

**REPUTATIONAL CAPITAL AS A BASIS FOR COMPETITIVE ADVANTAGE**

**Karpova K.V.**

**Supervisor: Yamskikh T.N.**

*Siberian Federal University, Institute of Economics and Trade*

Few years ago, managers of Russian companies did not think about the formation of the business reputation and any decisions regarding this issue were accepted only in crisis situations. Currently, reputational capital is a popular and topical issue. Today there is a tendency to form a positive opinion about the company. Programs of reputation management, which main purpose is to create a favorable image of the organization, based on high business reputation are being actively developed. Many of the leading experts in the field of communication and strategy believe that being able to assess and manage a company's reputational risk is one way to attain a competitive edge, especially in an increasingly negative global business environment.

The purpose of this work is to prove the impact of reputational capital of the enterprise on its competitiveness, to substantiate the need to build reputation capital.

In accordance with this purpose we tried to solve the following objectives:

1. to reveal the essence of the concepts «business reputation» and «reputational capital»;
2. to show the full impact of reputational capital on the efficiency of the organization.

Improving the competitiveness of the company and the achievement of lasting business success depends on a company's reputation. High business reputation increases the level of partners trust, enhances the value of the company's shares, and attracts investors.

Business reputation represents the set of objectively-formed opinions about the company stakeholders somehow connected with the company (employees, investors, creditors, customers, government officials , analysts, media, etc.) .

Business reputation is the "good name" of the company, which is formed by factors such as the image of the brand, credibility, popularity. It accounted for as intangible assets of legal entities, along with the know-how, copyrights, trademarks. Currently CEOs recognize the need to build reputation capital, because it impact on the competitiveness and efficiency of the company exceeds the result from the buildup of material resources and gives a more lasting effect.

Brand loyalty is one of a company's most important assets. In order to create brand loyalty, a company has to convince consumers that its products and services are valuable, and that the company itself is trustworthy. It can be argued that trust often plays a larger role in cultivating brand loyalty than product quality does. After all, if a potential customer doesn't trust a company, s/he is unlikely to try the product or service in the first place. High-quality products alone don't guarantee success. In fact, it's far more likely that your company competes against your competition's reputation more than its products. When companies invest in their reputation capital, they're actually investing in their brand loyalty.

Initially, the category of "capital" was interpreted as a value stock of goods, money that could be profitable. However, modern economists and managers consider capital as a set of assets that could bring the company excess profits, including the expense of intangible assets, the main of which is the reputational capital.

Reputational capital is cost value of intangible assets, including knowledge of the market, having your own communication technologies, taking into account stakeholder loyalty and quality of services (products, processes). Reputational capital is a key factor of competitiveness and financial stability of the company.

Reputational capital of any organization is based on its own reputation, which is converted into capital by investing in the image, corporate culture and corporate social responsibility.

The company's image is a form of manifestation of reputational capital, which is often identified with a reputation. However, image is a superficial, often artificially created in a relatively short time representation of the object, which is made up in the minds of people. Image differs from the reputation in its relatively rapid creation and change.

Professionals know that it is necessary to form and grow reputation, thereby creating added value and eventually capital. Reputational capital consists of such components as : marketing orientation of the company, liable to the business partners, the quality of management, quality of solutions offered to the consumer and their level, social responsibility, personnel policy . Increased reputational capital gain enables the company's position relative to its competitors, attracts customers and partners, increases resistance to environmental changes, as well as easy access to the financial organization, information and human resources.

Reputational capital performs the following functions:

- Increase profits , characterized by the level of profitability, sales growth, an increase in workers salaries and increasing dividends, etc., which indicates the effective implementation of the external image of competitive firms ;

- The constant growth of assets capitalization (increase in the rate of capitalization), characterized by the growth of the market value of its shares, the accumulation of its own internal sources of investment, etc., that strengthens a strategic resource of the company as external business image, which enhances its competitive advantage;

- The achievement of social cohesion at the macro and micro levels as the basis for a stable and successful company operation, characterized by the reduction of transaction costs (lower interest rates on loans, guarantees in its activities by the government , etc.), which is also a consequence of a company`s positive external image.

Reputational capital is the result of interaction between external and internal environment of the organization, so the size of reputational capital and its impact on the competitiveness of a company will vary according to the efficiency of interaction between these environments.

Necessity to develop a long-term strategy to build reputational capital involves the use of reputation management. This area of management is relatively new; it is a set of measures aimed at creating, maintaining and protecting the company's reputation. The main tool of reputation management is the PR, which includes working with the media, non-profit and non-governmental organizations, local communities and investors. Development of charity and sponsorship programs is also considered as an effective tool of reputation management.

Reputation management includes market research, assessment of the existing company reputation, development of the company strategies and its strategy of building a reputation and reputational capital.

Because reputation is based largely upon perception, it's important to do everything possible to demonstrate that a company can be trusted. Developing a corporate communications plan and a consistent public relations message are important, as is making sure that corporate officers and directors adhere to a code of conduct. So it is necessary to maintain good communication with customers and cultivate a healthy work environment for employees. Business and brand names should be used carefully: They are the public face of a company. Indeed, many people feel that brand reputation management is key to a good overall marketing plan.

It should be noted that creating reputational capital is a rather time consuming process. It can take time to build good corporate reputational capital — but only a moment to bring it down. Reputation management should take into account all possible reputational risks which are possible loss of the organization`s reputational capital. Reputational capital is based on either real or perceived losses in reputation. In fact a company can loose its reputation whether allegations are true or not. Every time a company does something good, its reputational capital account goes up; every time a company does something bad or is accused of doing something bad the account goes down. A single scandal, or even the suspicion of corporate impropriety, can harm a company's reputation overnight. Smart companies should always have a good crisis

response strategy in place, but it's even smarter to conduct business so that such strategies aren't needed. Keeping close tabs on what others are saying about a company is vitally important.