



Driving The Value Premium Through Cultural, Symbolic, Economic and Social Capital Management

Goran Vlastic

*University of Sussex, Fulmer, UK
University of Zagreb, Zagreb, Croatia
Email: contact@gvlastic.com*

Josef Langer

*University of Klagenfurt, Klagenfurt, Austria
Universitätsstraße 65, 9020 Klagenfurt am Wörthersee, Austria
Email: josef.langer@uni-klu.ac.at*

Tanja Kesic

*University of Zagreb, Zagreb, Croatia
Email: tkesic@efzg.hr*

Abstract

This research aims at discussing and testing how different forms of capital can be managed in order to enhance the expected value premium, defined as the extent to which stakeholder perceives an entity is entitled to above-average reward for its outputs. We propose a model using a mediating mechanism that combines literature on sociology, marketing and reputation. Results indicate the greatest importance of cultural capital, followed by economic and symbolic capital. Social capital has important influence but only through its convertibility into other forms of capital. Cultural, symbolic and social capital impact value premium only indirectly, through entity charisma, trust and reputation. Economic capital is the only which, besides indirect effect, has a direct impact on value premium. Model exhibits high explanatory power for all the variables. At the end, conclusions and propositions for further research are presented.

Keywords: *Cultural, Symbolic, Economic, Social, Capital, Charisma, Reputation, Trust, Value Premium*

INTRODUCTION

Getting consumers to be willing to pay the price premium for one product over another has long been the goal of marketing experts. In discussing different sources of such price premium, focus was mainly on the reputation and brand image. However, in sociology literature, where the literatures on reputation and image draw foundations from impression management, ideas were developed that each entity has several forms of capital which it manages in order to enhance value perceptions as perceived by stakeholders. Literature on different forms of capital (economic, social, symbolic, and cultural) has generally been conceptual. Thus, this research aims at discussing and testing how different forms of capital can be managed in order to enhance the expected value premium, defined as the extent to which stakeholder



perceives an entity is entitled to an above-average reward for its outputs. We propose a model using a mediating mechanism that combines literature on sociology, marketing and reputation.

FORMS OF CAPITAL

Since ancient times numerous forms of capital have been recognized as important and have provided those endowed with it with certain advantages (Bourdieu, 1990). However, capital cannot exist per se (Bourdieu, 1990). This plethora of capitals is legitimated only in relation to the culture, which sets the context in which all entities operate. Even economic capital, which is usually treated as given, is only socially constructed and culturally validated. In that sense, capital exists only if a certain society perceives it to have some value, i.e. if it was generated while “playing the game successfully within a cultural field” (St. Clair, Rodriguez, and Nelson, 2005). Thus, culture is a “map that allows a person to understand the territory in which he exists” (St. Clair, Rodriguez, and Nelson, 2005).

Following Bourdieu’s theory of inequality, markets can be described as multidimensional social space where “the different forms of capital (economic, social [, cultural] and symbolic capital) serve as the building principles of these social spaces, enjoying higher or lower ratings in the different markets. Thus, the various forms of capital constitute a crucial criterion for differentiating different markets” (Gergs, 2003, pp. 40-41). In this sense, Bourdieu’s forms of capital are seen as dimensions, which receive a certain rating by different stakeholder groups and thus create certain perceptions of an entity.

Capital forms include economic, cultural, social and symbolic capitals (Bourdieu, 1985). Bourdieu stresses that all forms of capital are liquid and can be a source of greater wealth. In his works, *economic capital* is defined as *accumulated financial resources and assets* (Bourdieu, 1990), and this is the definition that will be used in this research. Marx calls this type of capital “productive capital” while the other forms of capital (cultural, social and symbolic) would fit under what Marx terms “fictive capital”.

Social capital can be defined as a set of resources embedded in relationships (Burt, 1992). More specifically, social capital can be defined as "the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (Bourdieu and Wacquant, 1992, p. 119). For this research, *social capital* will be defined as *resources, which are controlled on the basis of existing and potential social networks* (Burt, 1992).



