

DOI: <https://doi.org/10.32782/2524-0072/2024-70-83>

UDC 658.012:339.138

RESTORING A COMPANY'S BUSINESS REPUTATION IN THE CONTEXT OF ECONOMIC SECURITY

ВІДНОВЛЕННЯ ДІЛОВОЇ РЕПУТАЦІЇ КОМПАНІЇ В КОНТЕКСТІ ЕКОНОМІЧНОЇ БЕЗПЕКИ

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The article provides a theoretical analysis of how to restore a company's business reputation. It explores the various factors that can lead to a reputation crisis and categorizes different types of reputation crisis situations. Utilizing the typology created by W. T. Coombs (2007), this article outlines the characteristics of three primary strategies and one secondary strategy for restoring business reputation and discusses their practical applications. The authors offer recommendations for developing effective strategies for reputation restoration, emphasizing the importance of ensuring economic security. Strategies for restoring a company's business reputation should be approached from various dimensions: economic, legal, and socio-cultural. Additionally, authors provide indicators that can be used to monitor the progress of these restoration reputation efforts.

Keywords: restoration company's business reputation, company's economic security, sources of a company's reputation crisis, reputation crisis situations, strategy of restoration business reputation, indicators to monitor a progress of reputation restoration, stakeholders' loyalty.

У статті здійснено теоретичний аналіз проблематики відновлення, формування та підтримки позитивної ділової репутації компаній. Методи дослідження, застосовані авторами, включають аналіз і синтез, порівняльний аналіз та систематизацію. Вони дозволили досягти поставленої мети статті – теоретичного осмислення стратегій відновлення ділової репутації в контексті забезпечення економічної безпеки компанії. Обґрунтовано, що стратегії відновлення ділової репутації відіграють ключову роль у забезпеченні економічної стабільності компаній в умовах динамічної конкуренції, активної діджиталізації, прозорості медійного простору та постійної мінливості ринкового середовища. У статті систематизовано джерела виникнення репутаційних криз і розглянуто типологію кризових репутаційних ситуацій, з якими може зіткнутися компанія. Авторами рекомендовано під час розробки стратегій відновлення ділової репутації застосовувати комплексний підхід, що охоплює економічні, правові та соціокультурні аспекти. У статті проведено аналіз типології стратегій відновлення ділової репутації, розроблену W. T. Coombs (2007), яка передбачає первинні та вторинні стратегії. До первинних належать: заперечення кризи (компанія не визнає репутаційної кризи та висвітлює в медіа просторі, що вона не причетна та не несе відповідальності за негативну ситуацію), зменшення кризи (компанія виправдується щодо часткової вини або визнає вину в повному обсязі та приносить вибачення з наданням компенсації постраждалим) і відновлення репутації (проактивна зміна сприйняття стейкхолдерами

іміджу компанії, що вимагає значних фінансових ресурсів, але створює цінні репутаційні активи для компанії). Вторинні стратегії передбачають заходи з підтримки репутації компанії, які пов'язані з розвитком взаємодії зі стейкхолдерами. Проаналізовано приклади та особливості застосування цих стратегій у контексті економічної безпеки компанії. Автори наголошують на ключовій важливості розвитку партнерських відносин зі стейкхолдерами під час управління процесом репутаційного відновлення. У статті запропоновано індикатори для моніторингу процесу відновлення ділової репутації компанії. Перспективи подальших досліджень охоплюють аналіз міжкультурного сприйняття ділової репутації на міжнародному рівні.

Ключові слова: відновлення ділової репутації компанії, економічна безпека компанії, джерела репутаційної кризи компанії, репутаційні кризові ситуації, стратегії відновлення ділової репутації, індикатори для моніторингу процесу відновлення репутації, лояльність стейкхолдерів.

Problem statement. The issue of building a *business reputation* (hereinafter referred to as – a reputation) and the maintenance of market stability are key objectives for any company. Restoring a company's reputation, particularly in the aftermath of a significant breach, represents a complicated challenge that can sometimes prove overwhelming. For over eight decades, Arthur Andersen company had been regarded as one of the most prominent auditing companies in the world and was renowned for its integrity and dependability in delivering auditing services. However, the discovery of falsified audit reports during Enron's bankruptcy led to the irreversible and devastating collapse of Arthur Andersen's impeccable reputation, resulting in the company's closure.

This case is an example of the misunderstanding of prioritizing the monitoring of reputational risks, especially those arising from unethical practices at a managerial level. Developing and continuously applying comprehensive policies to prevent such violations is fundamental for safeguarding against internal threats to the company's reputation. A damaged reputation can lead to severe financial instability, heightened employee turnover, and the erosion of stakeholders' trust, potentially resulting in the company's collapse.

