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The Role of Image and Reputation as Intangible Resources in Non-Profit Organisations: A Relationship Management Perspective

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Abstract: The current research on relationship management primarily focuses on enhancing customer relationships through image or reputation in organisations. The resource-based theory portrays image and reputation as important intangible resources that are derived from combinations of internal investments and external appraisals. With this in mind, the role of image and reputation in value creation needs to be carefully delineated. In non-profit settings, stronger image and reputation are likely associated with higher quality of goods and services, better delivery of those goods and services, improved management of donations and funds, and improved outcomes (e.g., higher capability to make a difference in societies). Following a critical analysis of current literature with relevant examples, this paper argues that image and reputation are the keystones of non-profit organisations’ differentiation strategy. The resource-based theory suggests that resource factors represent a stronger explanation of differences in firm performance. Organisations are more likely to grow and develop higher performance potential if more resources are invested in image and reputation. By integrating several disparate resources, image and reputation as intangible resources can become more difficult to imitate and provide a more sustainable source of competitive advantage in organisations. Thus both image and reputation are likely influential elements that assist non-profit organisations in developing and managing relationships with external stakeholders, and thereby aid organisations in attracting important resources such as donations and volunteer support. The study findings contribute to the more general understanding of image and reputation from a relationship management perspective in the non-profit context. Thus, the paper adds a new dimension to the body of literature by arguing that image and reputation can be utilised as relationship management tools in non-profit organisations. However, image and reputation are external to organisations and volatile in nature. Non-profit managers must strategically develop relationship management activities in their organisations, with image and reputation being central.

Keywords: image; reputation; intangible resources; non-profit organisations; relationship management

1. Relationship management in the non-profit context

Non-profit organisations are now operating in a highly competitive environment (Sargeant, 2001), and, in many cases, relying on a small number of key fund providers due to competition from an increasing number of non-profit organisations and a decreasing fund provider pool (Pharoah and Tanner, 1997). However, fund providers are not the only key stakeholders in the non-profit sector. Non-profit organisations are accountable to many other constituents such as volunteers, service recipients, regulators and the general public (Brown and Kalegaonkar, 2002, Kaplan, 2001, Lyons, 2001). Drucker (1990, p.83) argues that non-profit organisations have ‘so many more relationships that are vitally important ... every non-profit organisation has a multitude of constituencies and has to work out the relationship with each of them’. Drucker’s (1990) argument suggests non-profit organisations must develop long-term relationships with multiple parties.

Some theorists have suggested that relationship marketing activities are particularly suitable in non-profit organisations (e.g. Sargeant, 2001, MacMillan et al., 2005, Arnett et al., 2003, McCort, 1994, Bennett and Barkensjo, 2005). Unlike transactional marketing that focuses on attracting and satisfying new clients, relationship marketing is oriented towards delivering long-term value to customers, with the measure of success long-term customer satisfaction (Kotler and Armstrong, 1999). Relationship management, on the other hand, is related to the management of relationships between an organisation and its stakeholders (Kelly, 1998). This paper argues that relationship management offers a broader view than relationship marketing to non-profit organisations as the concept is about engaging stakeholders through market as well as non-market oriented activities (Desai, 2009, Smyth and Edkins, 2007). Relationship management may benefit non-profit organisations by generating supportive behaviours from external stakeholders (e.g., donations from corporations, funds from government agencies, appreciation from service recipients, adequate volunteerism, and positive word of mouth for the non-profit organisations).
To be successful, non-profit organisations must take a relationship management approach to promote supportive behaviours among external stakeholders. One way of addressing this issue is through the lens of image and reputation. Image and reputation are two important concepts in developing and managing relationships in organisations (Balmer and Greyser, 2006, Nakra, 2000, Jeng, 2008). Many for-profit organisations have invested significant resources in building image and reputation to enhance external stakeholder relationships (Fernström, 2005, Ranft et al., 2006). Non-profit organisations that are viewed positively by stakeholders but remain obscure among those stakeholders cannot expect performance benefits from their positive image and reputation. Accordingly, non-profit organisations that are interested in enhancing their performance may need to work to ensure that they remain salient in the minds of key stakeholders as image and reputation do not necessarily have a direct effect on performance. Accordingly, being viewed positively is only valuable to the extent that a non-profit organisation is also highly relevant.

