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Corporate Communication and Economic Theory: An Institutionalist Perspective

Marko Lah,
Andrej Sušjan,
and Tjaša Redek

Abstract: We offer a framework for the economic analysis of corporate communication (CC) by relying on the concept of dynamic competition and the post-Keynesian theory of the firm. The concept of dynamic competition, based on rivalry between companies, encompasses the importance of information flows and CC in the environment, characterized by fundamental uncertainty. We contribute to the literature by developing a CC matrix used for classifying various CC practices on the basis of firms' imperfect cognition processes and their attitude toward the stakeholders. Within the post-Keynesian theory of the firm, which has institutionalist origin, we show that transparent CC activities are a potentially powerful tool for the improvement of firms' performance. We also show that, in Slovenia, the deceptive and non-transparent CC of many large firms and banks has negatively affected the business climate, consequently leading to the decline of the Slovenian economy.

Keywords: competition, corporate communication, institutionalist theory of the firm, post-Keynesian economics

JEL Classification Codes: B5, D8, D21, M14

Corporate communication (CC) is a set of activities involved in managing and orchestrating all internal and external communications aimed at creating favorable relations with stakeholders, on whom the company depends (van Riel and Fombrun 2007, 25). CC activities consist of the dissemination of information by a variety of specialists and generalists in an organization, with the common goal of enhancing the organization's ability to retain its license to operate, as well as to improve its position and reputation in the competitive economic environment. Corporate communication is also closely linked to reputation, which can be defined as collective representation of past images, induced either through communication or experiences established

Marko Lah and Andrej Sušjan are professors of economics and Tjaša Redek is an associate professor of economics, all at the University of Ljubljana (Slovenia).

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over time (Cornelissen 2011, 8). David Bickerton (2000) claims that corporate communication is one of the very important tools for building a company's image and reputation which is, in turn, crucial for sustaining its market position and enhancing its growth potential. The importance of the softer elements of firm competitiveness is further enhanced in an economic crisis. Lauren Nelson (2012) believes that, in the "era of bailouts and corporate scandal," the company with "an ability to effectively manage its image and reputation" is more likely to succeed. Thus, CC is, without a doubt, an important competitive tool. But so far, economic theory has largely neglected the general importance of corporate communication for company performance. In fact, it has dealt with it only partially, usually focusing on advertising and public relations as the two most budgeted CC activities,[1] but not with the broader theoretical economic aspects of CC.

We endeavor to address this void in economic theory and propose a theoretical perspective of the firm that incorporates the role of CC. Using the post-Keynesian model of constraints on a firm's growth, which belongs to the institutionalist tradition, we examine CC in an economic context, showing that a firm's performance is very much affected by CC. In addition, we show that the concept of dynamic competition and the resource-based approach to the firm represent an illustrative framework for understanding the economic importance of CC in the contemporary business environment. While in orthodox neoclassical economics there is only limited space for the introduction of CC, the institutionalist approaches and concepts, such as the post-Keynesian theory of the firm, competences, and capabilities of the firm, and the concepts of uncertainty and procedural rationality, provide a much broader and supportive framework of analysis in this respect.

We structure this paper into four sections. In the first section, we briefly outline the historical development of the concept of dynamic competition, according to which competition is a process of rivalry. Dynamic competition, within which the flow of information plays a significant role, is compatible with the heterodox view of the firm. The firm's activities, including CC, stem from the uncertainty of the economic environment and, at the same time, further enhance the non-ergodicity of economic processes. In the second section, we challenge two essential assumptions of the neoclassical perfectly competitive model of the firm — i.e., perfect information and unbounded rationality — for being both incompatible with economic reality and for ruling out CC. By developing two matrixes that contrast the firm's cognition processes, capabilities, and intentions, we show that the concept of bounded rationality provides the only realistic framework for the analysis of CC and for its inclusion into economic theory. These matrixes also explain some typical forms of (corporate) communication behavior that triggered the 2008 financial crisis, leading to the present economic depression. In the third section, we outline the post-Keynesian model of constraints on a firm's growth and show how CC influences the

[1] Analyzing the economic implications of advertising has a long tradition, beginning with Edward H. Chamberlin ([1933] 1946) (see Lah, Sušjan and Ilič 2006–2007). The economic analysis of public relations began at a later date (see Podnar, Lah and Golob 2009). The need for an econo-centric approach to public relations is emphasized also by Ryszard Ławniczak (2009).

firm's expansion frontier. The expansionary potential of the firm depends on the knowledge that has been accumulating through cognition processes and is present in the firm's competences and capabilities. Within such framework, CC can be viewed as an integral and creative part of the firm's long-term survival and expansion strategies. In the neoclassical theory of the firm, the room for integrating this creative role of CC is highly restricted. In the final section, we evaluate some CC cases from a small transitional economy, such as Slovenia, illustrating the theoretical suggestions we propose in previous sections.

The Concept of Dynamic Competition

In contemporary economic literature, competition is understood either in the neoclassical way as a concept tightly related to market structures, or in the heterodox manner as a process of rivalry between firms. Corporate interaction depends on both. But the role of CC is best understood within the framework of competition as a process of rivalry. Therefore, we first present a brief overview of how the notion of competition evolved in economic theory.

Two Conceptions of Competition

When the neoclassical concept of perfect competition emerged toward the end of the nineteenth century, it did not follow the spirit of the classical tradition. Namely, classical economists, beginning with Adam Smith, promoted the concept of free competition as a continuous process of rivalry between capitalists. By using the term "competition," the classical economists referred to the behavior and activities of individual producers, aiming to obtain competitive advantages (through investment in technical equipment, introduction of new products, organizational novelties, etc.). This means that, in classical economics, competition was typically perceived as a *dynamic behavioral* concept.[2] If CC practices had already existed on a broader scale at the time (in the sense of firms' managing the information flows, etc.), they would have been easily absorbed, at the level of economic theory, by this classical notion of competition.

With the arrival of neoclassical economics, the interpretation of competition in economic theory changed. Instead of being perceived as a dynamic process of rivalry, competition became an aspect of the market structure. This conception was typically static, because competition was identified on the basis of the number of producers and not on their actual competitive behavior (including the use of information flows).[3] The classical "free" competition was transformed into the neoclassical

[2] See George Stigler (1957).

[3] The origins of the neoclassical approach can be traced back to the work of the French, mid-nineteenth century economist, Antoine Cournot, who mathematically analyzed the effects of competition, and found that the competitive effects reach their limit with perfect competition — a static situation with an infinite number of producers and assumptions related to perfect information, i.e., a given set of information needed for "rational decisions."

