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THE IMPACT OF THE CORPORATE SOCIAL RESPONSIBILITY ON THE REPUTATION OF COMPANIES

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Розглядаються глобальні тренди сучасності, які дають поштовх до впровадження і подальшого розвитку соціальної відповідальності компаній. На основі численних досліджень аналізується позитивний вплив політики соціальної відповідальності на компанію (інвестиційну привабливість, лояльність споживачів і працівників, її вартість) та її репутацію. На основі аналізу і порівняння методології міжнародних рейтингів репутації виокремлені складові соціальної відповідальності, які мають найбільший вплив на зростання репутації компанії.

Ключові слова: КСВ, репутація, стійкість

Рассматриваются глобальные тренды современности, которые дают толчок к внедрению и дальнейшему развитию социальной ответственности компаний. На основе многочисленных исследований анализируется положительное влияние политики социальной ответственности на компанию (инвестиционную привлекательность, лояльность потребителей и работников, ее стоимость) и ее репутацию. На основе анализа и сравнения методологии международных рейтингов репутации выделены составляющие социальной ответственности, которые имеют наибольшее влияние на рост репутации компании.

Ключевые слова: КСО, репутация, устойчивость

In the context of the “economy of intangible assets and corporate reputation” [1], the value of theoretical studies of corporate reputation and its components increases. Today, corporate reputation is viewed as a general appreciation, expression of trust, emotional connection of different groups of stakeholders with the company. Numerous studies show that stakeholders expect companies not only to have a quality product or service, or a comfortable workplace, but also to solve social and environmental problems. Corporate social responsibility has become a significant part of the company’s reputation. The purpose of the study is to consider the impact of social responsibility on the company’s reputation.

In an unstable environment, companies are more and more likely to face the global challenges of today. Environmental and social challenges, increasing public awareness of sustainable development are driving more pressure upon business. Companies are increasingly beginning to align their commercial interests with the need to address environmental and social problems. In addition, according to a survey by the University of Sustainable Leadership Institute at Cambridge University, 53 % of respondents believe that it is business, not the government, will take direct actions to ensure sustainable development [2]. The trend of transition of responsibility for sustainable development from the state to the business is confirmed by the results of the last research of Edelman Trust Barometer, according to which, «More than three-quarters (76 percent) of the general population concur—they say they want CEOs to take the lead on change instead of waiting for the government to impose it». Along with that, 65 % are confident, that CEO’s can create positive change in equal pay, 64 % – in prejudice and discrimination, 64 % – in training for the jobs of tomorrow, 56% - in the environment [3].

The impetus for the implementation or further development of corporate social responsibility or sustainable development policies for companies is also the position of consumers and employees. According to a research, over 70 % of consumers worldwide «actively seek out information on the companies that provide the products and services they buy, and 62 % said they would like their favorite brands to play a bigger role in solving social problems [4]. According to The Deloitte

Millennial Survey 2018 (a survey of 10,455 millennials in 36 countries and 1,850 Generation Z representatives in six countries), less than half of millennials believe that companies adhere to ethical standards (48 % vs. 65 % in 2017), and business leaders are making sufficient efforts to improve society (47 % vs. 62 %) [5]. Almost half of those surveyed believe that companies should include in their priority strategies such activities as job creation, innovation, improving the lives and career opportunities of employees, and making a positive impact on society and the environment [5].

Obviously, companies that integrate corporate social responsibility policies into their own business strategies have several advantages. These include the following:

- Increasing consumer loyalty. The Reputation Institute data shows that responsible business practices make people 9.4 % more likely to purchase a firm's products or services [6];
- Increasing employee loyalty: 8.1 % people are more likely to work for that company [6];
- Improving investment attractiveness. The aforementioned study of The Reputation Institute indicates that the implementation of social responsibility increases by 7.7 % intention to more likely to invest in this company [6];
- Increasing a company's value. A 1-point increase in reputation score yields a 2.6 % increase in market cap - for a typical company translates into \$ 1B per reputation point [6];
- Increasing the level of trust in a company by all stakeholders, values and reputation of the company.

Let us dwell on the latter advantage in more details. In today's world more and more attention is being paid to the reputation of companies. There are various approaches to defining the concept of the "reputation". The authors adhere to an approach that considers reputation as one of the intangible assets of a company, formed by judging different stakeholder groups about the reliability of the company and its value. We consider the formula, which was proposed by The Reputable Institute's: «we define reputation as the emotional connection that stakeholders (consumers, investors, employees, regulators) have with a given company. The

top-level formula is simple: if stakeholders have a strong emotional connection with a company, they will buy from, invest in, and want to work for that company – all good things for business. This is how an intangible concept like reputation directly drives business results» as a quite accurate in determining the reputation, its necessity and value for companies [7].

Reputation ratings conducted by international agencies (for example, The Reputation Institute [8], Fortune’s World’s Most Admired Companies [9], Harris Interactive Reputation Quotient [10]) are built on different components of reputation (Table 1). However, such components as “Products / Services” and “Social Responsibility” are always a part of the reputation of all international rankings.

