

CONSIDERATIONS REGARDING THE COMPANY'S REPUTATION

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Abstract: *The reputation is one of the most valuable resources of a company. In the business sector the reputation is gained in many years and with many efforts. A strong correlation between the economic performance, the ethical conduct models and a good public reputation can be noticed at the companies that have achieved remarkable results in business.*

This study examines how reputation has an positive impact on development of the companies. The study is based on the theoretical and applicative investigations that we have made about the companies reputation. The main conclusions of research have provided interesting and useful information regarding the realities and the peculiarities of the companies reputation. The results of the study highlighted the idea that the reputation represents an actual support for the company's competitiveness, a strategic advantage in the competitive business environment.

Keywords: company, reputation, management, ethic.

JEL classification: M10,M14.

1. General approach to reputation

In a highly competitive environment, it is necessary for all organizations to be concerned with their reputation.

The concept of reputation started to be appreciated in the early 1980s. Today, reputation, as an influential factor for the results of the company,

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represent an analysis subject much more approach in specialized studies. The reputation is defined at the level of individuals and organizations in different ways, but basically explaining the same content. We will do a review of the main definitions of the concept of reputation. Moreover, the concept is found in most specialized dictionaries: Thus:

- Dictionary of Management defines reputation as “collective perception of the actions, of the decisions, of the behaviors and the previous performances of an individual or organization that describes its attractiveness for the stakeholders”. It is at the same time “... a certain degree of credibility and prestige to an individual or an organization that conducts business.” (Nicolescu-eds., 2011, p.531);
- Little Larousse (1980, p. 887): reputation is defined as public opinion, favorable or unfavorable, and the meanings oriented to have a good reputation, renown, esteem;
- American Heritage Dictionary (1970, p. 600) defines reputation as „the way in which an individual is generally perceived by the public”; In fact, “reputation is what supposed you are to be” (John C. Maxwell, 2010, p. 76).

The reputation of a social entity (a person, a social group, an organization) is an opinion about that entity, typically a result of social evaluation on a set of criteria. (<http://wikipedia.org>.) In other words, reputation is the way in which stakeholders, who never know the true intentions of an organization, determines whether it is worth their trust (Stigler, 1962).

The reputation is made up of the sum of the representations made by the organization over time in the minds of the public opinion (Grunig & Hung, 2002; Yang & Grunig, 2005). Le Moigne (1966, p.148) argues that a company is reputable not only by reference to its environment but also with the movements and complexity of the organizational strategy.

According to Shapiro (1983) reputation is a means of increasing the financial value of the organization and to influence purchase intentions. In view of Fombrun (1996, p.42) “... corporate reputation is a perceptual representation of an organization's past actions and future prospects for global attractiveness describing all main constituents compared to its competitors”. In this approach it is important not only to understand reputation, but also to identify the causes of reputation and its consequences.

He appreciated that there are five key elements that can be drawn from this definition, namely:

1. Reputation is based on perception;
2. Reputation is perception aggregate of all stakeholders;
3. It is comparable with the reputation of the competitors;
4. Reputation may be positive or negative;
5. Reputation is relatively stable and resistant.

Nature of the reputation is given of the concern and the results obtained in the process of increasing business efficiency. In other words, the reputation it is a state of competitiveness, achieved through a level of efficiency and productivity which ensures lasting presence on the market, under complex interaction of many factors (Petrescu, I. 2007, p. 25). Delivering functional and social expectations of the public on the one hand and manage to build a unique identity on the other hand creates trust and this trust builds the informal framework of a company. This framework provides "return in cooperation" and produces a reputation capital. The reputation becomes a serious factor at a certain level of development of the competitive environment, only where there is a transparent economy based on public relations.

Professor Stephen A. Greysen (1995) supports the idea of "intelligence of the company reputation" and presents four key points, which have in sight the following aspects:

- Directors worldwide believe that companies can affect reputation;
- Three major differences of strategic benefits of the reputation can be identified and can be supported by imposing of a attitude of the company's reputation;
- Six key factors occur in a battery of pictures assigned as leaders of reputation.
- The firm's reputation is the company's behavior, in particular on public expectations.

