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# BUSINESS REPUTATION OF THE COMPANY AS ONE OF THE MOST IMPORTANT COMPONENTS OF THE COMPANY'S SUCCESS

# БІЗНЕС-РЕПУТАЦІЯ КОМПАНІЇ ЯК ОДИН ІЗ НАЙВАЖЛИВІШИХ КОМПОНЕНТІВ УСПІХУ КОМПАНІЇ

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*The paper examines the company's business reputation in detail as one of the most important components of a company's success. Currently, there is no doubt that goodwill is the most important intangible asset of the enterprise, despite the fact that it differs significantly from other intangible assets in its content, methods of acquisition or disposal, valuation methods. The paper presents an analysis of the issue of business reputation and shows its relevance, reveals such concepts as "reputation", "business reputation", methods of management and evaluation of business reputation of the company. Today, the problem of reputation management is experiencing a real peak of its relevance. "Reputation – a valuable intangible asset of the company, which accumulates over the years and can be destroyed immediately" – this phrase in one variation or another is constantly heard at conferences, flashes on the pages of business publications, appears in corporate business plans. Experts agree that a good reputation makes a company more attractive to investors, increases its capitalization, increases income, provides a stronger position in entering new markets and supports the general population. Obviously, to achieve a noticeable effect, any actions to manage business reputation, taken by the organization, must be long-term and systematic, be integrated into key business processes. Researchers publish research results that prove the positive impact of reputation on other parameters of the business model. There is no doubt that reputation must be managed. Therefore, this is exactly what was described in detail in the paper.*

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*У статті докладно розглядається бізнес-репутація компанії, як один із найважливіших компонентів успіху компанії. На сьогодні не підлягає сумніву той факт, що ділова репутація є найважливішим нематеріальним активом підприємства, не зважаючи на те, що вона істотно відрізняється від інших нематеріальних активів своїм змістом, способами придбання або відчуження, методами оцінки. У статті подано аналіз самої проблематики бізнес-репутації й показана її актуальність, розкрито такі поняття, як «репутація», «ділова репутація», розглянуті методи управління та оцінки ділової репутації компанії. Сьогодні проблема управління репутацією переживає справжній пік своєї актуальності. «Репутація – цінний нематеріальний актив компанії, який накопичується роками й може бути зруйнований відразу» – ця фраза в тих чи інших варіаціях постійно звучить на конференціях, миготить на сторінках ділових видань, з'являється в корпоративних бізнес-планах. Експерти сходяться на думці, що хороша репутація робить компанію більш привабливою для інвесторів, збільшує її капіталізацію, збільшує дохід, забезпечує більш міцні позиції на виході на нові ринки та підтримує широке населення. Очевидно, що для досягнення помітного ефекту будь-які дії з управління діловою репутацією, що здійснюються організацією, повинні бути довгостроковими та систематичними, інтегруватися в ключові бізнес-процеси. Дослідники публікують результати досліджень, які доводять позитивний вплив репутації на інші параметри бізнес-моделі. Немає сумнівів, що репутацією потрібно керувати. Тому саме це було детально описано у статті.*

***Keywords:*** *business reputation, image, business reputation management, positive and negative business reputation, reputational ratings, crisis communications management, optimization of business process, corporate culture, goodwill, crisis communications, brand value, anti-crisis measures*

***Ключові слова:*** *ділова репутація, імідж, управління діловою репутацією, позитивна та негативна ділова репутація, репутаційні рейтинги, управління кризовими комунікаціями, оптимізація бізнес-процесу, корпоративна культура, гудвіл, кризові комунікації, вартість бренду, антикризові заходи*

## INTRODUCTION

In today's economic environment, business reputation is one of the most important factors influencing the long-term and sustainable development of companies. The positive business reputation of the company determines the decision of contractors on cooperation with it, helps to attract highly qualified personnel, provides access to investment resources and high-quality professional services, acts as a kind of credit of trust for its customers.

The researches of such scientists as O.M. Grebeshkova, V.L. Kovtun, S.V. Mocherny, O.V. Rodionov, I.M. Repina, T. Harris, R. Harlow, G.O. Shvindina, O.V. Szymanska, who presented in their works the theoretical and practical aspects of determining the issue of business reputation.

In particular, O.M. Grebeshkova and O.V. Szymanska in their research noted that business reputation is the main intangible asset, which has a value expression.

However, despite the significant number of published works on this issue and their scientific value, many theoretical and practical aspects need further consideration and coverage. In particular, we consider it appropriate to pay special attention to the role of the company's business reputation as one of the most important components of the company's success, as the issue, the relevance of which today is one of the first among humane society, is still poorly understood.

The purpose of the paper is to explore the essence and content of the category «business reputation», to analyze the structural components of business reputation, as well as methods of its evaluation, as well as to find out the place and role of business reputation in effective communications and ensuring sustainable operation of domestic enterprises.

