here are certain universal trends apparent in public sectors around the world: public sector organizations have diversified and grown in functions, yet resources everywhere are being threatened.

Recent research has acknowledged the importance of measuring organizational success and efficiency, yet measuring of intangible products such as services remains a challenge. Intangible products can only be measured through the end-user, whose needs and expectations may vary. The end-user has recently become more interesting to both national administrations as well as trans-national organizations (such as the European Union or Nato), and many organizations have laid out guidelines for their communication with different publics. This has introduced the concepts of organizational stakeholders and reputation to the “mundane management” of public sector organizations.

There are many new demands posed by legislation and the economy as to what the relationship between the public sector organizations, the public and groups around them should consist of. Though various guides and recommendations have been published, little relevant research exists. Moreover, the focus has often been on specific groups and not stakeholders in general or those frequently involved with the public sector organization. Further, there is a shift in public sector organizations today towards legitimacy that is derived from several sources.

This new view is possible only under a democratic order, and it has been called “poly-contextual corporate legitimacy”, a bottom-up perspective as well as stakeholder thinking. The idea is that various individuals and groups around the organization are taken into consideration and involved in the processes of the organization instead of merely being monitored and controlled. This shift is due to a change in thinking, as in the public sector and national administration “support and dialogue is growing more important than control”. This trend emerges as society is moving towards “a support economy”, where support and involvement are more favoured than services alone.

The concept of “stakeholder” refers to those groups or individuals without whose support the organization would cease to exist, as well as to those who aim to influence or are influenced by the organization. Stakeholders are individuals or groups who have some type of stake, such as actual or potential interest toward the organization. These connections with stakeholders both restrict and enable organizational functioning.

The different stakeholders are believed to continually form assessments of the organization and these assessments together form an invisible entity of attitudes, an intangible operating environment for the organization. This entity is referred to as reputation. The reputation of public sector organizations is not formed in the same way as the reputation of corporations, as their functions, scope, publics and aims differ. Assessments are formed individually in the eye of the beholder, and form whether the target actively attempts to influence them or not. How stakeholders perceive the organization will influence their behaviour toward it for better or worse, making reputation an important issue for public sector organizations as well.
Reputation of public sector organizations

Public sector organizations have the force of law and there is hence no stakeholder choice in whether to accept them, unless the choice is through long-term democratic decision making. Reputation, however, does not feature directly in laws but the stakeholders can freely form their opinions on the competence and trustworthiness of public sector organizations. Stakeholder assessments are vital for public sector organizations as they contribute to organizational legitimacy. Moreover, reputation is found to contribute to organizational stability, profit, performance and employee loyalty, and to ease recruitment and decrease transaction costs, all of which are particularly attractive attributes to public sector organizations struggling with financial and political pressures. The importance of reputation is only lately been understood by public sector organizations and national legislations, and still remains a much underused resource.

Each stakeholder group requires a different approach and relationship. A relationship is understood to be a sum of assessments, experiences, expectations, all of which can be understood to form a unity, a reputation. The longer the acquaintance between stakeholders and public sector organizations, the longer the stakeholders' record of the organizations' behaviour. Those stakeholders with more experience probably know the public sector organization better and can thus evaluate it more accurately. Those with actual experiences are also the most credible sources for reputation. This makes stakeholders with longer contact with the organizations more relevant for study.

Reputation is formed in the minds of individual stakeholders, yet understood as a collective attribute creating an operating environment for the organization. Reputation consists of different characteristics, namely credibility, reliability, responsibility, and trustworthiness. Reputation is more related to deeds than its sister concept image which refers to impressions; organizational reputation is simply the sum of stories told about the organization among the stakeholders. It is a record of trustworthy or untrustworthy behaviour as importance is placed on “particularly the historical trustworthiness of parties in previous interactions with others, and it is the social context that makes reputational effects possible”. Maintaining a good reputation requires investments, and it is more vital for those organizations with intangible products as compared to those with more tangible outputs.

Much of the reputation literature concentrates on corporations and non-profits. However, public sector organizations are not equal to non-profits, as they differ for instance on issues of membership, employee pay and organizational aims, and their existence is based on different criteria. A good reputation creates a favourable operating environment, but it demands continuous maintenance and demonstration through good practices. It delivers a promise: this is how the organization will behave in the future. Public sector organizations should therefore strive for a neutral reputation instead of an excellent reputation; a neutral reputation would not require extensive resources to maintain, and it would better ensure the critical operating distance and impartiality necessary for public sector organizations operating under democratic order.

Those public sector organizations that have existed for long periods of time have established a distinctive record of past deeds based on their activities, whereas newer public sector organizations, for example those formed as a result of mergers or new functions, have no such record, but can still be affected by the isomorphic tendencies and the reputation of their sector.

Sector reputation

Sector reputation can be understood to consist of several levels. On the macro level, it is affected by the socio-political climate, world and national economy and trends; on the meso-level the trustworthiness and performance of national institutions; on the micro level the product itself, merely the “public services” and public servants competence. Sector reputation is hence a derivative of the country of origin, the public sector organization's own history, other similar organizations' histories, as well as the conduct of the organization over time. Moreover, sector reputation is formed in the minds of the
stakeholders, whose knowledge of these attributes may be limited, lacking or even skewed.

As a new concept, sector reputation requires defining. As reputation is a record of past deeds, a sum of stories told, a sector reputation can be defined as a record of past deeds of actors and organizations within a specific sector. New organizations entering a sector should take the existing sector reputation into consideration. Sector reputation is persevering, and once achieved it is difficult to change. It is vital to note, however, that reputation is a generalization, and it always emphasizes some attributes over others, and may even diminish some attributes. It is often developed over long periods of time, and different historical developments have uniquely shaped it. Many characteristics of original bureaucracy (stiffness, slowness and passivity) are still universally associated with public sector organizations. Moreover, for example, in the EU-countries the bureaucracy brought along with increased integration has further affirmed the existing reputation, not to mention the effect of 9-11 incidents on the national administrations.

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