BUSINESS REPUTATION OF ENTERPRISES: DEFINITIONS, STRUCTURE AND REPUTATION RISK MANAGEMENT

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Abstract. *The article is devoted to the study of the essence of the scientific category "business reputation", as well as its structure and components. The purpose of the article is to establish the impact of business reputation on the economic security of enterprises based on the study of the main definitions and structure of business reputation. The main methods of research are the methods of analysis and synthesis, the method of comparative analysis, the method of systematization, and the graphic method, which contributed to the achievement of the set purpose. The main results of the article are the author's interpretation of the concept of "company's business reputation". The article also summarizes the main components of the company's business reputation, namely: image; reputation of the manager; information transparency; transparent organizational culture; financial stability of the company; goodwill social adaptability of the company; product quality; compliance. As a result of the research carried out by the author, the definitions of the scientific phenomenon of business reputation were systematized according to the multi-level principle in terms of different approaches; legal; marketing; marketing and accounting; marketing process; accounting; accounting and legal. According to the results of the scientific work on reputational risks, we systematized the main types of such risks: direct actions of your company and company practices; actions of employees, leaders, investors, or anyone that directly represents your business or has a relationship with your business; direct actions by partners or suppliers; as a result of external factors, like customers. Effectively managing reputational risk involves five steps systematized, namely: assessing company's reputation among stakeholders; evaluating company's real character; closing reputation-reality gaps; monitoring changing beliefs and expectations; putting a senior executive below the CEO in charge. Therefore, taking into account the above, the main measures for effective management of reputational risk are proposed, which can become the basis of further research.*

Keywords: *business reputation; reputational risk; company's business reputation; image; information transparency; security; compliance.*

JEL Classification: K10, M14, M40, O34

Formulas: 0; fig.: 1; tabl.: 1; bibl.: 14

Introduction. The business reputation of enterprises directly affects their development, allowing them to attract more investments, better customers and increasing their market value. Furthermore, in an economy where 70% to 80% of market value is accounted for by hard-to-measure intangible assets such as brand equity, intellectual capital and goodwill, businesses are particularly vulnerable to anything that damages their reputation. Most companies, however, do not effectively manage their reputation in general and the risks to their reputation in particular. They tend to focus their energies on overcoming threats to their reputation that have already occurred, which negatively affects their economic security.

Literature review. While interest in the concept of corporate reputation has gained momentum in the last few years, a precise and commonly agreed upon definition is still lacking. The article “Corporate Reputation: The Definitional Landscape” (Barnett, M., Jermier, J. & Lafferty, B., 2006) reviews the many definitions of corporate reputation present in the recent literature and categorizes these definitions based on their similarities and differences. The analysis led they to conclude that the cluster of meaning that looks most promising for future definitional work uses the language of assessment and specific terms such as judgment, estimation, evaluation or gauge.

The article “The Building Blocks of Corporate Reputation: Definitions, Antecedents, Consequences” (Fombrun, Charles J., 2012) explores seven principal reference frames that have guided theorising about corporate reputations. The seven conceptual frameworks, namely institutional theory, agenda-setting theory, stakeholder theory, signaling/impression theory, identity theory, resource-based theory and social construction theory, have had a disproportionate influence on theorising about corporate reputations. These theoretical frameworks influenced the conceptual thinking that has taken place in the reputation literature.

The article “Corporate reputation: seeking a definition” (Gotsi, M. and Wilson, A.M., 2001) reviews different viewpoints in the marketing literature in an attempt to clearly define the concept of corporate reputation and identify its relationship with corporate image. Definitions offered for the term corporate reputation by marketing academics and practitioners are therefore merged into two dominant schools of thought. These include the analogous school of thought, which views corporate reputation as synonymous with corporate image, and the differentiated school of thought, which considers the terms to be different and, according to the majority of the authors, interrelated. This article argues that on balance, the weight of literature suggests that there is a dynamic, bilateral relationship between a firm’s corporate reputations and its projected corporate images.

