

CORPORATE REPUTATION IN ROMANIAN SOCIO-ECONOMIC CONTEXT

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Abstract. Management demand towards accountability, even on intangibles, determined the spectacular growth of studies on evaluating and measuring corporate reputation. The main idea of the study is that perception over companies' reputation depends strongly on the national specific, the socio-economic context and on stakeholders' interests towards companies. The paper presents the results of a qualitative study undertaken in Romania (2007) on „Reputation: characteristics, determinants, consequences, evaluation criteria” and correlates the results with some important figures that describe Romanian socio-economic profile. The conclusion is that in a country in transition, which made little progress in enterprise restructuring and corporate governance law, where competitiveness level is very low and people are generally dissatisfied with life or labour conditions, corporate reputation should be seen differently.

Keywords: corporate reputation, qualitative analysis, country profile, socio-economic context

1. A brief introduction to corporate reputation measurement and evaluation

Corporate reputation is a collective representation of company's past actions, a result which describes firm's ability to generate positive effects to internal and external stakeholders, from competitive or institutional environment (Fombrun Ch., Van Riel C., 1997). There are some very important benefits of a solid reputation: it boosts financial performance, determines satisfaction, pride and loyalty of employees and customers, reduces barriers to market penetration, permits the use of high prices, gains investors' satisfaction, reduces risks for clients, etc. (Helm S., 2006). More, reputation is a goodwill reservoir during crises.

The growing body of literature in the area of corporate reputation led to a wide variety of measurement approaches. Fortune's annual Most Admired Companies and Reputation Institute's Global RepTrack are the most frequently used and discussed data sets, both representing rankings of corporations based on a cluster of different corporate associations. Bromely D. (2002) reviewed existing approaches to assessing and comparing corporate reputations such as league tables (e.g. Fortune), reputation quotients (Reputation Institute's RQ), benchmarks (e.g. utilizing a version of the Fortune method) and questioned the legitimacy of applied psychometric assessments. Here are some of the most commonly used survey instruments to measure corporate reputation:

- (1) **Fortune's World Most Admired Companies (WMAC).** Starting 1983, over 8000 people are interviewed on a regular basis in AMAC (America's Most Admired Companies) and WMAC (World's Most Admired Companies) projects. For its 2007 WMAC, Fortune Magazine used Hay Group, a private consulting firm, to create a list of companies in 27 industries with revenues greater than \$8 billion and to send surveys to 8,645 executives and directors at those companies, as well as to analysts. Respondents are asked to rate companies in their industry on nine items, on a scale of 0 (poor) to 10 (excellent).
- (2) **Britain's Most Admired Companies (BMAC).** In conjunction with Nottingham Business School, Management Today asked Britain's 10 largest public companies in 22 sectors to evaluate their peers. Participants rated their nine sector rivals on a scale of 0 to 10 (0=poor, 10=excellent). Analysts at leading City investment firms were also polled. On the basis of these scores, three rankings were arrived at all 220 companies, top five overall on each criteria and league tables in each category. Respondents were also asked to name the leader they most admired.
- (3) **Imageprofile.** Since 1997, German Manager Magazine has conducted surveys to measure corporate reputation. In 2006, an authorized agent performed a random CATI survey of about 2,000 executives who were asked to rate the top 100 German companies on eleven-point rating scales. The calculation of the overall reputation index was not explained. To be noted that respondents are also asked to rank criteria by their importance: for instance, *client orientation*

ranked first since its introduction (1998), while *Independence* disappeared in 1992; environmental responsibility dropped 10 places from 2 (1991) to 12 (2006).

- (4) **The Global RepTrak™ - The World's Most Respected Companies.** The Global RepTrak™ 2007 is a project developed by Reputation Institute to assess the reputations of the world's largest companies and to identify the companies with the best corporate reputations. It is a result of over 60,000 online interviews with consumers in 29 countries on six continents on over 1,000 companies. Results suffer a country and a global adjustment to lower scores in countries that tend to over-rate companies and to raise scores for companies in countries that tend to rate companies more harshly.

