

# “Stakeholder engagement to replace traditional activities in Reputation Management System: insights from Ukrainian food processing companies”

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Olena Derevianko (Ukraine)

# STAKEHOLDER ENGAGEMENT TO REPLACE TRADITIONAL ACTIVITIES IN REPUTATION MANAGEMENT SYSTEM: INSIGHTS FROM UKRAINIAN FOOD PROCESSING COMPANIES

## Abstract

Engaging stakeholders in reputation management processes in the digital economy, including through the use of their activity on the Internet and social networks, is a way to reduce the irrational reputation-support activity of the company's management and staff. Given the empirical research data (sociological survey) on the Ukrainian food processing companies, the article analyzes stakeholder engagement to replace traditional activities of the company's management and personnel in the reputation management system. As a result, the author's hypothesis was proved that the natural development (increasing the maturity level) of the Reputation Management System (RMS) takes place towards a gradual transfer of reputation management functions from managers to enterprise stakeholders, that is, the traditional reputation activity of the company's management and personnel is being replaced by stakeholder engagement. It is also proved that the level of development of the reputation management organizational system (organizational preconditions) should be high, but aimed not so much at ensuring the activity of the enterprise management and personnel to maintain its reputation, but rather at the involving stakeholders' delegated to manage the company reputation.

It was found that the prioritizing stakeholder engagement over traditional reputation management activities at the Ukrainian food processing companies is in its infancy. The target state of the reputation management system, where stakeholder engagement is a priority over management activities, was found only in two enterprises out of 18 studied; in 11 of them, these two parameters are balanced, and in remaining five, traditional activity outwalks engagement. The results of the study of the organizational prerequisites for reputation management among enterprises preferring stakeholder engagement show that they have the following seven elements: 1) internal experts in filling and supporting the corporate website and the enterprise pages and brands on social networks; 2) corporate media editorial/text writers among enterprise staff members; 3) a specialized PR unit (reputation management department); 4) the reputation management business process is regulated; 5) the functional responsibilities of the reputation management participants are integrated with the job descriptions of the relevant employees; 6) a documented formalized PR strategy and operational plans for PR work in various time horizons; 7) a documented formalized plan of anti-crisis PR activities. The above elements make it possible to provide recommendations on the reputation management planning for enterprises seeking to take stakeholder engagement advantages in reputation management.

## Keywords

reputation, reputational risks, managing corporate  
reputation, organizational preconditions, indirect  
reputation management

## JEL Classification

J54, M11, M31

## INTRODUCTION

The current stage of the world economy development is characterized by the development of digital technologies that simplify communication with stakeholders and make it possible to involve them in management processes not only at the level of their attitude surveys, but

also via increasing their participation in forming a company's reputation on social networks, electronic media, etc. Such an engagement format can not only reduce the direct costs of performing these functions by the enterprise management and staff, but also reduce the risk of misperception errors and distorted understanding of stakeholders' values.

Unfortunately, managers, used to act on their own, are in no hurry to delegate their powers to stakeholders. Blackburn, Hooper, Abratt, and Brown (2018) state about insufficient stakeholder engagement as well as about its substitution by the company's management and personnel excessive reputation-related activity. Meanwhile, according to Johnston (2014), the stakeholders are already challenging companies and, in some cases, are more active than the enterprise's management and staff.

Consequently, the following problem arises: unorganized and poorly managed actions of stakeholders (for example, on Facebook) can not only increase reputation, but also carry the risk of its destruction (Ji, Li, North, & Liu, 2017). Stakeholders also pursue their goals, not necessarily coinciding with the company goals, and, being involved, they seek to change the interaction process conditions, as well as the desired result: Timothy and Holladay (2018) give a good example of the hashtag capturing by the company's stakeholders. Therefore, it becomes urgent to search for effective models of shaping reputation management in the system of "organizational structure – activity of the enterprise management and personnel to maintain its reputation – stakeholder engagement". Unfortunately, the development of the consumer market in Ukraine is lagging behind the European one, hindering the development of the system's reputation management in the sector. But integration of individual industries, in particular, the food processing industry, into the world market requires bringing management standards in line with the best international practices used in the digital economy. Therefore, there is an objective need to solve the problem of shaping a theoretical approach to improve the management systems of enterprises seeking to enhance the reputation management system efficiency.