By examining existing definitions and data sets, the article “Measuring Corporate Reputation: Definition and Data” (Wartick, S. L., 2002) explores the current state of efforts intended to measure corporate reputation.

The corporate reputation of a firm and reputation risk is becoming increasingly important because of the rise of social media and the ongoing globalization. While defining and measuring corporate reputation and reputation risk represent the first steps in corporate reputation (risk) management, there is no general agreement in defining and measuring these two terms. Based on an overview of the literature regarding definitions and measurement methods of corporate reputation and reputation risk, the authors in " Corporate reputation and reputation risk: Definition and measurement from a (risk) management perspective" present a holistic and consistent approach to define and measure corporate reputation and reputation risk (Eckert, C., 2017).

Aims. The purpose of the article is to establish the impact of business reputation on the economic security of enterprises based on the study of the main definitions and structure of business reputation.

Methods. The main methods of research are the methods of analysis and synthesis, the method of comparative analysis, the method of systematization, and the graphic method, which contributed to the achievement of the set purpose.

Results. As a result of the analysis of scientific works, it was determined that the content of business reputation can belong to both an individual and a business structure, and being an intangible asset, it can be transformed into a tangible asset - goodwill - in a business structure. The structure of business reputation is shown in Figure 1.

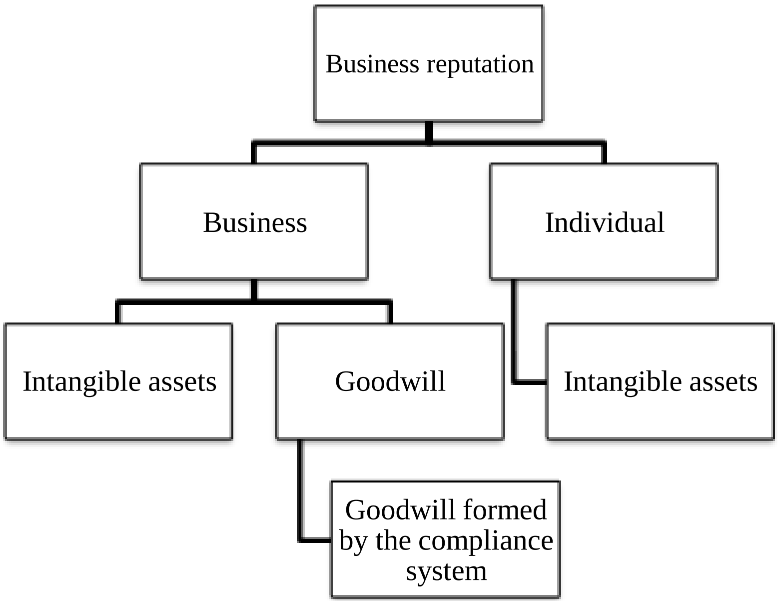

Figure 1. Structure of business reputation

Source: systematized by the author based on [1-7]

After analyzing the scientific works, it was determined that the content of the bank's business reputation has certain components that affect the development of its activities. An analysis of the components of business reputation and their meaning is given in Table 1.

Table 1. Components of the company's business reputation

№	Constituents	Impact analysis
1	Image	Emotional appeal of the company
2	Reputation of the manager	It is an indicator of the level of business reputation of the head of the company and cannot be higher than the reputation of the company he heads
3	Information transparency	Anti-corruption element of the company
4	Transparent organizational culture	An internal source of business reputation formation
5	Financial stability of the company	One of the factors of the company's competitiveness
6	Goodwill	Economic reflection of business reputation, an element of the compliance system
7	Social adaptability of the company	The company's customer-oriented development strategy and personnel policy form a certain level of trust in it
8	Product quality	In market conditions, a manufacturer of low-quality products cannot have a positive business reputation
9	Compliance	Compliance with regulations and the use of optimal international experience of the company's activities

Source: systematized by the author based on [1-7]

It is important not only to understand the components of business reputation, but also their systematization, which is presented in table 2.