Reputation restoration strategies significantly ensure a company's economic security in dynamic competition, rapid digitization, transparent media space, and a volatile external market environment.

Literature review. Booth (2000) systemized the reputation elements: "legitimacy (conformity to expectations based on a legal/socially acceptable foundation), reliability (a mixture of competence and consistency), credibility (consistent truthfulness), confidence (credibility plus consistent message communication), trust (based on a comparison of confidence between different organisations)".

Brady and Honey (2007) examined a classification of sources related to company reputation crises.

Claeys, Cauberghe & Vyncke (2010) identified an effect of crisis response strategy on organizational reputation: "organizations that employ rebuilding crisis response strategies tend to have more favorable reputations compared to those that utilize diminishing strategies. Furthermore, the severity with which individuals perceive a crisis is inversely related to their perceptions of the organization's reputation; as the perceived severity of the crisis increases, individuals' perceptions of the organization's reputation become increasingly negative".

Coombs (2007) conducted a comprehensive study on crisis reputation situations, focusing on strategies designed to safeguard an organization's reputation. Coombs (2007) explored "how the crisis response strategies will affect stakeholder perceptions and the impact on reputational assets".

Kalinin, Kolisnichenko, Havrylenko, and Demeshko (2024) explained the economic implications of reputation management on a company's stable market position through several key effects: "these include the influence of reputation on the company's resources – specifically, access to resources, their associated costs, and the productivity of resource utilization". The authors also analyzed "the impact of a strong company reputation on enhancing its resilience in both normal and crisis conditions, as well as its influence on intensifying competition in the market".

Korzhevskiy & Mihus (2022) assert that "business reputation ought to be conceptualized as an intangible asset, which has the potential to be converted into a tangible asset, specifically in the form of goodwill in a business structure".

Szwajca (2016) studied the level of reputation risk and stakeholders' reaction. Szwajca (2018)

examined “reputation through the lens of perceptions held by various observers, whose opinions are shaped by diverse sources such as personal experiences with the company, advertising, media content, and word-of-mouth communication”. Sz wajca (2018) characterized “reputation as a collective and aggregated perception formed by both internal and external stakeholder groups, each possessing distinct relationships with the organization and varying expectations”. Furthermore, Sz wajca (2018) emphasized that “reputation risk is a multifaceted construct that encapsulates the cumulative negative repercussions of crisis events within an organization. This complexity renders reputation risk challenging to quantify, presenting a fundamental dilemma for management in effectively addressing and mitigating such risks”.

Tremblay-Boire, Prakash & Gugerty (2016) explored “the dynamics of accountability within nonprofit organizations, focusing on the aspect of the importance of reputation in monitoring and sanctioning practices”. The authors concluded that “nonprofits seek to enhance their reputation for responsible management by joining voluntary regulation mechanisms such as accountability clubs”. The authors found out that “clubs with a longer history tend to have stronger monitoring and sanctioning mechanisms, particularly in terms of third-party audits and the frequency of monitoring”. They thought that “established clubs are better at signaling their credibility and strong reputation through robust accountability practices”.

A crisis situation in a company can lead to undesirable consequences not only of an economic and legal nature, but also of a psychological and social nature, which accordingly affects the reputation and requires urgent systemic active actions to restore it (Valackine and Virbickaite, 2011; Rhee and Valdez, 2009).

Willems, Faulk, and Boenigk (2020) investigated “the influence of both negative and positive signals on the reputations of public-serving organizations. The authors analyzed the dynamics of trust breaches and the processes through which these breaches can be repaired over time, placing particular emphasis on the role of an organization's mission in facilitating this forgiveness process”. Their study contributes to our understanding of “individual cognitive processing of signals, specifically highlighting the negativity bias, which asserts that negative information is assigned greater significance than positive information”. The authors further

noted that this “cognitive bias is intensified by stakeholders' emotional involvement with the organization's mission”.

Zhyvko, Zhyvko, and Shehynska (2024) posited that “business reputation serves not only as a reflection of a company's image but also as a vital factor in ensuring its economic security and enhancing resilience within a competitive landscape”.

Highlighting previously unresolved parts of the overall issue. As we have shown, the theoretical framework for managing a company's business reputation and ensuring economic security has been significantly enhanced by contributions from scientists who we cited in the section literature review. However, despite these advancements, there remains a notable gap in the comprehensive analysis and generalization of strategies tailored for reputation restoration, and further theoretical and methodological investigation is needed.