Adaptation to the socio-economic environment requires new roles of all firms and the reputation plays a key role. Successful businesses are based on a strategy aimed the quality, the accountability, the change and reputation (Moldoveanu et al, 1998, p. 34).A company's reputation is an asset and wealth that gives a competitive advantage because this kind of company will be regarded credible, trustworthy and responsible for employees, customers, shareholders and financial markets.

2. What are the benefits of a positive reputation?

The companies had understood the fact that success in business and trust of partners depend major on the company's reputation.

What are the benefits of a positive reputation? The answer to this question is given by many specialists in the field. Fombrun (1996, p.119) believes that "those companies that have a good reputation capital are better valued than others". Thus, One study found that a good reputation added 7.6% to the price received.["Why Reputation Management is Important". Iron Reputation. <http://en.wikipedia.org/wiki/Reputation>] From this perspective, a positive reputation will secure for a company long-term competitive advantages (Falkenreck, C. & Wagner, R., 2011, 225-242). Similar with this approach, Davies et al. (2004) have pointed out that reputation improves the profit for every year. In the same way, MacGregor et al. (2000) maintain that reputation is very important in the conduct of procurement or for the development of business partnerships. The stakeholders perceive companies with a good reputation as being less risky than organizations with the same financial performance, but with less stable reputation (Srivastava et al.,1997). Therefore, the reputation can be managed, accumulated and traded for trust, legitimization of a position of power and social recognition, a premium price for goods and services offered, higher customer loyalty (Joachim Klewes and Robert Wreschniok, 2010).

For having a valuable business, the companies must have a good reputation because "a bad reputation firing a warning to investors, indicating that there is a risk of crises, and when the crisis will manifest these organizations will not receive the necessary support of the audience for to exit that situation" (Brown, 1998, 279). A company can not stay on the market, can not be competitive and lucrative on a long term if it don't has a high degree of moral credibility, a good reputation, that is not stained with scandals of corruption, bribe, lack of honor. A good reputation is revealed by what is honest and responsible, what is dignified of consideration and defines proper conduct in business.

For a company, its reputation is how esteemed it is by the employees, customers, investors, competitors, authorities. In addition, building and maintaining of a good reputation can be a significant motivation because a good profitability attracts customers, investors to securities and the employees to its jobs.

Based on the aspects highlighted above it is evident that, unanimously, experts believe that firm's reputation has a major impact over the performances in business on long term. In the same way, we conclude that a positive reputation is very significant in the evolution of firms, in their ascent among top companies. Therefore, the reputation becomes a strategic asset and a competitive advantage for a company.

3. The managers opinion regarding the place and role of the reputation in the organization they lead

The firms that have a good reputation are based on a system of norms that promote the balance between ethics and profit. Their businesses are based on principles that sustain profitability with matters of respect for the morality norms (honesty, correctness, respect, trust) and interest for the social activities. Usually, they are big companies with an organizational culture very well structured, with an important set of values, traditions, norms and behavior models shared by everyone or by the majority of the members of the organization.

In the literature there have been many studies and surveys on how managers value the importance of reputation for the organizations they lead. The differences between countries regarding the appreciation of the reputation of an organization are visible in some specific considerations. In highly developed countries economic the opinions are in favor of increasing the role of reputation in social and economic activities of organizations. Thus, in the UK 57% of managers appreciate the role of reputation in the competitive market, and 43% are unsure of this. In US 52% of respondents believe that reputation has a major impact over the performances of the company, while 48% of respondents have reservations. It should be noted that In Japan 78% of respondents positively assess the role of reputation, and 22% were not sure (Fig.1).

Also, the study's results show that in Japan the reputation of the company is more valued than in the US. Japanese managers agree that they have to know the company reputation well before starting a business. Based on the aspects highlighted above, it turns that in all three countries more than half of the respondents positively assess the role of the firm's reputation in the competitive market.