"perfect" competition, with the perfectly competitive model showing an ideal situation when the price becomes the only competitive parameter, while other competitive activities of the individual firm are virtually impossible.[4] Such an approach was convenient for the equilibrium analysis, pointing, on one hand, to the superiority of perfect competition and, on the other hand, to suboptimal outcomes when competition was "imperfect," i.e., when there were only few competitors on the market. Neoclassical economics thereby accepted the view that competition and market structure are two sides of the same coin. The general equilibrium model as the theoretical core of contemporary neoclassical economics was built on the assumption of perfect competition. The neoclassical theories of imperfect competition, which developed within the sub-discipline of industrial organization (e.g., Bain 1956), have been focused on the questions of allocative (in)efficiency of imperfect markets, and they have never really questioned the underlying static conception of competition as a market structure. Even if apparently criticizing it, they have, in fact, as Gökhan Çapoĝlu (1991, 34) correctly concludes, strengthened the core position of perfect competition, because "[t]he indeterminacies of imperfect competition have only made a stronger case for the mathematically determined perfect competition." The concept of dynamic competition, despite its realism (and also its potential relevance, from the standpoint of understanding CC as part of the competitive process), has never regained its proper position in mainstream economic theory.

Heterodox Tradition and the Concept of Dynamic Competition

The dynamic conception of competition has remained alive in various strands of heterodox economics. Beside Marxian theory, which integrated the concept of competition as a constant struggle of capitalists for survival, trying to outperform their rivals by investing in fixed capital, new technologies, etc., Joseph Schumpeter and the representatives of the Austrian school (Friedrich Hayek, Israel Kirzner, Ludwig Lachmann) also continued to view competition as a dynamic behavioral process focused on the activities of entrepreneurs in uncertain economic environment. For Schumpeter, the innovative entrepreneur was the central figure in the development of capitalism. Schumpeter believed that price competition, typical of neoclassical economic analysis, loses much of its relevance if viewed from the perspective of long-run capitalist development. The key role, in fact, belongs to "competition from the new commodity, the new technology, the new source of supply, the new type of organization ... (and, we might add in the same spirit, from effective and innovative management of corporate communication) — competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives" (Schumpeter [1942] 1947, 84).[5] Similar views about the behavior of entrepreneurs, especially about their alertness for investment opportunities, have been

[4] See Paul J. McNulty (1968).

[5] See also David Reisman (2004) and Steven Horwitz (2008).

proposed by the economists of the Austrian school (e.g., Kirzner 1985). Hayek (1949) effectively criticized the meaning of perfect competition by questioning its assumptions which, in fact, preclude all forms of competitive behavior of individual economic agents as known from practice.[6]

The approach of Schumpeter and the Austrians (Hayek and Kirzner) bear some differences, on the basis of which Wolfgang Kerber (2006), who views competition as an evolutionary knowledge-generating process, identifies two strands within this concept. On one hand, in the Austrian market process theory, competition is viewed as a discovery procedure, an experimentation process, and a constant search for opportunities. On the other hand, Schumpeter's approach is broader and views competition as a process of innovation and imitation. Schumpeter's approach, therefore, has led to the development of economics of innovation and technical change (e.g., Dosi, Pavitt and Soete 1990). It is worth noting that differences of this kind have been perceived also within the Austrian school itself. Sandye Gloria-Palermo (1999) convincingly argues for a distinction between Hayek and Kirzner, on one side, for whom the activity of economic agents is limited to discovery of profit opportunities and knowledge, and Ludwig Lachmann, on the other, who — like Schumpeter — considers creativity of entrepreneurs as central in the market process. The latter's view of competition is also compatible with the ordoliberal approach (Viktor Vanberg), according to which "the institutional framework should ensure that the profit/loss-feedback to the firms reflects as closely as possible the quality (creativity) of their solutions … and not … (their) rent-seeking activities or predatory strategies" (Kerber 2006, 462).

The concept of dynamic competition, based on the entrepreneurial firm — which is seeking strategic advantage both (i) through product, process, and organizational innovation (see, for example, Dringoli 2009), and (ii) through information/communication processes — came to be termed "Schumpeterian competition." Michael H. Best (1990) also called it the "new competition," to be distinguished from the "old competition," related to the neoclassical view of competition as a market structure. CC should be treated as an integral part of the strategic behavior of the firm that contributes to its long-term competitiveness. This means that CC represents an important element of the dynamic competitive process. In particular, as many authors claim, CC builds and sustains the intangible capital of the firm captured in its reputation (Deephouse 2000; Fombrun 1996; Hooghiemestra 2000). In terms of evolutionary theory of the firm, introducing Darwinian elements into economic theory (Nelson and Winter 1982), CC policies contribute to the firm's "organizational memory" and to the repository of knowledge and skills (Hodgson 1998, 44). These elements then become decisive in the firm's rivalry with its competitors. Therefore, efficient CC builds up the genetic predisposition of the firm for its long-term survival.

[6] Malcolm Sawyer (1990, 58) claims that competition in the Austrian tradition is a process and that the neoclassical concept of perfect competition "does not involve competition in any meaningful sense."

Since WWII, the restoration of the concept of dynamic competition as a survival process has been pursued by post-Keynesian economics — an influential heterodox school, combining Keynesian and Kaleckian ([1939] 1966) theoretical approaches with Schumpeterian concepts of dynamic competition and institutionalist (Galbraithian) views on corporate behavior and competition.[7] Marc Lavoie (2014, 127), one of the leading post-Keynesians, explicitly associates post-Keynesian economics with "a sort of neo-Schumpeterian view of competition" that is typically non-price and is focused "on investment decisions, on advertising decisions, on decisions regarding research and development, and on production decisions." Post-Keynesian microeconomics builds on the institutionalist approach to the firm, according to which oligopolistic corporation represents the typical economic agent in contemporary capitalism (cf. Arestis 1992, 103; Eichner 1976; Lavoie 2014, 124). According to post-Keynesians (Çapoĝlu 1991), the concept of dynamic competition is needed for the theoretical explanation of corporate behavior and performance.[8] This argument is most clear when we consider the criteria for competitive behavior. While neoclassical microeconomics provides several criteria to measure competition, these criteria (related to concentration ratios, pricing, and profitability), in fact, reflect the market-structure conception of competition. For example, according to neoclassical theory, high concentration ratios (the market shares of the largest firms) imply lack of competition in a particular industry and vice versa. Similarly, price-setting procedures of firms and their high profitability point to a lack of competition, whereas low profitability of firms and their price-taking behavior are indicators of a highly competitive market structure.