Third form of capital, cultural capital entitles those endowed with it to be “the producers of their own destiny” and the others are “their followers” (St. Clair, Rodriguez, and Nelson, 2005). Cultural capital presents the endowment of an individual entity with admirable traits and characteristics. Literature recognizes three general forms in which cultural capital can exist (Bourdieu, 1985): *embodied* cultural capital which presents long-lasting dispositions inherited and acquired by one's self through socialization, learning, innovation, technology, positivity of an entity, and synchronization of an entity with norms; *objectified* cultural capital in the form of cultural goods; and *institutionalized* cultural capital which presents institutional credentials and qualifications for which its provider is able to guarantee. In this research *cultural capital* is defined as the *favorable cultural traits that one individual entity has, reflected in embodied, objectified and institutionalized advantages that provide higher status in society* (Bourdieu, 1990). The measure developed was used to reflect all three dimensions of cultural capital at aggregate level in order to be applicable to different types of entities

Fourth form of capital, symbolic capital, can generally be seen as capital resulting from accumulated investments (of time, effort and money) in activities not having a direct impact on the financial performance of an entity (Bourdieu, 1985). Symbolic capital enables actors to “go to market with only their faces, their names and their honor for money and even to bid whether they have money on them or not” (Bourdieu, 1990). It enables an explanation of “the logic of the economy of honour and ‘good faith’ ... [and] economy of symbolic goods” (Bourdieu, 2005, p. 2). Following the abovementioned ideas, *symbolic capital* is defined (and measured) as *the resources available to an entity on the basis of honor, prestige and/or recognition, resulting from investments of time, energy and wealth into activities which do not yield a short-term economic return for the entity* (Calhoun, 2002; Bird and Smith, 2005; Bourdieu, 1990).

MEDIATING MECHANISM

Mediating mechanism that translates these forms of capital into added value for an entity encompasses perceptual concepts of charisma, trust and reputation. *Charisma* is defined as the *trait characterized by extreme charm and a “magnetic” quality of personality and/or appearance along with innate and powerfully sophisticated communicability and persuasiveness* (Conger, Kanungo, and Menon, 2000). In this research we focus on trust as calculus-based trust which is based on the rational choice that an actor has intentions and competences to behave in a certain manner and arises from signals creating an indirect expectation of trustworthy behavior (Doney, Cannon, and Mullen, 1998). Last mediating element, reputation, is defined as *stakeholders’ perceptions of an entity’s current and potential performance*



on dimensions that can be observed by stakeholders based on the quality and innovativeness of observable output as well as the entity's capability to persistently provide such output.

HYPOTHESES

In a given field, each entity is characterized by the four forms of capital which it manages to function within it (Bourdieu, 1990). Thus, our model starts from these forms of capital and builds toward understanding the value premium consumer is expecting the entity to be able to acquire for its outputs.

Greater economic capital implies that an entity has resources to invest and that it is good in generating value. Therefore, it also automatically creates greater expectations of how much value an entity can charge above and beyond its average competitor. Thus, regarding the economic capital we hypothesize:

H1: The greater the entity's economic capital the greater is its expected value premium.

Regarding the social capital, it is expected that entities having greater social capital have more partners to rely on and are therefore expected to more easily generate value premium. Therefore, we expect that:

H2: The greater the entity's social capital the greater is its expected value premium.

Referring to cultural capital, it implies the greatness of an entity (in terms of knowledge, abilities, etc) thus also implying positive impact on what an entity produces. Therefore, it is expected that an entity endowed with cultural capital can expect to receive a greater value for its outputs.

H3: The greater the entity's cultural capital the greater is its expected value premium.

Symbolic capital implies irrational investments therefore implying that an entity has already accumulated significant additional value. Thus, such entity has generated extra value before and is expected to be able to generate extra value again. For that reason we hypothesize:

H4: The greater the entity's symbolic capital the greater is its expected value premium.