Using a critical analysis of the relevant literature within the non-profit context, we argue that successful relationships between a non-profit organisation and its stakeholders rely on the development of a constructive image and solid reputation. This is because stakeholders’ decision to interact with the non-profit organisation is, to a large extent, influenced by the image and reputation that the stakeholders hold about the non-profit organisation. With this in mind, image and reputation can assist non-profit organisations to attract important resources such as donations and volunteer support, and compete with for-profit organisations for service delivery.

The original contribution of the analysis is threefold. First, this paper extends the current literature by including two essential intangible resources: image and reputation in the analysis of non-profit relationship management. Second, the paper confirms that image and reputation are two influential intangible resources that can be utilized as strategic tools in building relationships with stakeholders in the non-profit context. Third and finally, the paper highlights that the two concepts are conceptually different. Reputation represents the perceptions of external stakeholders towards an organisation’s actions and behaviours over a period of time. Image can be fashioned quickly and may change frequently. Although this paper was undertaken in relationship management in the non-profit context, the outcomes should be of considerable interest to managers in any form of organisation as they offer valuable insights into the overall effectiveness of strategy development in relationship management.

The paper is organised as follows. First, a brief overview of the role of image and reputation is presented. The difference of the two concepts is also highlighted. This is then followed by a theoretical argument that image and reputation are influential intangible resources in non-profit relationship management.

2. Managing relationships through image and reputation

Image and reputation are important concepts in strategic management, and its role in value creation needs to be carefully delineated (Boyd et al., 2010, Brown and Geddes, 2006). The resource-based theory portrays image and reputation as important intangible resources that are derived from combinations of internal investments and external appraisals (Boyd et al., 2010, Roberts and Dowling, 2002). The resource-based theory indicates that the combination of resource factors represents a stronger explanation of differences in firm performance. Organisations are more likely to grow and develop higher performance potential if more resources are added in image and reputation (Boyd et al., 2010). By integrating several disparate resources, image and reputation can become more difficult to imitate and provide a more sustainable source of competitive advantage in organisations (Boyd et al., 2010). Thus both image and reputation are likely influential elements that assist non-profit organisations in developing and managing relationships with external stakeholders, and thereby aid the organisations to attract important resources such as donations and volunteer support.

Previous research has primarily stressed the use of image or reputation in non-profit marketing, focusing on enhancing donors or volunteer relationships (See e.g. Burt and Strongman, 2004, Bennett and Barkensjo, 2005). In general, donors and volunteers interact with a non-profit organisation that appeals to them most if they do not have a specific non-profit organisation in mind (Bussell and Forbes, 2006). This is where a salient image and sound reputation can assist the non-profit organisation. However, image and reputation should be utilised in a broader perspective in non-profit organisations; that is to attract and retain other stakeholders such as clients, partners and the general public.
Very little reliable data on the subject of image and reputation in relationship management in non-profit organisations has been made available for the current investigation. Accordingly, a critical analysis of the relevant literature is adopted which can provide a cogent and comprehensive perspective on the theoretical and practical aspects of the two essential intangible resources as strategic management methods in the non-profit sector. Bourguignon et al. (2004) argue that a literature-based analysis helps to increase the level of clarity and precision of a concept, which is a necessity if we are to understand the constitutive use of the two methods in the social service non-profit context.

In order to address this lacuna in the literature, a theoretical argument has been developed suggesting that reputation and image are essential influential intangible resources in enhancing stakeholder relationships in the non-profit context. Bennett and Barkensjo (2005) argue that if non-profit organisations devote efforts to building close relationships with their external stakeholders, they are more likely to get support from the external stakeholders. Besides, relationships between a non-profit organisation and its stakeholders are extremely difficult for competitors to reproduce or imitate, and thus are compatible with resource-based view’s four attributes of firm resources as rare, valuable, costly to imitate, and non-substitutable (Barney, 1991). These relational exchanges between the organisation and its external stakeholders constitute firm resources that can lead to strategic advantage to the organisation, particularly if long-term relationships are put at the centre of the organisation’s strategic and operational thinking (Grönroos, 2004, Sin et al., 2005, Arnett et al., 2003).