But post-Keynesians claim that these criteria, while pointing to imperfect market structures in the neoclassical manner, do not capture properly the dynamics of competitive processes in an industry. Concentration ratios may be high, because of the efficiency of firms in exploiting the economies of scale, and firms' profitability may be high due to technological features of an industry (Çapoĝlu 1991, 51), but in both cases competition is not necessarily weak. On the contrary, in hi-tech industries, for example, competition is extremely harsh, but the profitability of firms is high, because intensive technological competition in these sectors demands high profit margins and continuous reinvestment of profits in further technological advancement. This view also implies that decisions about investing in new technologies are not a consequence of the market structure, as the neoclassical economics would suggest. Rather, the structure of markets tends to be an evolutionary result of strategic business decisions that firms make in the non-ergodic economic environment, characterized by uncertainty. Uncertainty as a typical component of the original Keynesian approach (Keynes 1937) is also the underlying feature of the dynamic process of competition.

[7] See Blandine Laperche, James K. Galbraith, and Dimitri Uzunidis (2006) for a reconsideration of John Kenneth Galbraith's views on dynamic competition and corporate capitalism.

[8] See also Nina Shapiro (2003) and Jamee K. Moudud (2010).

For post-Keynesians, who claim to be true to the authentic tradition of John Maynard Keynes and believe in the non-ergodicity of economic processes, fundamental uncertainty is the pervasive characteristic of the economic environment.[9] The uncertainty is partially exogenous to all firms, but it is also created by the firms' activities themselves. That is, firms, relying on their (growing) competences and capabilities, strive to make the "correct" strategic decisions, choose the "best" production methods, or be best in R&D. In short, it is the activities in which firms use their entire potential, which is also continuously changing, to survive in the competitive rivalry. Companies are to be perceived as dynamic and primarily active economic agents that operate in a changing environment in order to succeed. But, by doing so, they also co-create the changes in the business environment. To use the words of Stephen P. Dunn (2000, 430), they "cope with uncertainty" and are at the same time "a further source of uncertainty." Similarly, Geoffrey M. Hodgson (1998, 35) claims that recognizing the firm "as a means of coping with uncertainty" requires the analysis of human behavior "to be centred on the development of capabilities to deal with complexity and change, and on the modes of generation and transmission of knowledge about the evolving socio-economic environment." In such a context, CC can be viewed as a powerful competitive tool that both reduces the uncertainty of the firm's environment and co-creates the economic landscape that surrounds it.

The concept of dynamic competition is also compatible with the resource-based theories of the firm (Foss 1997). The emphasis is laid on knowledge, learning, competences, capabilities, routines, and other resources. Competitive policies require "the exploitation of existing internal and external firm-specific capabilities and of developing new ones" (Hodgson 1998, 49). The competitive advantage of firms arises from strengthening competences and capabilities in firms (which is also linked to pushing the technological frontier out) and the way these are used in the firm to react accordingly to an ever changing environment. The (resource) learning (which is stimulated both by the external as well as internal environment) as a source of strengthening the competitive advantages is a continuous process in a changing environment (Grant 1991; Mahoney 1995; Peteraf 1993; Spender 1993; Tidd and Bodley 2002). The dynamic competition as rivalry, in which companies use a number of mechanisms and activities, acknowledges the firm as the "unfolding process" (Penrose 1959, 1). The firm is an endogenous entity and the environment is also partially endogenous. Dynamic competition is a process of co-creation and co-development. Along this line, the dynamic nature of competition is, as already mentioned, reinforced by the introduction of evolutionary considerations, according

[9] See Fernando J. Cardim de Carvalho (1988), Paul Davidson (1991, 1996), David Dequech (1999, 2001), and Marc Lavoie (2014, 72-82). From post-Keynesian perspective, as claimed by Stephen P. Dunn (2002), the transaction cost approach to the firm (Oliver Williamson) is misleading. It is focused on exchange and not on production and strategic decisions related to it. The firm should be viewed "as a means of coordinating production from one centre of strategic decision making in a non-ergodic environment" (Dunn 2002, 70).

to which the firm develops in the environment, learns from it, and changes because of it (i.e., its genetic material changes).[10]

For post-Keynesians, the relevant criteria of competitive behavior should, therefore, focus on the process and on the intensity of competition between firms, which can be observed from various output- or investment-based indicators, such as percentage of sales produced by new products, investment in R&D, number of innovations, amount of income spent on advertising, public relations, and corporate communication in general. These indicators measure the dynamic rivalry between firms and show that, even in cases of high concentration ratios, there is strong competition with corporations spending large sums of money on CC activities in order to build and maintain a long-term competitive advantage. The neoclassical economic theory, on the other hand, offers a very limited room for the analysis of CC. Therefore, the institutionalist concept of the firm as an active entity in the non-ergodic economic environment and the dynamic, evolutionary conception of competition, based on the "unfolding process" of the firm's activities, represent the appropriate framework for introducing CC into economic theory, in our view.

The Role of CC in the Firm

Today, CC is considered an important element of strategic operations in the firm, and, according to some authors, it is even crucial for corporate performance. From our perspective, the views of Charles Fombrun and Mark Shanley (1990, 233) are relevant, as they suggest that "managers attempt to influence other stakeholders' assessments by signaling firms' salient advantages." CC impacts information structure, the entropy of data available, and the creation of knowledge in the firm. Publics, overloaded with product advertising, are becoming more interested in the company *behind* the products (van Riel and Fombrun 2007, 6), which, from the firm's perspective, points to the need for CC. But to understand the role of CC in the theory of the firm, the notions of uncertainty and rationality must be discussed first.

Rationality, Uncertainty, and Knowledge

The standard neoclassical textbook model of a perfectly competitive firm is intended to provide the basics of economic reasoning, including information and communication flows. Regarding the communications of economic agents, the assumption of *perfect information* is the most relevant. It presupposes that economic agents live in a "known and knowable world." Consumers are perfectly informed about all the products in the market, their prices, and characteristics, and consequently are able to choose rationally the best products in accordance with their needs and wants. Producers are perfectly informed about the production technologies and costs, and they choose the best production solutions. The firms that make the best products with lowest costs are rewarded in the market with higher sales. Based on

[10] See, for example, Hodgson (1988, 141-143).

perfect information, all the decisions of economic agents can be reached through mathematical calculations. Also, economic agents know the probability outcomes of all future events. Consequently, in a perfectly competitive model, the uncertainty is eliminated, and there is only risk that is calculable.[11] This unrealistic assumption of perfect information, therefore, also entails the assumption of unbounded rationality,[12] according to which economic agents have perfect knowledge, unlimited computational capacities to process the most complex information, and strictly follow optimization procedures.