Analysis of reputation management literature related to stakeholder engagement showed that the bulk of publications is devoted to research in the field of stakeholder opinion (consumers in most cases) on the company's products and brands, stakeholder engagement in corporate social responsibility projects (ethical problem of disclosing information about a company to increase the stakeholders confidence, as well as interaction with local communities on environmental issues, land improvement, charity), company communications with stakeholders on social networks and on the Internet. The problems of excessive and irrational activity of management and staff to maintain their enterprise reputation, combined with insufficient stakeholder engagement are highly fragmented: there are almost no studies combining both these problems into one and considering them in a comprehensive manner, which indicates the need for a general study in this area to have an in-depth insight into the problem – inherent in digital economy replacement of the enterprise management and personnel activity in maintaining the company reputation by stakeholder engagement.

Freeman (2010) believes that the necessity to involve stakeholders at the level of strategic management is due to their ability to influence the company goals and specifically hinder their achievement. Greenwood and van Buren (2010) view trust as a fundamental aspect of the moral attitude towards stakeholders in organization-stakeholder relations. According to Hosking (2010), trust is the Adam Smith's "invisible hand", which governs modern market relations, thus the era of the reputation-based economy is approaching and, accordingly, to be competitive, modern companies need to implement this theoretical concept. Greenwood (2007) shows that stakeholder engagement can be viewed as a confidence-building, equity improvement or corporate governance mechanism. Noland and Phillips (2010) conclude that stakeholder engagement is a logically necessary business activity and that modern interaction with stakeholders is not enough in the current context. Yu and Leung (2018) propose a structural model of public engagement to determine the stakeholders' powers and interests and to involve relevant stakeholders in planning and decision making. Desai (2018) consid-

ers the stakeholder engagement based on facilitating the organization's access to external information and mutual learning of the company stakeholders. Benn, Abratt, and Kleyn (2016) conclude about the importance of communication with stakeholders to reduce reputational risk. The authors state that managers should assess the impact of different stakeholder requirements and rank their priorities in order to manage reputational risk.

Romenti (2010), in the context of Granarolo diary company suffering from loss of trust, shows success in stakeholder engagement as the main drivers for restoring corporate reputation. Henisz, Dorobantu, and Nartey (2014) provide direct empirical data confirming the growth of the company's financial assessment, depending on the degree of support for its activities by stakeholders. The conclusions were made based on the results of a content analysis of 50,000 events in the media based on the authors index of the stakeholders' conflict/cooperation degree.

Strand and Freeman (2015) have found that there is a need to induce strategic management to shift its attention from achieving competitive advantage to gaining cooperative advantage within the cooperation with stakeholders. Midin, Joseph, and Mohamed (2017) draw conclusions about the low transparency of public authorities as a factor hindering stakeholder interaction.

Anbarasan and Sushil (2018) consider interaction with stakeholders in the context of ensuring sustainable enterprise development and offer a model (Sushil) that considers the client and the government as drivers of sustainability. Vracheva, Judge, and Madden (2016) propose building a strategic architecture of a firm based on stakeholder engagement in two directions: (a) coverage, stakeholder circle, firms, and (b) type – motivating stakeholder initiatives. Based on a combination of these directions, the authors identify four strategies: (1) narrow defensive, (2) narrow attack, (3) broad defensive, and (4) broad attack. Stakeholder engagement is often viewed in the context of integrating marketing communications and corporate social responsibility (CSR) practices. In this context, Maignan and Ferrell (2004) explain how CSR initiatives increase support and endorsement of the company's activities by stakeholders.

Ivashchenko, Britchenko, Dyba, Polishchuk, Sybirianska, and Vasylyshen (2018) talk about the need for business to adapt to conditions when new forms of digital communications begin to dominate, allowing businesses to interact with their stakeholders through on-line television, digital advertising, social networks, online education, game processes and services, etc. Whysall (2005) treats the issue of management-personnel communication with stakeholders and proves that the company's PR-service messages often cannot reach the target stakeholder audience due to "filters" and due to their negative re-interpretation by media with regard to the company. Gyrd-Jones and Kornum (2013) draws their conclusions based on the concepts of co-creation and joint communication when managing brand online and offline multi-user ecosystems. The authors analyze the results of co-creation and synergy effects of interaction between the four ecosystems of the stakeholders and reveal the dependence of the results on the values and cultural complementarity of the stakeholders.

