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# THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND REPUTATION IN FINANCIAL MARKETS: EVIDENCE FROM TURKEY

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## Abstract

*This study aims to measure the relation between corporate governance and reputation management, which has been gradually important for banks. Reputation fact, which may be perceived differently in every sector and business, has a distinctive structure in finance sector, too. Banks, having direct relationship with money, totally take on a reputation job. However, conducted international and national studies show that financial institutions and especially banks take place in sub steps within all sectors in reliance grading. This situation forms a paradox in itself and the fact that institutions, whose job is reputation, are the institutions, having lowest reputation, leads to discussion. In this study, the relationship between reputation management and corporate governance of İşbank and Turkcell*

***Key Words:*** *Reputation, Corporate Governance, Banking Sector*

***JEL Classification:*** *C44, G21, L25.*

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*"It takes 20 years to build a reputation and five minutes to ruin it" (Warren Buffet 1995)*

## 1. Introduction

Reputation is the most reliable tie of establishment and financial institution for effective corporate governance. More importantly, it is appearance of institution. Reputation of an institution is a most important market value principle, included into capital inasmuch as firm value in balance sheets. As in other sectors, formation of a good reputation in finance sector helps solution of asymmetric information problem and has important place especially in long term effect of financial operations.(Vanston, 2012:4-5)

As a result of the crisis, functional reputation, depending on central and economic performance of establishments, has gradually lost its importance due to the fact that social expectations are more extensive. Thus, dynamics, immediately effecting social dimension of reputation, has gained importance. Global financial crisis of 2008 shows that primary social responsibility areas of establishments should be to discharge its macro-economic responsibilities. Macro-economic responsibility gives companies more social responsibility duties. In another words, social responsibility should be adopted by establishments to contribute into national economy and its own economic performance, not to be benefactor (Eisenegger, 2011:162).

Reputation crisis don't have an important effect on the value of a company. Loss of reputation may damage any business line of establishment. Establishments need to develop reputation risk management abilities due to the fact that reputation risk can't be prevented. These abilities consist of following three factors: Mentality, processes, values and culture. Within this context, a reputation management is in fact a decision making and wisdom system. (Diermeier, 2011:1)

Loss in reputation means damage for banks from three different points of view. The first one is that reliance factor, forming the base of financial system, is damaged. The fact that clients, depositing their savings to the bank, suffer a loss will abuse the trust in bank. The second one is the loss, that bank suffers. Banks are institutions, having close relationships with each other. That a bank loses its reputation will influence not only the bank, but also the whole banking system. The third one is the loss, influencing the whole economic system. Banks are a leading sector, acting as a mediator between real sector and financial sector. Thus, reputation problem of banks will influence the whole economy. (Gündoğdu, 2014:7)

According to ex-president of Central Bank of India, Dr. Y.V.Reddy; measuring reliance is a difficult job, but some surveys and statements in media show that there is a lack of reliance in whole financial system, especially in developed banking system. (Vanston, 2012:3)

Most of the people want to rely on financial system in order to achieve the highest profit through the lowest cost and to do an effective business to transform their individual protections into private or public investments. This confidence was significantly lost as a result of financial crisis. Millions of people lost important part of their individual and retirement incomes due to fall in stocks. The fall in housing prices dissolved the wealth of household. It is estimated that average wealth of household in USA is the same as that of 20 years ago. (Vanston, 2012:13)

Financial crisis of 2007, global economic crisis and other debt crises brought up reputation conception to the agenda of public opinion. A mobility has been seen within the framework of reputation conception both in media and in scientific researches since Wall Street banks, insurance companies, grading companies, inspection authorities and all national economies lost reputation. In fact, reputation applies basic functions to all of the society, as well as to economy. (Eisenegger, 2011:151)

There are some contributions of reputation concept into financial markets. These are (IPSOS, 2013:2)

- Effectiveness of marketing activities of financial service providing companies may be increased through a strong reputation.

- Reliance may be provided in sector of financial services through functional assessments rather than feelings.

- There has been a fall in reputations of all leading global banks since 2012. This fall generally arouse from loss of consumer's reliance. Most of the banks, which lost reliance, are the banks affected by global financial crisis of 2008 and European crisis.