However, Herbert A. Simon (1972) criticized the neoclassical approach and popularized the realistic assumption that the knowledge of economic agents is incomplete. Consequently, economists should adopt the concept of bounded rationality, according to which economic agents resort to procedures that help them overcome the decision-making problems caused by incomplete knowledge. Bounded rationality is inherently a dynamic concept and in line with the suggested institutionalist view of competition. It is based on the realistic behavior of economic agents, operating in an economic environment that is characterized by non-ergodicity and fundamental uncertainty.

To allow for a systematic analysis of the role of CC in both theory and the corporate world, we will, first, develop a classification of uncertain situations of economic agents. The interpretations of uncertainty vary among different authors,[13] and even the same author may use different interpretations, because his/her views have changed over time (Dequech 2006, 113). Thus, there is much "uncertainty about uncertainty" (Dow 1995). Generally, however, authors tend to distinguish between *substantive* and *procedural* uncertainty (Dosi and Egidi 1991).[14] A simple matrix in Table 1 provides situations of uncertainty that point to the need for CC in the process of dynamic competition. By contrasting perception and cognition of the environment or *information gap*, on one side, and reasoning and decision-making or *competence gap*, on the other (see Heiner 1983, 562; also see Dequech 2006; Fernández -Huerga 2008),[15] four types of uncertainty are distinguished. Type 4 is close to the model of perfect competition. Due to the "perfectly known and knowable

[11] For a critique of such position, see Davidson (1991) and Dequech (1999).

[12] For the definition of unbounded (or substantive) rationality and its role in neoclassical economics, see Lavoie (1992, 51-55; 2014, 83-84).

[13] Lavoie (2014, 75) basically distinguishes between (i) *ontological* approach to uncertainty, related to the concept of ergodicity of some economic processes in the short run and general economic processes which are non-ergodic, and (ii) *epistemological* uncertainty, where he divides *fundamental* uncertainty into substantive and procedural uncertainty. He also calls fundamental uncertainty *irreducible*, *radical*, and *true* uncertainty. *Intractable* uncertainty is related to the sensation of economic agents that their foresight is imperfect. Giovanni Dosi and Massimo Egidi (1991, 148) differentiate between *weak* and *strong* substantive uncertainty. The first is analogous to risk, where the list of occurrence of events is known, and the second is related to cases involving unknown events or impossibility of defining probability distributions of events.

[14] See also Lavoie (1992; 2014), Dequech (2006), and Fernández-Huerga (2008).

[15] The role of information in economic decision-making was emphasized already in James E. Grunig's pioneering analysis (in the 1960s) of the relations between theory of public relations and economic theory (see Ławniczak 2009, 347).

environment"[16] and the perfect ability for reasoning and decision-making of economic agents within a firm (CEO, board membership, layers of management), any uncertainty is neglected and the CC activity is, in fact, not needed. This means that the internal and external environment is fully transparent to the firm, which makes any potential CC redundant and unnecessary. Using the analogy of perfect competition, we term this situation *perfect certainty* or calculable *risk*. Type 2 points to the "limitations on the computational and cognitive capabilities of the agents to pursue unambiguously their objectives, given the available information" (Dosi and Egidi 1991, 145; see also Dequech 2006, 112; Fernández-Huerga 2008, 717), i.e., *procedural uncertainty.* Therefore, even if decision-makers are informed and knowledgeable about the environment, they do have limited computational capabilities to make unambiguous decisions. Both Type 4 and Type 2 are unrealistic today, but could be taken as sensible simplifications of the early periods of capitalist development, when the environment was not as complex and dynamic as it is today.

Table 1. Perception of the Environment and Decision-Making Capabilities

Perception of the environment Decision-making capabilities	Limited perception and cognition of the environment	Known and knowable environment
Limited decision-making capabilities	(1) Fundamental (substantive and procedural) uncertainty, creativity	(2) Procedural uncertainty
Sufficient decision-making capabilities	(3) Substantive uncertainty	(4) Perfect certainty, risk (perfect competition)

Type 3 stresses the "deficiencies in the information that would be needed to achieve certain results" (Fernández-Huerga 2008, 717) — i.e., limited perception and cognition of the environment. Assuming sufficient decision-making capabilities, this is categorized as the situation of *substantive uncertainty*. Contrary to neoclassical economics, substantive uncertainty points to the institutionalist differentiation between information and knowledge. Information only becomes knowledge (something that is being actively used) once it is interpreted (Hodgson 1988, 6, 83), and here firm resources can make a difference in terms of both the interpretation and the "reaction" to the information. Similarly, Keynes's concept of "the weight of an argument" points to the relativity of knowledge when economic agents make decisions. Lavoie (2014, 78-79) interprets "the weight" as the ratio between the relevant knowledge and the relevant ignorance of the decision-maker.

[16] The concept of "known and knowable environment" should be considered with reservation since post-Keynesian economics views some economic processes as ergodic in the short run, while economic processes in general are non-ergodic, implying that the environment could not be known and knowable.

Type 1 is *fundamental uncertainty* that is obviously the most realistic situation today since it encompasses "all uncertainties." Fundamental uncertainty drives toward the analysis of "uncertain knowledge," based on limited cognition of the environment and limited decision-making capabilities. As Giovanni Dosi and Massimo Egidi (1991, 151) point out, "substantive uncertainty will always be associated with procedural uncertainty." Eduardo Fernández-Huerga (2008, 711) also adds *creativity* that, together with uncertainty, shapes the contours of the institutionalist/post-Keynesian view of human economic behavior. This is in line with David Dequech (2006, 112), who claims that "fundamental uncertainty is characterized by the possibility of creativity and non-predetermined structural change ... as the future is yet to be created." In a similar vein, Dunn (2000, 430) points out that economic agents, by their actions within evolving and existing organizations, "create (but not determine) the future." From the firm's perspective, this approach exemplifies the importance that building information networks with its many stakeholders, and efficient managing of information flows, have for overcoming pervasive uncertainty. In such circumstances, CC becomes a valuable resource for the firm.

Types of CC

Before discussing the influence of CC on the firm's profitability and growth, we attempt to categorize four basic types of CC, again, in the form of a matrix. In this attempt, we start from James E. Grunig's "general theory of public relations" (Grunig 1992, 2, 27), presenting a four-model evolutive typology of public relations.[17] The highest stage, a two way symmetrical model, implies communication parity between the firm/organization, on one side, and the publics (i.e., all the relevant stakeholders), on the other. Two of the leading theorists of corporate communications, Cees van Riel and Charles Fombrun (2007, 33-34), accepted Grunig's typology of public relations and applied it to the "visions" of (corporate) communications. Like Grunig, they advocate the honest and two-way symmetrical CC, in which the company reveals "the complete and entire truth" of its situation, no matter — we might add — whether the "truth" is favorable or unfavorable. This model is the most "successful" one and, in economic terms, this means that it leads to high profitability and growth for a company.