Viglia, Pera, and Bigne (2018), using the regression method and a sample of 984 messages on the Facebook page, examined the determinants of multi-stakeholder interaction in digital platforms and concluded that such consumer interaction is of strategic importance for promoting sales growth, competitive advantage and profitability. Dijkmans, Kerkhof, and Beukeboom (2015) examine how social networks allow for shaping positive reputation not only for today's company's customers, but also for all potential customers (consumers, in a broad sense, by engaging them in online interaction). Dijkmans, Kerkhof, Buyukcan-Tetik, and Beukeboom (2015) present the results of an in-depth analysis of the impact of social media activity on the corporate reputation of international airlines and prove the effectiveness of stakeholder engagement in social media communication.

Cho, Furey, and Mohr (2017), having examined the communications of reputable companies, come to the conclusion that they all actively interact with their stakeholders via Facebook. Brodie, Ilic, Juric, and Hollebeek (2013) offer the results of analysis of various consumer interactions, and differentiate the stages of their involvement in supporting the company's brands reputation, stating the fact of increased loyalty of consumers involved, their trust and brand loyalty. Clark, Maxwell, and Anestaki (2016), analyzing the practice of non-profit organizations and stakeholders' interaction on Facebook, summarize that management, in its modern sense, is an effective method of building and maintaining relationships, including "fostering relationships". Aula (2011) explores the positive reputational effect of online communication. The author developed a model based on the theory of structural aspects of reputation, and proved that online communication can create reputational benefits by strengthening relationships with stakeholders and creating social capital for the organization. At the same time, back in 2010, Taylor and Kent (2010) were skeptical about the importance of social networks suggesting that it was greatly exaggerated. The results of their research on the tactics of communication with stakeholders indicated that the allegations of the social networks impact far outweigh the evidence for the effectiveness of social networks as a communication tool. But the study aforementioned was conducted in 2010, and since then the active usage of social networks has increased significantly, and this does not allow the authors to apply their findings to modern conditions.

Based on the analysis of various studies on the stakeholder engagement in reputation management processes in the digital environment, it is possible to unambiguously conclude that the features of shaping reputation management systems are rarely and superficially analyzed. Usually, the authors agree that stakeholder engagement is an effective tool for managing reputation, but they do not define specific elements of the reputation management system for Ukrainian enterprises with their inherent features and principles of interaction in the "organizational structure – management and staff activity to maintain reputation – stakeholder engagement" system.

The objective of the study is, given the empirical research data (sociological survey) on the Ukrainian food processing companies, to analyze the processes of stakeholder engagement to replace the traditional activity of the company's management and personnel in the reputation management system.

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## 1. METHODOLOGY

Questionnaires were constructed based on the applied sociology and the use of methods and techniques of sociological research, as well as procedures for ensuring anonymity. Interviewing and interpreting the results were carried out using the methodological approaches of Fenneto (2004) and Yadov (2003). The results of empirical research through RMS models are conceptualized based on the methods of analysis, graphic construction, private scientific research methods (formal, comparative, functional, specification, etc.).

An empirical study anticipates a theoretical generalization of scientific ideas about the enterprise management and staff activity to maintain reputation, tools for reputation management,

stakeholder engagement in reputation management, as well as organizational preconditions of both activity and engagement. Based on the literature review, a conceptual model for the reputation management system has been developed (Figure 1), which reflects the main features of what was discussed in the introduction. Figure 1 also shows how the article is organized.