## RESEARCH METHODS

The methodological and informational basis of the work is the work of leading scientists, as well as materials of periodicals. The research uses methods of analysis and synthesis, theoretical generalization, system approach, etc.

## RESULTS

Reputation is a relatively new field of knowledge that scientists are just beginning to learn; it is very capacious and so far less orderly than in other areas. Initially, scientists were skeptical of this area due to its subjectivity and relativity, but now, despite this, the reputation is at the center of the study of scientists and takes institutional form. The growing interest in this issue can also be explained by the “crisis of legitimacy” of neoliberal ideology, which led to the fact that Western corporations put profit first, while clearly ignoring the ethical principles and norms of morality, which leaves some imprint on its reputation. Currently, the issue of reputation plays an equally important role in shaping the further demand for products, which forms the same profit in the future, so to ignore this is extremely unwise.

In scientific works you can find different definitions of the term “reputation”. There are also cases when this term is mistakenly identified with such terms as: “status”, “prestige”, “image”, “legitimacy”, “honor”, “popularity”, etc., which creates additional complexity. Turning to etymology, the word “reputation” comes from “reputation”, which translates from Latin as “assessment”. That is, the simplest definition of reputation is that it is a product of evaluations synthesis.

Today, business reputation, being a key component of the success of any organization, is one of the most important assets of the company. In order to carry out purposeful activities for its formation and management, it is necessary to define the very concept of “business reputation”. However, before that, consider the definition of reputation as a whole.

Reputation is a public opinion about someone or something, a social assessment or established perceptions of a person or object that influences society's attitude towards that person or object.

Reputation is a balanced approach based on perceptions of the object, formed from the general opinion of the advantages and disadvantages. Reputation consists of real actions and facts of the object, arising from the practice of business communication and work with him. For example, a firm's reputation among professionals may differ significantly from its image in a wider audience. However, the task of reputation is similar to that solved by the image – to help bring new products and services to market, protect the company from the actions of competitors, to attract reliable partners.

Business reputation is a stable opinion about the qualities and advantages of the company in the market environment. The main elements of reputation are:

a) the presence of a high culture of the organization;

b) high authority of the organization's management;

c) a positive image of the organization in the market as a synergy of financial opportunities and long-term leadership in product quality;

d) innovative strategy;

e) presence in both domestic and international markets;

f) social responsibility;

g) decency;

h) obedience to the law.

There is a connection between the terms “reputation” and “business reputation of a company”, but they are still different. Because the modern company operates in conditions and information business development, its business reputation is its main intangible asset, which has a huge value and is formed on the basis of such assets of the company as the reputation, image and financial stability of the company.

Depending on the quality characteristics of business reputation can be both positive and negative (with very different content). There is also a distinction between real and desired business reputation, i.e. the one that the management and staff of the organization would like to achieve. It should be noted that the dynamics of change of reputational status is characterized by the following: the formation of a positive business reputation – a long and gradual process, and its loss can occur immediately, with quite tangible, if not catastrophic consequences for business.

Business reputation should be assessed by specialists, the assessment of which is able to be based on the following components:

a) ethics in relations with external partners – responsibility, decency, openness, fulfillment of obligations, credit history;

b) ethics in relations with internal partners (corporate governance) – the responsibility of managers to shareholders, financial transparency of business;

c) management efficiency – profitability, increasing turnover, market expansion, innovation;

d) the reputation of top managers;

e) quality of products, services;

Thus, goodwill is an intangible legally unidentified asset that is difficult to measure in terms of value, but that causes additional significant income and other economic benefits.

Reputation Institute's annual reputational ratings, World's Best Corporate Reputations, are also used to assess reputation. The most recognized ratings are The Dow Jones Sustainability Index and The 100 Best Corporate Citizens (ranking of 100 companies with the most active public position in Corporate Responsibility magazine). Ratings annually measure the business reputation of the world's leading companies, but to talk about an accurate quantitative assessment of the reputation of companies using ratings is incorrect.

Within the organization of reputation management should be carried out in the following areas: development of the company's mission and philosophy; creation and implementation of a corporate code of conduct; formation of the image of the first persons and top management of the company; development of the company's social responsibility position; development of the company's management system from the standpoint of «human capital», caring for employees.

In this regard, the question arises about the formation, maintenance and protection of the company's reputation, i.e. the development of a system of reputation management measures that make up the strategy. Obviously, to achieve a noticeable effect, any business reputation management actions taken by the organization must be long-term and systematic, be integrated into key business processes.

Of course, the reputation strategy should be developed on the initiative and with the direct participation of the company's top executives. The implementation of the reputation management program should also be in the field of view of management: these issues can be overseen, for example, by the deputy head, who is in charge of public relations, advertising. Ideally, the company can have its own specialists in reputation management, in the absence of such it is possible to turn to outside experts for advice on private matters, the development of a comprehensive strategy for building or correcting reputation.