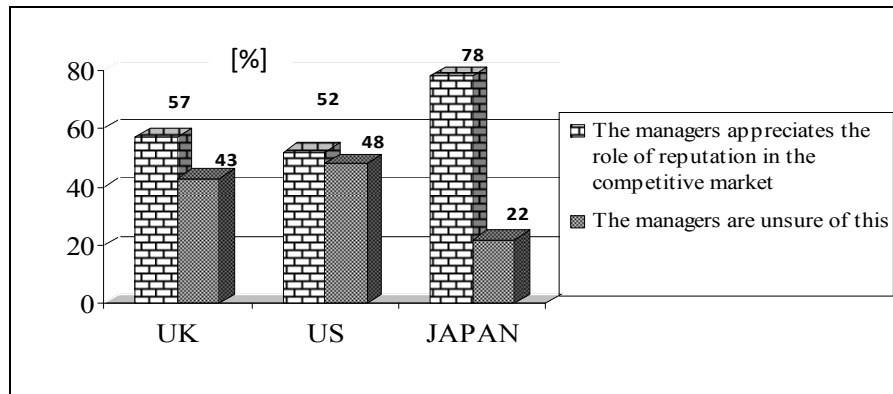


Fig. 1. Opinions of the managers of some economically developed countries on the role of reputation in business organizations they lead

Another aspect revealed by the analysis of the research results is the fact that Europeans managers have a positive attitude towards firm's reputation in business practice. For example, managers in France and Germany put greater emphasis on reputation in terms of the impact of the priority of doing business with a company. In addition, according to MORI's survey of about 200 managers in the private sector, 99% responded that the management of corporate reputation is very (83%) or fairly (16%) important. The results of the survey have highlighted the interest of the respondents to understand the role and impact of the reputation upon the results of the company. These are just a few examples.

In Romania for many managers the reputation of the companies represent only a concept that can be, more or less, ignored in the business practice. One study, which one I have done among the managers of some Romanian firms, found that 51% of Romanian managers agree that the reputation play a important role in business development, while 49% of respondents have reservations (Fig.2).

A long time, in Romania the role of the reputation in companies development has often been underestimated. However, in the last years, has become increasingly apparent that a good reputation is core objective, that helping to development of the companies and to start the new business. We consider this attitude encouraging for the triggering of new reactions in the attitudes towards the role of reputation in the evolution of firms. Focusing of

attention on the reputation proves the existence of a new perception about the level of competitiveness of the business environment.

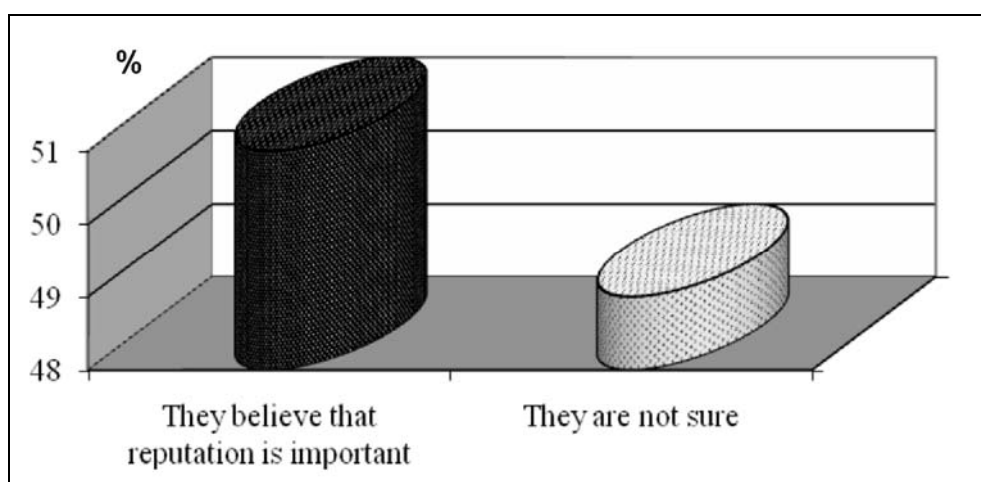


Fig. 2. Romanian managers' opinion on the role of reputation in business organizations