### Stakeholder engagement

Given the prevalence of the classical concept of Grunig and Hunt (1984) in the PR industry, on the basis of which the well-known RepTrak™ reputation assessment tool of Reputation Institute (2018), and four PR models are built, it is advisable to use them, interpreting as the degrees of development of an enterprise's reputation management system. James Grunig does not go beyond the "compa-

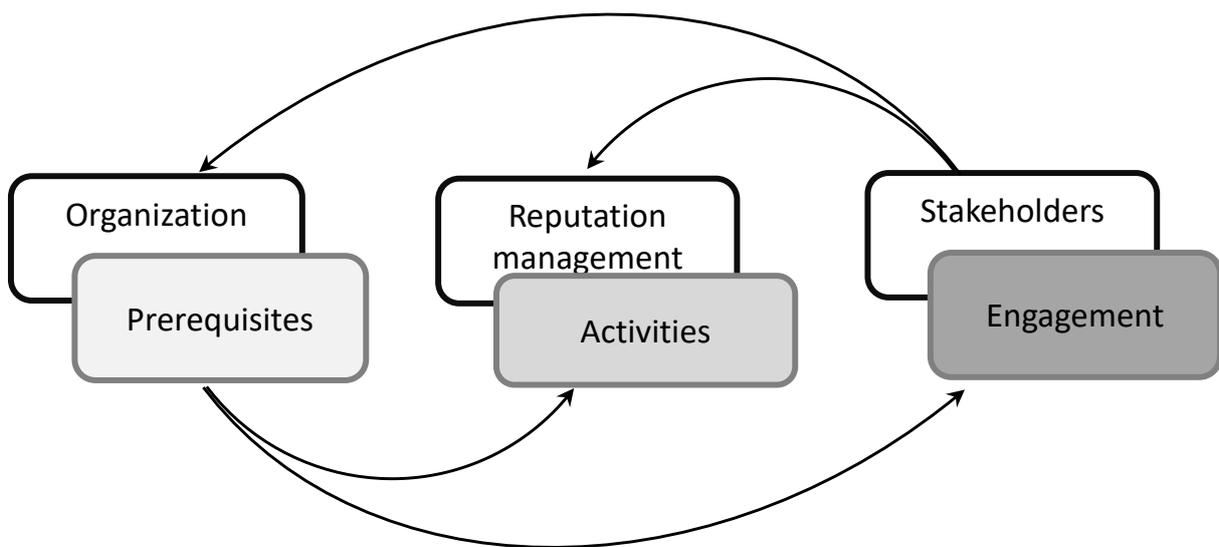
ny-consumer” interaction, however the Grunig’s concept is universal and can be used to study the interaction of an enterprise with any of the stakeholder groups, and this is the first fundamental difference of the authors approach.

### Activity

According to the Grunig’s concept, reputation management for different stakeholder groups of the same enterprise may have different degrees of activity. Activity is determined by the reputation management tools used, regularity/intensity and quantitative indicators of their usage. So, in the research is highlighted the following main RM-activities: regular distribution of press releases to the media; publishing corporate media; organizing special events; regularly updating the website; updating the official page of the company on social networks, etc. The tools are divided into a common one for all categories of stakeholders and a specific one, which is narrowly aimed at a specific stakeholder group. However, there is a certain convention here, e.g., a consumer is a person who, at the same time, can be a representative of the authorities, an employee of an enterprise or a potential investor. Accordingly, the reputation management activity with respect to a certain group of stakeholders will be the sum of the total and specific activities.

### Organizational prerequisites

Following the methodological tradition of three-tier presentation of the organizational structure by Anthony (1965), it is proposed to allocate three levels of organizational prerequisites (in other words, the “organizational basis”) of the enterprise’s reputation management system. First, the functional level means those organizational elements that provide for RM activity without creating a specialized PR unit (reputation management department). Secondly, the system level is the centralization of functions for the management of RM-activities in the specialized PR department (reputation management department) allocated in the organizational structure of management and the integration of the functional responsibilities of the business process actors with the job descriptions of relevant employees and the provisions on the relevant structural divisions of the enterprise. Thirdly, strategic level means elements ensuring the sustainable development and self-restoration of the reputation management system. In the course of the empirical study of reputation management at the Ukrainian food processing companies, reputation management models were identified in three stages: 1) a preliminary stage – determining the development of the organizational component of the enterprise’s reputation management system – analyzing the organizational structure of management and interviewing the management responsible for company reputation;



**Figure 1.** Components of the enterprise reputation management system

2) via questioning, active actions to shape and support reputation were studied; and 3) via questioning, the level of interaction with key stakeholders was studied, e.g., feedback and stakeholder engagement in shaping the enterprise reputation.