There are two different points of view, associating reputation with financial values. The first one is the point of view, likening reputation to "a secure bank account" or "tampon". According to this point of view, companies gather reliance for an account through their positive activities and try to easily get rid of the effect of crisis, like withdrawing cash from this account in the event of any crisis. According to another point of view, reputation is similar to "cash". Because cash is stronger than bank account. (Diermeier, 2011:2)

In this paper the aim is to measure the relation between corporate governance and reputation management, which has been gradually important for banks. Reputation fact, which may be perceived differently in every sector and business, has a distinctive structure in finance sector, too.

## 2. Corporate Governance Principles on Financial Markets

"Corporate Governance" approach, suggested for institutionalization of management and inspection in the world in 1990's, came to the agenda in Asian countries following USA and European countries. Set of rules, which may be regarded as principles of corporate governance, was published by OECD in 1999 under the name of "Principles of Corporate governance". These principles represent the first attempt of an intergovernmental organization to form main principles of a well-established corporate governance. (OECD, 2000:10) Asian crisis, experienced in the later 1990's played role in bringing corporate governance issue into agenda. As in the other developing countries, the fact that minority small scale companies can't be protected, led to a big problem for corporate governance in Asian countries, too. When it was understood that traditional management model remained weak to provide brokerage function, the importance of corporate governance started to increase. (Claessens, Fan: 2002:95)

The study named “Corporate Governance: Best Application Code” was published by Turkish Industry and Business Association firstly in 2002 in Turkey. The aim of the study and principles regarding structure and running of board of management has the characteristics of guide for voluntary applications in all companies, especially in public companies. (Turkish Industry and Business Association, 2002:11) Capital Markets Board of Turkey, in financial markets side, published principles of corporate governance in 2003 under the name of “Principles of Corporate governance”, too, after Turkish Industry and Business Association (CMB, 2003) Although the attempt of CMB regarding principles of Corporate governance is an important milestone, it could have a small effect on Turkish companies, until “Principles” were published in 2004. (Balic, Ararat, 2008:3) It became optional whether to apply revised principles in 2005. However, whether the principles will be applied should be announced to public opinion. In another words, the understanding of “apply or announce if you don’t apply” is adopted in the principles.(Kaya, 2010: 86) Corporate governance index is the index, in which companies, applying Principles of Corporate governance, which is started to be calculated in 2007 within Istanbul Stock Exchange, are included. (Istanbul Stock Exchange, 2014) Although structures and processes and related principles regarding corporate governance for banking sector are determined by Banking Regulation and Supervision, opinions of Capital Markets Board and unions of establishments are received. In banking sector, qualifications that Board of Directors of the Bank should have are defined in Banking Law. Finally, corporate governance conception taking place in new Turkish Commercial Code, is basic management phases in our country. Besides the fact that these developments show that studies are conducted on corporate governance in and corporate governance is valued in Turkey, it draws attention that corporate structure in practice hasn’t settled enough, yet.

Corporate governance expresses a management approach in principle. This approach foresees that establishments become successful in sustainability, create economic value for their shareholders and at the same time, respect to the society and world, in which they exist and carry on a business. Thus, corporate governance contains not only economic success, but also applications including the rights of shareholders, effecting existence of establishment and who are affected by the establishment. (Turkish Industry and Business Association, 2010:6) The aim of good corporate governance is to maximize the contributions of establishments into general of economy. According to this qualification, corporate governance investigates the relation among shareholders, creditors and establishments; the relation among financial markets, establishments and institutions; the relation between staff and establishments. Also, corporate governance should involve the factors, effecting sustainability of establishments, corporate social responsibility and environment and culture. (Claessens, Yurtoğlu, 2012:4)

Corporate governance is an issue, discussed by two different approaches in literature. One of them is “stakeholder” approach. According to this approach, It is expected that all stakeholders, creating value in long term, gain favour through the process. Other approach is the approach, named “shareholder”, which is about paying regard to interests of shareholders. While Continental Europe, especially Germany, France focus on “stakeholder” approach, USA and England focus on “shareholder” approach with Anglo-Saxon point of view. Especially from the beginning of 21th century, companies have realized that they won’t be able to sustain a long term life, when they understood that their only aim is to seek profit. Reputation of the company in internal and external environment, its effect on society through corporate social responsibility started to form factors, supporting financial issues. Thus, we can say that stakeholder approach is more intensive and longer term approach, including shareholder approach, anymore.

