



IMPACT OF PERCEPTION OF CORPORATE REPUTATION IN HIGHER EDUCATION ON FINANCIAL PERFORMANCE: THE CASE OF A FOUNDATION UNIVERSITY

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ABSTRACT

This study assesses the effects of the perception of corporate reputation in foundation universities on economic impact by using a specific foundation university as a case study. The study uses quantitative research method and data is collected through a questionnaire. In preparing the questionnaire, a six dimensional reputation scale which is widely accepted in the literature is used. In the study a specific foundation university which has reached a certain size is selected and students are recognized to be the most important stakeholders of an institution of higher education. The survey results are analyzed by using structural equation modeling and components that make up the perceived reputation of selected foundation university are put in order of importance. Financial performance that represents economic impact is analyzed with a macroeconomic point of view by examining its relationship with other dimensions. The concept of corporate reputation is shown to be important not only for businesses operating for profit, but also for non-profit economic institutions. As having a corporate reputation has macroeconomic benefits for human capital, economic development, employment and so on, the study also points to the importance of more academic research on corporate reputation in the context of economics.

Keywords: Corporate Reputation, Financial Performans, Economic Impact, Higher Education, Structural Equation Model

JEL: I25, L14

ÖZET

Yükseköğretimde Kurumsal İtibar Algısının Finansal Performansa Etkisi: Vakıf Üniversitesi Örneği

Bu çalışmada, bir yükseköğretim kurumu olarak vakıf üniversitelerinde itibar algısının ekonomik etkileri değerlendirilmeye çalışılmıştır. Nicel araştırma yönteminin benimsendiği çalışmada veriler anket yoluyla toplanmıştır. Anketin hazırlanmasında, literatürde yaygın şekilde kabul gören 6 boyutlu bir itibar ölçeği kullanılmıştır. Araştırmanın bütün vakıf üniversitelerinde yapılması kapsamlı bir ekip çalışmasını gerektirmektedir. Buna karşılık zaman ve ekonomik kısıt nedeniyle, ileride daha geniş çaptaki çalışmalara zemin



sağlayabileceği de gözönüne alınarak, belli bir ölçek büyüklüğüne ulaşan bir vakıf üniversitesi örnek olarak seçilmiştir. Araştırma, üniversitenin çeşitli paydaş grupları içerisinde, bir yükseköğretim kurumunun varlık sebebi olarak kabul edilebilecek en önemli paydaşı olan öğrenciler üzerinde yapılmıştır. Anket sonuçlarına göre, söz konusu vakıf üniversitesinin algılanan itibarını oluşturan bileşenlerin önem dereceleri belirlenmeye çalışılmış, iktisadi etkiyi temsil eden finansal performansın diğer boyutlarla olan ilişkisinin yapısal eşitlik modeli yardımıyla analizi gerçekleştirilerek makroekonomik açıdan beşeri sermaye, ekonomik gelişme, istihdam gibi açılardan değerlendirmesi yapılmıştır. Bu çalışmayla, iktisat alanında kurumsal itibarla ilgili daha çok akademik çalışmanın yapılabileceğini de görülmektedir.

Anahtar Kelimeler: Kurumsal İtibar, Finansal Performans, Ekonomik Etki, Yükseköğretim, Yapısal Eşitlik Modeli

1. Introduction

From an economic point of view, pursuit of maximum profit, management philosophy and culture of illegal and unethical practices, weakening ethics, the need to create awareness in an increasing global competition, the idea for a better financial and economic performance for businesses on a micro-level and for the whole economy on a macro-level and so on promote the concept of corporate reputation and make corporate reputation management a necessity (Geçikli, 2008). From this perspective, the issue of corporate reputation which is gaining increasingly more importance in the literature is not just addressed in the fields of public relations and business, but also in the field of economics. In economics, along with for-profit enterprises operating in the private sector, there also exists a variety of nonprofit foundations, associations and so on. Considered as one of the economic agents in shaping the country's economic performance, these institutions and non-profit organizations, like businesses, have to take into consideration corporate reputation perception. In this respect, in the case of non-profit private universities that produce educational services, corporate reputation perception and its economic output appears to be a matter worth studying.

2. Corporate Reputation

Corporate reputation is the total market value of the trust created by a company and the bearer of the company's intangible assets. Reputation, which stands for being a company admired and appreciated by the public, is better understood when lost and cannot be measured with the price of a currency. When we look in the mirror, it shows us how our environment is spreading (Kadıbeşegil, 2006). It is the sum of perceptions and interpretations for a company's past actions and future expectations (Roberts, 2009). Neither does reputation mean fame, nor is it a product or service that can be purcha

sed with money (Rayner, 2003). As for Dowling (2002, 1994) and Fombrun (1996), different stakeholder groups may have a different perception of reputation for each and every institution.

According to Fombrun (1998), corporate reputation is a versatile component and these components make up a history of the experiences of stakeholders. This history is shaped with



the effective communication the stakeholders have with the organization, the content of its services, the understanding of the institution and its wide-ranging effects. Thus, reputation of the institution as a result of all its history is related to its activities and actions. Perception of reputation is based on integrity, consistency, persistence and continuity (Kuyucu, 2003). Innovation, quality, management, qualification of employees, social responsibility, product quality, transparency, governance, ethics, responsibility, stability, reliability, credibility and so on. are the main criteria of reputation (Doorley and Garcia, 2011).