There are a variety of reasons that undermine the consumer confidence in companies. Analyzing this reasons it is found that first is the company's behavior. More specifically, the company's behavior in relation to public expectations. One such reason is when the company does not meet public expectations and when there is a difference between product performance and market demand. The explanation comes from the connection between of the business and public confidence. It should be taken into account expectations for product and service quality because when it the product performance is below expectations the company will suffer a significant lose of reputation and it will lost business often.

Reputation reflects the firm's image as expression of correctness of its in relations of affairs. Reputation is directly connected to ethical, behavior and moral dimension of business relations. The complexity of affairs environment makes, sometimes, the partaj difficult between what is right and what is wrong. Permanently confronting with the desire of getting gain fast and easy, many firms still have some problems in achieving a real balance between the profit and ethics. There is no doubt that the maximization of the profit represent the interest of each economic operator

involved in the business area. Nevertheless, the problem is if the profit that to be obtained by breaking some moral values is more important than the reputation, security and stability of the firm (Stefanescu, C., 2008, p. 152). The unethical management is risky to the reputation of the firm and leads to the loss of partners' confidence and respect.

The reputation in the business sector is gained in many years and with many efforts. Referring to this thing, Octave Gelinier (1991) emphasizes the fact that "reputation is a long term performance. It takes 20 years of quality and services to obtain a commercial reputation. At the beginning, this costs a lot. The reward comes after a long time". Nevertheless, what has been gained with so much work, in a long period of time, may be destroyed in a second and the firms image may be deteriorated. The rehabilitation is long and arduous and is hard to achieve, if not impossible. From this point of view, the reputation of the companies has to follow the keeping of ethics principles and rules, behavior norms which determine what is right for to create an organizational climate that encourages the behavior in relation to public expectations. We consider that, the companies have to base their actions on correctness, morality, honesty to build corporate credibility and hence reputation.

Today more than ever, the firms are witnessing a strong need for reputation. The companies with success confirm the fact that exist a positive correlation between economic performance, moral values which govern their activity and their reputation. Despite the rising interest in reputation, few companies have public relations departments dedicated to managing their reputation. Managing reputation is a daily function and required to be a reciprocal relationship between managers and performers for to build and for to develop mutual trust through communication and participation in the management process.

Conclusions

The experience of the successful companies demonstrate clear that reputation plays a crucial role in the evolution of the companies and will secure for a company the competitive advantages. A strong correlation between the economic performance, the ethical values and a good public image can be noticed at the organizations that have achieved remarkable results in business.

The data and the analysis from the previous paragraphs allow us to formulate certain conclusions regarding the reputation of the companies. These findings can be summarized as follows:

1. The firm's reputation can be managed and can provide strategic benefits.
2. The firm's reputation can be changed and affected by many factors, among which: national culture, ethical behavior, the customers' expectations, the quality of the company's goods and services, competitiveness, customer focus, ethical values, corporate culture and communication.
3. The public behavior of the company can be a powerful factor in damage to reputation
4. In the business practice the reputation raises many ethical considerations. Company which behave ethically will build a good reputation.
6. The perception of firms in developed countries about the importance of reputation is different: unlike US and UK, in Japan the managers give more importance to the company's reputation.
7. Romanian managers are less interested to the reputation their companies. Unfortunately, these problems, concerning a good reputation, are being treated with insufficient care at the business community level.

Reputation is a reflection of companies' culture and identity. Also, it is the outcome of managers' efforts to prove their success and excellence. With all the above insights taken into account, this article tries to emphasize the idea that the reputation constitutes an actual support for the company's competitiveness, a strategic advantage in the competitive business environment.

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