The role of corporate governance on board of management is an issue, having main importance. Understanding the role of board of management has vital importance within the framework of necessary policies both for regulation of corporate activities and for behavior of institution.(Renee vd. 2008:44) A well-organized board of management is regarded “ the best Corporate governance mechanism” both in terms of protection interests of participants and in terms of solution of representation problem in every company, although principles of Corporate governance oblige the relationship among company participants to different rules. (Aksoy, 2013:47) Board of management, being one of the universally accepted management principles is board of trustee in the institution and establishment. Thus, best application results for board of management to establish strategies in the establishment. According to this, the important issues are that boards of management gather at least four times a year, members of Board of Management examine documents and reports before meetings to master the subject, competent committees having consultancy, supervisor ship, follow-up duties within Board of Management, take place.(Iskander, Chamlou, 2000:95)

There are studies regarding the fact that corporate governance systems may be effective on protection of invertors. According to the study of Shleifer (1997), successful corporate governance systems as in USA, Germany and Japan, enabled protection of especially big investors. Dissolution of systems corporate of many countries remains very limited in terms of protection of investors. According to the study of Porta et al. (2000), a strong corporate governance structure is very effective on protection of investor.

Increase of foreign capital investments show that obeying to international corporate governance principles has an important effect on Turkish companies. However, importance of corporate governance can be provided by national companies, trying to be an international, even a global company. It is unenviable that these companies analyze developments in global market and take steps according to developed standards of market. However, there are some negative situations such as listing of very few Turkish companies to the stock exchange, the fact that establishments mostly have family structure, the fact that shareholding structure is complicated and that there is credit problem between big companies and banks. (Yüksel, 2008:110) These situations delay accord of companies with corporate governance.

Non-institutionalization of the establishments or the fact that establishments can't institutionalize in developing countries, is a worrying situation. Complicated corporate systems, containing regulation, law, public institutions, executive morals, have made progress in developed economies for long years. This mosaic doesn't have many factors in developing countries. These difficulties arise from existence of underdeveloped institutions, lack of human resources, weak legal systems, nested relation of government and financial sector, complication of real sector's partnership structure. (Iskander, Chamlou, 2000:13) Establishments have difficulties to adopt that a higher corporate reputation is necessary for a better corporate governance. Also, establishments couldn't completely comprehend the importance and the role of corporate reputation in sustainable competition, yet. (Ljubojevi ´c, Ljubojevi ´c, 2008:230)

It is expected that establishments sufficiently protect material and non-material resources in risk management process. Within this context, the understanding of the fact that material resources can be more easily measured and reflected to balance sheet, is common. (Wheeler, Davies, 2008:182) Besides that, management and adoption of non-material resources, including reputation, relationships, knowledge and abilities of establishments have gradually gained importance. Thus, an institution, which may manage and understand relation based and non-material resources, may be more successful and sustainable in agreements based on material resources.

The fact that good corporate applications guide to better management of material and non-material resources, requires minimization of risks by these resources and maximization of opportunities arising from them. (Wheeler, Davies, 2008:185) Establishments have been in a tendency to be focused on "value", rather than directly being focused on profit since the beginning of 21th century. Especially, "reliance" problem and necessity of "transparency", which arouse from crisis period, led establishments to "reputation" and "corporate governance" issues, which weren't in the agenda before. This experienced transformation changed reactions to internal and external changes and management principles of establishments.

Corporate governance applications of countries show difference. As every country has specific production and growing structure, application methods and the period of coming to the agenda of needs for corporate governance are different. Countries and sectors, in which family company structure exists, may approach to corporate governance differently. Financial sector is a sector, needing a more professional management away from family structure. Thus, developments in financial sector provided that financial institutions are more close to corporate governance. On the other hand, political development, financial investments and becoming widespread of retirement fund have increased importance of corporate governance.(Morck, Steier, 2005:57)

Banks are generally less transparent institutions, exposed to tighter interference by governments, in comparison ton on financial institutions. The fact that banks are transparent has effect both on shareholders and on rivals. Information asymmetry between internal and external environment of bank makes it hard to follow up debtors and shareholders. On the other hand, the fact that transparency of banks is in low level leads to weak competition. (Levine, 2004:7-9) Banks are the most important institutions, which should adopt corporate governance understanding. In this sense, General Manager of Denizbank, Hakan Ateş states their difference from the other companies: “Banking is a rather regulated field and within this scope you may have an electronic company, textile company, but you can’t say that you have a bank, bank is a public property.” (Turkish Industry and Business Association, 2010:13)