These survey instruments are frequently criticised for standardisation on a few criteria and for their lack of flexibility when are used in different countries and cultures. Fombrun Ch., Gardberg N., Sever J. (1999) revised the existing measurement approaches and highlighted the low variation among items, despite their use in cross-national settings. The financial category with its components - past performance, long-term investment value, profitability – was clearly the best developed area, while social and employee items, honesty and ethics appeared least often. Some similar studies were held in Germany and in the Scandinavian Countries. Dunbar and Schwalbach (2000) explored the reputations of German firms and concluded that in Germany there were industries with good reputation (e.g. car manufactures) and poor reputation (e.g. the insurance, the energy industry). As opposed to American research work, the findings suggested that in Germany there is no financial halo in reputation data (reputation is dominated by non-financial attributes). As to the Scandinavian study, where the inhabitants and the culture are often seen as homogeneous, the analysis shows many similarities, but also some surprising differences in appreciating corporate reputation. For instance, Danes are more reluctant than Norwegians on the subject of companies communicating their good deeds (Aperia T., Bronn P., Schultz M., 2004).

Sharing Gardberg's (2006) opinion that few studies have examined corporate reputation in a non-US context", the qualitative study presented within these pages offers some interesting insights from a country in transition - Romania - and parallels the perception over corporate reputation with some reliable data from the country profile.

2. Research methodology and main results of the qualitative study

The qualitative study „Corporate reputation: characteristics, determinants, consequences, evaluation criteria” aims to identify how a corporation is perceived in Romanian context. Research is based on data from 3 focus-groups (students and teaching staff) and 30 in-depth interviews, held with executives and marketing/communication practitioners from Grupul Industrial Componente Pitesti – a 30 companies holding based in Romania, with activities in auto manufacture, leasing, tourism, trade and transactions on Stock Exchange. Data collection was realised during October-December 2007. Both focus groups and in-depth interviews were recorded on tape and were based on a semi-structured interview guide. Respondents had to ask to 11 open-ended questions, plus some help-questions and a close-ended one, which asked them to rate, form a 50 evaluation criteria list, criteria that sounded unclear or unfamiliar to them and criteria they considered pertinent for Romanian companies.

The main results of the qualitative study are presented as follows:

■ For most of the respondents, a good company *has a better offer than its competitors and keeps its promises to clients and employees*. To note that respondents highlight a criterion that companies in Romania often don't accomplish: *correct retribution for overtime, as stipulated in internal regulations*. Many add *the degree of modernization* (modern equipments, performing production lines, operational services, etc.). In order to have a good reputation, companies should *pay correct wages, consonant with the general market* and *apply a good treatment to employees*. Finally, respondents use widely the phrase *according to European standards*.

■ On the other hand, companies with poor reputation are concerned only with gaining profits, no matter what means, have poor quality products and services, poor communication, delays in executing orders, poor management and marketing. Respondents have more examples of poor-reputed companies than of good-reputed ones. For instance, *Danone* was mentioned frequently, while *McDonald's* came second, all participants being aware of ex-worker letter to consumers, to advise them on dangers of eating at McDonald's. There were cited some more personal experiences: *Kaufland taxed me four times a product*, *Auchan has poor quality* or – from a student owning a little business in cleaning services: *I had a business*

with Volkswagen. Hope you have nothing to do with them! I worked for nothing! (that means they didn't pay him enough).