The approach of CC theorists is pragmatic and practice-oriented. They view uncertainty from the perspective of reducing risk.[18] Reducing risk is, for them, one of the core functions of CC (in addition to cutting costs and making profits). From the post-Keynesian perspective of uncertainty and dynamic competitive environment, this

[17] Until then, in Grunig's opinion, public relations were "a field without a body of knowledge" (Grunig 1992, 5; see also Grunig, Grunig and Dozier 2002, 5). According to the four-model typology, which was first presented by James E. Grunig and Todd T. Hunt (1984), the evolution of public relations went from lower level to higher level models: (i) press agentry — publicity model; (ii) public information model; (iii) two-way asymmetrical model; and (iv) two-way symmetrical model.

[18] For example, Joseph Fernandez (2004, 28).

is doubtful since post-Keynesians hold that knowledge, which presupposes knowing "the entire truth" about the environment and the company's position within it, is limited, biased, and relative, and so are the CC's internal directions. This raises the question of selection procedures, revealing or hiding the truth, when CC actively tries to influence other agents' knowledge, either directly or through conditioning the institutional environment. Having this in mind, we modify Grunig's and Riel and Fombrun's typology with a matrix, pointing to the relative capability of the firm to obtain and process information (cognition) and to the firm's "creativity" in either hiding or revealing the truth.

Table 2. Cognition of the Environment and Creative Intention — the CC Matrix

Intention / Cognition	Hide	Reveal
Limited completeness of knowledge	(1) Inferior CC	(2) "Open" ignorant CC
Sufficient completeness of knowledge	(3) Manipulative, even perfidious CC	(4) Transparent, trustful CC

The matrix in Table 2 shows four extreme types of a company's CC policy regarding the degree of completeness of knowledge (limited or sufficient) about "the truth," on one hand, and the CC creative intention (to hide/modify or reveal the truth), on the other. (Typical examples of CC policies from the local environment are illustrated in the last section.) Type 4 assumes a firm having sufficient knowledge of its environment, which its CC department communicates, in a fair manner, to the firm's stakeholders, regardless whether the environmental facts are favorable or not. Type 3 indicates manipulative, even perfidious CC behavior that occurs when CC managers, either as members of the board or in close relations with the firm's CEO, have sufficient knowledge, but do not reveal it, or intentionally communicate only favorable "truth" when influencing stakeholders and/or institutions. This type of CC policy might be, from the firm's point of view, successful in regards to some stakeholders, but it creates confusion with cumulative effects on a general level. The other two types emphasize the lack of knowledge and its improper processing. In the case of "open ignorance" (Type 2), the CC policy is to reveal the truth to a firm's stakeholders. At first sight, the relations with stakeholders seem to be neutral, open, and fair, but since these reciprocal relations are based on ignorance about the real situation, this CC policy is misleading. On a general level, this policy also creates or adds to the cumulative "snowball" confusion as in the case of intentionally manipulative CC policy. The inferior CC (Type 1) happens when CC managers have limited knowledge about the real situation of the company, either because they are not members of the managing board, or — even if they are members — they may be

receiving false information, are being manipulated, and are "passively" forwarding misleading information to stakeholders.[19]

Theories of the Firm, Corporate Expansion Frontier, and the Role of CC

Non-Neoclassical Approaches to the Firm – Broadening the Scope of CC

Standard neoclassical economics views a firm's expansion as being driven by short-run profits. As Milton Friedman ([1962] 1982, 133) succinctly pointed out in a much publicized quote, "there is one and only one social responsibility of business — ... to increase its profits so long as it stays within the rules of the game." By integrating CC into this approach, we find that money engaged for CC activities — similarly as any other resources of the company — "produces" profits. But two questions emerge: How much money should a firm spend on CC? When undertaking CC activities, how much money should a firm spend on various types and forms of CC?

The answer of neoclassical microeconomics to these questions follows the basic principle of marginalist analysis and it is very simple: From the position of static equilibrium, a CC budget should be "mathematically" determined according to the marginal contribution of overall CC and various clusters and forms of CC, respectively. However, such optimization propositions are idealistic and practically useless since there are many obstacles to determining marginal contributions of various types and forms of CC. Above all, it is the extreme non-homogeneity of CC activities and the impossibility of dividing information flows into separate measurable units. Not to even mention that, by considering the possibility of efficient advertising as a segment of CC, having positive impact on profits, neoclassical economics implicitly admits that, under firms' pressures, consumer tastes evolve, and this is in contradiction with neoclassical economic assumptions about utility functions.[20]

An additional problem for neoclassical economics comes from the fact that the use of CC in reality also implies the creation, processing, and interpretation of information. In this way, new knowledge is built, and it is here that different firms' capabilities and competences matter. Neoclassical economics is not adequately equipped to deal with the processes of cognition and interpretation, from which knowledge is derived (Hodgson 1998, 48). Neoclassical economic agents are not only

[19] In an empirical study of communication between investor-relation managers of the largest companies listed on the Stockholm Stock Exchange and financial analysts, Susanne Arvidsson (2012, 104) finds that top incentives for this communication are "teaching the financial analysts/market about the company," "maintaining a 'fair' valuation of the company," and "correct/clarify misunderstandings." According to our CC matrix (Table 2), these incentives point to the intention of the companies to achieve trustful and transparent communication (Type 4). But there still remains the problem of the relevance of information and knowledge of investor-relation managers.

[20] "In the case of advertising it is difficult, if not impossible, for the neoclassical approach to admit that advertising may be persuasive for that would open the Pandora's box of the belief that tastes can be moulded. In such cases it would not be possible to maintain to the assumption of a utility function which does not evolve in response to advertising and other pressures" (Sawyer 1990, 46).

assumed to have perfect information, but they also behave "as if they shared the same model of the world" (Hodgson 1998, 29). If a problem of imperfect information does arise, then the discrepancy does not reflect the differences in firms' capabilities, competences, or "genes," as the evolutionary theory of the firm would suggest, but rather an asymmetry that is either caused by lack of efficient coordination or attributed to an exogenous shock. In the neoclassical world, the room for CC is limited because of the nature of information and because there is no "need" for interpretation. Thus, neoclassical economics actually denies the basic role of CC.[21]

The institutionalist approach to the firm is much more suitable for presenting the role of CC in contemporary firms. In this case, competition is understood as a process, and anything that strengthens the effectiveness of the company also adds to its competitive edge and power. We will follow the post-Keynesian theory of the firm, as presented by Lavoie (1992, 2014), which is derived from non-neoclassical foundations[22] and whose framework is coherent with the notions of uncertainty and rationality. In addition, it is also concerned with behavioral (Cyert and March 1963) and evolutionary approaches (Nelson and Winter 1982).[23] Linked to the latter are also the resource-based theories of the firm which build on Edith Penrose (1959) and Alfred D. Chandler ([1962] 2003) (see Foss 1997). In our view, CC certainly belongs to the central resources of the firm. Namely, if effective, it strengthens a firm's competitive advantage and contributes to its long-term growth.