Corporate governance in banks can be described as a management fact, supporting development of social-organic structure. It is inevitable that system in executive control relations, which is valid in different cyclical conditions, changes according to strategical applications, in institutional management understanding, in which banking management system is built on performance (Akın, Aslanoğlu, 2007:39) Authority, responsible for banking system is directly responsible for development and application of corporate governance in banks. Corporate governance significantly contributes into protection of public interests besides banks’ stakeholders (Tuna, 2007:220)

Effective corporate governance applications are essential factors of formation and protection of reliance, which has a great importance for proper operation of banking sector and economy, in banking system. Weak Corporate governance may lead to bankruption of banks. Bankruption of banks may lead to serious results and public costs due to possible macro-economic effects such as damage in payment systems, diffusion risk. Corporate governance states the regime by boards of management and senior management in terms of banking sector. (Basel, 2006:85)

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## 3. Empirical Literature on Reputation Management and Corporate Governance

There are some studies, discussing and measuring the importance of reputation in global finance sector in literature. Eisenegger and Künstle (2011) examined in their study the change in reputation of global big companies, chosen between 2002 and 2011, after 2007, using an index measuring reputation. Given index takes place in literature as MRRI and it is developed by commsLAB and Zurich University. This method, used in index, is scanning of important financial news. The index value, reached to the highest level in February 21st, 2007, showed the lowest level in March 8th, 2009 in conducted study. Obtained results prove that global finance system severely lost reputation with global financial crisis. Also, experienced crises and aftershocks changed dynamics of reputation in finance sector. Stock market can be shown as one of the indicators of the rise and fall in finance sector. Again, Eisenegger and Künstle (2011) found in their studies that there is a strong relationship between the indexes consisted of 30 banks dealt in Dow Jones Stock Exchange and reputation measurement index. This situation shows that there is a tight relationship between reputation of finance sector and investments into stock market.

Diermeir and Trepanier (2009) questioned the relationship between in corporate performance and reputation shocks, occurring by linguistic reasons. It is found in the study that corporate performances of stocks, experienced negative feeling and sadness shocks are affected in short time and the effect of reputation shocks is economically meaningful.

Chemmanur and Fulghieri (1994) examined importance of reputation for banks from different points of view. According to this, knowledge asymmetry decreasing effect in stock market of investment banks, having high reputation, is higher. Besides that, the higher the reputation of a bank is, the less change occurs in the value of company. As service wages of banks, having high reputation, are higher, their gross income is higher, too. Bushman and Moerman (2012) found that reputation is mostly related with more profitability and credit quality. Also, it is stated that the fact that establishment has a quality certificate, documenting reputation is related with account quality of debtor.

Every sector and company shows difference in risks, cash flows, profitability, magnitude and regulations due to the fact that they have specific board of management, shareholder structure. Adams and Mehran (2003) investigated whether holding type banks are different from other sectors. They found that boards of management of banks are bigger than the boards of management of companies and banks have more external members. These differences explain that banks are different from establishments in terms of magnitude, organization and regulations. Also, boards of management of banks have more committee and they gather more often. This situation shows that boards of management are very important factors corporate governance principles. Andres and Vallelado (2008) tested the relationship between boards of management of big commercial banks and bank performances and they found positive correlation between these two parameters.

The number of the studies conducted on corporate governance factors of Turkish banking sector is very few. Ararat and Çetin (2008) examined governance characteristics and disclosure intensity of 13 banks, taking place in Istanbul Stock Exchange's index of 100 in 2006. Disclosure intensities of dealing banks in Istanbul Stock Exchange are compared with other public companies and banks, taking place in international reference group; governance characteristics of these banks are compared with 25 banks, having the highest market values in Europe. It is observed that banks started to become transparent especially after 2001 and tendency of becoming transparent paused in 2005 activity year.

Syed Moudud-Ul-Huq (2014) examined board of management, senior management, audit committee, independent auditors, associated companies, corporate coherence and reports of banks and nonbank institutions chosen in Bangladesh and analyzed their Corporate governance applications. It is found in the study that there are some problems especially in corporate governance factors such as senior management, coherence and reporting duties of banks. Ştefănescu (2014) measured in his study the relationship among transparency, audit and corporate governance in European banking system. It is found in the study that risk measurement is significantly related with knowledge and

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education competence of audit committee, and that management ability has direct effect on risk management and transparency.

