

# Reputation economy: a new research paradigm for economic growth of territories

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## Abstract

This paper is partially addressed at analyzing key approaches in the economic theory to studying reputation and its impact on the parameters of the socio-economic development of economic agents. In the paper, a system of concepts is developed with the basic classification of methods for quantifying reputation both at the micro and macro levels. As a result, the reputation economy is focused primarily on improving the competitiveness of business entities, besides finding rational economic models for the functioning of economic agents. In conclusion, only a small part of the problems of studying the reputation economy is touched upon.

**Keywords:** Economy, Reputational Activity, Factors, Production.

*La economía de la reputación: un nuevo paradigma de investigación para el crecimiento económico de los territorios*

## Resumen

Este documento se aborda parcialmente al analizar enfoques claves en la teoría económica para estudiar la reputación y su impacto en los parámetros del desarrollo socioeconómico de los agentes económicos. En el documento se desarrolla un sistema de conceptos con la clasificación básica de los métodos para cuantificar la reputación tanto a nivel micro como macro. Como resultado, la reputación de la economía se centra principalmente en mejorar la competitividad de las entidades comerciales, además de encontrar modelos económicos racionales para el funcionamiento de los agentes económicos. En conclusión, solo se aborda una pequeña parte de los problemas de estudiar la reputación de la economía.

**Palabras clave:** economía, actividad reputacional, factores, producción.

## **1. Introduction**

As it was previously noted, the considered approaches of Russian and foreign researchers focus their attention, in most cases, through the prism of marketing concepts. In this regard, the attention of researchers is concentrated on such concepts as the reputation of a territory, the image of a territory, the positioning of a territory, etc. At the same time, insufficient attention is paid to the economic aspects of the studied issues. Meanwhile, in almost every study one can meet the theses that reputation is an important asset that determines the socio-economic potential of economic agents. Thus, in essence, hypotheses are constructed, which are expressed in categories of economic analysis. In this regard, we consider it important and extremely relevant to look at the reputational aspects of territories through the prism of economic analysis. However, this requires a transition to a mathematical system of coordinates, which makes it possible to quantify the phenomena being studied and to substantiate or, conversely, refute the hypotheses put forward regarding the influence of the reputational component on the economic development of territorial systems. In this connection, it is necessary to expand the conceptual apparatus by complementing it with such an important category previously referred to as reputation economy. This will make it possible not only to take a fresh look at the phenomena under study, but also to expand the methodological horizons of the theory of economic growth through the prism of measuring the intangible institutional asset of any region - its reputation.

## **2. Methods**

It is important to note that the very concept of reputation economy in the context of the subject of research set forth in this study is practically not found in the space of Russian works in the field of economics. The closest in meaningful meaning to the concept under consideration are categories such as reputation management, reputation capital (asset), reputation resources, reputation costs, etc. At the same time, it is customary to imply the process of constructing and maintaining a positive reputation of a person or organization as a social reality by reputational management, this process is boiled down to inculcating stable habits (habitualizing) those behavior models that would contribute to maintaining a positive reputation in society (Basdeo et al., 2006).

In contrast to Russian authors and researchers, the foreign ones rather actively use the concept of reputation economy. However, the meaning that is red in it, in our opinion, does not reveal its substantial load, especially from the point of view of meso- and macroeconomic analysis. Just as in the Russian scientific space, there are, in fact, separate components of this concept here applied to the study of behavioral models as applied to individual economic entities (firms, households). It is also important to note that the majority of foreign researchers study the category under consideration through the lens of marketing analysis. However, the most important component of reputation is the economic one, what follows from the very name of this concept. In addition, a reputation economy that forms a system of intangible institutional assets is capable of generating corresponding economic effects. Their measurement and quantification, due to these effects, is very poorly explored the phenomenon in economics, especially in the context of regional and national economic systems (Boyd et al., 2010).