METHODOLOGY

Research was carried out in one European country. First, the goal was to identify the most salient entities for which the research will be carried out. In that sense a nationally representative sample was contacted using the CATI method. To



ensure objectivity and quality of data, the largest regional (CEE) market research agency was employed. For the first part of this research 180 respondents were asked to name two companies / entertainers / politicians / media which they considered to have the best reputation and two of each with the worst reputation. This would ensure that only entities with a certain level of recognition and public presence are analyzed. From the set of all mentioned entities, for further research we selected those that were: top 5% - the most admirable reputation in each category; top 5% - the least admirable reputation in each category; top 5% of “top of the mind” entities for the most admirable reputation; and top 5% of “top of the mind” entities for the least admirable reputation.

To get the list of entities’ reputation admirability, we subtracted the number of times they were mentioned as entities with a bad reputation from the number of times they were mentioned. However, since this procedure would lead to canceling out those individuals with highly polar perceptions, i.e. those that are salient both as an example of good and bad reputation, we included all those entities that are in the top 5% based on the number of positive recalls and those that are in the top 5% of the least admirable companies. This approach to entity selection resulted in a list of eight media, eight entertainers, six politicians and nine companies.

Further research was carried out on students who present knowledgeable respondents for this research purpose, which is consistent with prior research (e.g. Veloutsou and Moutinho, 2009; Ruth and York, 2004). They are the ones with the time and ability to consume more media, they participate in entertaining events and they follow information on entertainers, are voters interested in the future of the country and see these different companies both as producers of goods and services they consume, but also as potential employers. Thus, they are the consumers of output produced by entities considered in this research which makes them good respondents who are expected to be well informed about different activities of these entities (Bartikowski and Walsh, 2009). Moreover, all entities considered in this research claim that the student population is one of their key stakeholder groups, either as employees, buyers, sources, voters, etc. The number of respondents 276 (68,2% female, 31,8% male) with no systematic differences based on gender or age.

MEASURES

Following the literature, measures were developed to reflect theoretical constructs. Items for measures were grounded on existing scales, complemented with items which reflect the theoretical constructs of these different variables and with the items came up in the in-depth interviews with experts in order to fit the context. To test the reliability of the constructs, literature suggests reporting three key measures: composite reliability (CR), average variance extracted (AVE), and Cronbach-alpha



(which reflects the internal consistency of measures) (Anderson and Gerbing, 1988) with minimum thresholds being 0.7 for CR and Cronbach-alpha, and 0.5 for AVE (Hair, Black, Babin and Anderson, 2005; Dillon and Goldstein, 1984; Nunnally and Bernstein, 1994). These conditions were satisfied by all our measures: social capital (n=6, $\alpha=0.924$, CR=0.928, AVE=0.684); cultural capital (n=18, $\alpha=0.972$, CR=0.979, AVE=0.712); symbolic capital (n=11, $\alpha=0.955$, CR=0.955, AVE=0.662); economic capital, (n=5, $\alpha=0.892$, CR=0.896, AVE=0.639); entity trust (n=5, $\alpha=0.900$, CR=0.899, AVE=0.640); entity charisma (n=4, $\alpha=0.883$, CR=0.875, AVE=0.638); entity reputation (n=8, $\alpha=0.933$, CR=0.934, AVE=0,640). Expected value premium was measured using a single-item measure.

RESULTS

Measurement model exhibits needed fit within the limits suggested in social sciences (Hair, Black, Babin, Anderson, and Tatham, 2005; Camines and McIver, 1981; Steiger, 1990) with RMSEA being 0,08 and CMIN/DF=2.189. Data also satisfy the condition of multivariate normality. Thus, model was first tested using structural equation modeling including only different forms of capital as explanatory variables. Results indicate that only significant impact is that of symbolic capital ($\beta= 0,383$; $p=0,016$).

To understand their impacts more, additional analyses were conducted. First, second model was run using SEM that included also the mediating variables. For robustness reasons, we tested the same theoretical model using regressions.

Table 1: SEM Model

		Model 1	Model 2	Model 3	Model 4
		SEM	SEM	Regression	Robust SEM
Value premium ($R^2 = ,281$) ^a	<--- Entity reputation		,692**	,418**	,361***
	<--- Economic capital	,187	,356*	,293*	,252**
	<--- Cultural capital	-,110	-,591*	-,133	
	<--- Social capital	,146	-,092	-,028	
	<--- Entity trust		-,350	-,098	
	<--- Symbolic capital	,383*	,256	,203	
	<--- Entity charisma		,362	,075	

*** $p<0.000$; ** $p<0.01$; * $p<0.05$; ^a R^2 is measured for model 4



Testing direct relationships indicates possible positive impact of symbolic capital and economic capital on value premium. However, taking into account the mediating variables, a full picture is painted.