In other words, non-profit organisations that channel external stakeholder relationships as a critical intellectual resource should be more competitive in the long-term.

Image and reputation are influential intangible resources in organisations because the two concepts reflect the knowledge that external stakeholders hold about the organisations (Nguyen and Leblanc, 2001). The two concepts are conceptually different (Weiss et al., 1999, Balmer, 1998). Gray and Balmer (1998, p.696) argue that ‘image is the mental picture of [an organisation] held by its audiences-what comes to mind when one sees or hears the corporate name or sees its logo’. An image reflects a set of associations linked to a brand, symbol, logo or trademark which the organisation promotes to its external stakeholders, however accurate or inaccurate that image may be (Fillis, 2003). It relates to external stakeholders’ current knowledge, feelings and beliefs about an organisation (Fillis, 2003, Balmer, 1998, Bennett and Gabriel, 2000).

For instance, the logo of Ronald McDonald House Charities (RMHC), which incorporates the image of the gloved hand of the Ronald McDonald clown, complete with the McDonald’s golden ‘M’, holding a child’s hand, reflects the close relationship between the two organisations is an example of this (See Figure 1 below for the RMHC logo).

Figure 1: Ronald McDonald House Charities (RMHC) logo
Source: http://www.rmhc.org.au

Frances (2008) argues that the image that RMHC projects to the general public in relation to the close relationship between the McDonald’s and RMHC has proven to be beneficial to RMHC. The RMHC’s
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The logo is frequently promoted in the McDonald’s restaurants or activities. Thus, the image of RMHC is reinforced in the mind of the general public through a relatively low-cost channel. As a result of this, the general public is more aware of the important role that RMHC in the society; that is to continuously support families of seriously ill children to stay close to hospitals where their children are being cared for. The image of the close relationship between the two organisations also allows RMHC to tap into important human and financial resources from McDonald’s. Every member of McDonald’s, from the CEO, to owner/operators and junior restaurant staff, is educated in the vital work RMHC carries out and encouraged to help out in any way they can.

Arguably, organisations can influence their stakeholders’ behaviours through their organisational images (Burt and Strongman, 2004). For instance, an organisation may launch various marketing activities such as advertisements to promote a positive organisational image to external stakeholders. Accordingly, image can be fashioned quickly and thus may change from time to time (Bennett and Sargeant, 2005). However, the organisation cannot control how the image is encoded by the receiver. Individuals may consciously or unconsciously select the thoughts and impressions upon which an image is portrayed to them (Abratt, 1989). Thus, image remains very much external to an organisation.

What ultimately makes a difference is the feelings and beliefs about an organisation that exist in the minds of external stakeholders because how the organisation is perceived will influence external stakeholders’ disposition, their readiness to be involved in the organisation’s activities or even to seek work there (Bernstein, 1984). In the case of non-profit organisations, it may mean the ability to attract potential clients, employees, volunteers, public donations and partnerships. Thus the external stakeholders’ perception of a non-profit organisation’s image may help to sustain valuable resources in the organisation. As a result, an image is essential to non-profit organisations because if the non-profit organisations can project a favourable image to their external stakeholders, it may enable the organisation to attract resources more effectively.

