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THE IMPORTANCE OF REPUTATION OF A COUNTRY IN THE PROCESS OF BUILDING ITS COMPETITIVE ADVANTAGE ON THE GLOBAL MARKET

Summary

In the contemporary information era countries compete with one another on many levels and almost in every field of life. Governments prepare comprehensive development strategies, thanks to which they hope to improve their country's competitiveness and gain better competitive advantage on the global market. Methods and tools which are becoming more and more popular in preparing these strategies are similar or identical to those traditionally used in business management. The sources of competitive advantage are more and more frequently found in the domain of immaterial assets. Currently one of the most valuable merit which helps build the worth and competitive advantage of a country is its reputation. This paper attempts at explaining the importance of reputation of a country in building its competitive position on the global market and explaining its main determinants which are the basis for assessment of their reputation. To achieve these goals the author used methods of literature research and analysis of a reputation study conducted by the Reputation Institute.

Key words: *country reputation, country image, national brand, reputation indicators, reputation ratios*

Introduction

In light of increasing competitiveness between countries not only on continental but also on local scale, governments and public institutions undertake steps to raise the level of competitiveness of their country's economy, to improve its innovativeness and macroeconomic results. Such efforts aim at attracting new external investments, finding new sources of financing for projects, tempting skilled workers, tourists and

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new residents. To achieve these aims various management methods and tools traditionally used in the world of business are applied. An extremely useful instrument here is the instrument of international marketing by means of which various unique virtues of a given place such as: local products, unique natural resources, convenient investment environment, attractive sights, beautiful landscapes, hospitable locals are promoted.¹

In the contemporary, knowledge based, information and economy era, one of the most basic resource which guarantees strategic advantage and development prospects is reputation. Its significance is systematically rising due to a large number of dynamic changes occurring in the social, political, cultural and technological environment. The most vital changes are: increase in the impact of stakeholders (especially media, NGOs, law and regulatory institutions that make laws of international reach), technological advancement in the area of media and communication which allows access to information in real time, as well as deepening globalisation processes which generate the need to respect generally applicable ethical principles, as well as unification and standardisation of activities within global supply chains². Therefore, good reputation has become important not only for businesses but also for non-profit institutions, individuals (politicians, actors, artists, scientists, athletes etc.), as well as countries and international organisations.

The aim of the paper is to highlight arguments justifying the significance of reputation of a country in building its competitive position on the global market and to identify main attributes that underlay the evaluation of reputation of nation states. The research methods used by the author included the analysis of literature on the topic as well as analysis of results of studies on reputation conducted by the Reputation Institute.

¹See: Supeková S., Janáková H., *Interkultúrne aspekty medzinárodného marketingu*, Wolters Kluwer, Bratislava 2014.

²Compare: Dąbrowski T. J., *Reputacja przedsiębiorstwa. Tworzenie kapitału zaufania*. Oficyna Wolters Kluwer Business, Kraków 2010, pp. 14-24; Sz wajca D., *Ryzyko reputacji jako wyzwanie dla menedżerów w erze globalizacji*, 'Organizacja i Kierowanie' no 14/2014 (164), pp. 141-156.

1. Reputation versus image and identity of a country

According to a very general definition reputation is an opinion people have on a given person, organisation, company or product³. Reputation may thus refer to a person, character, place, organisation, animal or object. In literature there is a greater number of definitions of reputation used with respect to organisations (businesses). One of the most popular definition was formulated by Ch. Fombrun and C. van Riel, according to this definition reputation is an aggregated evaluation of past, present and planned activities of a business based on perception of different groups of stakeholders; it is a subjective and collective evaluation of everything that makes an organisation credible and trustworthy⁴. The elementary groups of stakeholders are: customers, employees, investors, business partners, public administration, media, local communities and the society as a whole. These groups formulate their opinions about a company not only on the basis of the information the company sends to the outside world by means of for example its advertising campaigns but also on their own personal experiences and opinions of other entities who came in contact with the company, its products, services and employees. Own experience and observations of people have a crucial meaning because they allow for verification of actions with words, it is on this basis that the trust of stakeholders is formed and trust is the foundation of reputation⁵.