The relationships in the model that have sustained the robustness check of using different methodologies as well as interactions and controls, have been entered in a SEM model and ran in model 4 to analyze their impact (RMSEA=0,08, CMIN/DF=2,197). The quality of this model can also be implied from very high R^2 for all the variables, especially when one considers that model was run with only several explanatory variables.

Results indicate overall positive effect of economic capital (Impact = ,029), positive impact of cultural capital (Impact = ,316), positive overall impact of symbolic capital (Impact = ,032), and a negative overall impact of social capital (Impact = -,012).

Table 2: Total effects of robust model (including direct and indirect effects)

	<i>Value premium</i>
Economic capital	0,239
Cultural capital	0,316
Symbolic capital	0,032
Social capital	-0,012

Therefore H1, H2, H3 can be accepted, while H4 needs to be rejected. This can be explained by the discussion of diminishing dependence on one particular actor if an entity can rely on a larger network of partners. Thus, the larger the base of potential partners, the lower the importance of each particular partner thus reducing the benefit from investing in trust and behaving in a trustworthy manner toward each partner individually. However, social capital has possibility to impact value premium by being transformed into other forms of capital. It has an important moderating role and is highly liquid form of capital especially in its conversion into economic capital ($\rho=,824$) and cultural capital ($\rho=,599$). These results relate to all the entities analyzed simultaneously. For robustness we also tested this model on one entity type at a time and did not find any significant differences from this presented model.

CONCLUSIONS

This research aims at explaining the role of different forms of capital in generating value premium for an entity. Our model relates sociology literature to the marketing and reputation literatures in order to provide the mediating mechanism on how value premium, as an important concept for marketing strategists, can be



achieved. Moreover, merging these literature streams we were able to analyze reputation, both conceptually and empirically, as stakeholder's perceptions of what they can observe, i.e. the output of any given entity and future expectations related to this output, rather than employing prior measures of reputation which measured it through its antecedents and have been questioned in the previous literature.

Results indicate that different forms of capital generally do not have a direct impact on the extra value that it can expect to get for its products/services but rather an indirect effect through such abstract concepts as charisma and trust and a more applied concept of reputation (analyzed as reputation of product/service quality, innovativeness and capability to deliver such outcomes in the future). The strongest overall impact on expected value premium has the cultural capital of an entity thus justifying investments in it. The importance of social capital a bit more indirect since it impacts the value premium by being converted into other forms of capital (with especially high convertibility into economic and cultural capital). Besides this, we stress the importance of the "divine" concept of charisma which has a strong influence on trust and is a manageable category, both directly and indirectly. It is not just a characteristic of a person but can also be ascribed to an organization.

To successfully manage the value premium one can expect, an entity has to carefully manage its relationships with numerous stakeholders in a wider social context. Although its revenues generally come from consumers, in their assessment these consumers take into account also what others consider about this entity. Marketers cannot be focused on short term benefits by altering consumer short term perceptions but should work on enhancing the level of capital an entity is endowed with thus creating longer term effects.

As any research, this research has some limitations. In this research we used students as respondents. Although prior literature analyzing similar ideas has also used students as respondents, further research could be done from other stakeholders' perspectives. To ensure students were appropriate for our research purpose we analyzed selected entities and whether they list students as one of their key stakeholder groups (i.e. do they mention students in their public relation activities, web sites, participations at university events, etc.). Also, variables were measured from one stakeholder's point of view which could be criticized that other views are disregarded. Although we recognize great potential in comparing different stakeholders' perceptions, literature recognizes that, when evaluating variables discussed in this research, one stakeholder group takes into consideration also what it believes other stakeholders' perceptions are.