The most important source of economy news is media. Most of the people watch economy through media organs. In a sense, media has a mirror task. All actors of economy –analysts, investors and specialists- intensify their predictions and gradings in media. Gradation establishments announce report results about countries and institutions through media. All of these show that media is very important for economy. Thus, empirical studies on close relationship between reputation curve and share price aren't surprise. (Eisenegger, 2011:152-153)

In the above Table I, demonstrates some of the studies related to Corporate Governance and Reputation Management Analysis. According to the literature review, some studies are analyzed by hypotheses; some of them are regression models. It is used ranking model for this paper for testing the relationship between corporate governance and reputation management of a selected company from banking sector and a selected company from communication sector in Turkey.

## Table 1: The Parameters of Reputation Management and Corporate Governance

| **Authors** | **Determinants** | **Analysis** | **Results** |
|---|---|---|---|
| Diermeir ve Trepanier (2009) | Relationship between reputational shocks and short term performance varies substantially across industries, with the more consistent results for manufacturing, retails trade, and transportation industries. | Estimation | Negative emotion/ sentiment and sadness shocks are significantly associated with short term future stock performance with the expected signs. And reputational shock impacts are economically meaningful. |

| | | | |
|---|---|---|---|
| Bushman and Moerman (2012) | Whether borrowers with more reputable lead arrangers realize superior performance subsequent to loan origination relative to borrowers with less reputable arrangers and examine whether certification by high reputation lead banks extends to the quality of borrowers' reported accounting numbers. | Hypotheses | Reputation acquisition plays a crucial role in enabling intermediaries such as investment banks to act as credible information producers |
| Andres and Vallelado (2008) | Return on assets (ROA), shareholders' monthly market return on an annual basis (SMR), board size (BOA- SIZE), proportion of outside directors (OUTSIDERS), number of meetings per year (MEYEAR), total bank assets in US $ millions (SIZE), and loans to bank customers scaled by total assets at book value (LOANSTA) | Panel data Analysis | The bank board composition and size are related to directors' ability to monitor and advise management |
| Ştefănescu (2014) | a. Board of directors' capability<br>b) Audit committee' capability | Correlation tests and regression analyses | The results of the performed analysis reveal significant positive influences of governance actors' capability on the level of risk information disclosure, thus confirming our assumptions that the higher the educational degrees and professional expertise, the higher the level of disclosure. |
| Fombrun & Shanley (1990) | 1) Firm's Activities in the Past<br>a) Diversification<br>b) Accounting Profitability<br>c) Risk d)Advertising e)Social Responsiveness<br>2) Current Firm's Activities a) Market Risk and Performance b) Media Exposure c)Dividend Yield d) Institutional Ownership | Time series cross analysis; Regression Models; | Firms' risk-return profiles, resource allocations, social responsiveness, institutional ownership, media exposure, and corporate diversification postures signal constituents about firms' prospects and generate reputations. |

| | | | |
|---|---|---|---|
| Gilberto Loureiro (2010) | Market Cap; Volume; Number of Issue | Hypotheses | 1)positive relation between the reputation of a depositary bank and the fraction of new listings it sponsors in a particular year 2)positive relation between depositary reputation and stock price reaction around listings 3) there is no evidence that such reputation affects the decisions to raise capital |
| Otgontsetseg Erhemjamts and Kartik Raman | Bank Reputation, Offer Discount, and Gross Spread, Private Placements | two-stage least squares (2SLS) regressions | Reputable agents are more likely to place shares of firms with better operating performance, higher asset liquidity, and firms with prior relationships. |
| Niketa Mukherjee; Stefano Zambon ;Hakan Lucius | Definition; Policies; Management | Qualitative and quantitative content analysis. | Banks use various ways to publish their reputational risk strategies. The disclosure about procedures of measurement and management have not been disclosed extensively. |
| Sylvia J. Flatt; Stanley J. Kowalczyk | Financial performance (market to book value), culture, firm size, firm age, and industry dummy variables. | Hypotheses | If firms want to improve their reputation, they should focus on improving their financial performance since prior reputation (favorable or unfavorable) will likely persist. |
| Fortune Ranking | Quality of Management; Quality of Product; Innovativeness, Long-term investment value, financial soundness, ability to attract, develop and keep people, responsibility to the community and environment, wise use of corporate resources | Survey& Ranking | - |
| Soo Yeon Hong and Sung-Un Yang 2009 | Emotional appeal, quality of products=services and corporate social responsibility | Survey& Hypotheses | the customers' perceptions of relational satisfaction with the company have the strongest impact on customers' positive word-of-mouth intentions |