The purpose of the article is to theoretically analyze and systematize the strategies for restoring the company's reputation. The research methods encompass analysis and synthesis, comparative analysis, and systematization, collectively contributing to realizing the article's intended aims.

The research results. A reliable company with a strong reputation boosts its reputation through consistent efforts over many years. However, a variety of factors can destroy that reputation in an instant. Conversely, a company can quickly acquire a negative reputation in the market but transforming it into a reliable and solid reputation will require significant time, resources, and effort to communicate with many stakeholders.

Strategies for restoring a company's reputation must be approached from multiple dimensions: economic, legal, and socio-cultural.

Mitigating economic repercussions while ensuring effective communication with stakeholders is necessary in a crisis. This includes controlling media narratives to facilitate the balanced dissemination of information to the public regarding the company's market standing and internal developments.

The legal ramifications often present significant challenges, especially when a company admits fault and reputation damage results directly from the company's own actions rather than external factors. In such scenarios, affected parties may initiate legal claims for damages, which can lead to a decline in the company's stock value. Protracted legal battles

may ensue, potentially forcing the company to allocate substantial compensation resources, further exacerbating its financial difficulties.

Additionally, reputation restoration's socio-cultural dimensions are intricate, particularly in rebuilding trust. The company must engage in honesty and transparency in its dealings with those adversely affected by its activities. Such an approach is valuable for regaining stakeholder confidence and fostering the long-term recovery of the corporate reputation.

To understand what a company needs to do to restore its reputation, it is first necessary to consider the sources of its reputation crisis, which weakens the company's economic security, and the types of reputation crises it can find itself in, as illustrated in Figure 1.

Brady and Honey (2007) proposed a typology of the sources of a company's reputation crisis, which includes: a) cultural sources: these involve legal challenges such as tax fraud, embezzlement, bribery, corruption, and bullying, as well as ethical concerns like dishonesty, manipulation of the trust and lying; b) managerial sources: these relate to executive actions and operational problems, particularly those arising from ineffective decision-making processes, such as errors in production or logistics; c) external sources: these are connected to mistakes or breaches of contract by suppliers, as well as unforeseen events such as fires, floods, or terrorist attacks.

Based on this typology, companies should consider developing a proactive monitoring system. This system will provide reliable information on the current status of reputational risk factors and assess their potential impact on the organization's short- and long-term reputation. More importantly, it will include means of counteracting these sources of crisis, thereby preventing them from escalating and strengthening the company's economic security.

Coombs (2007) identified different types of reputation crises that companies may face, categorizing them into three groups:

1) independent – when crises such as natural disasters or war are beyond the company's control and are impossible to predict. In these situations, the company is essentially a victim of the crisis. For instance, the destruction of a company's production facilities due to a hurricane or earthquake resulted in its inability to meet obligations to counterparties.

2) dependent but not intended – when reputation crises arise from factors that the company can influence but did not intend to cause and could not predict. Examples include accidents resulting from technical failures in devices and product defects due to technological issues. In such situations, the company unintentionally causes the crisis.

3) dependent and caused by the company – when reputation crises are predictable and caused by the company's actions. They can