■ Management has, in respondents' opinion, the main task in reputation management, being responsible for supervising organizational behaviours and for coordinating all reputation efforts. On the other hand, to communication specialists comes the task of projecting reputation, after reviewing all information from throughout the company. *Unfortunately, in respondents' opinions, in Romania, communication departments exist only in organizational chart and do anything else except communication; not to talk about PR departments, which are invisible!*

■ For most of the participants, corporate reputation is formed first through direct contact with company's products and people. All respondents named *media* and *word-of-mouth* as the most powerful channels when talking about reputation. Companies which engage in reputation management should focus – as respondents stated – on: *respecting promises, proving seriousness and professionalism, managing crises and establishing quality standards for all activities; last, but not least, they have to learn how to build a relationship capital*. All these objectives can be attained through a constant and continuous communication with all groups of stakeholders, an open-to-dialogue attitude, transparency, involvement in community. Companies should open doors to visitors, involve in community's issues, engage employees, take feedback from clients, etc. It was amazing hearing respondents talking ironically about some social responsibility activities: *It's time for Christmas now; in order to have a good reputation, you can visit a hospital and give a refrigerator to some old men or donate a Tv set to a many-children family. You'll have for sure a better reputation!* – although they stated CSR as a main tool for reputation management.

■ For the bulk of respondents, some of the criteria used by international models and methodologies sound unknown: *wise use of corporate assets, corporate governance, issues management, brand equity or sustaining good causes*. That's because these criteria make use of some specialised terms (assets, brand) and, on the other hand, because in Romania there isn't a strong trend toward the introduction of relatively new concepts like corporate governance, for instance. The most relevant criteria to evaluate a corporation in Romanian context are, in respondents' opinions: *seriousness, quality of products and services, degree of modernization, stability on the market, customer relationship management and compliance to European standards*. Surprisingly, *involvement in career development* or *capacity to act globally* aren't relevant for participants in interviewing.

3. Hot issues in Romanian socio-economic context and their influence on corporate reputation

3.1. Hot issues in economy

■ **Romania is a country in transition.** According to the European Bank for Reconstruction and Development classification, Romania is a country in transition from a rigid centrally planned economy to the standards of an industrialized market economy. As the big majority of countries in transition, Romania shares certain important features: it has quite a large sector of former-owned enterprises in the process of restructuring, it inherited a dysfunctional legal system and, in many cases, it had to construct basic institutions from zero. According to EBRD's Transition indicators (2007), Romania has made big progress in privatisation (large and small scale), but little progress in enterprise restructuring and corporate governance law.

■ **Romania has a different economic structure than Western economies.** The economic structure of Romania is very different when compared with the overall structure of the European Union (EU) economy. Nowhere is this difference more apparent than for the agriculture, hunting, forestry and fishing sector which accounted for 9,6% of Romania value added, while the EU average is 1.9% (Eurostat, 2007). Romania is dominated by small and medium enterprises: in 2005, only 1,6% active enterprises from industry and 0,1% enterprises from trade and other services had over 249 employees (National Institute of Statistics).

■ **Romania lost competitiveness against its main trading partners.** Romania ranks 74 out of 131 countries/economies in the World Economic Forum's Global Competitiveness Index 2007-2008, and ranks only 121 by the nature of competitive advantage. Tax rates (14,5%), tax regulations (14,20%), inefficient government bureaucracy (12%), corruption (10,8%) and access to financing (10,3%) are the most problematic factors for Romania's competitiveness. Imports (\$50,9 billion in 2006) exceed exports (\$32,2

billion in 2006), trade being mostly centred on the member states of the European Union, with Germany (15.7%) and Italy (17.9%) being the country's single largest trading partners.

■ **Romania has a large number of discontented people.** Overall living standard in Romania, as measured by GDP per capita in PPP is relatively low, equating 37,3% of the EU average in 2006 (European business, 2007). The level of satisfaction with life in Romania is very far from situation in EU, where the proportion of those satisfied with life is very high, at about 79%. That's why Romania is still far from the developed society's model. This situation is correlated with a very low level of trust for political parties, parliament and government and with a very positive and quite positive image of the EU (68%), even if the proportion of those who believe their voice "counts in the EU" is low, at a level of 20% (Eurobarometer 68, fall 2007).

■ **Romanians have a good self-perception.** As to the last Eurobarometer (fall 2007), Romanians are very attached to their country (57%). Localism is higher in poor countries than in rich countries. In a study undertaken by Romanian Strategies Agency for Governmental Strategies during April – May 2007 about Romanian's self-perception and country image, 76% of respondents declared to be proud or very proud of their nationality.