Corporate reputation is defined as a concept based on the perceptions of both internal and external stakeholders on institutions, focusing on what was done and how it was done (Herbig and Milewicz, 1993). So an important question is who is considered a stakeholder. Also, it is important to separate stakeholders from individuals or groups that may have an impact in achieving the goals of an organization. What is meant by stakeholders are all individuals and groups who are affected by the actions, decisions, policies or objectives of an organization (Grunig, 2005; Şatır and Sümer, 2008).

2.1 Corporate Reputation in Higher Education

Corporate reputation is impalpable and invisible but it is rare, irreplaceable, adds value to businesses, can not be imitated by others, and is an important source of competitive advantage. As with other organizations, for institutions of higher education in terms of producing services, reputation is an important concept (Oktar and Çarıkçı, 2012).

Gibbs and Knapp (2002), with their unique definition of reputation with a direct relevance to education, suggest that reputation is the accumulation of the expected behavior. In a survey conducted by Oxford Metrica (n.d.), stakeholders of higher education institutions are stated to be of a more complex structure than stakeholders for businesses. Accordingly, stakeholders of businesses have a simpler structure made up of customers, employees, and suppliers. However, stakeholders in a higher education institution are made up of the board of trustees, academic staff, administrative staff, students, alumni, various forms of organizations funding or co-operating with or funding the educational institution, national/regional/local authorities and the society in general where educational institutions and training activities are expected to shape and be shaped in different ways. These educational institutions are in constant contact with all of these stakeholder groups. All stakeholders expect something in return from higher education institutions. Therefore, there exists a co-operation based on trust between stakeholders with the educational institution. A potential crisis of confidence means the end of corporate reputation. Satisfied with the quality of the educational services offered by the educational institution, internal stakeholders have a stronger emotional bond with the organization. This contributes to increasing prestige of the institution (Oktar and Çarıkçı, 2012).

As the subject of this study, private universities analyzed in detail, show parallelisms in positive image and change in corporate reputation. How this change will be reflected on financial performance as the economic output of corporate reputation and on the country's economy from a macroeconomic point of view is an important issue.



2.2 Corporate Reputation and Economic Impact

Corporate reputation and corporate reputation management in our country are not recognized by many institutions. Also, it became a matter of debate in the world after the 1990s. Although corporate reputation is not widely known, institutions try to manage their corporate reputation, if not professionally. The efforts of a small business to avoid losing customers make up the basis of the concept of corporate reputation management. But in today's global competitive environment, one needs conscious strategies to create and develop corporate reputation. Because consumers have difficulty in choosing between products and services which are similar to each other. In this case, institutions need innovative approaches to differentiate themselves from the competition. Organizations grow not only to satisfy the needs of the consumer. The expectations of other social stakeholders of the institution should be estimated and met.

Businesses who want to be successful in the eyes of the community and the stakeholders want to have a positive reputation. The level of social and financial performance they show for such a reputation will affect the degree of reputation perceived by the business stakeholders. However, not each group of stakeholders will be affected the same by the corporate social and financial performance. At this point, the question is whether or not (and, if yes, how) social and financial performance can affect corporate reputation for various stakeholders.

According to Argenti (2000) how the reputation of an organization is perceived by its stakeholders is measurable. In fact, when a higher education institution and a business are compared with respect to the measurement of corporate reputation, it is shown that the reputation of the institution of higher education is more difficult to measure than the reputation of the business. Writing about education as an abstract process and the importance of corporate reputation in education, Roberts (2009) suggests that the quality of educational institutions cannot be technically and precisely defined and reputation cannot be measured. Because students as internal stakeholders exhibit different behaviors than consumers. For example, it is evidenced by the difficulty, economic point of view, in calculating the alternative cost of a university student choosing another university, any kind of market-related data is readily and easily accessible (Oxford Metrics, nd).

The relationship between education and economic growth appears to be one of the central issues in economic analysis. Since the Adam Smith and David Ricardo, two important names in economics in the 18th and 19 centuries, empirical studies have examined the relationship between education and economic growth and shown that educational investments both in public and private sectors have a positive effect on the gross domestic product individually and generally (CISCO, 2007). However, corporate reputation, which is taking up more space in today's literature, lagged behind. With institutions of higher education becoming powerful economic organizations with their economic output, corporate reputation also becomes an important concept as it affects economic output by increasing employment and contributing to the gross domestic product. In this respect, the field of corporate reputation under economics is very important in today's world.



3. Methodology & Data

3.1 Methodology

In this study, economic output and the perception of corporate reputation in students as the most important unit of stakeholders of a foundation university was measured based on the research by Fombrun et al (2000). Fombrun et al.'s six-dimensional reputation scale was used in order to determine the rankings of the components in perceiving corporate reputation, and structural equation model was used in order to analyze the relation between economic output represented by financial performance and other dimensions.

Structural equation modeling (SEM) is a statistical technique used in testing the causal relationship between latent and manifest variables. It is a systematic tool used to test theoretical models and evaluate the relationship between variables especially econometrics, psychology, sociology, marketing, and educational research. SEM assumes that there is a causal relationship between variables and those latent variables can be measured with manifest variables.

The importance of the approach can be explained with several reasons. Firstly, it demonstrates the very important relationship between variables and theoretical structure, and acts as a bridge between econometrics and psychometrics. Econometrics is concerned with modeling economic theory and reflecting the cause-effect relationships in these models. Psychometrics deals with the measurement of variables such as latent and manifest variables. The incorporation of these issues from these two fields of science enables researchers to develop a very strong approach in demonstrating or modeling the causal relationships between latent and/or manifest variables.