Table 2. Classification of components of the company's business reputation

№	Classification sign	Characteristic
1	According to the method of formation	- primary (establishment documents; name; location; competitiveness); - acquired (reputation of management personnel; solvency; creditworthiness; goodwill)
2	By property	- related to property (location; competitiveness; solvency; creditworthiness; goodwill); - not related to property (constitutional documents; name; reputation of management; intellectual property rights; goodwill of contracts; trade secrets)
3	By the form of attachment	- documented (incorporation documents; name; location; solvency; creditworthiness; goodwill of intellectual property rights; goodwill of contracts; trade secrets); - undocumented (reputation of management; competitiveness; compliance with the law)

Source: systematized by the author based on [1-7]

The business reputation of an individual is an intangible asset, while the business reputation of a business structure is an intangible asset that has value - the financial equivalent - goodwill. The business reputation of the enterprise is a full-fledged intangible asset that has a material expression - reputation capital, which only recently received a value expression: scientifically - through the economic category and practically - through the accounting item "goodwill", and therefore the formation and management of reputation and its use as a tool in tough conditions of competition and European integration is becoming more and more relevant.

The business reputation of the enterprise, as an element of the compliance system, in a practical sense largely determines its economic security, namely the enterprise's ability to attract funds, search for strategic investors and partners, operational efficiency of management, which can ensure the building of relations with the authorities, the formation of demand and consumer loyalty . A positive business reputation has long been a mechanism of competitiveness and is currently an especially important component of success, which helps to protect the enterprise and increase its value. Today, business reputation is one of the tools of strategic protection of an enterprise against competitors in the market in conditions of instability and uncertainty.

As a result of the research carried out by the author, the definitions of the scientific phenomenon of business reputation were systematized according to the multi-level principle in terms of different approaches, which are listed in the table. 3.

The following author's definition of the scientific category "business reputation" is proposed - it is a subjective rational judgment (consideration) of the state and relations of the subject of economic activity for making communicative (management) decisions about it [8].

Note that consumers evaluate business reputation using qualitative indicators, while goodwill can be a quantitative economic expression.

In view of the author's analysis of scientific works by scientists regarding the economic essence and significance of business reputation as an indicator of the economic security system, we note that reputational risks have an important impact on the economic security of enterprises and their development strategy.

Table 3. Systematized definitions of the scientific category "business reputation" according to various scientific approaches

№	Scientific approach	Author's definition
1	Legal	Business reputation is a system of legal characteristics that are within the framework of current legislation and can belong to both a natural person and a legal entity.
2	Marketing	Business reputation is an indicator of image and one of the components of a brand, which is formed due to the quality of corporate culture and is an objective assessment of the professional qualities of a natural or legal entity.
3	Marketing and accounting	Business reputation consists of an intangible element of image and brand and has a tangible component of "goodwill", which together express the market perception and value of a person.
4	Marketing process	Business reputation is considered as a continuous process of accumulation of intangible characteristics, which is converted into a positive image and transformation of the latter into a material component of "goodwill".
5	Accounting	Business reputation is considered as the activity of accumulating material wealth through professional activity within the framework of compliance, that is, legal norms and professional ethics.
6	Accounting and legal	Business reputation is a tangible expression of the intangible component of compliance.

Source: compiled by the author based on [1-7]

According to the results of the scientific work on reputational risks, we systematized the main types of such risks (Table 4).

The possible situations listed above are just examples of reputational risk scenarios that can cause serious damage to company`s reputation.

Managing Reputational Risk. Effectively managing reputational risk begins with recognizing that reputation is a matter of perception. A company’s overall reputation is a function of its reputation among its various stakeholders (investors, customers, suppliers, employees, regulators, politicians, nongovernmental organizations, the communities in which the firm operates) in specific categories (product quality, corporate governance, employee relations, customer service, intellectual capital, financial performance, handling of environmental and social issues). A strong positive reputation among stakeholders across multiple categories will result in a strong positive reputation for the company overall.