Post-Keynesian theory of the firm also incorporates the concept of power as one of the most typical notions of institutionalism.[24] Contemporary firms typically strive for power, expansion, and long-term growth maximization. Lavoie (1992) illustrates the firm's growth dynamics by analyzing its finance and expansion frontiers. In our view, this is also where CC can best be incorporated into economic analysis. It can be represented as a means that efficiently affects a firm's expansion. CC does this by trying to reduce the uncertainty of a firm's environment, co-creating and molding the firm's environment, influencing the knowledge of other agents, and increasing its long-term competitive edge. As already mentioned, such approach is in line with the post-Keynesian notion of non-ergodicity that refers to a "creative" transmutable environment, in which the firms — by their actions and decisions — actually create the future (Dunn 2000, 427).

CC and the Expansion Frontier

The concept of the expansion frontier originates in the institutionalist theoretical tradition, according to which long-term growth and expansion — and not

[21] With respect to public relations as an important element of CC, see Marko Lah, Andrej Sušjan, and Tjaša Redek (2010) for a critique of the neoclassical approach and for power-related aspects of public relations in an institutionalist economic analysis.

[22] Post-Keynesian theory of the firm builds on the tradition of Michal Kalecki, Josef Steindl, Nicholas Kaldor, Alfred Eichner, and others.

[23] Cf. Lavoie (2014, 123-4).

[24] See Steven Pressman (2006–2007).

short-term profit maximization — should be considered the principal objective of modern managerial firms.[25] During the last decades, however, with the rise of finance capitalism, in which large financial investors exert pressure on corporate managers for higher returns (see Brown 1998; Block 2011),[26] such Galbraithian approach has become questionable. Nevertheless, post-Keynesians believe that the move toward financialization does not necessarily affect the essential features of the growth-maximizing firm (Lavoie 2014, 144-145). While the new circumstances have indeed restricted the firms' finance conditions (higher dividend payouts required, etc.), they have simultaneously induced managers to reduce all kinds of X-inefficiencies and to exploit more efficiently and rigorously the internal resources of firms, including the structure of information flows and CC activities. Thus, shareholder activism, in fact, strengthens the need for CC. CC can be presented as a means for pushing a firm's expansion frontier outward and increasing its long-term growth potential and profitability.

In the post-Keynesian theory of the firm, the growth objective is subject to two constraints. One is the *finance frontier* that depends on the extent of self-financing and on the availability of external funding. The other is the *expansion frontier* that depends on a firm's internal resources and capabilities to manage the problems related to its growth. The shape of the expansion frontier is determined by factors that were first thoroughly analyzed by Penrose (1959), who viewed the firm as a complex combination of competences and resources. There are physical and human resources, and, among the latter, the services of entrepreneurial and managerial resources — including effective CC — are of crucial importance for a firm's performance. The expansion frontier of the firm is determined by the scope of its managerial capabilities and management communications. The Penrosian approach to the firm is congruent with the evolutionary view of the firm, according to which an effective use of internal resources leads to the fulfilment of a firm's aspirations in terms of growth and profitability.[27] Growth initially brings higher profit rates, but at higher growth rates the firm faces "inherent difficulties of management in coping efficiently with change and expansion" (Lavoie 1992, 115), which consequently leads to lower profit rate.

In reality, these difficulties might take several forms: from problems of expanding into new and unknown markets with different cultures, which increases uncertainty; to training incoming management; coordinating various levels of internal bureaucracy; coping with environmental issues; adapting to various regulatory policies and legislative practices; etc. But the underlying feature that contributes to resolving these problems is related to CC. Namely, in a dynamic and uncertain world where knowledge, guiding the strategic processes and actions of the firm, depends on the firm's resources (which also are subject to development) and is in essence imperfect, it is important that firms have the option of influencing the information available to

[25] The idea of the growth-maximizing corporation was proposed already in the 1930s by Adolf A. Berle and Gardiner C. Means (1932).

[26] For the Swedish case of shareholder activism, see also Lars Nordén and Therese Strand (2009).

[27] See Geoffrey M. Hodgson (1999, 247-275).

other firms and of affecting the process of interpretation and decision-making (i.e., change of information to knowledge), so that they can mold the business environment to their own benefit. This view is in line with Hodgson (1998), who refers to Thorstein Veblen (1919), Herbert A. Simon (1951), and G.L.S. Shackle (1972) in claiming that, in uncertainty, standard (available to all) optimization cannot be efficiently used to solve decision-making problems.

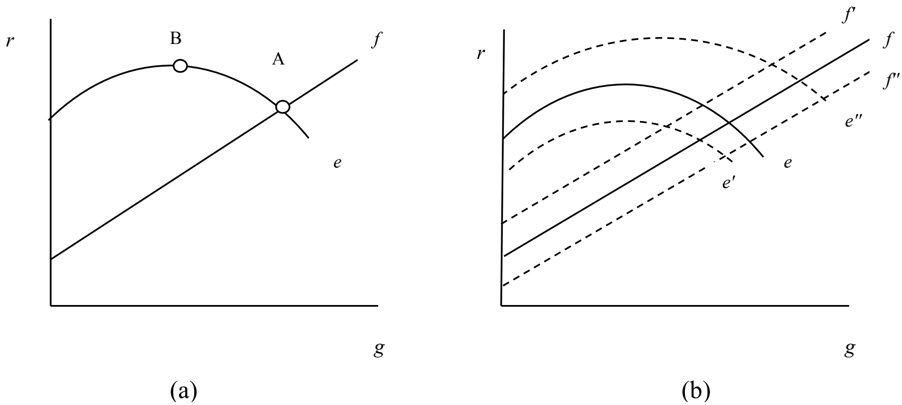
In this case, firm-specific resources (as suggested by Peteraf 1993), including CC, represent a valuable asset for creating and sustaining competitive advantage. Efficient management of internal and external communication (as one of such resources), at all levels, prolongs the ascending portion of the expansion frontier and represents the firm's competitive advantage in generating profits and growth. In graphical form, this is represented in Figure 1(a), depicting the finance frontier (*f*) and the expansion frontier (*e*) of the firm, as a relation between its growth rate (*g*) and profit rate (*r*). The expansion frontier is a bell-shaped function, showing that a higher growth rate of the firm normally leads to a higher profit rate. After a certain point, however, the function starts declining due to various problems of continued expansion, as explained above. The length of the rising portion of *e* and its position are determined by the firm's internal resources, i.e., by intangible, "soft" factors, such as the organization of the company, the effectiveness of managers, CC, and other. The better the firm is at these soft factors, the more competitive it is on the market. The *f* function, on the other hand, is essentially neoclassical: higher profit rates enable higher growth rates.[28] In the neoclassical view, the firm aims at attaining point B, i.e., its maximum profit rate, while in the post-Keynesian view, the firm tends to exploit all growth opportunities (note that its expansion rate coincides with the growth of its power as the ultimate corporate goal) and aims at point A.