With respect to what was said above, the reputation of a company is not equal to its image, which is defined as a way of perception of a given object, and to be more precise, constituents of its identity formed during processing of information coming from different sources. Image is the picture people have in their minds of themselves, other people or objects; it is the picture of a company's identity in the consciousness of recipients⁶. Therefore, the image of a company can be defined as a certain picture or visualisation created in the minds of recipients, this picture may be "artificially" shaped by commercials, advertisements or

³ *Inny Słownik Języka Polskiego*, PWN, 2nd Edition, Warszawa 2014, p. 437.

⁴ Fombrun Ch. J., van Riel C. B. M., *The reputational landscape*, Corporate Reputation Review, 1997, 1(1), p. 10.

⁵ Szwejca D., *Zarządzanie reputacją przedsiębiorstwa. Budowa i odbudowa zaufania interesariuszy*, CeDeWu, Warszawa 2016, p. 88.

⁶ See: Figiel A., *Reputacja w zarządzaniu przedsiębiorstwem. Ujęcie marketingowe*, Cracow University of Economics Publishing House, Kraków 2013; Krawiec F., *Kreowanie i zarządzanie reputacją firmy*, Difin, Warszawa 2009.

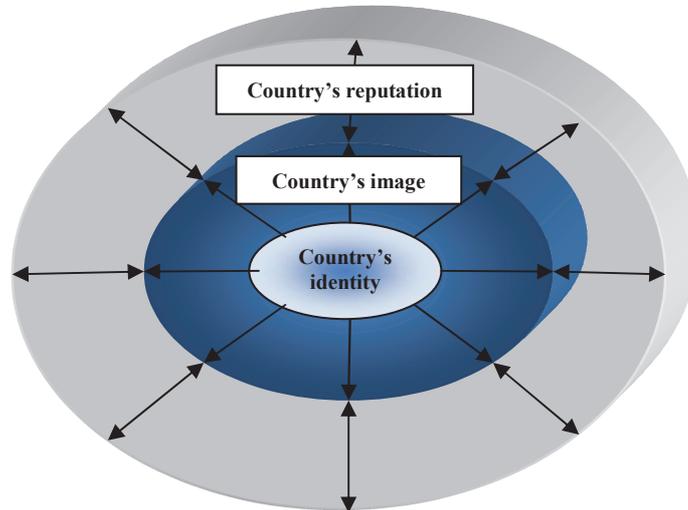
PR activities⁷. Image results from perception, reception and interpretation of identity elements, which make it possible to identify a given company and differentiate it from the rest, especially its direct competitors. Identity of an organisation embraces visual constituents, such as its name, logo, symbols, colours, architecture, decor of buildings, staff uniforms etc., and elements such as attitudes and behaviour patterns of members of this organisation with special emphasis on communication with the outside world. Identity is born within, image and reputation, on the other hand, are born outside of the organisation.

The concepts of reputation, image and identity may analogically be used with respect to countries:

- reputation of a country is a relatively well-established opinion various groups of internal and external stakeholders hold about this country on the basis of evaluation of its natural merits and activities of its residents;
- image of a country is a way of perception of its identity by internal and external observers on the basis of information coming from different sources;
- identity of a country is a system of visual elements i.e. name, national emblem, colours of the flag, cultural monuments, works of art, landscapes, architecture as well as traditions, customs, attitudes, patterns of behaviour especially with respect to foreigners. Relations between these categories are shown in Image 1.

⁷Chovanová Supeková S., Foret M., Sz wajca D., Happ E., Průša P., *Marketing communications in the conditions of V4 countries*, ForPress Nitrianske Tlačiarne, s.r.o., Nitra 2016, pp. 82-89. Wojcik K., *Public Relations od A do Z*, Volume I, Agencja Wydawnicza Placet Warszawa 2001; Davis A., *Public Relations*, PWE Warszawa 2007.

Image 1. Reputation versus image and identity of a country.



Source: Own work.

Image of a country results from the perception of its identity by different groups of observers (stakeholders). Reputation is an assessment of a country made on the basis of notions and associations people have about it i.e. on the basis of the image created in consciousness of recipients of the image. In this way, image is one of the instruments of shaping reputation. Besides, reputation is built by means of experiences stakeholders have due to contacts with a given country and, in consequence, the reinforced image may be updated in plus or in minus for a given country. Thus, reputation may also have an impact on image – these two are interrelated.