| | | | |
|---|---|---|---|
| Preston and Sapienza (1990) | Five-year mean values for each stakeholder performance indicators | Correlation | All of the correlation coefficients among stakeholder performance indicators are statistically significant, and the strong association between employee and shareholder performance is particularly striking. |
| Jui-Kuei Chen, I-Shuo Chen (2009) | Foresight Ability, Innovative Ability, Human Resource Fostering, Customer Orientation, Operational Performance , Financial Performance, Technology Utilization, The Ability of International Operation , Long-term Investment Value, Corporate Citizen Responsibility | Ranking | E. Sun Bank has the highest corporate reputation in comparison to the other four banks investigated. |
| Schultz Majken; Mouritsen Jan; Gabrielsen Gorm (2001) | Price/Quality , Marketing, Quality, Innovation, Environment, Financial Performance, Societal Performance | Comparison | It's ongoing development of an increasingly complex measurement system paradoxically becomes "more of the same" and thus creates sticky reputation for large and visible companies |
| Sabrina Helm (2005) | Quality of products Commitment to protecting the environment Corporate success Treatment of employees Customer orientation Commitment to charitable and social issues Value for money of products Financial performance Qualification of management Credibility of advertising claims | Formative Measureme nt | this conceptualization is a solid method on which to build reputation measures, which in turn are an important step for efficient reputation management. |
| Manfred Schwaiger (2004) | Quality of employees • Quality of management • Financial performance • Quality of products and services • Market leadership • Customer orientation • Attractiveness • Social responsibility • Ethical Behavior • Reliability | multi-stage design : qualitative interviews and Correlation Analysis | Performance aspects drive competence but dampen sympathy, whereas responsibility items have positive impact on sympathy and negative impact on competence. |

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|---|---|---|---|
| Annarita Trotta ; Antonella Iannuzzi (2012) | Corporate Social Responsibility is an important reputational driver, able to create economic value over time. The second finding is the bi-directional relationship that links CSR to the reputation of banks, which is very important in satisfying all stakeholders' expectations. | Data collection, data analysis and data synthesis | CSR is an important reputational driver, able to create economic value over time. And the bidirectional relationship that links CSR to the CR of banks, which is very important in satisfying all stakeholders expectations. |

## 4. Research and Application: The Comparison of İşBank and Turkcell

The aim of the application is to demonstrate the relationship between the results of reputation management and corporate governance of İşbank and Turkcell. It is selected these companies, because they are the top companies of their sector. By this method, it is analyzed the comparison of these companies from banking and telecommunication sectors using corporate governance criteria. The reputation criteria is the Edelman Trust Barometer, in this report the banking sector reputation is less than communication sector.

## 5. Methodology, Data and Empirical Results

The scope of study is limited to "Corporate Governance Report" of İşbank and Turkcell in 2014. In the above table 2, there are four categories according to CMB Corporate Governance Principles. Each categories are counterweighed, as 0,25 percentage. Points are distributed evenly in the model of the sub-title four groups. To measure the relationship between corporate governance and reputation management in the banking sector and communications sector calculated the weighted averages are given in the following table.

