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Public relations in the small business environment: Creating identity and building reputation

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ABSTRACT

This study explores the identity and reputation management activities of small businesses in the field of nanotechnology and examines how small nanotechnology firms create identity and build reputation. Semi-structured interviews were conducted with 23 managers at small nanotechnology firms and 14 other persons who work with or are familiar with small nanotechnology firms. Thematic analysis of the interview transcripts found three themes related to identity creation – consistency, internal training, and human capital as leverage – and three themes related to reputation management – credibility, transparency, and legitimacy. Based on the findings, an identity and reputation management model for small firms is proposed. Implications for public relations educators and for small firms are also discussed.

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1. Introduction

An adequate level of knowledge about the public relations practices of small firms is a reasonable expectation, considering that small firms represent 99.7% of all employer firms in the United States (U.S. Small Business Administration, 2012). This overwhelmingly large percentage of small firms implies that many young public relations professionals enter the workforce by first working in small businesses. Public relations scholarship, however, has not adequately addressed public relations practices in small organizations. A lack of understanding about how public relations is practiced in small businesses may mean that young professionals are inadequately trained for practicing public relations in a small business environment.

Based on these expectations and trends in the field, it is key to provide an in-depth examination of how small businesses – defined as firms having fewer than 100 employees – can practice public relations, particularly in the area of identity and reputation management. Scholars have recognized identity and reputation management as important public relations functions (Cheney & Christensen, 2001; Curtin & Gaither, 2006; Doorley & Garcia, 2007). An organization's identity and reputation are intangible assets that have an influence on many aspects of an organization, including its financial performance (Deephouse, 2000; Roberts & Dowling, 2002; Voss, Cable, & Voss, 2006); its ability to attract employees, investors, customers, and business partners (Bouchikhi & Kimberly, 2008; Fombrun, 1996); and its core competencies (Glynn, 2000).

Identity and reputation management can be more difficult and more pressing for small firms because they may have to be particularly creative and strategic in their public relations efforts. An examination of small firms' identity and reputation management activities may provide important insights that help improve public relations theory and practice. Existing

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public relations theory and empirical studies have placed an emphasis on large organizations (e.g., David, Kline, & Dai, 2005; Grunig, Grunig, & Dozier, 2002; Hung, 2005).

While scholars have highlighted the fact that public relations practices of small firms differ from those of large companies (e.g., Cole, 1989; Goldberg, Cohen, & Fiegenbaum, 2003; Otterbourg, 1966) and have emphasized the need to correct the bias of public relations research toward large businesses (Evatt, Ruiz, & Triplett, 2005; Gray, Davis, & Blanchard, 2004), this area of research has been deficient. The present study takes the first step in addressing this deficiency by examining how small businesses can initiate and incorporate public relations into their day to day activities. By doing so, it hopes to contribute to an improvement of public relations theory and practice by taking into consideration how public relations might be practiced in the small business environment.

2. Public relations and small businesses

Small firms play an important role in society for three main reasons. First, small firms represent 99.7% of all U.S. employer firms (U.S. Small Business Administration, 2012). Second, and perhaps most relevant in the current economic situation, small businesses often create the most jobs during economic recessions and play a significant role in the national recovery from recessions (U.S. Small Business Administration, 2009). Finally, small businesses are an important mechanism by which many young professionals enter the workforce (Acs, 1999; Carolsson, 1999).

To date, the public relations literature has been biased toward large organizations to the exclusion of small organizations, both in theoretical studies (e.g., Cancel, Cameron, Sallot, & Mitrook, 1997; Grunig & Hunt, 1984; Grunig et al., 2002) and in empirical ones (e.g., David et al., 2005; Heath & Douglas, 1995; Hung, 2005). Several public relations scholars have pointed this out and have emphasized the need to address this deficiency (e.g., Evatt et al., 2005; Gray et al., 2004). Others have demonstrated that public relations activities are equally relevant and crucial for small businesses as for large ones (e.g., Cole, 1989; Evatt et al., 2005; Goldberg et al., 2003; Otterbourg, 1966). Evatt et al. (2005) found that managers at small organizations are more likely than their counterparts who work at large organizations to "view public relations as holistic and inclusive of all communication functions" (Evatt et al., 2005, p. 13). This implies that the study of how small businesses practice public relations may be more revealing than examining the public relations practices of large corporations.

The literature addressing the public relations needs of small businesses is negligible. Scholars have agreed, however, that public relations is just as important, if not more so, for small firms than for large ones. What studies do exist demonstrate that the practice of public relations in small businesses differs in many ways from public relations in large firms. As Lepoutre and Heene (2006) summed up, "small firms are not little big firms" (p. 257). Small firms cannot merely adopt the public relations practices of large companies (Otterbourg, 1966).

Evatt et al.'s (2005) study on how small organizations practice public relations found that small organizations tend to focus more on relationship building rather than on publicity seeking. Specifically, communication in small organizations focused on direct, in-person, and more informal communication and relied less on indirect channels such as the mass media. Gray et al.'s (2004) study of small firms found that more than 90% of the firms in their sample practiced some type of public relations. More importantly, firms that practiced public relations performed better than firms that did not. Cole (1989) also provided an explicit link between public relations and small firms, contending that public relations can help small businesses improve their public image and status.

3. Organizational identity and reputation

One of the most-cited definitions of *organizational identity* is that of Albert and Whetten (1985), who defined organizational identity as the features of an organization that are central, enduring, and distinct. Bouchikhi and Kimberly (2008) described both the internal and the external benefits of having an identity that is clear, consistent, and valued. Internally, a clear, consistent, and valued identity increases the loyalty and commitment of employees, ensures cooperation among employees, serves as a guide for problem-solving and decision-making, and helps an organization obtain legitimacy. Externally, a clear, consistent, and socially valued identity increases recognition of the organization (reputation); attracts employees, customers, and other business partners; and nurtures a feeling of trust. Organizational identity also influences financial performance: Voss et al.'s (2006) study of more than 100 nonprofit professional theaters demonstrated that organizations' net income and ticket revenue were lower when their leaders disagreed about organizational identity.

On the other hand, *corporate*, or *organizational*, *reputation* can be broadly defined as "a widely circulated, oft-repeated message of minimal variation about an organization revealing something about the organization's nature" (Carroll, 2013, p. 4). Reputation has also been defined as stakeholders' evaluation of an organization in terms of their "affect, esteem, and knowledge" (Deephouse, 2000, p. 1093). It has been considered as relatively stable (Fombrun & Shanley, 1990), cumulative over time, and not entirely predictable (Murphy, 2010). Scholars have emphasized reputation as an important asset for organizations because it can be a competitive and strategic resource for firms (Deephouse, 2000), affect employee engagement (Men, 2012) and contribute to the bottom line (Duhe, 2009).

In this study, organizational identity refers to the central, enduring, and distinctive attributes an organization uses to describe itself, both in terms of its self-perception and in its self-expression. In contrast, organizational or corporate reputation refers to perceptions that others have about the organization. A simple differentiation between identity and reputation may be that organizational identity relates to perceptions originating from within the organization, whereas reputation is