Latent variables are one of the most important concepts of SEM and correspond to psychological structures and abstract concepts researchers are interested in, such as intelligence, motivation, emotion and attitude. These structures are only indirectly observed with the help of variables based on specific behaviors or indicators. Many of the concepts of interest in psychology, sociology, education, economics and marketing cannot be directly measured. Some of the latent variables are personal perspective and motivation in psychology, helplessness and restlessness in sociology, verbal ability and the teacher's expectation in education, and behavior, customer satisfaction and quality perception in economics. The aforementioned variables cannot be directly measured as they cannot be observed. Therefore, to operationally define a latent variable, researchers need to associate latent variables with manifest variables in terms of assumed structure. Structural equation modeling is often referred to as the coefficients of endogenous structures to exogenous structures, path coefficients or regression scales (Cheng, 2001; Reisinger and Turner, 1999; Yılmaz et al., 2006; Yılmaz et al., 2004).

3.2. Data

The research was conducted at a foundation university within the city limits of Istanbul. Because a research including all foundation universities requires a comprehensive teamwork. However, due to time and cost constraints, one of the first foundation universities which



reached a certain scale was selected, which can provide the ground work in the future for more detailed research. The research was conducted with students who are the university's sole reason of being and the most important stakeholders. The survey with the scale of corporate reputation was given to 1230 students who study in various undergraduate and associate degree programs at the university and were present during the final exams of the spring semester of 2012-2013 academic year. The study is limited to the answers given to the survey. A total of 1114 valid surveys were included in the research as 116 survey forms with a lot of missing answers were excluded from the analysis.

The basic assumption of this study is that the answers of the students who took the survey are completely honest and trustworthy. In the second assumption of the study is that the students who responded to the survey are competent enough to evaluate the effects of social and financial performance on corporate reputation. The research questions were directed to a variety of groups of students made up of individuals with different levels of education and knowledge. Students are also significantly affected by their environment as well as their own views.

3.3 Data Collection Tools

The research has a quantitative method and data collection is through a questionnaire. The questionnaire consists of two parts. The first part consists of questions to collect demographic information, such as participants' gender, age, education, income, stakeholder status with the university, etc. For the stakeholder group of students to evaluate the corporate reputation of the university, the second part consisted of 20 Likert scale questions on the social and financial performance of the institution. During the creation of these questions, "Reputation Quotient" developed by Fombrun et al. (2000) was used (Table 1). Table 1 shows the categories in the widely-used Reputation Quotient of Harris-Fombrun developed by the Harris Interactive and C.J. Fombrun.

Table 1. Reputation Quotient of Harris-Fombrun

Emotional Appeal	How much an organization is loved, recognized and respected
Product and Service Quality	The quality of organization's products/services, and the perception for innovation, value and reliability
Financial Performance	Profitability of the organization, and perception of expectations and risks
Vision and Leadership	Perception of the extent to which the institution acts with a clear and strong vision
Workplace Environment	Perception of how well the organization is managed, its business manners and the quality of its employees
Social and Environmental Responsibility	Perception of how good a citizen the institution is for the society, its employees and the environment

Source: (Fombrun and Foss, 2001; Fombrun and Van Riel, 2004; Rayner, 2003).



In order to reveal the perceptions of the participants about the university's social and financial performance, three of the questions were about emotional appeal, four were about product and service quality, another four were about financial performance, three were about vision and leadership, another three were workplace environment, and again another three were about social and environmental responsibility.

Coding of the relevant sections of the questionnaire used in the five-point Likert scale was as such: "1 = not important at all", "2 = Not very important", "3 = Neutral", "4 = Important", "5 = Very Important".

4. Findings

The first part of the study, which was tested for reliability, covers the demographic information and frequency distribution tables of the scale, The second part covers the factor analysis results. Structural equation modeling results are given in the third part.

4.1 Reliability Analysis of the Survey & Findings from Descriptive Data and Scale

Among the most widely used tests of reliability are Cronbach's Alpha, splitting in half, Parallel and Strict Parallel. A value above 60% in Cronbach's alpha is an indication of a successful survey. Some researchers consider 75% successful. When other criteria are also above 70%, this implies for the internal consistency of the questionnaire and reliable output.

Table 2. Reliability Test Results of the Survey

Cronbach_Alpha	0.92
Split	0.89-0.92
Parallel	0.93
Strict	0.92

As can be seen in Table 2, the desired and specified values in each of the four tests are above the reliability criteria. The sample findings were determined to be consistent and reliable with high reliability values. The fact that each reliability criterion is above 70% shows the survey is successful and consistent in itself and the findings will reflect facts.

The questions asked in the first part of the survey were used to collect demographic and descriptive information, such as respondents' age, gender, income, major, employment status, etc.

These data in Table 3 show that the students who took the survey vary in terms of gender, income, major, hometown through family origins and so on. Taken as a whole, the people who answered the survey can be said to be competent enough to evaluate the effects of social and financial performance on corporate reputation.