Comments. This brief economic profile of Romania allows some comparisons with the previous qualitative study. First, if we talk about enterprises in process of restructuring, we must consider their efforts through modernization and decentralization. That's why people appreciate positively a company with *modern equipments, performing production lines or operational services*. Second, a country in transition can have dysfunctional legal systems. It's also the case of Romania, where, for instance, the quality of corporate governance is low, as according to EBRD. For respondents to the qualitative study, the criteria "quality of corporate governance" sounded *unknown*. We cannot talk about "quality of..." if the concept, in itself, isn't understood. Third, a country dominated by small and medium enterprises use distinctively the mechanisms of corporate reputation management. Indeed, these days Romania guests a lot of multinationals (the foreign direct investment is spectacularly increasing), which come in with their good practices and experience. But Romanian companies are learning and experimenting now. That's why respondents consider *corporate reputation is not valued, neither practiced as abroad*. Forth, a good corporate reputation is based on a good corporate performance. In a country with very few competitive advantages, promoting performance seems to be an impossible task. And respondents see this: *companies have to know where they are today and where they want to be tomorrow. Then, they can start building reputation*. Fifth, if imports exceed exports, if very few Romanian companies have international trades, it is obviously not to see *capacity to act globally* as a relevant criterion for Romanian companies. Sixth, if the cost of living is extremely high and average salaries are dramatically low, people consider *value for money* a leading criterion in evaluating a corporation and its products. Last, but not least, considering the low level of general satisfaction with life, companies should target needs hierarchically in order to get loyalty. As the data show, Romanians have a very high level of trust in EU. That's why respondents mention obsessively *according to European standards*. These standards needn't be considered only in terms of legislation, but also in standards of life, performance and competitiveness.

Any reputation project in Romania should feed pride of stakeholders, no matter if employees, clients, investors or general public. Romanians are conspicuous consumers, even if their revenues are not as consistent to pay high prices; they become loyal to brands because brand signals a high social status. With a high localism, Romanians find reasons to be proud even of the presence of some reputable companies in their communities.

3.2. Hot issues in business environment and in the workplace

■ **Romania encounters some notable disadvantages related to business competitiveness.** Romania ranks 73 out of 131 countries/economies in the World Economic Forum's Business Competitiveness Index 2007-2008. The most notable disadvantages in terms of business competitiveness are: cooperation in labour-employer relations (124), non-wage labour costs (114), ethical behaviour of firms (103), degree of customer orientation (100), extent of marketing (81) etc.

■ **Romania faces problems with economic crime.** According to PricewaterhouseCoopers' 2007 Global Economic Crime Survey, over one third of Romanian companies reported being victims of economic crime in the past two years. On average, Romanian companies had suffered more than seven incidents of fraud each in the past two years. The average cost of economic crime in Romania has nearly doubled since the

last survey. Corruption and bribery are perceived to be the most prevalent types of economic crime in Romania.

■ **There are some hot issues at the workplace.** The main claims which caused the conflicts of interest in 2005 in Romania were, as to the National Statistics Office: nonpayment of compensations, of indexations or of wages in time or holiday bonuses (60%); lack of normal labour and social conditions, lack of promotion in high classes a.o.n; lack of dayoffs, additional hours and leaves. In a study undertaken by International Research Institute during August 2006 with people in 24 countries on „Work – life balance” – for Romanians, the main problem was not hours worked (17%), but dissatisfaction with payment (48%).