**Table 2: The Categories of Corporate Governance Principles By Capital Markets Board Of Turkey**

| **Categories** | **Weight %)** |
|---|---|
| **I. ShareHolders** | **0,25** |
| Facilitating the Exercise of Shareholders’ Statutory Rights | 0,0313 |
| Shareholders’ Right to Obtain and Evaluate Information | 0,0313 |
| The Right to Participate In the General Shareholders’ Meeting | 0,0313 |
| Minority rights | 0,0313 |
| Dividend Rights | 0,0313 |
| Transfer of Shares | 0,0313 |
| Equal Treatment of Shareholders | 0,0313 |
| Voting rights | 0,0313 |
| **II. Public Disclosure and Transparency** | **0,25** |
| Principles and Means for Public Disclosure | 0,0417 |
| Public Disclosure of Relations between the Company and Its Shareholders, the Board of Directors and Executives. | 0,0417 |
| Periodical Financial Statements and Reports in Public Disclosure | 0,0417 |
| Functions of External Audit | 0,0417 |
| The Concept of Trade Secret and Insider Trading | 0,0417 |
| Significant Developments That Must Be Disclosed To the Public | 0,0417 |
| **III. Stakeholders** | **0,25** |
| Company Policy Regarding Stakeholders | 0,0357 |
| Stakeholders’ Participation in the Company Management | 0,0357 |
| Protection of the Company Assets | 0,0357 |
| Company Policy on Human Resources | 0,0357 |
| Relations with Customers and Suppliers | 0,0357 |
| Ethical Rules | 0,0357 |

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| | |
|---|---|
| Social Responsibility | 0,0357 |
| **IV. Board of Directors** | **0,25** |
| Fundamental Functions of the Board of Directors | 0,0417 |
| Principles of Activity and Duties and Responsibilities of the Board of Directors | 0,0417 |
| Formation and Election Of The Board Of Directors | 0,0417 |
| Remuneration of the Board of Directors | 0,0417 |
| Number, Structure and Independence of Committees Established By The Board Of Directors | 0,0417 |
| Executives | 0,0417 |

**Source:** Corporate Governance Principles By Capital Markets Board Of Turkey, http://www.spk.gov.tr/displayfile.aspx?action=displayfile&pageid= 55 &fn=55.pdf &submenuheader=null, (07.01.2016)

If the Corporate Governance Principle is not applied in the company, "0" (zero) point is given, if it is applied the value of table 2. The results found as a result of given value to the questions contained in the category are calculated as follows:

Evaluation of İşBank for Board of Directors category is:

(a1+a2+a3+a4+a5+a6)

= (0,0417+0+0+0,0417+0,0417+0,0417) = 0,17

All other categories are calculated by this method.

After four categories calculations, all values are collected and is obtained "Corporate Governance Score" for the company. The scores are in the above table 3.

**Table 3: Results: Corporate Governance Score**

| | **İşbankası** | **Turkcell** |
|---|---|---|
| Shareholders | 0,19 | 0,16 |
| Public Disclosure and Transparency | 0,13 | 0,13 |
| Stakeholders | 0,18 | 0,14 |
| Board of Directors | 0,25 | 0,17 |
| **Corporate Governance Score** | **0,74** | **0,59** |

According to the model results, İşbank's Corporate Governance Score is "0.74", Whereas Turkcell's Corporate Governance Score is "0.59".

## 6. Conclusion

Banks are a "reliance institution". Banks, having their reputation substantially through laws, take place in lower levels than other sectors in reputation measurements. This situation is so complicated and sensitive that it can't be explained only by "crisis".

According to the first report of 2015 year of Trust Barometer, developed by worldwide famous public relations company Edelman; financial services sector and banking sector in the world take place in the most insecure sectors after media sector. On the contrary, the securest sectors are technology, computer electronics, and automotive sectors. At this point, reliance of financial services sector may be increased, using high reliance of technology. Especially commercial establishments' technology power, legally included in electronic register system and innovative way of the system may lead the way for banks. (Edelman, 2015)

In the study, it is tested if there is a relationship between corporate governance and reputation management in the banking sector and communication sector. It is selected İşbank and Turkcell whish are traded in Borsa İstanbul and responsible for applying the corporate governance principles. The scope of study is limited to “Corporate Governance Report” of İşbank and Turkcell in 2014. There are four categories according to Capital Markets Board of Turkey Corporate Governance Principles. Each categories are counterweighed, as 0,25 percentage. Points are distributed evenly in the model of the sub-title four groups. If the Corporate Governance Principle is not applied in the company, “0” (zero) point is given, if it is applied the value of related. After four categories calculations, all values are collected and is obtained “Corporate Governance Score” for the company.

According to the model results, İşbank’s Corporate Governance Score is "0.74", Whereas Turkcell’s Corporate Governance Score is "0.59". The score of İşbank is higher than Turkcell’s score. So, it is reached the conclusion that there is no direct relationship between reputation management and corporate governance in İşbank and Turkcell according to Edelman Trust Barometer.

It can be studied for more companies or a sector about forward papers.

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