Creating and managing a positive reputation is usually associated with significant financial costs. However, as a result of these investments, the company's capitalization can increase significantly, sometimes bringing multiple returns on investment, comparable only to high-risk investments. Business reputation is a category that is widely used in various fields of economics and practice.

The global trend is a continuous increase in the share of intangible assets in the value of companies. According to some data, the value of goodwill in the market value of Western companies averages 20–25 %, sometimes reaching 80 % (for example, companies working in the field of information technology), and a decrease in business reputation by 1 % gives a drop in market value by a few percent. Business reputation can be both positive and negative. To develop an adequate enterprise management strategy, it is important to link the decisions made with the level of business reputation. The value of the enterprise will be defined as the market value of all shares of the enterprise, and goodwill – as the excess of the market value of all shares over the value of net assets in the balance sheet.

The factor of business reputation of enterprises has become especially relevant recently, and this is no accident. In conditions when the markets are saturated with the same quality goods and services, the so-called unobvious factors, or, in other words, intangible assets of the company's value began to come to the fore: business reputation, brands, reputation of managers and top -managers, quality strategy and system of effective communication with target audiences. The global trend is a continuous increase in the share of intangible assets in the value of companies. In this context, we talk about the "reputational capital of the company", which is defined as the excess market price of the company, i.e the amount by which the market value of the company exceeds the liquidation value of its assets.

Thus, the strategic management of the organization must take into account the level of business reputation. To increase the competitiveness of domestic organizations it is necessary to: form an effective mechanism for managing business reputation; development of new effective methods of its estimation.

Reputation management within the organization involves the formation of a corporate code of conduct, the development of its philosophy, concept, image of the first persons, models of attractive behavior, a certain program of action in the event of force majeure. To this end, the development of the main directions of positioning the organization and strategy, its promotion in the market, the development of corporate style, including logo, slogan, representative products. Another area of reputation management is the creation of a corporate code of conduct. This requires the development of standards of corporate behavior governing the relationship of shareholders and top managers between employees, models of employee behavior with customers, activities to create corporate spirit of the company, which in conjunction with other organizational actions to create, such as corporate identity, logo is the basis of brand formation and business reputation of the organization.

Ineffective internal communications also depress a company's ability to see beliefs and expectations change over time. In virtually all well-managed organizations, functional departments not only keep their finger on the pulse of various stakeholders, but also try to actively manage their expectations. In order to minimize reputational risk, it is proposed to use the following:

– creation of an internal regulatory framework to eliminate conflicts of interest between employees and customers;

– strengthening the role of mission, value and corporate culture as a vector of communication and behavior of company employees, the basis for implementing changes in business, brand building;

– analysis of the impact of reputational risk factors (both as a whole and separately) on performance indicators as a whole;

– reengineering the format of broadcasting the mission of values, tasks and achievements from the owner and management to employees, namely the channels and tools that make up the system of internal communications.

– segmentation of personnel and the base of age and professional parameters.

Thus, the main factors of reputational development are the human factor, knowledge and culture. Insufficient attention to the reputation of the company's management, lack of differentiation and assessment of reputational risks, strategic approach to reputation management requires the development of a system of key performance indicators of the company's reputation management process.

Maintaining effective and ongoing public relations is one of the key aspects of corporate reputation management.

Knowledge of the factors influencing the business reputation determines the assessment of the financial stability of companies, allows to predict the occurrence of economic danger (bankruptcy, unfriendly takeover of the firm).

Thus, a positive business reputation, its "good name" becomes a source of additional benefits for the company itself and for all those interested in successful interaction with its parties. As an important component of intangible assets, it serves as a significant economic lever in the strategic development of the company. Moreover, in the conditions of instability of economy and strengthening of competition in the markets the positive business reputation is a steady competitive advantage of the company which cannot be imitated by competitors.

## CONCLUSIONS

Today, the successful operation of companies becomes impossible only on the basis of increasing sales and profit growth. The company's business reputation comes to the fore. It is now recognized not only by the scientific and expert community, but also by business, that business reputation, acting as an intangible asset, is capitalized and becomes one of the key factors of the company's value, the basis for improving its financial performance, sustainability and development. However, we should not forget that reputation is very vulnerable and must be constantly maintained. This raises the question of effective management of the company's reputation, which is one of the main tasks of the company. Ukrainian business is still far from the first lines of world reputation ratings – we have something to work on, especially since in a world of all-consuming globalization there is every reason to talk about further increasing the relevance of this issue and this is exactly what our companies need to ensure sustainable development of domestic entrepreneurship in general.

Reputation management solves the management of social communications in business, using information exchange schemes and intellectual property in order to implement optimally favorable business processes, the formation and maintenance of corporate status of the company in the formation and development of economic systems. Global modernization of the business administration structure of the enterprise entails the evolution of new divisions and the disappearance of old ones, and new communication technologies change the structure of interpersonal relations within the company. Many market participants don't realize that effective communication at all levels – with the consumer, with the supplier, with their own employee – is a reputational component and a unique value, an important business resource, as well as finance or time.

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