Figure 1(a), which shows two optimal points (neoclassical and institutionalist/post-Keynesian), is essentially a *static* picture of possible growth decisions, e.g., within a one-year planning period. Interpreting the diagram in a dynamic context — i.e., observing the firm's decisions for different types of CC in successive time periods (as a result of rivalry with other firms) — brings forward the importance of changes in the firm's expansion frontier. This is shown in Figure 1(b). For example, due to effective CC, which increases corporate reputation over the long run (Type 4 of the CC matrix), the *e* curve shifts outwards (to *e''*), thereby enabling higher growth rates (and also higher profits). A successful firm's performance might subsequently lead to lowering of *f*, e.g., through easier access to external funding (to *f''*), which further benefits growth opportunities. On the other hand, CC policies — based on manipulative behavior or limited knowledge (Types 1-3 in the CC matrix) — might be effective in the short run. In the long run, however, they would successfully move a company's *e* curve inwards (to *e'*), resulting in lower growth and profit rates. This might subsequently lead to a rise of *f* (to *f'*), reducing the availability of external funds

[28] Even at a zero growth rate, certain amount of profit is needed to pay for the interests, dividends, etc.

and aggravating a firm's financial position.[29] Therefore, it could be argued that CC directly impacts a firm's expansion frontier, as well as, indirectly, its finance frontier and growth.[30]

Figure 1. The Financial and Expansion Frontier Approach to the Firm



CC possibly encompasses all activities that help build and sustain corporate reputation and, by doing so, also increases the growth potential of a firm. In the context of our theoretical framework, reputation is one of the key elements that push the expansion frontier function outward, enhancing a firm's competitive advantage and leading to better corporate performance. Therefore, CC should be treated accordingly and provided with the required funding. When determining the concrete level of CC budgets or, in other words, the amount of investment in CC (the "intangible investment" in the well-known Eichner's model of the megacorp covers,

[29] As already mentioned, the tendency of the firms' finance frontier functions to rise in modern "money manager" capitalism can also be attributed to the persistent shareholder activism, performed by large mutual or pension funds. In response to their financial pressures, the firms' managers have been putting additional efforts into pushing the expansion frontier functions outwards, using all the available firm potentials. In terms of Figure 1(b), this means that being faced with the shift from *f* to *f'*, the firm's growth rate initially decreases, but after moving *e* to *e''* the firm attains both a higher profit rate and a higher growth rate (cf. Lavoie 2014, 145). However, Lavoie (2014, 146-147) points also to another interesting scenario that can be deduced from Figure 1, and it is very realistic. In a firm, in which the shareholders' activism has led to a change in managerial objectives — that is, to the objective of profits instead of growth — substantial managerial slack appears, based on the differential between the maximum profit rate and the profit rate needed to finance (now lower) growth. This differential is then the source of extremely high managerial salaries and bonuses, which potentially leads to the downward shift of the firm's expansion frontier (because of the managers being seduced into taking overly risky decisions), and consequently to a decline of the firm's performance.

[30] The same analytical framework, based on the dynamics of the finance and expansion frontiers, was used also to explain the differences in performance of the ex-socialist firms in the period of transition (see Sušjan 1996).

among other things, the projects intended to sustain the megacorp's favorable public image),[31] the "marginalist" answers of neoclassical microeconomics are not of much help, which is another argument in favor of the heterodox approach. It is simply not possible to determine the exact marginal contribution of CC and/or of its various forms to reputation and further to (the maximization of) profits. Again, the answers can be found in institutional economics, especially in the institutions of routinized behavior, whose importance for the firm was analyzed by Richard R. Nelson and Sidney G. Winter (1982) and further emphasized by Hodgson (1988, 130-134). The overall CC budget — as well as (when the firm orchestrates different forms of CC) specific budgets — are determined on a successive year to year basis. The guideline is taking previous years' CC budgets and possibly correcting them in accordance with the planned new production and planned expanding into new markets, which involves new CC activities with new stakeholders and establishment relations. This relatively stable pattern of behavior is part of a firm's long-term growth strategy.[32]

Within the institutionalist model of the firm, the activities of CC enhance a firm's growth opportunities by affecting its expansion-frontier and finance-frontier functions. As such, they should be viewed as an important element of a firm's competitive struggle. This approach is also in line with the realistic notion of competition as dynamic rivalry we outlined above.

The Relevance of the CC Matrix: The Financial Crisis and Some Evidence from a Transitional Economy

The availability of information and knowledge impacts not only the firm, but also the economy in general. As already noted by Joseph Stiglitz (2009), the problems relating to information can cause a "non-existent hand" (an analogy to the "invisible hand" and a belief in the efficiency of the process of rivalry). The importance of corporate communication behavior in this context is evident from the following quote about the ratings of firms at the beginning of the 2008 financial crisis:

> To the astute investor, the value of these downgrades is eerily reminiscent of the agencies' collective performance on the eve of the financial crisis. Moody's put Lehman Brothers' investment-grade A2 rating "on review" a mere five days before it filed for bankruptcy. Standard & Poor's gave American International Group (NYS: AIG) an investment-grade A rating less than a week before the insurance company was nationalized. Merrill Lynch and Bear Stearns sported investment-grade ratings when they were

[31] See Alfred Eichner (1976, 90-96).