Reputation is distinct from the actual character or behavior of the company and may be better or worse. When the reputation of a company is more positive than its underlying reality, this gap poses a substantial risk. Eventually, the failure of a firm to live up to its billing will be revealed, and its reputation will decline until it more closely matches the reality.

To bridge reputation-reality gaps, a company must either improve its ability to meet expectations or reduce expectations by promising less. The problem is, managers may resort to short-term manipulations. For example, reputation-reality gaps concerning financial performance often result in accounting fraud and (ultimately) restatements of results. Computer Associates, Enron, Rite Aid, Tyco, WorldCom, and Xerox are some of the well-known companies that have fallen into this trap in recent years.

Table 4. Main types of reputational risks of enterprises

Types of Reputational Risk	Explanation	- Practical examples
1. Direct actions of your company and company practices.	These reputational risk scenarios are caused by direct actions of your company and company practices.	- Not complying with regulations, like federal or local laws or industry regulations; - Data breaches due to unsafe practices that threaten the personal information and safety of consumers and employees; - Consistent inability to meet customer needs or falling short of customer expectations - Legal actions involving your business that become public knowledge; - Layoffs and internal scandals that become public knowledge; - Poor working conditions for employees or exploitative working conditions; - Poor quality products and services; - Purposeful misaction that consumers become aware of
2. Actions of employees, leaders, investors, or anyone that directly represents your business or has a relationship with your business.	These risks typically occur because someone with direct ties to your business acts unacceptably or engages in unfair practices	- C-Suite employees engaging in unethical conduct - Business leaders with negative reputations, or that develop negative reputations through specific actions; - Employees involved in misconduct that becomes publicly known; - Employees poorly representing your brand to others; - Individual employee misconduct towards customers; - Negative social media posts by or those associated with your business
3. Direct actions by partners or suppliers.	Partners and suppliers often provide critical support that helps businesses run, but their behavior can pose a reputational risk to your business, especially if you have an established relationship.	- Partner experiencing service interruptions that critically affect a pillar of your business, like malfunctioning software; - Partners or suppliers engage in misconduct that becomes public knowledge - Partners or suppliers speak negatively about your business
4. As a result of external factors, like customers	Customers can have a significant impact on your business reputation, especially if they have a bad experience	- Negative social media posts from consumers about their experience with your business; - Negative reviews left by customers on public review sites, especially if based on false experiences; - Negative articles and press

Source: compiled by the author based on [8-14]

Effectively managing reputational risk involves five steps (Figure 1):