The entities which take part in reputation evaluation process i.e. stakeholders may be divided into external and internal. External stakeholders include: institutions of public administration (the parliament, the government, ministries etc.), tourists, media (traditional and modern), investors, businesses (local and international), business partners and contractors, international institutions of control and supervision (the so called regulators), NGOs, opinion shapers (politicians and economists), public opinion, international community. Internal stakeholders include residents as natural persons (citizens, customers, consumers, patients etc.) as well as members of various organisations (businesses, offices, institutions, NGOs). Reputation of a country as an

outcome of perception of various groups of stakeholders is influenced by the following factors:

- direct experiences of stakeholders, their personal contacts with representatives of a given country on different levels: international, interorganisational and interpersonal,
- communication activities and initiatives of representatives of the state: parliaments, governments, organisations, businesses, individual persons
- influence of third parties i.e. opinions, reports, ratings etc. developed by various international bodies, stereotypes i.e. widely held beliefs reinforced by the media and other opinion shaping centres with respect to particular countries and their residents.

Reputation and image of a country are related to the notion of the national brand. The national brand is defined as a comprehensive composition of image and reputation which constitutes a sum of functional and emotional values transmitted by a country to the outside world, the values are well-known, appreciated and desired by stakeholders of the brand i.e. organisations, groups and individuals which exert influence on the country and vice versa. The national brand is a sum of generalised experiences of its stakeholders⁸. Thus, the image of a country as well as its reputation are treated as key constituents in building the national brand which represents relevant, unique values and attributes of a given country and its society.

2. Instruments and factors building a country's reputation

Reputation of a country is shaped as a result of conscious, intended activities of its representatives (governments, public institutions, NGOs and the like) but also of objective events and actions of entities which are impossible to control - businesses, organisations, institutions as well as ordinary citizens. According to S. Anholt countries are building their reputation through exchange of material and immaterial values through the following six communication channels:⁹

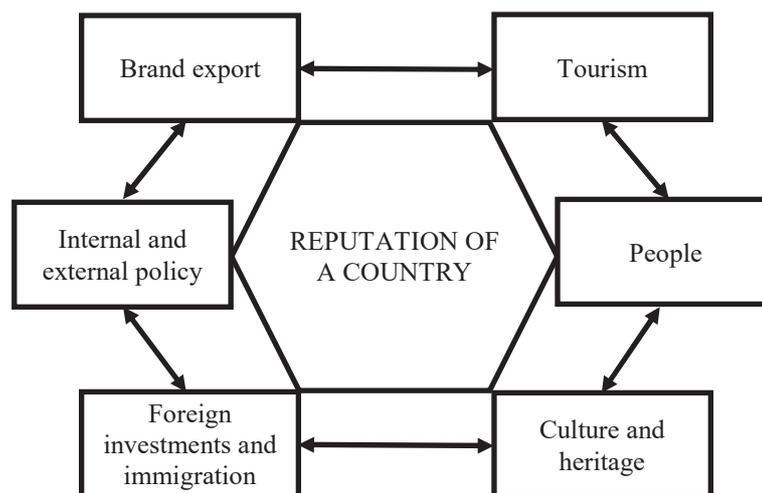
⁸ Olins W., *O marce*, Instytut Marki Polskiej, Warszawa 2004, p. 281.

⁹ Anholt S., *Tożsamość konkurencyjna. Nowe spojrzenie na markę*, Instytut Marki Polskiej, Warszawa 2007, pp. 39-40.

- brand export – it refers to offering products from well-known brands which are the showcase of the country of origin and clearly exposing this fact (made in Poland);
- internal and external policy – political decisions and steps which impact the process of shaping the image of the country among its own citizens as well as abroad;
- foreign investment and immigration – ways of acquiring foreign investors, entrepreneurs, skilled workers, scientists, students etc.;
- culture and national heritage – cultural exchange with other countries as well as export of a country’s national culture (works of literature, film, music, sport achievements, honourable representatives of the country);
- people – residents of a given country, well-known and respected representatives of the world of science, politics, sport, media etc., as well as ordinary residents who, by their behaviour and attitudes towards foreigners, give evidence about the place;
- tourism – promotional activities of professional tourist organisations, agencies and institutions, as well as own experiences of foreign tourists visiting a given country in an organised or individual way.

