How to Develop Key Stakeholders Trust in Terms of Corporate Reputation

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In scientific literature, the trust of key stakeholders is considered to be the base for the survival of organizations. In the context of the relation between corporate reputation and the trust of stakeholders, scientists agree on evident importance of corporate reputation for the development of stakeholder trust in the organization; however, there is a lack of recommendations suggesting how an organization should develop the trust of key stakeholders using corporate reputation. The article presents a summarized view on the relationship between the main dimensions of corporate reputation and the factors of key stakeholder trust in the organization. Such relationships reveal that it is purposeful to invoke corporate reputation in order to develop trust of key stakeholders. Also, the article states the relation between the factors determining different stakeholders' trust in the organization and different dimensions of corporate reputation based on which the trust of the key stakeholders of the organization should be developed. The result of the theoretical study is a developed conceptual model of key stakeholder trust development in terms of corporate reputation. The model will be applied in further empirical studies on the development of trust of the key stakeholders: customers, employees, shareholders and suppliers.

Keywords: *Trust, Development of Trust, Corporate Reputation, Key Stakeholders, Organization.*

Introduction

Analysis of the scientific literature on the development of trust of key stakeholders in an organization revealed that the development of trust of key stakeholders in an organization is analyzed within two contexts: building of trust and restoration of trust. These views caused a necessity to analyse how organizations should develop the trust of the key stakeholders in terms of corporate reputation in order to ensure not only successful everyday activities of the organization but also the survival of the organization in case of critical situations. Therefore, further analysis of corporate reputation, in consideration of its importance to stakeholder trust, is necessary.

The *research problem* is structured as a question, i.e. how to develop the trust of the key stakeholders in terms of corporate reputation?

The research aims to reveal the development process of key stakeholders trust in terms of corporate reputation

The object of this research is the revelation of the development of the key stakeholder trust in terms of corporate reputation.

The research methods involve systemic and comparative analysis of scientific literature.

Literature Review

Identification and Argumentation of Key Stakeholders of an Organization

Scientists, in order to distance themselves from the identification of particular stakeholders of an organization, use stakeholder classification according to particular criteria, thus it is not known which stakeholders may be considered to be major. Despite of that, classification of stakeholders into homogenious groups (Fiedler &

Kirchgeorg, 2007) is a strong basis for identification of key stakeholders.

The main criterion of stakeholder classification is stakeholder influence on/power over the organizational activities (Bryson, 2004; Florea & Florea, 2013; Freeman, 1984; Gil-Lafuente & Paula, 2013; Gregory, 2007; Henriques & Sadorsky, 1999; Mitchell *et al.,* 1997; Polonsky & Scott, 2005); some scientists name this as organization's dependence on the stakeholders and closeness of the stakeholders to the organization (Gil-Lafuente & Paula, 2013). According to Gil-Lafuente and Paula (2013), the closest stakeholders are those with whom the organization interacts most often or maintains long-term relationships and that influence daily activities of the organization. On the basis of this aproach, customers, employees, shareholders and suppliers were considered as the key stakeholders of an organization.

Development of Key Stakeholders Trust in Terms of Corporate Reputation

Weber *et al.* (2015) define the development of trust as "the process by which that state is achieved, shaped, and influenced" (p. 78). Many other scientists, including Dietz and Hartog (2006), Doney and Cannon (1997), Fang *et al.* (2008), Laeequddin *et al.* (2012), Schilke and Cook (2013), Six and Skinner (2010) also treat the development of trust as the process. After analyzing the development of key stakeholders trust in terms of corporate reputation the following statements can be made:

1. There are stages in trust development.
2. Corporate reputation may be considered as the main factor of trust development.
3. The trust can be of cognitive and emotional nature.
4. Trust in the representatives of the organization may be related to trust in the organization itself.

According to Bennett and Gabriel (2001), Dowling (2004), Iannuzzi (2000), Jahansoozi (2006), Park *et al.* (2012[1]), Schanz (2009), the research data of "Edelman Trust Barometer" (2014), the research data of "Reputation Institute" (2012), Van der Merwe (2014), Verhoeven *et al.* (2012) it can be stated that corporate reputation can create or develop the stakeholder trust while introducing, attracting and encouraging stakeholders to approach, commit, cooperate with the organization, adopt to invest; it can also reduce the risk of stakeholder withdrawal. Based on this, a conclusion is made that corporate reputation can be considered as a very important factor while aiming to develop the trust of the stakeholders in the organization. This forces to perform a more detailed analysis on how corporate reputation relates to trust of particular stakeholders.

Fundamental dimensions of corporate reputation. The scientific literature provides many dimensions of corporate reputation that can be combined, grouped and compared considering their relation to certain stakeholders. Time-tested reputation assessment methodologies "Fortune 500", "Reputation Quotient", and "RepTrak" are based on similar corporate reputation dimensions that are analogous to the dimensions identified by Fombrun and van Riel in 1999 and that most of the scientists have been using for many years. These dimensions are emotional appeal, products and services, financial performance, vision and leadership, workplace environment, and social responsibility.