So, returning to foreign views to the definition and meaningful interpretation of the reputation economy concept, it is necessary to note their unequivocal orientation to the object of research, which is an individual with a different reputation, forming the basis of his/her career and personal development. Thus, in accordance with the approach of D. Shobel, a reputation economy is an environment in which brands of economic agents are formed based on their perception in the online space through a comprehensive assessment of their positive and negative qualities and characteristics. .

Experts of the World Economic Forum adhere to a similar position. Thus, in accordance with the opinion of Klein (2014), the most important component of the intensification of companies' development is the presence of a quality brand that promotes the processes of cooperation with them of other business entities in order to increase the mutual economic efficiency of using available resources. As an example, he cites companies such as Uber which creates a meritocracy for unlicensed car drivers: Skill share which allows for special training activities; and Kickstarter contributing to the funding of crowdsourcing, etc. All that combines company data is the ability to provide services and information resources to their counterparties on an individual basis, grounding on their own positive reputation and brand. Similarly, the kind of algorithms for promoting companies in the market is, according to Klein's (2014) position, a reputation economy. Reputation economy is largely built on social networks. One of the most powerful functions of social networking for business is social proof. Social proof is a growing tendency to have a high level of company reputation and a positive brand based on the existing great number of subscribers in social networks. An economic agent can claim a high level of its qualitative and quantitative characteristics, but thousands or millions of people use social networks to say that the company is the best, and as a result, the company obtains the so-called social proof! (Deephouse, 2000).

### **3. Results and discussion**

A brief overview of foreign and Russian approaches to the study of the reputation economy concept shows us in most cases a marketing approach to its interpretation. It is also important to pay attention to the fact that, despite the absence of the concept of reputation economy in the domestic research space, it is, in fact, broadcast, in accordance with foreign approaches, through the category of a reputation management. Analyzing these two concepts, their identity becomes apparent, since both in the first and in the second definition, it is assumed that this is the process of creating and managing of a positive image (brand) in the online space. In our opinion, as it was already mentioned earlier, the reputation economy should be revealed not only in the categories of marketing analysis, but also, since it forms a whole set of economic effects, in the categories of economic analysis. This requires an appropriate elaboration of the system of concepts within the framework of the designated research paradigm. In accordance with this approach, it is proposed in this paper to mean a reputation economy by a set of social sciences that study the distribution, exchange and consumption of goods and services as a result of the formation in the global information space of a positive reputation of economic agents based on a system of social evidences that form the development of cooperative ties providing them with additional economic and social benefits (Cobbwalgren et al., 1995).

It is necessary to pay attention to the fact that this definition excludes production as the main component of economic relations. This is due to the fact that in its essence a reputation economy does not study the production of goods. Its main task is to find the tools and methods of

promotion and distribution of the finished product through its branding and creating its favorable image in the information space. Thus, it can be argued that the reputation economy includes a narrower set of major components, in contrast to the category economy, which traditionally includes four stages of activity, covering key processes of economic development: production, distribution, exchange and consumption. Based on the methods and theories generally accepted in economic theory, we can specify a whole set of areas in the theory of the reputation economy, for example, such as:

- Regional reputation economy;
- Industry reputation economy;
- Institutional reputation economy; etc.

Considering that the search and development of the concept and methodology of the reputation economy theory in relation to regional economic systems are one of the main goals of this study, it is also important to introduce into the scientific circulation the concept of regional reputation economy and reveal its essential characteristics through the prism of the proposed interpretation of the reputation economy category (Reshetnikova, 2011). Based on the principles outlined above, which reveal features of the implementation of a reputation economy in accordance with the approaches of foreign experts and researchers, the key difference between a regional reputation economy and simply a reputation economy lies in the system of access to the tools and methods that form the brand. Table 1 shows the main characteristics that reveal the concepts of economy, reputation economy, and regional reputation economy. In accordance with the data presented in the table, it can be seen that the reputation economy is focused primarily on improving the competitiveness of business entities. At the same time, economics is designed to solve a much wider and fundamental class of tasks aimed primarily at finding rational economic models for functioning of economic agents (Cherepanova, 2016).