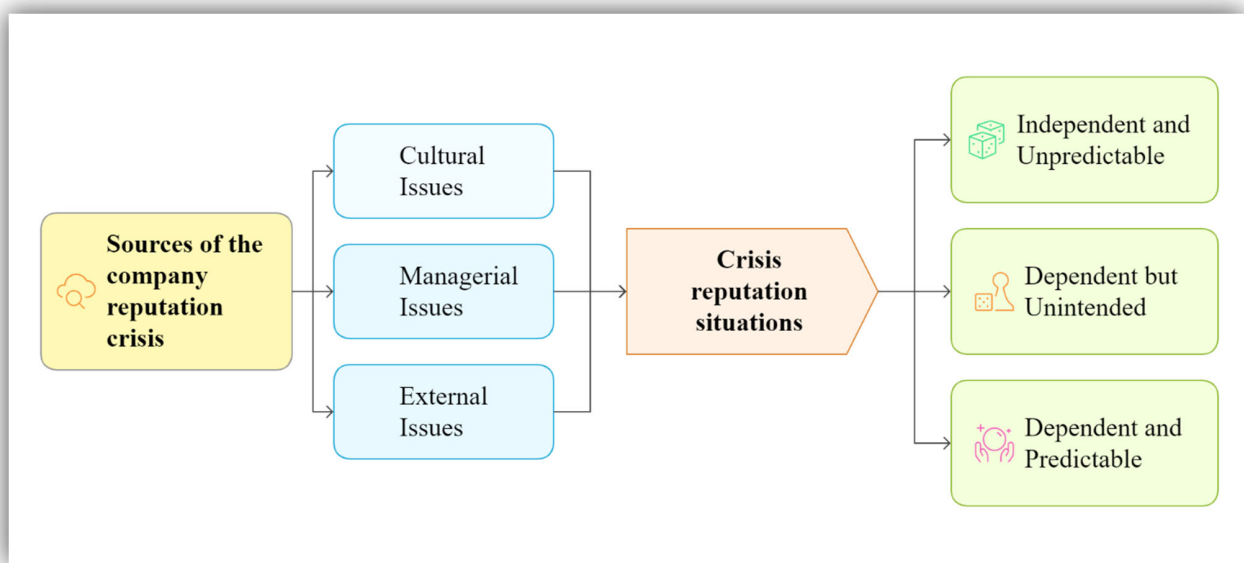


Figure 1. Systematization of sources of company reputation crisis and types of reputation crisis situations

Source: created by authors based on the (Szwajca, 2016; Brady et al., 2007; Coombs, 2007)

include accidents and product defects caused by employee mistakes or negligence, fraud, or legal violations by owners, board directors, or managers. In such scenarios, the company consciously engages in actions that lead to a reputation crisis.

Coombs (2007) systematized the restoring reputation strategies into primary and secondary groups, illustrated in Figure 2. In the primary group, Coombs (2007) represented three sub-strategies restoring reputation strategies:

A denial strategy is employed to eliminate the cause-and-effect link between a company and the event that has harmed its reputation. A company can mitigate damage to its image and reputation by denying involvement in such events. This strategy allows the company to demonstrate to society that it is not implicated or responsible for the negative situation. The company relies on a narrative of innocence in social media, which helps avoid reputational harm. For instance, if negative news emerges about a well-known clothing brand's use of cheap child labor in a developing country to produce fashionable clothes, the company's counter-narrative in social media would assert that it does not violate that country's labor laws.

Coombs (2007) recommends using the following tactical measures to apply the denial strategy: "a) attack the accuser – company confronts the person or group claiming something is wrong with the organization; b) denial – company asserts that there is no crisis; c) scapegoat – company blames some person or group outside of the organization for the crisis". The application of this strategy requires the company to communicate effectively with the public and helps to maintain the company's economic security.

A diminishing strategy implies that the company nevertheless acknowledges its role in the negative situation or crisis that has arisen and consists of two options. The first option is to leverage social networks as a powerful tool to reshape public opinion about the company, portraying the crisis as being less severe than it is. The second option is to assert that the company had no control over the crisis or that the crisis was just an isolated incident, thereby minimizing its reputational damage. For instance, the company released devices with faulty batteries that caused them to catch fire. Rather than recalling the entire batch of products from the market, the company denies

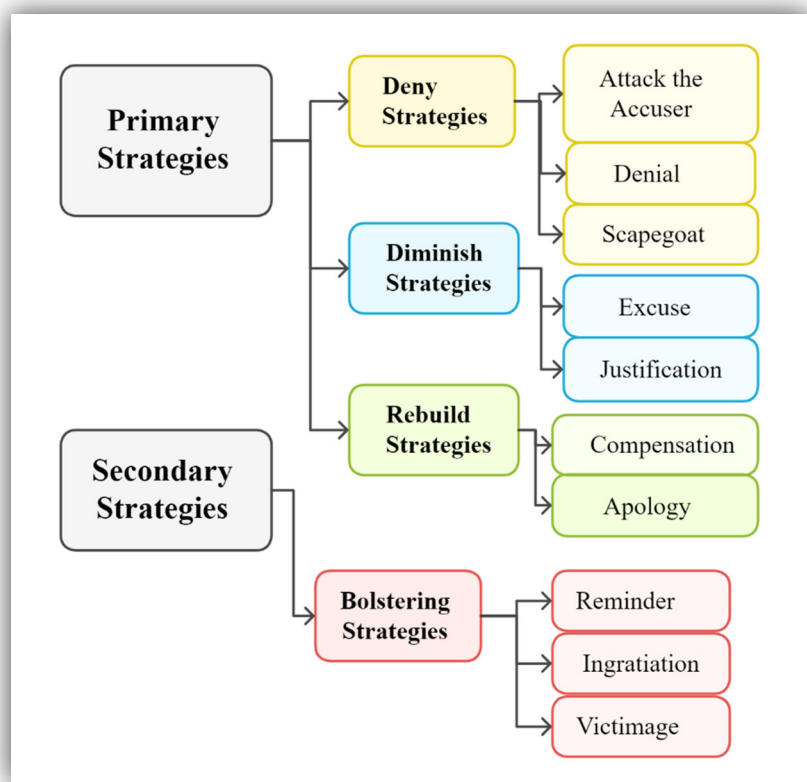


Figure 2. Restoring reputation strategies

Source: created by authors based on the (Coombs, 2007)