■ **Romania has different Cultural Dimensions than Western countries.** According to Geert Hofstede’s Cultural Dimensions, Romania has a high power distance index (PDI = 90) reflecting presence of inequality of power and health within society and deference to authority figures, low individualism (IDV=30) which expresses the collectivistic nature of society with close tights between individuals, low masculinity (MAS = 42), a high uncertainty avoidance index (UAI = 90), , which indicates that they try to minimize unstructured situations by strict laws and rules, safety and security measures and on the philosophical and religious level by a belief in absolute Truth. Romania has a also a short-term orientation. As the other Balcanic countries (Bulgaria, Greece, Albania, Serbia) – Romania is at the opposite site of Western countries, *from where they imitates all managerial and HR practices.*

□ **The public relations sector in Romania has not reached the level of overall acceptance and recognition.** The public relations sector in Romania has not reached the level of overall acceptance and recognition that it would merit. During November 2006-January 2007, The Club of the Romanian Public Relations Agencies realised the first study about state of PR in Romania, using Daedalus Consulting, a market research agency. Only 35,7% of the companies surveyed have a PR department, whose main activities are event management (68,2%), media relations, media monitoring, management consultancy, crisis management and CSR. As regarding advertising, the first 20 advertising users in 2006 had invested half the total advertising investments in Romania. 91% of the gross investments went to TV, while press and radio attired only 7%, respectively 2% of the total investments, as to Daily business.ro (2007). There is some more evidence from the last Eurobarometer (fall 2007): Romanians trust TV and radio at a level of 61% and the written press at a level of 53%.

□ **Romania’s business executives have a limited view of CSR.** In 2005, World Bank surveyed business leaders in Bulgaria, Croatia and Romania to identify private sector’s views of CSR and the way in which it is practiced. In Romania, more than half of the respondents consider „ethical conduct in operations” the main component of CSR; a very small number identify creating jobs, paying taxes and contribution to charities as part of their role. The desire to improve corporate image and reputation is the most important reason cited for undertaking CSR (79%), while the most important internal benefit is the belief that CSR practices could increase company longevity (20%). As to the environment, 25% of companies respect investment in environmental initiatives; some 58 percent recycle, 25 percent implement ISO 14000 norms and 9 percent implement other environmental standards. These figures are lower than comparable figures in developed economies.

Comments. Any company engaged in reputation management activities in Romania should consider *seriousness* as a leading criterion in projecting reputation. Romanians have a skepticism concerning business and they tend to associate any business success with some illegal practices. That’s due to the generalised corruption and to the echos of business crimes. Seriousness can be a good equivalent for ethics, which sounds a little formal to respondents. Workplace’s hottest issue is retribution. Respondents to the qualitative study claimed for good salaries, according to the market and for correct retribution of overtime. It’s obvious that this is a big problem, as resulted from the studies presented. Respondents also identified the need for customer orientation and the extent of marketing, as leading drivers of corporate reputation. Companies engaged in reputation management should also consider Romania’s cultural dimensions: Romanians are very inequal as power and wealth, so they need to be treated accordingly. Collectivism – as a reminiscence of the egalitarian communist era – should be taken into account.

To be on TV or not to be! – this can be the leading imperative for those engaged in reputation management in Romania. People trust highly TV and a company that lacks visibility on media lacks also awareness. Respondents to the qualitative study identified correctly the fragility of Romania corporate communication structures and the amateurism of PR practitioners in Romania, even they exaggerated saying that „in Romania, PR departments are invisible!”. By their own, CSR initiatives are not clues to success, being

considered „hypocrites”, following the model of Romanian politicians, who, before, elections, try to gain votes alluring electors with grilled minced meat rolls and beer. Respondents claimed, in this way, for responsiveness with the intent of sustaining development, not only to improve corporate reputations.

Conclusions and further research

This study aims to demonstrate that perception over corporate reputation relays strongly on the national culture, the state of socio-economic development and on market condition. All economic and business rankings issued by international organizations and associations offer some very valuable insights over the hottest topics within a country. In the same time, studies taken by research companies or professional agencies offers some clear views about the development of a field in a specific moment in time. Last, but not least, public opinion polls are very useful not only for politicians who base their decisions on the results, but also for reputation specialists, who fight on the same ground of public opinion. It is for true that people engaged in reputation management have – roughly speaking – a humanist background, being „text-oriented”. But charts and figures are in the language of the „dominant coalition” in corporations and help be considered in decision making.

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