Table 3. Findings on the Descriptive Data

		Frequency	Percent
Gender	Male	590	53
	Female	524	47
Total		1114	100
Age	≥ 18	41	3.7
	19 - 20	572	51.3
	21 - 22	347	31.1
	22 ≤	154	13.8
Total		1114	100
Department of Study	International Trade	175	15.7
	Law	132	11.8
	Economics	10	0.9
	Accounting Audit	12	1.1
	Banking and Finance	79	7.1
	Economics (English)	6	0.5
	Management (English)	8	0.7
	International Relations	92	8.3
	Tourism Management	34	3.1
	Management	90	8.1
	Mathematics	8	0.7
	Statistics	16	1.4
	Psychology	58	5.2
	Media and Communication Systems	55	4.9
	Public Relations	3	0.3
	Computer Programming	74	6.6
	Logistics	64	5.7
Foreign Trade	155	13.9	
Retail Sales and Store Management	9	0.8	
Accounting and Taxation	2	0.2	
Air Logistics (Eng.)	18	1.6	
Aviation Ground Services Management (Eng.)	14	1.3	
Total		1114	100
Monthly Family Income	≥ 1999 TL	193	17.3
	2000-3999 TL	398	35.7
	4000-5999 TL	251	22.5
	6000 TL ≤	272	24.4
Total		1114	100
Working Status	Yes	233	20.9
	No	881	79.1
Total		1114	100
Whether the student moved to Istanbul for education	Yes	256	23
	No	858	77
Total		1114	100
Hometown	Black Sea Region	302	27.1
	Marmara Region	329	29.5
	Central Anatolia Region	128	11.5
	Southeastern Anatolia Region	66	5.9
	Eastern Anatolia Region	162	14.5
	Mediterranean Region	49	4.4
	Aegean Coast	29	2.6
Overseas	49	4.4	
Total		1114	100
Nationality	International Students	39	3.5
	Turkish Citizen	1075	96.5
Total		1114	100
The perception whether the university is a financially strong institution	Yes	842	75.6
	No	272	24.4
Total		1114	100
Prior Knowledge of Reputation Management	Yes	334	30
	No	780	70
Total		1114	100



How the ranges were going to be determined in the evaluation of questionnaire was described by Fombrun et al. (2000). Accordingly, the range value of the distribution is determined, and the group range is calculated by dividing it by the agreed number of group variation range. The scale has 20 questions, and the lowest score is 20. Thus, the highest score achieved in the scale will be 100. Variation range of the scale is $100-20=80$. As in Fombrun et al. (2000)'s study, many studies have made it into a habit to divide the range by the lower limit of 10. Accordingly the scale becomes $80/10=8$. This value is used as a percentage by being multiplied by 100, and thus the value of 0,8 is obtained.

Accordingly the range of scores is 0.80. To evaluate the scale used in the study, the following score range was determined:

- Not important at all (1.00 – 1.80)
- Not very important (1.81 – 2.60)
- Undecided (2.61 – 3.40)
- Important (3.41 to 4.20)
- Very important (4.21 to 5.00)

According to Table 4, the overall average is 4.15. This means that the respondents replied in the "important" range. Responding to each clause within the important range, respondents indicate that they pay attention to the issue of reputation. The size of the average response at the bottom of the reputation scale is above 4.15, which reveals that young people have a perception of reputation. 70% of the students gave a negative answer to the question of whether they have prior knowledge about reputation management. That the overall average is 4.15, the respondents are students from different ages and departments and no department teaches about reputation in their curriculum can be interpreted to mean that students answered negatively on the question as they don't know about reputation. However, when asked sub-questions and given options, the students show that they have an idea and care about corporate reputation. In other words, although they do not have any training in corporate reputation, the students, without realizing, have developed an awareness of reputation but do not what it is called. This arises how important it is that young people be educated about corporate reputation.



Table 4. Findings on the Scale

Clauses	Not important at all		Not very important		Undecided		Important		Very Important		Avg.±SD.		
	n	%	n	%	n	%	n	%	n	%			
Having qualified and leading academic staff	19	1.7	35	3.1	87	7.8	403	36.2	570	51.2	4.31	±	0.87
Being an institution students are proud to be a part of	28	2.5	51	4.6	167	15.0	388	34.8	480	43.1	4.11	±	0.98
Being a party in social responsibility projects	31	2.8	65	5.8	166	14.9	454	40.8	398	35.7	4.00	±	0.99
Reputation of the institution's name in job applications	19	1.7	44	3.9	124	11.1	342	30.7	585	52.5	4.28	±	0.93
Having strong expectations for the future of the institution (growth, new investments, etc.)	17	1.5	57	5.1	129	11.6	404	36.3	507	45.5	4.19	±	0.93
People's general confidence in the institution's name	19	1.7	48	4.3	105	9.4	427	38.3	515	46.2	4.23	±	0.91
Institution's support for social projects, sporting events, etc.	37	3.3	89	8.0	190	17.1	389	34.9	409	36.7	3.93	±	1.07
People wanting to see themselves as a member of that institution	30	2.7	75	6.7	183	16.4	459	41.2	367	32.9	3.94	±	1.00
Having qualified administrative staff	17	1.5	37	3.3	142	12.7	430	38.6	488	43.8	4.19	±	0.89
Not being a profit-making institution (state or private university)	50	4.5	63	5.7	171	15.4	349	31.3	481	43.2	4.03	±	1.10
Providing an educational service with excellent value for money	20	1.8	37	3.3	155	13.9	306	27.5	596	53.5	4.27	±	0.94
Making a difference with its collaborations on national and international scale	25	2.2	45	4.0	152	13.6	372	33.4	520	46.7	4.18	±	0.96
More reasonable annual fees compared to competitors, variety of scholarships, ease of getting a scholarship, providing students with opportunities for paid employment	22	2.0	44	3.9	125	11.2	333	29.9	590	53.0	4.27	±	0.94
Support for social actions and charity	32	2.9	52	4.7	178	16.0	394	35.4	458	41.1	4.07	±	1.00
General public's positive feelings about the institution	22	2.0	37	3.3	152	13.6	446	40.0	457	41.0	4.14	±	0.91
Being able to create low-risk financial resources and collaborations to finance its investments	28	2.5	54	4.8	197	17.7	435	39.0	400	35.9	4.00	±	0.97
Development of technical and academic infrastructure (laboratory, computer software, smart boards, library databases, etc.)	23	2.1	44	3.9	126	11.3	354	31.8	567	50.9	4.25	±	0.95
Stage of Directors having a clear vision for the future	22	2.0	41	3.7	145	13.0	375	33.7	531	47.7	4.21	±	0.94
Excellent leadership on the management level	28	2.5	42	3.8	154	13.8	394	35.4	496	44.5	4.15	±	0.96
Improvements in physical infrastructure (library, classrooms, conference halls, social facilities, etc.)	25	2.2	29	2.6	99	8.9	317	28.5	644	57.8	4.36	±	0.91