Future research should analyze the mechanisms of conversion from one form of Bourdieu's capital into another. In addition, understanding antecedents and



moderators that enhance or diminish the conversion ability represent another important area of inquiry. Future research can contribute a lot by providing an understanding of network effects. In that sense, it could answer the question of how different forms of capital can be converted and/or built upon by different entities simultaneously (i.e. cooperative capital management). In this research such network effects are picked up through the perceptions of the key stakeholder group. However, a better understanding would enable firms to better manage their activities to not just from their own efforts but also from partners' legitimacies. Another possible venue for further research lies in introducing more dynamics into the model. In that sense, it would be interesting to analyze how for a particular entity this model changes across its life cycle. In that sense, at which point in time (for different entities) do particular forms of capital become more important in achieving reputation capital? Dynamics can also be introduced by understanding how reputation capital enables a feedback into Bourdieu's forms of capital thus researching a potential dynamic recursive relation between the variables.

REFERENCES

- Anderson, J. C., & Gerbing, D. W. Structural equation modeling in practice: A review and recommended two-step approach. *Psychological Bulletin*. 1988; 103 (3): 411-423
- Bartikowski, B & Walsh, G. Investigating mediators between corporate reputation and customer citizenship behaviors. *Journal of Business Research* 2009, doi:10.1016/j.jbusres.2009.09.018
- Bird, R. B., & Smith, E. A. Signalling theory, strategic interaction, and symbolic capital. *Current Anthropology*. 2005; 46 (2): 221-248
- Bourdieu, P. *Distinction: A social critique of the judgement of taste*. Cambridge: Harvard University Press, 1984.
- Bourdieu, P. The forms of capital. In J. G. Richardson, *Handbook of theory and research for the sociology of education*. New York: Greenwood, 1985. pp. 241-258.
- Bourdieu, P. *The logic of practice*. Cambridge: Polity Press, 1990.
- Bourdieu, P. *Language and the symbolic power*. Cambridge: Cambridge University Press, 1991.
- Bourdieu, P. *The social structures of the economy*. Cambridge: Polity Press, 2005.
- Bourdieu, P., & Wacquant, L. J. *An invitation to reflexive sociology*. Chicago: University of Chicago Press, 1992.



- Burt, R. S. *Structural holes: The social structure of competition*. Cambridge: Harvard University Press, 1992.
- Calhoun, C. *Dictionary of the social sciences*. Oxford: Oxford University Press, 2002.
- Camines, E. G., & McIver, J. P. Analyzing models with unobserved variables: Analysis of covariance structures. In: G. W. Bohrnstedt, & E. F. Borgatta. *Social measurement: Current issues*. Beverly Hills: Sage Publications, 1981. pp. 65-115.
- Conger, J. A., Kanungo, R., & Menon, S. Charismatic leadership and follower effects. *Journal of Organizational Behavior* 2000; 21; 747-767
- Dillon, W., & Goldstein, M. *Multivariate analysis: Methods and applications*. New York: Wiley, 1984.
- Doney, P. M., Cannon, J. P., & Mullen, M. R. Understanding the influence of national culture on the development of trust. *Academy of Management Review* 1998; 23 (3): 601-620
- Gergs, H.-J. Economic, social, and symbolic capital: New aspects for the development of a sociological theory of the market. *International Studies of Management and Organization*. 2003; 33 (2): 22-48
- Hair, J. F., Black, B., Babin, B., Anderson, R. E., & Tatham, R. L. *Multivariate data analysis*. New York: Prentice Hall, 2005.
- Nunnally, J. C., & Bernstein, I. H. *Psychometric theory*. New York: McGraw-Hill, 1994.
- Ruth, J. A., & York, A. Framing information to enhance corporate reputation: The impact of message source, information type, and reference point. *Journal of Business Research* 2004, 57: 14-20
- St. Clair, R. N., Rodriguez, W. E., & Nelson, C. Habitus and communication theory. *Intercultural Communication Studies*. 2005; 13 (4): 142-156
- Steiger, J. Structural model evaluation and modification: An interval estimation approach. *Multivariate Behavioral Research*. 1990; 25: 173-180
- Veloutsou, C. & Moutinho, L. Brand relationships through brand reputation and brand tribalism. *Journal of Business Research* 2009; 62: 314-322