Eisenegger (2009) provides a more common approach on corporate reputation dimensions. According to Eisenegger (2009), reputation is comprised of three basic dimensions - characteristics to all persons and organizations - that help to perceive the general reputation; these are functional, social and expressive dimensions. The functional dimension is based on rationality and expresses objective truth about the organization through the competences and successful activities of the organization. The social dimension is based on ethical organization performance, expresses social benevolence of the organization through fairness and responsibility of the organization. The expressive dimension is based on subjective beauty of the organization. It was noticed that these corporate reputation dimensions suggested by Eisengger (2009) properly define and combine the main dimensions of corporate reputation found in the scientific literature (see Table 1).

Table 1

Structure of Corporate Reputation (Based on Eisenegger, 2009)

Object	Dimensions		Subdimensions
CORPORATE REPUTATION	FUNCTIONAL	Financial performance	Good financial results
			Global reach
		Vision and leadership	Quality of management
			Business strategy
			Organisation structure
			Leadership
		Products and services	Product offer
			Customer orientation
			Innovation and value creation
	SOCIAL	Workplace environment	Organisational culture
			Human resources
		Social responsibility	Fair, ethical organisation performance
			Social and environmental responsibility
	EXPRESSIVE	Emotional appeal	Emotional attractiveness
			Brand image
			Positive media image

Factors affecting major stakeholders trust. The scientists differently view and identify the factors of stakeholder trust in the organization. In the reviewed scientific literature, no uniform approach is found to what factors determine stakeholder trust in the organization. After a detailed analysis of the scientific literature, the factors of the key stakeholders - customers, employees, shareholders, and suppliers - trust in the organization were identified (see Table 2).

Table 2

Factors Affecting Key Stakeholders Trust

Stakeholder	Factors affecting stakeholders trust	Source
Customers	- quality of products and services - good organization (as an employer) status - customer orientation - social and environmental responsibility - financial stability of the organization	Boshoff (2009), Shahsavari and Faryabi (2013), Terblanche (2014), Walsh and Beatty (2007), Walsh *et al.* (2009[1], 2009[2])
Employees	- leadership - employee involvement in the management of the organization - human resource management	Gould-Williams (2003), Lau and Liden (2008), Sendjaya and Pekerti (2010), Xu and Thomas (2011)
Shareholders	- corporate management (with reference to corporate governance ratings)	Ertugrul and Hegde (2009), Klozikova and Dockalikova (2014), Shank *et al.* (2013)
Suppliers	- product - business - personalities - relationship - third parties	Viitaharju and Lahdesmaki (2012)

The relationship between the main dimensions of corporate reputation and the factors of key stakeholder trust in the organization. After identification of the main dimensions of corporate reputation found in the scientific literature, it was observed that these dimensions are related

- and quite often even identical - to factors of key stakeholder trust in the organization provided by the scientists. In other words, corporate reputation dimensions reveal that the trust of stakeholders can be based on certain corporate reputation dimensions (see Table 3).

Table 3

Interpretation of the Relationship between the Factors Determining the Stakeholders Trust in the Organization and the Equated Corporate Reputation Dimensions (Developed on the Basis of Theoretical Studies on Stakeholders Trust in an Organization and Corporate Reputation)

Stakeholder	Factors affecting stakeholders trust in the organization	The dimensions of corporate reputation equated to factors affecting stakeholders trust in the organization
Customers	Quality of products and services	Products and services
	Good organization (as an employer) status	Workplace environment
		Human resources
	Customer orientation	Customer orientation
	Social and environmental responsibility	Social responsibility
		Fair, ethical organization performance
		Human resources
	Financial stability of the organization	Good financial results
		Global reach
		Vision and leadership
		Innovation and value creation
Employees	Leadership	Vision and leadership
	Employee involvement in the management of the organization	Workplace environment
		Organizational culture
		Human resources
	Human resource management	Human resources
		Workplace environment
		Social responsibility
		Fair, ethical organization performance
Shareholders	Corporate management (with reference to corporate governance ratings)	Good financial results
		Global reach
		Quality of management
		Business strategy
		Organization structure
		Leadership
Suppliers	Product	Products and services
		Brand image
	Business	Customer orientation
		Good financial results
		Global reach
		Business strategy
	Personalities	Human resources
	Relationship	Organizational culture
		Emotional attractiveness
		Fair, ethical organization performance
	Third parties	Positive media image

The relationship between the factors determining the stakeholder trust in the organization and the dimensions of corporate reputation revealed the purposefulness of invoking corporate reputation in order to develop stakeholder trust. It is concluded that factors of different stakeholders' trust in the organization are related to different corporate reputation dimensions.

Results

Based on the discussed theoretical studies on key stakeholders of an organization, stakeholder trust development, corporate reputation, and the factors determining the stakeholder trust, a conceptual model of key stakeholder trust development concerning the aspect of corporate reputation has been developed (see Figure 1).

The conceptual model of key stakeholder trust development in terms of corporate reputation reflects

stakeholder trust development of dual nature: trust between the stakeholder as a person and the organization (trust developed in three stages) and trust between the stakeholder as an organization and the organization (interorganizational trust developed in four stages).