4.2 Factor Analysis Results

In the research, the most important stage of factor analysis is the interpretation of resulting factors. When naming and interpreting factors, one should also take into consideration the observational variables that are heavily affected. Explaining a variable after naming and interpreting it means interpreting a regression equation (Büyüköztürk, 2012).

Table 5. KMO and Bartlett's Test Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.90
Bartlett's Test of Sphericity	Approx. Chi-Square
	5674.23
	df
	76
	Sig.
	.00

As can be seen in Table 5, at the first stage of the study some preliminary tests were conducted to determine the suitability of factor analysis. Bartlett Test of Sphericity tests the "correlation matrix is an identity matrix" hypothesis. The rejection of this hypothesis means a correlation between the variables and suitability of factor analysis. In the study, Bartlett's test shows main body correlation matrix is not an identity matrix and sphericity criterion is met ($p < 0.05$). Kaiser-Meyer-Olkin (KMO) value tells us whether factor analysis is appropriate. Small KMO values mean that a factor analysis will be incorrect. According to KMO criteria, sample size, the size of the observed correlation coefficients and partial correlation coefficients were found to be compatible for factor analysis (see. $KMO=0.90$).

Table 6. The Values Described in the Total Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.42	27.64	27.645	4.42	27.64	27.64
2	3.00	18.77	46.421	3.00	18.77	46.42
3	2.24	14.00	60.423	2.24	14.00	60.42
4	2.01	12.59	73.018	2.01	12.59	73.01
5	1.42	8.91	81.936	1.42	8.91	81.93
6	1.14	7.12	89.062	1.14	7.12	89.06

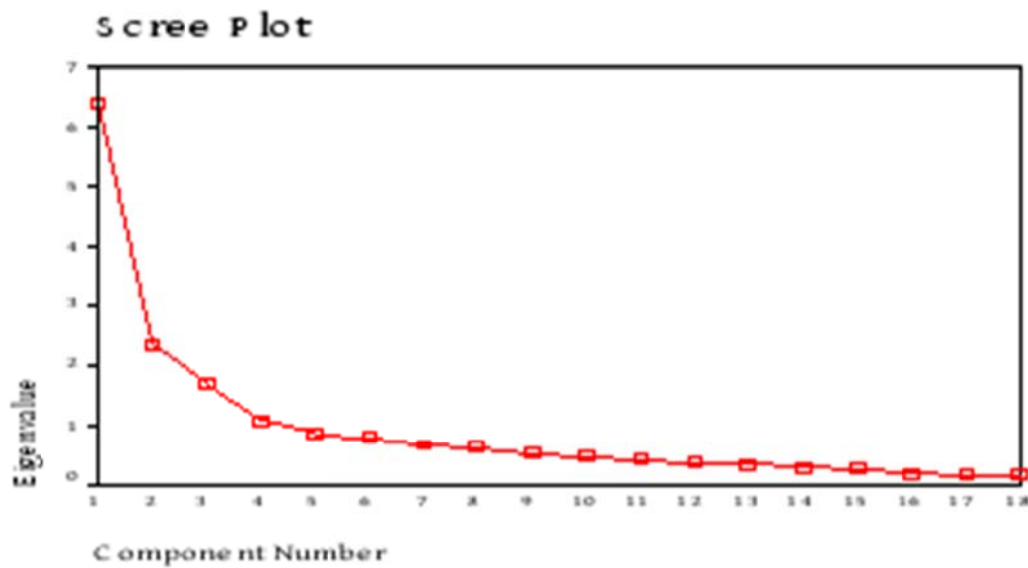
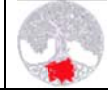


Figure 1. Factoring Chart

In the second stage of the analysis, when using standardized data matrix in determining a number of factors, eigenvalues greater than 1 or percentage of factors in variance explanation can be taken into consideration. Another option is to decide, as in principal component analysis, according to the eigenvalue-factor graph analysis (Figure 1); the point where the figure becomes monotonous shows the number of factors. Among the 20 variables (scale questions) in the study, a total of six factors were found to be with eigenvalues greater than 1. In factor rotation, "varimax rotation method" was preferred (as suggested in the literature after 2003), and the total explained variance values are given in Table 6.

Table 7. Conceptual Significance Order of Factors and Cronbach's Alpha Values

Coefficient sub-dimensions of reputation	Factors	Cronbach's Alpha values
Emotional Appeal (affective commitment)	factor 1	.97
Product and Service Quality	factor 2	.98
Vision and Leadership	factor 3	.96
Workplace (operating environment)	factor 4	.90
Social and Environmental Responsibility	factor 5	.93
Financial Performance	factor 6	.98

The six factors out of 20, as can be seen in Table 7, are named and grouped by conceptual significance. Cronbach's alpha value for each factor is above 70%, and internal consistency and reliability are provided.



As can be seen in Table 8, the first factor is the most important and accounts for 27.64% percent of total variance (change). All of the variables in this factor have factor loadings greater than 0.5. This factor includes three variables and is called "emotional appeal". This variable with the most significant effect on this factor is the one expressed as "general public's positive feelings about the institution".