Table 1

Generalization of the organizations’ reputation constituents based on the reputation ratings data

№	Components of Reputation¹	The Reputation Institute	Fortune’s World’s Most Admired Companies	Harris Interactive Reputation Quotient
1.	Performance	✓		
2.	Products/Services/ Quality of Products/Services/ Products/Services	✓	✓	✓
3.	Innovation	✓	✓	
4.	Workplace/ - / Workplace environment	✓		✓
5.	Governance/ Quality of Management	✓	✓	
6.	Citizenship/ Social Responsibility/ Social Responsibility	✓	✓	✓
7.	Leadership/ - /vision & leadership	✓		✓
8.	People Management		✓	

¹ The reputation components are presented according to the methodology of all three ratings

№	Components of Reputation ¹	The Reputation Institute	Fortune's World's Most Admired Companies	Harris Interactive Reputation Quotient
9.	Use of Corporate Assets		✓	
10.	- /Financial Soundness/ Financial performancevi- sion		✓	✓
11.	Long-Term Investment Value		✓	
12.	Global Competitiveness		✓	
13.	Emotional appeal			✓

The share of social responsibility in the structure of the reputation takes a significant place (Figure 1). According to RepTrak® CR Index, 39,9 % of companies' reputation provides social responsibility (10,8 % – workplace, 14,1 % – citizenship and 15% governance) [8]. A citizenship, governance and products / services have ensured more than 50 % of companies' reputation in 2018.

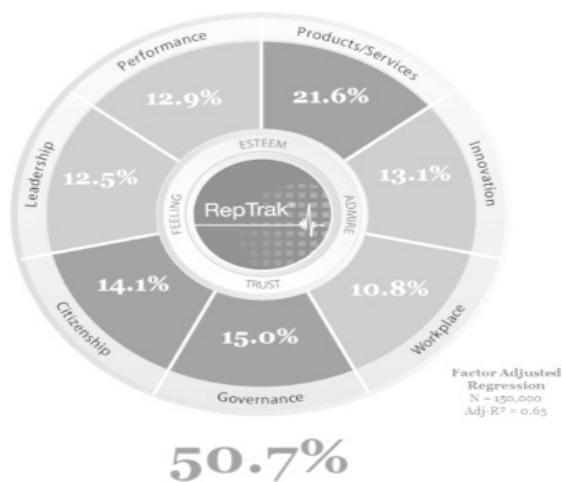


Fig. 1. The share of individual components in the reputation of companies, by The Reputation Institute, 2018.

RepTrak® CR Index – this is a survey of The Reputation Institute, is based on the poll of more than 230,000 respondents. The survey evaluates the company by such components of the reputation as:

GOVERNANCE: includes such indicators like: Ethical, Fair in doing business, Open and Transparent;

CITIZENSHIP: Positive influence on society, Environmentally conscious, Supports good causes;

WORKPLACE: Rewards employees fairly, Concerned for employee well-being [8].

And according to Harris Poll Reputation Quotient (RQ), which measures reputations of the 100 most visible companies in the U.S., as perceived by the general public, social responsibility is being measured by such criteria:

- Supports good causes
- Environmental responsibility
- Community responsibility [10].

Let's take a closer look at the results of The Reputation Institute study. In 2018, the highest scores of the company were in such aspects of social responsibility as: positive impact on society, honesty in the introduction of business, ethics. Openness and transparency remain a key focus for companies (see Figure 2).

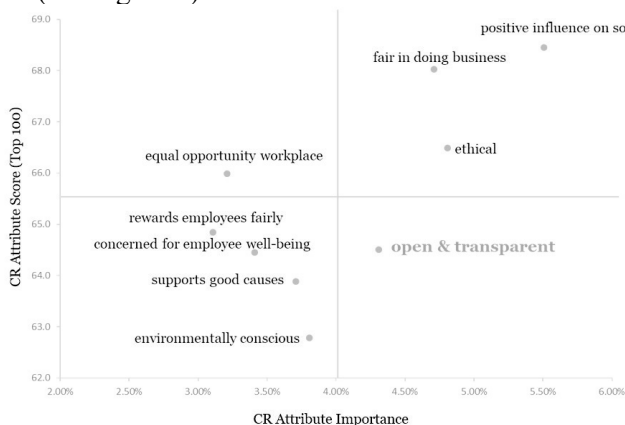


Fig. 2. CR Attributes Importance vs. CR Attribute Scores for the Top 100 in CR, 2018. [11]

To sum up, it should be noted that according to the analysis of the methodology of international reputation ratings, social responsibility is included as a component of the company's reputation in all ratings. According to the Reputation Institute, social responsibility provides up to 40 % of the company's reputation, and the most important for the society are such indicators of social responsibility as: a positive influence on society, honesty in the conducting business, and ethics. Given that social responsibility has a direct impact on the company's reputation we would like to make a stress upon the following:

- companies that build their reputation should not only care about the quality of a product / services, but also implement / improve the social responsibility strategy in the company's business strategy. The company's social responsibility strategy must take into account the views of all stakeholder groups and their expectations of the company's contribution to solving social and environmental problems. The most effective corporate social responsibility strategies are integrated into business strategies, involve executives and employees in actively engaging them into companies' CSR projects, take into account global challenges addressed by Sustainable Development Goals and national targets for their implementation. The company's CSR strategy will not deliver tangible and visible results in the short term; it will only benefit in the long run. Big business often acts as a CSR driver in dealing with its suppliers, most of which are small and medium-sized companies. Adhering to the principles of sustainable procurement, large companies are demanding compliance with CSR principles in the field of environmental protection, respect for human rights and labor relations. It should also be remembered that a CSR strategy should not only have a positive impact on society, but also be visible to all stakeholder groups;

- business companies should also strengthen communication on CSR practices and results, and to enforce reporting and openness practices. The main communication tools for companies should be: management or sustainability reports, websites, social media networks, public events, stakeholder meetings, and other. The need for an active communication policy of the company on social and environmental issues, values and goals of the company, the active position of the company management

is increasing due to the dissemination of fakes, false information and more. Openness and transparency of the company will be ensured by the communication that will enable to establish that emotional connection between organizations and their key stakeholders.

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