<b>Characteristic</b>	<b>Economy</b>	<b>Reputation economy</b>	<b>Regional reputation economy</b>
<b>Definition</b>	Economic activities of a company, as well as a set of relations in the production, distribution, exchange and consumption system	A collection of social sciences that study the distribution, exchange and consumption of goods and services as a result of the formation in the global information space of a positive reputation of economic agents based on a system of social evidence that form the development of cooperative ties providing those agents with additional economic and social benefits	An applied section of the reputation economy, which studies the basics of rational use of the potential and capabilities of a territory through the prism of a rational assessment of its reputational activity in the global information space
<b>Object of study</b>	Economic processes and phenomena occurring in one or another economic environment	Economic, social and institutional processes and phenomena that form the system of reputational activity of economic agents	Economic, social and institutional processes and phenomena that form the system of reputational activity of territorial systems (regions)
<b>Subject of study</b>	The vital activity of economic agents, as well as their economic behavior in connection with the economic environment in which they are located	Models of economic development of economic entities as a result of the generated system of social evidence determining their image and reputation in the global information space	Elements and mechanisms of the internal structure of the main components included in the region reputation activity: economic development, social development, the efficiency of the region's management resources; technological development, institutional development
<b>Methodological function</b>	Economic science reveals in methodological terms the basic principles and methods of knowledge of economic phenomena in order to predict the possible economic consequences as a result of the implementation of practical actions by economic agents	Discloses the basic principles and methods of intensifying the economic development of economic entities in an objectively emerging and manageable reputational environment.	Discloses the basic principles and methods of intensifying the economic development of regions in the conditions of an objectively forming reputational environment of the territories in the global information space.
<b>Impact instruments</b>	Economic, managerial	Economic, managerial, marketing	Economic, managerial, marketing
<b>Scientific cognitive function</b>	It consists of comprehensive studying the processes of production, distribution, exchange and consumption of material goods and services, without which the existence of human society is impossible	Based on theoretical generalizations of tools and methods of forming a system of a favorable image of economic agents, including the development of social evidence methods; the scientific and cognitive function of the reputation economy makes it possible to discover new laws of distribution, exchange and consumption of public goods	On the basis of theoretical generalizations of tools and methods for generating the reputational activity of regional economic systems, including the development of methods of social evidence, the scientific and educational function of the regional reputation economy makes it possible to discover new laws of regional socio-economic development in the context of institutional and market transformations of global information space
<b>Application function</b>	It consists in the possibility of developing socio-economic programs of a country, its rational economic models, building scientific forecasts for the	It consists in the possibility of developing effective programs for the development of competitiveness of economic agents based on the construction and modeling of reputational	It consists in the possibility of developing regional programs to improve the efficiency of the competitive environment based on the quantitative identification of regional reputational activity

	development of certain processes in the economy	activity indices	indices and the development of adapted areas for their increment using special methods of economic and mathematical analysis
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Table 1 – Content and functional characteristics of the conceptual and categorical framework (developed by the authors)

#### 4. Summary

The presented approaches to the conceptual and categorical apparatus, applied by the authors to the theory of reputation economy form the basis and methodological foundations for the implementation of a new series of research processes aimed at determining the influence of the main components of the reputation economy on the functioning parameters of economic agents. These approaches are particularly relevant in the context of studying a regional economy through the prism of its reputational activity and the considered performance indicators generated on this basis. This contributes to a more comprehensive understanding of the fundamentals concerning the socio-economic development of territories in the context of the transformation of the institutional environment, globalization of reproduction processes due to the transition to a new type of technological order, the generation of new types and mechanisms of economic growth due to the activation in recent years of the so-called fourth industrial revolution based mainly on intangible assets and new contours of competitiveness of economic agents (Weigelt and Camerer, 1988).

#### 5. Conclusions

Meanwhile, it should be noted that in the present paper, in our opinion, only a small part of the problems of studying the reputation economy is touched upon. We note a number of fundamental and applied issues that need to be solved and require additional research, since most of them at the current time are either partially or not at all affected in the scientific space. In essence, the proposed approaches form the basis for further research iterations in this direction.

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