The second factor accounts for 18.77% of total variance and covers four variables. The highest weight on this factor is "improving physical infrastructure (library, classrooms, conference halls, social facilities, etc.)". This factor is "the quality of products and services".

The third factor, including three variables, explains 14% of total variance. This variable with the most significant effect on this factor is "excellent level of leadership by the management". This factor can be considered as "vision and leadership" factor.

The fourth factor is 12.59% of the total variance and encompasses three variables. Most weighted variable is "being an institution students are proud to be a part of". This factor can be named "the workplace environment factor".

The fifth factor is the "social and environmental responsibility" factor. It accounts for 8.9% of the variance. This factor includes three variables, and is called "social responsibility projects".

Finally, the sixth factor explains 7.1% of the total variance. It consists of a total of four propositions, and "being profit-making institutions (state or private university)" is the most weighted. This factor has been named "financial performance".

**Table 8.** Reputation Scale Sub-dimensional Factor Weights

Factor 1: EMOTIONAL APPEAL	
Variables	Factor Loadings
(Q6) General public's confidence in the name of the institution	0.72
(Q8) People wanting to see themselves as a member of that institution	0.80
(Q15) General public's positive feelings about the institution	0.82
Factor 2: PRODUCT AND SERVICE QUALITY	
Variables	Factor Loadings
(Q4) Reputation of the institution's name in students' job applications	0.64
(Q11) Providing an educational service with excellent value for money	0.55
(Q17) Development of technical and academic infrastructure (laboratory, computer software, smart boards, library databases, etc.)	0.50
(Q20) Improvements in physical infrastructure (library, classrooms, conference halls, social facilities, etc.)	0.74
Factor 3: VISION AND LEADERSHIP	
Variables	Factor Loadings
(Q12) Making a difference with its collaborations on national and international scale	0.60
(Q18) Stage of Directors having a clear vision for the future	0.77
(Q19) Excellent leadership on management level	0.88
Factor 4: WORKPLACE ENVIRONMENT	
Variables	Factor Loadings
(Q1) Having qualified and leading academic staff	0.65
(Q2) Being an institution students are proud to be a part of	0.89
(Q9) Having qualified administrative staff	0.70
Factor 5: SOCIAL AND ENVIRONMENTAL RESPONSIBILITY	
Variables	Factor Loadings
(Q3) Being a party to social responsibility projects	0.72
(Q7) Institution's support for social projects, sporting events, etc.	0.67
(Q14) Support for social actions and charity	0.62
Factor 6: FINANCIAL PERFORMANCE	
Variables	Factor Loadings
(Q5) Strong expectations for the institution's future (growth, new investments, etc.).	0,66
(Q10) Not being a profit-making institution (state or private university)	0.88
(Q13) More reasonable annual fees compared to competitors, variety of scholarships, ease of getting a scholarship, providing students with opportunities for paid employment	0.60
(Q16) Being able to create low-risk financial resources and collaborations to finance its investments	0.72



4.3 Structural Equation Modeling Results

Initially, regarding the evaluation of the appropriateness of the model, the goodness of fit indices and the different statistical functions used in the indices can be mentioned. Among the most commonly used of such indices are likelihood ratio chi-square statistic (χ^2), $\{\chi^2 / sd\}$, RMSEA (root-mean-square error approximation) and GFI (goodness-of-fit index). A $\{\chi^2 / sd\}$ ratio value less than 3 indicates an acceptable level of goodness. For RMSEA, a value equivalent to or smaller than 0.05 is the value of perfect appropriateness, a value equivalent to or smaller than 0.08 indicates an acceptable appropriateness, and a value larger than 0.10 means an unacceptable appropriateness. GFI values range from 0 to 1. A value of 0.95 and above means perfect fitness, a value between 0.90 and 0.94 correspond to an acceptable fitness (see Cheng, 2001; Pank, 1996; Schermelleh-Engel and Moosbrugger, 2003).

Table 9. Summary of Model Integration Indices

CMIN					
Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	35	59.009	42	.043	1.405
Saturated model	77	.000	0		
Independence model	22	457.987	55	.000	8.327
Baseline Comparisons					
Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.871	.831	.959	.945	.958
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000
RMSEA					
Model	RMSEA	LO 90	HI 90	PCLOSE	
Default model	.071	.014	.111	.205	
Independence model	.303	.277	.329	.000	
HOELTER					
Model	HOELTER .05	HOELTER .01			
Default model	879	804			
Independence model	13	15			



An analysis of Table 9 shows very good fit indices based on an independent model. CMIN/DF (1,405) < 2 , CFI (.958) > .95, which means perfect fitness. Also, the approximate square root of errors, RMSEA (0.071), is below 0.08.

In TLI (Tucker and Lewis Index), a normalized fit index, when NFI samples are small in number, it doesn't reach NFI 1 and degree of freedom is added to the model. There isn't any negativity is removed at this point, and our study shows perfect fitness with a .945 TLI.

According to the HOELTER index, the least number of answers must be 879. Our model with 1114 responses is slightly above the limit. Hoelter index values of .05 and .01 show how many samples are needed for each confidence interval. This model is tested with a confidence interval of 0.05 and more samples than 879.

As standardized RMR = .0538 and 0.05 are very close, this shows a good fit. The very small difference between the theoretical model covariance matrix and the sample covariance matrix confirms that the theoretical model is appropriate for the sample data.