In the author’s view these channels complement each other and make up a kind of a hexagon (Image 2).

Image 2. Communication channels building reputation of a country.



Source: Own work based on Anholt, 2007.

It should be noted that scope of utilisation of a particular channel depends on objective (i.e. geography, natural resources, history etc.) and subjective factors (i.e. political system, culture, traditions, customs etc.).

One of the key groups of stakeholders consists of consumers who evaluate a given country from the perspective of the quality of products and services manufactured and delivered by this country's businesses¹⁰. Product is the factor most easily associated with a given country. Tourism, human potential or housing conditions are not as powerful as the possibility to consume products available for everyone everywhere¹¹. Buyers who do not dispose of full information about a product, take their purchasing decision on the basis of the country of origin of the product or brand taking into account its image and reputation. It is the so called *country-of-origin effect*, or *made in...*¹². M. Hereźniak¹³ points out that globalisation processes trigger creation of the so called hybrid products whose country of origin is difficult to determine. Therefore, the country of origin effect could be explained as association of a given product or brand with one particular country which is the source of the product regardless of the fact where exactly the product was manufactured. In consequence, the country of origin concept can be replaced by the country of origin of the brand concept. For instance, *Toyota* which has its plants in Europe e.g. in Turkey, is still perceived as a reliable Japanese brand.

3. Indicators of a country's reputation

Reputation of a business or a country is an aggregated assessment of an entity carried out by different groups of stakeholders from the perspective of their various expectations, demands and criteria. Reputation is then the effect of evaluation of many different aspects and areas of activity which can be called attributes of reputation. These areas are subject to evaluation within procedures of reputation assessment worked out by various institutions, research centres or consulting

¹⁰ Caputa W., *Kapitał klienta w budowaniu wartości przedsiębiorstwa*, CeDeWu, Warszawa 2015, pp. 216-222.

¹¹ <http://szapiro.pl/produkty-kluczem-do-budowania-silnej-reputacji-krajow/>

¹² Sikora T., *Efekt kraju pochodzenia w marketingu międzynarodowym* [in:] Duliniec E. (ed.), *Marketing międzynarodowy: uwarunkowania, instrumenty, tendencje*, PWE, II edition, Warszawa 2009, p. 173 and n.

¹³ Hereźniak M., *Marka narodowa: jak skutecznie budować wizerunek i reputację kraju*, PWE, Warszawa 2011.

agencies. One of the most popular methodologies of assessment of corporate reputation is a procedure used by *Fortune* magazine which since 1983 has been conducting annual opinion polls among executives and management specialists from various industries. The respondents evaluate businesses in the following areas: products/services quality, innovation, quality of management, long-term investment, social responsibility, people management, financial soundness, use of corporate assets, global competitiveness. For each area 11-point-scale is used. The obtained data when averaged produce *Overall Reputation Score – ORS* for each business¹⁴.

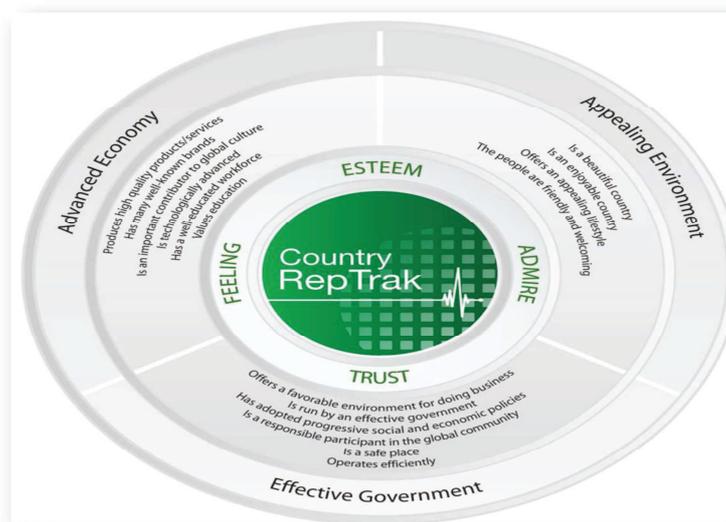
As far as countries are concerned, Reputation Institute has been measuring their reputations rigorously since 1999. Indicators of countries' reputation (so called Country RepTrak®Pulse) are calculated on the basis of 16 attributes within three groups (Image 3):

- effective government: safe place, ethical country, responsible participant in the global community, progressive social and economic policies, operates efficiently, favourable environment for business,
- appealing environment: friendly and welcoming, beautiful country, appealing lifestyle, enjoyable country,
- advanced economy: contributor to global culture, high quality products & services, well-educated and reliable workforce, well-known brands, values education, technologically advanced.