Reputation, on the other hand, is defined as ‘an aggregate composite of all previous transactions over the life of the entity, a historical notion, and requires consistency of an entity’s actions over a prolonged time’ (Herbig and Milewicz, 1993, p.18). In other words, reputation focuses on interpretations of an organisation from external stakeholders in relation to the organisation’s actions and behaviours over a period of time, not by a single incident (Weiss et al., 1999, Fillis, 2003, Balmer, 1998, Bennett and Gabriel, 2003). Fombrun and van Riel (1997, p.10) argue that reputation refers to a ‘subjective, collective assessments of trustworthiness and reliability’ of an organisation on the basis of the organisation’s actions and behaviours in the past. Accordingly, reputation acts as the triggering and moderating element for inter-organisational relationships (Martín-de-Castro et al., 2004). For that reason, whether an external stakeholder is willing to engage in a relationship with a particular organisation is largely dependent on the initial beliefs and observation of past behaviours that the external stakeholder has of the organisation (Herbig and Milewicz, 1993). So if external stakeholders hold a negative reputation about the organisation, the relationships between the organisation and its external stakeholders will be affected because it is unlikely that the two parties will work collaboratively. When reputation is well established, the organisation will not have to allocate excessive resources in order to gain trust and credibility from its stakeholders. Thus, reputation is an important intangible resource that may significantly contribute to an organisation’s performance, and even to its long-term survival (Nguyen and Leblanc, 2001, Herbig and Milewicz, 1993).

To put this in the non-profit context, if reputation is well established, non-profit organisations are less likely to spend as many resources as they would have to in order to gain trust and credibility from their stakeholders. If volunteers maintain their loyalty to a non-profit organisation because they trust the organisation’s reputation, the non-profit organisations can afford to allocate less resource on new recruits. In order words, reputation can be used as a strategic intangible resource in non-profit relationship management to assist non-profit managers to better manage organisational resources.

Building on the preceding discussion, a positive reputation allows credibility and confidence to be built by non-profit organisations, enabling the organisations to gain long-term sustainability in the sector even in times when unfortunate incidents have occurred. One such example whereby reputation may have assisted non-profit organisations to minimize the implications of an incident is that of the Australian Red Cross Bali appeal. The Sydney Morning Herald alleged that the Australian Red Cross had mismanaged the Bali appeal fund for victims of the Bali bombings and their families (Ryle and
Miller, 2003). Similarly the Nine Network’s ‘60 Minutes’ program suggested that charities were generally lacking transparency and accountability in Australia (Department of Gaming and Racing, 2003). However, even though the Australian Red Cross was criticised over its management of the Bali appeal fund, their reputation as a non-profit organisation in association with services such as blood supply and first aid for disasters was arguably unchanged in the mind of most of external stakeholders (Department of Gaming and Racing, 2003). Using a narrative study, Middleton (2009) discovers evidence that the Salvation Army’s reputation remains strong in the eyes of the general public even though the organisation has endured significant reputational crises including allegations of sexual, mental, and physical abuse from children in the organisation’s care during the period from the 1950s to 1970s. Thus we tentatively suggest that the reputation of the Australian Red Cross and the Salvation Army enabled the organisations to achieve their social objectives by maintaining close relationships between the organisations and their external stakeholders.

Bennett and Gabriel (2003, p.278) assert that non-profit organisations need ‘both a salient image and a sound reputation’. However, a salient organisational image is generally created more quickly and easily through formal communication channels such as advertising and public relations than a sterling reputation (Gray and Balmer, 1998). Although a co-ordinated communication program can reinforce and promote a positive reputation, a favourable reputation can only be moulded through consistent performance usually over many years (Gray and Balmer, 1998). We therefore argue that successful relationship management strategies in the non-profit context must rely on the development of a constructive image and solid reputation. In other words, relationship management activities must be developed with image and reputation being central. However, the obverse is also true. For instance, at one point in 2002, Alsop (2004) points out that Merrill Lynch had lost more than US$20 billion of market capitalization, which it attributes largely to the reputation damage that it suffered from the Wall Street analysis scandal, the company’s ties to Enron and its connection with Martha Stewart.

If external stakeholders have a negative image and reputation regarding a non-profit organisation, the relationships between the organisation and its external stakeholders will be affected because it is unlikely that the two parties will work collaboratively. Donations, volunteering and partnership opportunities may suffer. This can be evidenced from the decline of student enrolments at Catholic Schools and donations to Faith Groups both in Australia and overseas as a result of allegations of mishandling of sexual abuse cases in the Catholic Church (Feminist Majority Foundation, 2003).