Table 10. Structural Equation Model Estimation Results

	Estimate	S.E.	C.R.	p
finperf <--> Reputation	.44	.098	4.550	0.00*
finperf <--- EmoApp	.68	.157	4.398	0.00*
finperf <--- ProSerQua	.28	.095	3.019	0.01*
finperf <--- Leadership	.75	.16	4.63	0.00*
finperf <--- WorkEnv	.85	.14	5.80	0.02*
finperf <--- SocResp	.90	.16	5.59	0.00*

As can be seen in Table 10, each resulting factor has a significant and important effect on financial performance and increases it. Also, there is a significant relationship between financial performance and reputation. Reputation increases financial performance as financial performance increases reputation. The variables of emotional appeal, product and service quality, vision and leadership, workplace environment, and social and environmental responsibility affect reputation through financial performance. The road map of variables is shown in Figure 2.

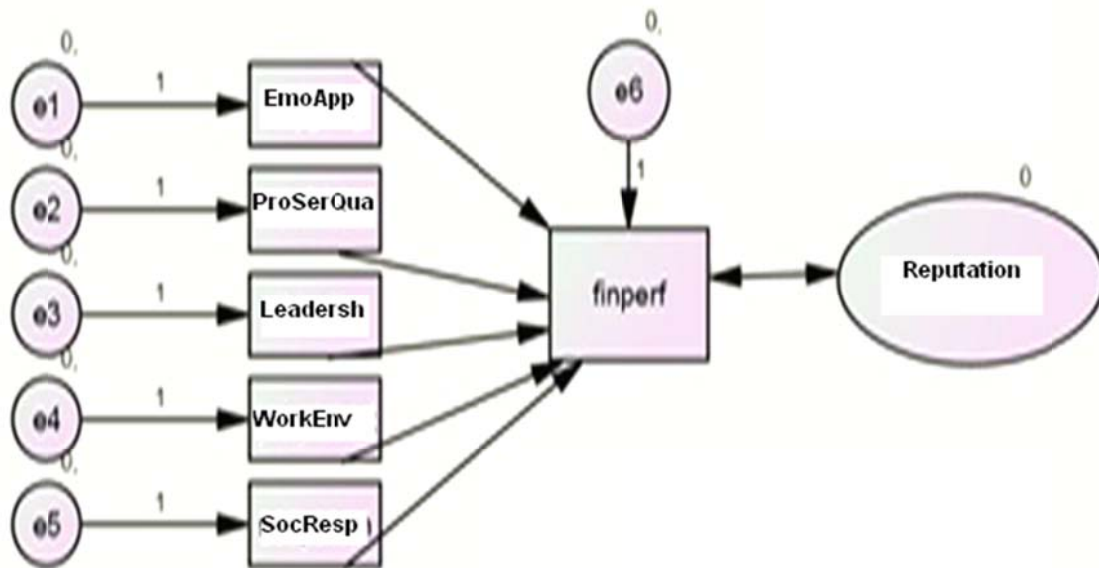


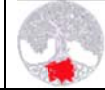
Figure 2. Relationship between Corporate Reputation Perception and Financial Performance

5. CONCLUSION

This study is concerned with a service-producing private university in analyzing the effects of perception of corporate reputation on economic output. First of all, components of the university's perceived reputation are put in an order of importance. On the other hand, financial performance representing economic output is analyzed with a structural equation model to determine its relationship with the other dimensions.

According to the findings of the study, the answers to the questions, which show overall corporate reputation in higher education, were found to be 4.15 on average. If the lower limit of a positive corporate reputation is 3.41 in a scale evaluation, 4.15 means a high perception of corporate reputation.

Structural equation modeling confirms that there is a relationship between financial performance and corporate reputation. This relationship between financial performance and corporate reputation is positive. In addition, the components of corporate reputation including social and environmental responsibility, workplace environment, vision and leadership, and emotional appeal have been concluded to influence corporate reputation through financial performance. Today, financial indicators are no longer sufficient in positioning a business or organization in its field of operation. Values such as ethics, transparency, reputation and quality, which cannot be seen but can be detected, play an important role in defining an institution (Singh, 2006). Therefore, values such as social responsibility and emotional commitment are considered more important than financial performance. As can be seen from the results of structural equation modeling, with a weight of 90%, environmental and social responsibility has the biggest impact on corporate reputation through financial performance. Workplace environment (85%), vision and leadership (75%), emotional appeal (68%),



financial performance (44%) and quality of products and services (28%) also influence corporate reputation.

According to Fettahoğlu (2013), stakeholders of profit seeking businesses are not only their partners. Today, it is becoming increasingly difficult for businesses to survive without creating value-added activities for the society. At this point, businesses recognize that the only way to maximize profits is to engage in social responsibility activities and meet the expectations of stakeholders. In addition, when making investment decisions, investors pay attention not only to financial returns but also to environmental, social and ethical concerns. As environmental and social responsibility activities are also considered to be advertising tools for companies, social responsibility activities increase the demand for participation and the profitability of the institution, and have a positive effect on financial performance. Therefore, costs are reduced, a competitive advantage is gained and resources are used effectively, which adds to corporate reputation (Cornel and Shapiro, 1987; McWilliams and Siegel, 2001). Moreover, educational institutions which are not profit oriented should have a higher awareness of reputation. Many studies conducted in different countries, such as Turkey, America, Spain and Malaysia covering different periods have demonstrated a positive relationship between environmental and social responsibility practices and financial performance in businesses (Fettahoğlu, 2013; Montabo et al., 2007; Preston and O'Bannon, 1997; Saleh et al., 2011).