[32] Routine financing is typical also in the area of advertising (see Kotler and Keller 2006, 553-554, 569). For institutionalists, repetitive and stable patterns of behavior (which, however, are not unbreakable) are seen as a normal response to the informational uncertainties in the environment (see, for example, Fernández-Huerga 2008, 718). The "breaking" of patterns happens rarely, especially when the institutional environment changes radically, such as, for example, in cases of transition from socialist to capitalist systems, government laws affecting specific industries, and changes in the natural environment.

rescued by Bank of America (NYS: BAC) and JPMorgan Chase (NYS: JPM), respectively. And both Fannie Mae and Freddie Mac had highly coveted AAA ratings at the time they were forced into conservatorship. (Maxfield 2012)[33]

When referencing this quote to the firms' CC in the financial sector in the past years, we notice that the crucial information from investors was wrong and misleading. Even when CEOs, boards of directors, and CC managers wanted to share information truthfully (Type 4 in Table 2), it rarely happened.[34] It seems that the prevailing practice was "open ignorance" (Type 2). Many firms, not having (or not caring about) information, followed the inferior CC practice (Type 1). However, there were also firms that "knew" what was about to happen, but they were hiding this information. These firms practiced deceiving and manipulative CC (Type 3), enabling them to realize huge, though temporary "information-based" profits.[35]

In the context of the post-Keynesian model with CC (Figure 1(b)), such practices as suggested by the example above, push the expansion frontier down (to *e'*) because of the loss of trust by customers. Also, poor CC practices harm the corporate reputation, increasing the cost of external finance and pushing the finance frontier up (to *f'*). Thus, poor approach to CC negatively impacts corporate growth opportunities due to both external and internal reasons.

It should also be emphasized that CC practices stemming from positions 2 and 3 in Table 2 have cumulative effects. That is, wrong and misleading information is multiplied, and in the case of the recent economic turmoil inevitably led to deepening of the financial crisis. On the basis of the CC matrix, we may argue that the current economic crisis actually started with an information and corporate communication crisis, influencing the general business environment and thus harming the expansion and financial frontiers of many firms.

Empirical evidence suggests that CC represents a powerful tool of dynamic competition, because it reduces the uncertainty of a firm's environment and contributes positively to its reputation, crisis management, and long-term expansion (see Chun 2005; Rose and Thomsen 2004; Tadelis 1999). Pete Engardio and Michael Arndt (2007) emphasize that company communications must have a solid ground, as reputation can only be built over years and effective communication can significantly help those companies that do have "good stories to tell." Significant in this respect is also the comment of Gene Grabowski (2010) regarding the revelation of the company's truth: Consumers "can accept that you aren't perfect," but "they will not

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[33] Available at www.dailyfinance.com/2012/03/14/ratings-agencies-are-always-the-last-to-know/. Accessed May 15, 2015.

[34] See Jordi Xifra and Enric Ordeix (2009) for such a case.

[35] Bernie Madoff's Ponzi scheme, as well as the top management of AIG and the Royal Bank of Scotland are just some recent examples of such socially irresponsible behavior (c.f. Ławniczak 2009, 349). Joseph Stiglitz illustrates the prevailing practice with the following: "The head of Goldman Sachs, Lloyd Blankfein, made it perfectly clear: the sophisticated investors don't, or at least shouldn't, rely on trust" (Stiglitz 2012, 124).

accept that you're not being transparent, because that then feeds thoughts of willful deception and cover-ups."

The lack of transparency has also been a widespread phenomenon in transition economies. In Slovenia, for example, in the period from 2004 to 2008, a series of managerial buyouts was carried out in a non-transparent way by well-informed CEOs, who — by deceiving the companies' stakeholders through the subdued CC departments (Type 3 in the CC matrix) — intended to take over the companies through extensive bank credits. However, with the arrival of the financial crisis in 2008, these management-buyout (MBO) projects collapsed and these companies — among them, the home-improvement chain Merkur, the construction companies SCT and Vegrad, the petrol company Istrabenz, and the brewing company Laško — together with the involved state banks NLB and NKBM, found themselves on the verge of bankruptcy.[36] On the other hand, there were also many solid Slovenian companies, especially in the pharmaceutical industry — such as, for example, Krka and Lek, as well as the home appliances company Gorenje — that avoided such practices, with their CC departments actively promoting fair relations with the stakeholders, maintaining trust and transparency (Type 4 in the CC matrix), and expanding their growth frontiers.[37]

As far as Slovenia's state companies are concerned, the majority of them seemed to have been close to the inferior CC practice (Type 1), with their CC activities being based on poor information that they kept from the public. In the case of some state-owned banks, such as the "hub" state bank NLB, the information was shared in an apparently correct way, but since the banks were de facto exposed to a high degree of uncertainty due to lack of information about changes in the international banking sector, this was essentially an "open ignorance" situation (Type 2).[38] Thus, the prevailingly non-transparent CC of Slovenian banks and companies might be blamed — in a similar way as the paradigmatic Lehman Brothers case — for disseminating information uncertainties, which led to a deterioration of the business climate and, consequently, to the rapid decline of Slovenia's GDP after 2009.

Conclusion

We claim that the suitability of the orthodox neoclassical theory of the firm for the economic analysis of CC is questionable. Neoclassical microeconomics is still based on the essentially static model of perfect competition, assuming perfect information and substantive rationality of economic agents. The perfect competition/information model does not represent, to use Keynes's words, "the economic society in which we

[36] See Dan Bilefsky (2013). It should be noted that the impact of irresponsible CC and the consequent fall of these big companies was devastating also because it led to the bankruptcy of their many subcontracting firms.

[37] See Igor Guardiancich (2013).

[38] NLB, as the biggest state bank, had been pursuing "open ignorance" CC for years. Only recently, after its contaminated assets had been transferred onto the so-called "bad bank," it has moved toward more responsible and transparent CC practices (www.nlb.si/odziv-slaba-posojilanlb?doc=37378&linkgroupid=0).

actually live, with the result that its teaching is misleading and disastrous if we attempt to apply it to the facts of experience" (Keynes [1936] 1951, 3). Therefore, it should be abandoned and replaced with heterodox views of the firm and competition.

We have shown that, within economic theory, CC that covers all communication activities, aimed at improving corporate reputation, should be related to the concept of dynamic competition and to post-Keynesian economics, the latter of which builds on the tradition of institutionalist theory about the growth-oriented oligopolistic firm. In this context, we view CC as a means of reducing uncertainty and integrating the firm into the economic environment. Despite the difficulties of precise categorization of CC practices, we have shown that the matrix of four basic types of corporate communication with the economic environment provides a framework for the classification of CC practices, including those that were conducive to the latest economic crisis. In relation to the CC matrix, we have provided a case study of some typical examples of CC policies of various companies and banks from Slovenia. Their deceitful and non-transparent CC practices have significantly contributed to the downturn of the Slovenian economy in recent years.

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