any manufacturing failures and claims that these fires were isolated incidents. The company should prepare strong arguments for both options to support its position and safeguard its economic security. Coombs (2007) suggests for diminishing strategy such tools as: "a) excuse - company minimizes organizational responsibility by denying intent to do harm and/or claiming inability to control the events that triggered the crisis; b) justification – company minimizes the perceived damage caused by the crisis". Allocating resources to PR communications to minimize reputational damage during the crisis period is essential for this strategy to ensure the company's economic security. A common way to address customers who have experienced poor service from sales personnel who received a faulty product or encountered inadequate after-sales support is through direct interaction. It can include positive communications on social media that demonstrate the company's genuine intention to resolve the issue. It is important to explain the situation to the customer, offer a sincere apology, and consider providing gifts as a gesture of goodwill for any inconvenience caused. Additionally, a company should showcase on social media how it actively works to correct errors in its HR practices or manufacturing processes.

The rebuild reputation strategy is proactive and shifts the public's perception and attitude and image of a company from negative to positive. This strategy involves sharing positive new information about the company, including its past achievements with good contributions to society. The rebuild strategy in reputation management aims to create new reputational assets by offering benefits, such as apologies and tangible or symbolic support, to stakeholders affected by the company's actions (Coombs, 2007). This strategy is typically linked to significant changes in a company's management, which may include drastic measures. These changes can involve appointing a new CEO or PR director, altering the company's development strategy – particularly its mission and vision – updating the product range, or launching new digital services. These changes not only help maintain a reliable company's image but also directly affect the enhancement of its economic security. This strategy is the most costly and effective for ensuring the company's economic security.

In the secondary group of restoring reputation strategies Coombs (2007) suggests the bolstering

strategy. It focuses on building strong and reliable relationships with stakeholders who, now and in the future, will celebrate the company's societal achievements, thereby protecting its reputation and positively influencing its economic security. "Reminder bolstering strategy applies past good works to counter-balance the current negatives from the crisis and demands that there are good past works from which to draw. Victimage tactic means to remind stakeholders that the company is a victim of the crisis too. All bolstering strategies are best utilized as supplements to the three primary strategies and information adjustments about the company at the market" Coombs (2007).

Restoring a company's reputation can be significantly aided by strategic collaboration with experts or respected public speakers who can, through effective communication in media space, focus public opinion on the positive changes within the organization and its contributions to societal issues. To monitor the progress of reputation restoration, we recommend applying such indicators: media sentiment – a rise in positive media coverage about the company points to improved public perception and attitude; stakeholder loyalty growth - enhanced loyalty from stakeholders indicates successful relationship management and stakeholder engagement; sales growth – a markable increase in sales, complemented by a reduction in consumer complaints, suggests improved customer satisfaction; market capitalization growth – an upward trend in the company's market capitalization reflects growing investor confidence and overall business health; strategic partnerships development – the establishment of long-term strategic partnerships signals a commitment to sustainable development and innovation.

In addition to employing proactive stakeholder communication strategies, companies must prioritize the openness and transparency of their market activities and corporate social responsibility initiatives. By embracing sustainable development principles and ensuring judicial protection of their reputation, organizations may also engage in rebranding, eco-redesign, and charitable efforts. However, one of the most critical components of effective reputation management is the ongoing monitoring of public perception regarding the company's reputation. This ensures that any changes in public opinion, perceptions, and attitudes are quickly identified and addressed.

In general, there is no universal strategy for restoring reputation; companies in each specific situation build their strategy, taking into account a personalized approach and appropriate tactics that can best change stakeholders' perceptions of the company and strengthen its economic security.

Conclusions. Our theoretical study emphasizes the need for a comprehensive approach to restoring a company's reputation to ensure its economic security. While reputations can quickly deteriorate, recovery involves complex strategies. These strategies, which address economic, legal, and socio-cultural factors, include understanding the crisis's source and type, which guides appropriate restoration

strategies, such as denial, diminishing, rebuilding, or bolstering reputation.

Furthermore, the ongoing monitoring of reputational risks and public opinion is crucial for timely responses to emerging issues. A tailored approach is essential for companies to repair their reputation and enhance economic security effectively. This process demands not just commitment, but a strong adherence to ethical practices, transparency, and proactive stakeholder engagement, ultimately fostering their long-term trust and loyalty.

Our future research will study cross-cultural perceptions of company business reputation at an international level.

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