Evaluation of these attributes is conducted by residents of G8 group countries (France, Japan, Canada, Germany, Great Britain, Italy, the USA and Russia) who fill in an online questionnaire (CAWI). In 2016 58,000 respondents took part in the study.

¹⁴Fryxell, G. E., Wang J., *The Fortune corporate "reputation" index: Reputation for what?* Journal of Management, 20, 1, 1994, pp. 1-14.

Image 3. Country reputation attributes by Reputation Institute.



Source: 2016 Country RepTrak[®], *The Most Reputable Countries in the World*, 23 June 2016, p. 6.

Reputation indicators of a country are placed on the scoring scale from 0 to 100 and may be divided into the following categories:

- *excellent* (score above 80),
- *strong* (score 70-79),
- *average* (score 60-69),
- *weak* (score 40-59),
- *poor* (score below 40).

Table 1. Reputation indicators for 10 best countries in the world in 2016 (according to Reputation Institute).

2016 Country RepTrak®Pulse		Effective Government		Appealing Environment		Advanced Economy	
Sweden	78,34	Sweden	76,8	Canada	80,2	Japan	77,8
Canada	77,82	Switzerland	75,6	Sweden	79,4	Sweden	76,7
Switzerland	77,00	Norway	75,1	Italy	79,1	Switzerland	75,0
Australia	76,84	Finland	74,6	Australia	78,5	Germany	73,5
Norway	76,18	Canada	74,4	Norway	78,2	France	72,9
Finland	75,16	Denmark	73,6	Switzerland	78,1	Canada	72,8
New Zealand	74,68	Netherlands	72,7	Ireland	77,4	Norway	72,6
Denmark	74,25	Australia	71,6	Finland	77,1	UK	72,0
Ireland	74,11	Austria	71,2	New Zealand	77,0	Netherlands	71,8
Netherlands	73,90	New Zealand	70,7	Netherlands	76,0	Finland	71,7

Source: Own work based on 2016 Country RepTrak®. *The Most Reputable Countries in the World*. 23 June 2016.

As it can be seen, top positions are occupied by Scandinavian and island countries, these countries are well known for their neutrality and legal order. Countries with highest reputation scores are respected, above all, for lack of corruption, clean natural environment, high level of prosperity, well-being and friendly locals. Poland, with score 56,71, occupies 27th place which is between the USA (56,32) and Thailand (57,00). The United States achieve high scores in areas which are referred to as 'rational' i.e. advanced technology or strong brands made in America, but when it comes to 'emotional' categories such as trust, respect and admiration the score is rather weak. Out of all countries on the list as many as 71% received reputation score below *average*.

It is worth mentioning that countries with biggest population (China, India, the USA, Indonesia or Brazil) or these with the highest GDP (such as the USA, China, Japan, Germany or Great Britain) do not enjoy good reputation (Table 2). The 10 top countries are the least corrupted, most peace-loving countries and their people are the happiest in the world.

Table 2. Countries according to population, GDP, happiness, peace and corruption.

No.	POPULATION	GDP	HAPPINESS	PEACE INDEX	LEAST CORRUPT
1.	China	USA	Denmark	Iceland	Denmark
2.	India	China	Switzerland	Denmark	Finland
3.	USA	Japan	Iceland	Austria	Sweden
4.	Indonesia	Germany	Norway	New Zealand	New Zealand
5.	Brazil	UK	Finland	Switzerland	Netherlands
6.	Pakistan	France	Canada	Finland	Norway
7.	Nigeria	India	Netherlands	Canada	Switzerland
8.	Bangladesh	Italy	New Zealand	Japan	Singapore
9.	Russia	Brazil	Australia	Australia	Canada
10.	Mexico	Canada	Sweden	Czech Republic	Germany

Source: Own work based on 2016 Country RepTrak[®], *The Most Reputable Countries in the World*, 23 June 2016.