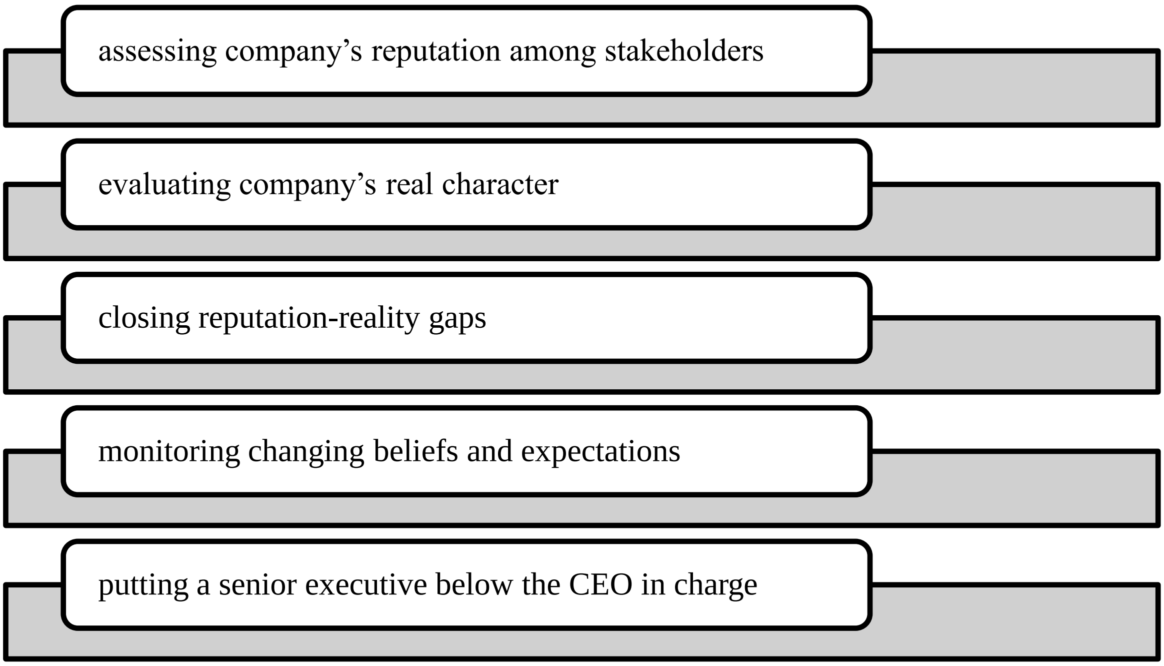

Figure 1. Main steps of effectively managing reputational risk

Source: compiled by the author based on [11-14]

1) Assess reputation. Since reputation is perception, it is perception that must be measured. This argues for the assessment of reputation in multiple areas, in ways that are contextual, objective, and, if possible, quantitative. Three questions need to be addressed:

- What is the company's reputation in each area (product quality, financial performance, and so on)?
- Why company has this reputation in each area?
- How do these reputations compare with those of the firm's peers?

Various techniques exist for evaluating a company's reputation. They include media analysis, surveys of stakeholders (customers, employees, investors, NGOs) and industry executives, focus groups, and public opinion polls. Although all are useful, a detailed and structured analysis of what the media are saying is especially important because the media shape the perceptions and expectations of all stakeholders.

2) Evaluate reality. Next, the company must objectively evaluate its ability to meet the performance expectations of stakeholders. Gauging the organization's true character is difficult for three reasons: First, managers—business unit and functional heads as well as corporate executives—have a natural tendency to overestimate their organizations' and their own capabilities. Second, executives tend to believe that their company has a good reputation if there is no indication that it is bad, when in fact the company has no reputation in that area. Finally, expectations get managed: Sometimes they are set low in order to ensure that performance objectives will be achieved, and other times they are set optimistically high in an attempt to impress superiors or the market.

As is the case in assessing reputation, the more contextual, objective, and quantitative the approach to evaluating character, the better. Just as the reputation of a company must be assessed relative to competitors, so must its reality. For example, performance-improvement targets based only on a company's results for the previous year are meaningless if competitors are performing at a much higher level. The importance of benchmarking financial and stock performance and processes against peers' and those of companies regarded as "best in class" is hardly a revelation. However, the degree of sophistication and detail as well as the accuracy or reliability of benchmarking data can vary enormously. The reasons include transcription errors (a big problem when a large amount of data in paper documents has to be manually entered into electronic spreadsheets), for instance, and the inability to determine whether the way competitors report information in an area is consistent. One company might include customers' purchases of extended warranties in its revenues, while another might not.

3) Close reputation-reality gaps. When a company's character exceeds its reputation, the gap can be closed with a more effective investor relations and corporate communications program that employs the principles of strategic media intelligence discussed above. If a reputation is unjustifiably positive, the company must either improve its capabilities, behavior, and performance or moderate stakeholders' perceptions. Of course, few companies would choose the latter if there were any way to accomplish the former. If, however, the gap is large, the time required to close it is long, and the damage if stakeholders recognize the reality is likely to be great, then management should seriously consider lowering expectations—although this obviously needs to be done in careful, measured ways.

4) Monitor changing beliefs and expectations. Understanding exactly how beliefs and expectations are evolving is not easy, but there are ways to develop a picture over time. For instance, regular surveys of employees, customers, and other stakeholders can reveal whether their priorities are changing. While most well-run companies conduct such surveys, few take the additional step of considering whether the data suggest that a gap between reputation and reality is materializing or widening. Similarly, periodic surveys of experts in different fields can identify political, demographic, and social trends that could affect the reputation-reality gap. "Open response" questions can be used to elicit new issues of importance—and thus new expectations—that other questions might miss. It is generally useful to supplement these surveys with focus groups and in-depth interviews to develop a deeper understanding of the causes and possible consequences of trends.