Due to their historical notion and external nature, reputation and image are difficult to control. In addition, image can be fashioned quickly and may change frequently through various marketing activities, while it takes more time to build a sound reputation, non-profit organisations must strategically promote their image and protect their reputation simultaneously. Although non-profit organisations can invest resources into public relations activities through various methods such as newspapers, television and other public venues to attract publicity (Wuthnow, 1998), there are also suggestions that non-profit marketing activities such as direct mails and emails are intrusive (Bennett and Barkensjo, 2005). External stakeholders are becoming weary with being deluged with marketing appeals, campaigns and communications (Crosby, 2002). This suggests that relationship management activities need to be strategically formulated and the activities that focus on mainly publicity rather than the promotion of image and reputation are likely less effective in non-profit organisations. In other words, image and reputation must be placed at the centre of all relationship management activities. Image and reputation can assist to build relationships between a non-profit organisation and its stakeholders and that relationships should be long-term rather than short-term. For instance, stakeholders may discontinue relationships with a non-profit organisation with reasons that are sometimes beyond the non-profit organisations’ control (Bussell and Forbes, 2006). However, this does not necessarily mean that the stakeholders are lost to the sector and thus non-profit organisations should search for ways to reactivating the stakeholder relationship at a later stage (Bussell and Forbes, 2006).

It is possible for an organisation to have a superior reputation and yet not have as prominent an image as some competitors (Gray and Balmer, 1998). Non-profit managers should pay attention that both image and reputation help to develop position stakeholder relationships but image can have significant impacts on reputation in the long-term as well. Thus, non-profit organisations should aim at developing positive images in the mind of their existing and potential external stakeholders but the images should be created in line with the organisations’ core activities. Otherwise, they may suffer
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from reputation damage if their image creation clashes with their core activities. Figure 2 illustrates the relationships between image, reputation and non-profit relationship management.

![Figure 2: Image and reputation in non-profit relationship management](image)

Non-profit organisations are externally justified morally, ethically, and legally by what they do to address social needs and, in particular, the interests of key stakeholders in accord with the strictures of the law (Bryson et al., 2001, Kristoffersen and Singh, 2004, Fottler, 1981). Accordingly, non-profit organisations rely heavily on external sources for funding, donations, and other legitimate support (Balser and McClusky, 2005). Non-profit organisations need to be able to attract and retain paid employees, volunteers, donors, clients and, at the same time, build relationships with governments and local communities. Reputation and image can be used as multiple marketing mechanisms to facilitate two-way communication between an organisation and its stakeholders (Bennett and Gabriel, 2003, Ospina et al., 2002), which in turn might help to foster trust for the success of collaboration. With more balanced stakeholder relationships, non-profit organisations will likely be able to lower reliance on a single or dominant stakeholder such as the government or a single corporation for support and attract more resources such as funding, donations, prospective partners, employees and volunteers.

3. Future research

Since the findings revealed from the analysis are representative for the current state and progress of the field, this study provides insights to strategy scholars and nonprofit practitioners on the questions to the appropriateness and usefulness of image and reputation as relationship management tool in the non-profit environment. This literature-based analysis is the first step towards understanding the deployment of image and reputation in non-profit organisations, and is essential because it helps to present a call for further conceptualisation and future empirical examination to gain more validity (Serenko et al., 2009). Empirical research methods such as interviews and case study can be used to further our understanding of the two concepts in relationship management in non-profit organisations.

4. Conclusion

Reputation and image are two critical intangible resources in relationship management in non-profit organisations. However, the two concepts although similar, are quite distinct. Image can be fashioned quickly and may change frequently through various marketing activities. Reputation represents the perceptions of external stakeholders towards an organisation’s actions and behaviours over a period of time. Non-profit managers should have a better understanding of the differences of the two essential concepts and promote positive image and reputation about their organisation. However, image and reputation creation should be in line with the organisation’s core objective. A better understanding of the two concepts in non-profit organisations also likely assists non-profit managers to develop better relationship management strategies in their organisations. This paper provides argues that image and reputation are two critical elements in the development of relationship management strategies.

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