In the first stage, the stakeholder (i.e. a person or a person representing an organization) starts collecting information on trustworthiness of another organization. As it has been already revealed by earlier theoretical studies, corporate reputation is considered to be a reliable source of information about the organization. In the second stage, the person or the person representing the stakeholder investigates, checks and evaluates the collected information. In case the information (cognitive) collected by the person meets a personal perception of the organization's trustworthiness, the interaction progresses to the third stage - formation of cognitive personal trust by the stakeholder as a person.

STAGES OF STAKEHOLDER (AS THE ORGANIZATION) TRUST DEVELOPMENT (with reference to Schilke and Cook, 2013)

STAGES OF STAKEHOLDER (AS A PERSON) TRUST DEVELOPMENT (with reference to Schilke and Cook, 2013)

Stage 1	Stage 2	Stage 3	Stage 4
Collecting information about organizational trustworthiness:	Checking information about organizational trustworthiness:	Formation of stakeholder trust (as a person):	Formation of stakeholder trust (as an organization):
CORPORATE REPUTATION:	PERCEPTION OF ORGANIZATIONAL TRUSTWORTHINESS	COGNITIVE PERSONAL TRUST	COGNITIVE ORGANIZATIONAL TRUST
- Functional, social dimension (for customer trust development)	- Functional, social dimension (for employee trust development)	- Functional dimension (for shareholder trust development)	- Functional, social and expressive dimension (for supplier trust development)

Figure 1. Conceptual Model of Key Stakeholder Trust Development in Terms of Corporate Reputation

In case the trust is developed between the stakeholder as a person and an organization, the trust development ends in the third stage. However, the trust development between the stakeholder as an organization and another organization ends in the fourth stage, i.e. the trust of the person representing an organization that was formed in the third stage determines if the organization represented by the person will place trust in the other organization-partner. It is likely that the personal trust developed in the third stage will result in the stakeholder - as an organization - trust in the organization-partner.

Considering the theoretical study on fundamental dimensions of corporate reputation and its' relationship with factors affecting stakeholder trust a conceptual model was designed involving dimensions of corporate reputation influential on the development of each stakeholders trust. It is proposed that both functional and social dimension of corporate reputation impact the development of customer and employee trust. The trust of shareholders can be developed only through functional dimension of corporate reputation while the trust of suppliers can be developed invoking all dimensions of corporate reputation, i.e. functional, social and expressive. To summarise, this model could be used with the purpose to identify the main tools which can help to develop – e.g. to create, to maintain or to restore the trust of particular stakeholder groups under unstable circumstances.

Conclusions

Stated that corporate reputation can create or develop the trust of stakeholders there was found the relationship between the main dimensions of corporate reputation and the factors of key stakeholders trust in the organization. This relationship has revealed that the trust of stakeholders can be based on certain dimensions of corporate reputation.

With reference to these insights, it is suggested to take note of the particular dimensions of corporate reputation on purpose to develop the trust of key stakeholders.

Whereas the development of trust has been defined as the process, it was highlighted that this process involves four stages through which the trust can be developed or not. The focal point was to ascertain which dimensions of corporate reputation impact this process in consideration of each stakeholder group. Summarizing the results of the theoretical study, it is concluded that in order to develop customer and employee trust in the organization, the organization should pay most attention to functional and social dimensions of corporate reputation; in case of shareholder trust - the attention should be paid to functional dimension; and in case of supplier trust the attention should be paid to functional, social and expressive dimensions of corporate reputation. The identified dimensions serve as main sources of information about corporate reputation that influence the perception of the organizational trustworthiness in the minds of the aforementioned stakeholders. The perception of the organizational trustworthiness that is determined by theidentified dimensions improves personal cognitive and organizational cognitive trust of individual stakeholders in the particular organization. The insights of a theoretical study reveal how the trust of the separate stakeholders should be developed.

However, future empirical research could shed further light on common dimensions of corporate reputation when developing the trust of key stakeholders. Since there were identified four fundamental stakeholder groups, four separate empirical surveys are planned to be held. Various sectors of outsourcing research opportunities were considered. According to public relations company "Nova media" (2013), Lithuanian consumer confidence index in thefollowing business sectors is decreasing: energy and natural resource companies, retail chains and shops,

construction and real estate companies, food and beverage manufacturers, pharmaceutical companies, banks and insurance companies, transport and transport companies, telecommunication companies and information technology companies. It should be noted that the majority of listed business sectors have faced crises which have negatively affected the reputation of the aforementioned business sectors. One of more interesting but less obvious remarks is that distrust in one business sector can reduce the trust in other similar business sector. In the media, pharmaceutical sector is often identified with pharmacy sector. This situation increases public distrust of pharmacies. Invoking appropriate dimensions of corporate reputation it is possible to reduce the impact of third parties on stakeholder trust in particular business sector by developing stakeholder trust. Considering the problem of identifying pharmaceutical sector with pharmacy sector it can be useful to verify empirically the development of key stakeholders trust in case of pharmacy sector.

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