of the essential importance for the efficiency of management process. Model, also, suggests that result of the management process can be improved competitive advantage, despite the presence of numerous exogenous factors in the model which can influence the outcome.
First of all, the aim is to create a certain image with the main constituents. Usually, this means that enterprise should create widely recognizable name with its key stakeholders and identify markets of main products. The second aim in managing is to create good reputation in the heads key stakeholders. Basically, a prominent image can be created faster and easier than first-class reputation. Very strong image can be built through coordinated image by starting the campaign which gathers formal communication system — name, logo, signals, corporative advertising and public relations. Coordinated communication program can strengthen and promote good reputation. It is possible that enterprise has top reputation, but no prominent image, like competition (Gray, Balmer, 1998).

Different authors explained complex relationship between identity, image and reputation differently. For example, Fiol and Kooor-Misra (1997) speak about signalization, interpretation and assimilation, and Marziliano (1997), speaks about individualization, identification and accreditation. In addition, very interesting explanation of the relationship between identity, image and reputation is given by Vhetten and Gotfrid (1998, p. 308).

Fiol and Kooor-Misra (1997, cnp. 150) suggested a model which describes dynamics of interactive relationship between reputation and identity. Identity means signaling conditions, image means reading those signals, and reputation means assimilation of the signals, in case when discredited events influence cognitive categories of observers (internal and external organization members). These cognitive categories can influence intensity and presence of bad opinions (stigma) which connect to the organization. Intensity and presence of previously mentioned stigma among the observers overlaps and shapes according to interpersonal opinions. This appears as an internal and external signal of interpretation and assimilation of organizational image.

Marziliano (1997, cnp. 159) suggests model of relationships between individualization (identity), detection (image) and accreditation (reputation) in order to explain complex relations between them. He thinks that organization reacts in internal and external environment. Internally, in the aim to face internal problems of coherence and strengh, and earlier experiences of organization point to the possibility of building identity. Externally, organization creates image which it will manage and control in order to survive and create good opinion about itself. Internal members of organization see organization’s image in the way they believe other people see organization and condemn the manner in which external
members condemn the organization. Organizations do not need legitimacy to do something, but they need good organizational activities in searching for better reputation. Organization is accredited into a reputable one by the society, which is worth of its trust.

Whetten & Goffin (1998, p. 308) think there are two kinds of actors involved in creating reputation: firms and stakeholders. Firms try to make observer's influence reflected through projecting image about itself (identity) and development of interpersonal relations. Interaction of firm and stakeholders depends on their strategic goals and their identity perception, shaping their business practice and relationships, which, in return, shape firm's image.

From the above mentioned, it can be concluded that identity, image and reputation can be presented as three sides of the enterprise identity pyramid. Relations between them are dynamic, because each side of the pyramid depends on the other. In the suggested model, it is assumed that these interwoven dimensions represent help to answer the following questions: a) what we believe is the enterprise’s identity, b) what we want others to think is our identity (image), and c) what we know about what others think is our identity (reputation) (Whetten, 1997). One should bear in mind that enterprise's identity is one of the main drivers of corporate reputation (Marwick, Fill, 1997).

The influence of corporate image and reputation on enterprise's competitiveness can be either positive or negative. Competitors can hardly imitate well-designed image, so it can have positive impact on enterprise's market position. Correlation between reputation and competitiveness is achieved by: 1. Generating profitable sales in saturated markets; 2. Successful response to competitor's actions; 3. Attracting capital and strategic partners; 4. Conquest of new markets without any major problems; 5. High level of consumer satisfaction and repeated purchase rate; 6. Attracting, motivating and retaining talented employees; 7. Successful strategic management reaction, etc.

In order to create market reputation, perceptions of the stakeholders, who are directly or indirectly connected with enterprise activities, are crucial. The involvement of a large number of different organizations in creating and delivering value, further complicates harmonization of their interests and goals. Successful creation of reputation and strategical positioning of enterprise in such conditions should provide harmonization of stakeholder’s goals, long-term market attractiveness, and, consequently, sustainable competitiveness.

Conclusion

Good image and reputation have strategic value and extraordinary significance for an enterprise. Enterprises with resources which are valuable and rare, have competitive advantage and can expect to earn well and be profitable. Intangible resources, like strong image and good reputation, are essential, not just because of their potential to create value, but for their intangible nature that makes copying by the competitors much more difficult. Variety of possible uses of strong image and good reputation provides significant connectivity of these non-financial performances and future financial performances of an enterprise. Good image and reputation is hard, almost impossible, to repeat in a short period of time. Reputation has an important role when there is uncertainty about basic quality of firm's offer. This uncertainty makes difficulties to competition firms to create offer quickly, in order to alleviate signalization of utilities connected with good image and reputation. Reputation and image of the firm has consistently strong influence to constant profit and sustainable competition. This shows the importance of strengthening interdependency relation. So, firms work on profitability improvement, and, consequently, on strengthening positive image and reputation improvement. In return, these intangible values facilitate firms to remain good business (financial) performances and competitive position over time. The conclusion is that
enterprise identity, communicated and transformed into the strong image and good, growing reputation, have great importance for competitive advantage of an enterpris

References


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