Both students and employees of an academic institution want to have a certain harmony between their values and the values of the organization. It is a lot easier for these stakeholders to be a proud member of an institution which has a reputation than of one that is not recognized by the members of the society. Employees who are not satisfied with their work environment develop disbelief and dissatisfaction toward their employers and start looking for other jobs (Sayle and Yaşaroğlu, 2007; Tucker and Melewar, 2005). Today, in an increasingly competitive environment, dissatisfaction of employees, particularly of academic and administrative staff, will reduce the quality of service and adversely affect the productivity of the organization, which will influence the financial performance. Similarly, students' desire to be a part of an organization appreciated by the society will increase the demand for the institution and again will contribute to its reputation through financial performance.

A good corporate reputation can be built by making long-term forecasts rather than focusing on short-term profits (Tucker and Melewar, 2005). This, however, requires a proactive management. Also, it parallels with the power of vision and leadership of the managerial staff. Defined as an idea made up of organizational resources and skills and pointing to a realistic, credible and attractive future for an institution, vision is found, in many studies, to have a positive relationship with both financial and non-financial performance. Accordingly, many studies have tried to determine the financial performance and production of various businesses and the common characteristics in visionary companies, and visionary companies have been found to be better than others in long-term financial performance (Eren et al., 2003).



Emotional appeal expresses to what extent people in general have positive feelings toward an institution, and their respect, admiration and trust in that institution. Businesses with a high reputation are expected to inspire good feelings both in stakeholders and the general public as reliable and respectable entities (Almıaçık et al., 2010). To do this, institutions try to differentiate against their competitors in terms of current demand in the market by focusing on different themes. As for higher education institutions, in order to create an emotional bond with potential clients, some focus on only certain disciplines while others highlight a variety of concepts such as entrepreneurship and so on. By doing so, they try to establish a psychological monopoly in the market.

As an indicator of an institutional financial structure, investment integrity and risk, financial performance can also be characterized as an indicator of an institution's overall financial situation. Financial performance indicators are utilized to assess the history of the institution in order to decide on future investments and financing, and to ensure effective use of human and other resources (Özdoğan, 2006). In terms of a higher education institution, being able to employ qualified academic and administrative staff, take part in social responsibility projects, provide a variety of scholarships to students on easier conditions, and ensure quality of services requires financial strength. As a result of the analysis, other factors are found to influence corporate reputation through financial performance which represents economic output.

Carmeli and Tishler's study (2005) puts forward the positive effect product and service quality has on corporate reputation. Providing high-quality, innovative and good-value products and services and standing behind them until the end of business will positively influence an institution's reputation. Product and service quality is a significant component of reputation, especially for individuals who make the purchase (Almıaçık et al., 2010). As setting a certain quality standard in products and services and continuously improving the standard will directly impact the organization's financial structure and increase expenditure, it has turned out to be the lowest factor in the analysis in affecting financial performance.

One of the findings of the research is that financial performance and corporate reputation mutually affect each other. Fombrun (1996) suggests that a positive corporate reputation will have a positive influence on financial performance. The perception of a positive reputation in the eyes of stakeholders will create a bond between businesses and customers, and universities and students. No matter how high the monetary value of the education is, the institution will be preferred. Eager to be a stakeholder of an institution with a high reputation, various organizations and businesses, associations, professional organizations, and so on will be willing to provide financial resources and cooperation for the production of educational services without seeking profit. Studies argue that intangible reputation for businesses together with their fixed assets and resource assignment efforts will improve financial performance (Neville et al., 2005; Tonus and Thesis, 2013).

As a result, it is possible to speak of a positive corporate reputation for the private university analyzed in this study. However, what is important is to ensure the sustainability of that reputation. Therefore, each and every factor of corporate reputation examined in the study



must be paid great attention and deviations from the positive line should be minimized. The findings show us that corporate reputation and the said factors directly and indirectly feed each other. However, it is hard to win but easy to lose corporate reputation. Lost reputation will lead to deterioration in the organization's financial indicators in the short-run, and a breakdown in products and services, reduction in social sensitivity, employment of low-skilled workers and less successful students in the long-run.

Profit seeking organizations which strive to be different and visionary in an increasingly competitive environment attach a particular importance to corporate reputation. Therefore, the literature of public relations and management has given wider coverage to the topic. However, to tackle the issue only on a micro scale and in particular for profit seeking businesses is not enough.

Today, corporate reputation has become one of the main determinants of competitiveness in a market economy (Tucker and Melewar, 2005). Evaluated on a micro scale, there are organizations which exist in the economy with their volume of production value and employment services without generating profit. Among private universities, a higher education institution which has reached a certain scale with its educational services was made the subject of this study. Perception of corporate reputation is important for ensuring the continuity of the service for non-profit organizations engaged in economic activity. In this regard, differentiating between non-profit and for-profit businesses which produce goods and services narrows down the issue. From a broader macroeconomic point of view, a higher positive reputation not only increases an institution's human and physical capacity quantitatively and qualitatively. The resulting sense of confidence, increased human capacity, increased fixed capital investments, strong financial ratios, increased vision and leadership capacity and its sustainability, in other words, maintaining a positive corporate reputation will have its positive influence on the country's economy on a macro level. Improved production capacity and quality in institutions with high corporate reputation lead to economic growth, which, in turn, increases the volume of employment. As better-educated individuals will have higher qualifications, the structure of employment will also change in qualitative aspects. Also, the development of human capital through better education will not only mean the growth of national economy but also long-term economic development. In this regard, given the effects of perception of corporate reputation on countries' macroeconomic outcomes, corporate reputation needs to be dealt with in a wider range of areas within the science of economics, not only in public relations and management.



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