Due to strong dynamics of changes occurring both globally as well as locally, the reputation levels of countries fluctuate year to year. Some countries improve their reputation, others show a negative trend. In 2016, as compared to 2015, the following countries improved their reputation: France, Russia, Peru, Bolivia, Italy, Czech Republic, Portugal, Paraguay, Ireland, Iraq. The following countries, however, observed a fall in their level of reputation: Turkey, Saudi Arabia, Belgium, Greece, Nicaragua, Egypt, India, Ecuador, Morocco, the United Arab Emirates and Germany.

4. Benefits coming from good reputation

In case of businesses good reputation generates a number of tangible benefits such as: increase of revenues from sales, lower cost of capital, availability of the best workforce, smaller risk of conducting business activity etc. Companies with strong positive reputation achieve much better financial results¹⁵.

¹⁵Burke R. J., Martin G., Cooper C. L., *Corporate Reputation. Managing Opportunities and Threats*, Gower Press, London 2011, pp. 4-5.

In case of countries, their good reputation translates in many positive results in the area of economy, politics, society and culture. These benefits are reflected in activities and behaviour patterns of representatives of other countries both on the level of organisation (businesses, institutions, public administration organs), as well as natural persons (buyers, tourists, workers, students, residents). Consequently, friendly business environment attracts investors and entrepreneurs whose activities contribute to the development of regions and the whole country. New enterprises create new work places, fuel the national budget with taxes they pay, build infrastructure, pass on *know how*, disseminate new technological developments, come into cooperation with local suppliers etc. Attractive natural environment, traditions, cultural heritage, scientific centres, well-known products tempt tourists to visiting, consumers to buying national products, young people to studying, workers to looking for employment and settling down on long-term basis. Efficient management assuring peace, security, legal order, respect for the code of ethics, credibility of authorities and public institutions facilitates establishing diplomatic contacts and cooperation in many aspects and on many levels which may result in attracting international organisations to the country, hosting important international events etc. Benefits generated by key groups of stakeholders with respect to a country are shown in Table 3.

Table 3. Good reputation benefits generated by key groups of stakeholders.

Stakeholders	Main benefits
Investors	<ul style="list-style-type: none">• Invest in the region• Recommend as investment• Benefit of the doubt
Companies	<ul style="list-style-type: none">• Invest in the region• Do business in the region• Recommend to others

Stakeholders	Main benefits
People	<ul style="list-style-type: none"> • Work in the city/country • Live in the region • Study in the city/country
Tourists	<ul style="list-style-type: none"> • Visit the country/city • Recommend • Benefit of the doubt
Regulators	<ul style="list-style-type: none"> • Recommend • Benefit of doubt • Support our activities
Media	<ul style="list-style-type: none"> • Consult before writing • Use as case story • Benefit of the doubt
Opinion makers	<ul style="list-style-type: none"> • Engage in dialogue • Recommend • Benefit of the doubt

Source: Own work based on 2016 Country RepTrak[®], *The Most Reputable Countries in the World*, 23 June 2016.

As it can be clearly seen, the benefits resulting from good reputation are not only the effect of activities of particular groups of stakeholders but come from attitudes towards others and dissemination of positive opinion about a country, recommending its merits and values. The foundation of these behaviour patterns is trust the stakeholders put in a given country, its authorities and citizens.

Conclusions

Dynamic changes in economic, social, political and cultural life trigger growth of importance in the process of building a competitive position not only of businesses or other organisations or persons but also of nation states. The reputation of a country is a multi-faceted assessment made by internal and external stakeholders on the basis of their own experiences and opinions as well as experiences of others. The reputation determines behaviour patterns, attitudes and activities of particular groups of stakeholders with respect to a given country. Good reputation

attracts investors, talented workers, tourists, consumers, scientists, artists etc., what in turn contributes to development and improves competitive advantage on the international arena. As a consequence, governments and representatives put in every effort to facilitate positive perception of their country through emphasizing its merits and values. International organisations such as *the Reputation Institute*, measure reputation of countries taking into account various factors and attributes which are pertinent to three crucial areas: efficiency of the government policy, attractiveness of natural environment and cultural heritage as well as the level of the national economy and its contribution to the development of the global economy.

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