5) Put one person in charge. Assessing reputation, evaluating reality, identifying and closing gaps, and monitoring changing beliefs and expectations will not happen automatically. The CEO has to give one person responsibility for making these things happen. Obvious candidates are the COO, the CFO, and the heads of risk management, strategic planning, and internal audit. They have the credibility and control some of the resources necessary to do the job. In general, those whose existing responsibilities pose potential conflicts probably shouldn't be chosen. People holding top "spin" jobs, such as the heads of marketing and corporate communications, fall into this category. So does the general counsel, whose job of defending the company means his relationship with stakeholders is often adversarial and whose typical response to media inquiries is “no comment.” The chosen executive should periodically report to top management and the board on what the key reputational risks are and how they are being managed. It is up to the CEO or the board to decide whether the risks are acceptable and, if not, what actions should be taken. In addition, top management and the board should periodically review the risk-management process and make suggestions for improving it.

Discussions. Therefore, taking into account the above, for effective management of reputational risk it is necessary:

– be transparent – it is necessary to be honest with the company's stakeholders in order to maintain a reliable image;

– monitor the company's online presence - the company must respond to any negative social media posts, maintain professional social media accounts, and ensure that social media posts contribute to the chosen branding strategy;

– prioritize accountability - company management must be able to take responsibility for any errors or mistakes;

– maintain a positive attitude - by maintaining a positive attitude in company messages, you can make a positive impression on the public;

– use a client-oriented approach - it is necessary to prioritize relations with clients and their satisfaction in managing the company;

– establish feedback with clients - it is necessary to listen to client feedback and respond to their needs to clarify all disputed issues;

– comply with legal norms - the company must comply with all legal acts in the course of its activity;

– monitor the safe storage of information about consumers and employees - it is necessary to monitor the collection and storage of the specified information in order to prevent its abuse by competitors and fraudsters;

– constantly monitor the quality of products - it is necessary to comply with the requirements regarding the appropriate level of product quality and customer after-sales service;

– to maintain a safe working environment for employees - it is necessary not only to control the state of labor safety of workers in the company, but also to create a favorable psychological climate;

– implement internal control - it is necessary to create internal groups that would conduct regular inspections of all business operations to identify possible risk areas or areas that need improvement;

– use a systematic approach to neutralizing reputational risks - it is necessary to understand that everything can affect the public's perception of your business and potentially risk your reputation.

The specified directions for neutralizing reputational risks should become part of general anti-crisis management and standard business practices that reduce the likelihood of reputational risk scenarios.

Conclusion. Based on the results of the research, the following conclusions can be drawn. The main results of the article are the author's interpretation of the concept of "company's business reputation". The article also summarizes the main components of the company's business reputation, namely: image; reputation of the manager; information transparency; transparent organizational culture; financial stability of the company; goodwill social adaptability of the company; product quality; compliance.

As a result of the research carried out by the author, the definitions of the scientific phenomenon of business reputation were systematized according to the multi-level principle in terms of different approaches; legal; marketing; marketing and accounting; marketing process; accounting; accounting and legal.

According to the results of the scientific work on reputational risks, we systematized the main types of such risks: direct actions of your company and company practices; actions of employees, leaders, investors, or anyone that directly represents your business or has a relationship with your business; direct actions by partners or suppliers; as a result of external factors, like customers.

Effectively managing reputational risk involves five steps systematized, namely: assessing company's reputation among stakeholders; evaluating company's real character; closing reputation-reality gaps; monitoring changing beliefs and expectations; putting a senior executive below the CEO in charge.

The main measures for effective management of reputational risk are proposed, which can become the basis of further research.

Author contributions. The authors contributed equally.

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