### 1.1. Specifying the maturity of the organizational component of the reputation management system

At this preliminary stage, a formal analysis of the organizational structure of management and the method of interviewing the companies' management and personnel were used. Organizational elements developed by the author were investigated (see Table 1 in Appendix). As a result, the data collected allowed us to typologize the profiles of the reputation management systems of enterprises under study.

At this stage, the profiles of the "organizational basis" of the RMS of 69 companies that are leaders in the Ukrainian food processing industry sub-sectors were examined. The results of the preliminary study and the profile characteristics are detailed in the previous article by author. For the current, data from 18 enterprises representing all five types of profiles identified in the industry were used.

The sample of 18 companies is representative not only in terms of the representation of all the organizational RMS profiles, but also in relation to the regional representativeness of the population studied. The great bulk of the companies under study are national players in the food market. They have extensive administrative (production, distribution) structures (own and partner) in most parts of Ukraine. Accordingly, the interaction of these companies with stakeholder groups, as well as vigorous reputation management activities, have regional specificities. This is very important and, given that the majority of respondents – representatives of food processing companies (reputation managers and top managers) belong either to the companies under consideration (including their regional representative offices), or to those with a no less complex administrative and production structure. This is the reason to believe that these respondents are able to fully and objectively assess the effectiveness of measures taken to manage the reputation of the companies studied from a regional perspective. In particular, PR ex-

perts of Roshen Confectionery Corporation, State Concern Ovostar Union, IDS Group, Vitmark-Ukraine, Concern Khibprom PrJSC, Milkiland N.V., etc. took part in the survey. In addition, for exploratory and search purposes, end users were involved in the survey.

### 1.2. Researching the activity of enterprises' reputation management systems

Reputation management-related activities were explored via four-stage questioning.

At the first stage, the respondents-consumers of the company's products were surveyed as a stakeholder group, which is a litmus paper for determining the reputation management effectiveness. Based on previous analyses, a list of reputational factors was formed (see Figure 1 in Appendix). The goal was to determine the significance of reputational factors affecting consumer attitudes toward food processing companies.

At the second stage, reputation management activity of the studied companies in the context of reputation management tools was explored by questioning the professional PR community representatives. The focus of the research was on PR experts – practitioners who are professionally involved in shaping and maintaining the food processing companies' reputation. Respondents were asked to assess the significance of individual practices used to form and maintain the food processing companies' reputation; optimal (recommended) frequency of using different reputation management tools for Ukrainian food processing companies; awareness level and estimated attitude to the reputation management of the companies sampled.

PR experts rated (in the range of 1 to 100 points) the active use of such tools by enterprises to build and maintain reputation:

- distribution of press releases (placement of materials) in the media;
- activities in new media (website, pages/brands of the enterprise on social networks, blogs);

- public speeches of key persons of the company;
- planning special events (presentations, press tours) for media;
- participation in conferences, forums, festivals, specialized exhibitions, seminars;
- planning special events for the company partners;
- planning special events for company personnel;
- sponsorship, participation in social and charitable projects;
- monitoring (content analysis) and neutralizing negative information;
- reputation audit (comprehensive research on the stakeholders' attitude to the enterprise).

The next stage was an expert assessment of the effective use of RMS tools for building the company's reputation in the eyes of the staff and top managers (the respondents separately carried out an internal assessment of the formation of reputation among the staff in their own company and an external one relative to the corresponding processes in other companies). To assess the effectiveness of the companies' reputation management on shaping reputation among the staff, the following criteria were developed by the author according to RM tools:

- social protection of employees (wages, social package, prospects for long-term employment and career growth);
- programs to increase the trust (corporate attachment, loyalty) of personnel (team building, educational programs, trainings, conferences);
- active official communication (letters and congratulations of the management, special events, the best employee awards);
- active informal communication (corporate events, sports events);

- using media channels to increase staff confidence in the company (corporate newspaper, radio, website (forum), social networks);
- completeness and accuracy of information distributed through the company's internal information channels;
- staff activity in the disseminating positive information about the company;
- monitoring and analysis of staff confidence (corporate attachment, loyalty).

Then, in order to study the reputation management of the "partners" stakeholder vector, based on the top managers survey results and taking into account the criterion of the widest partner networks among the companies studied, a list of respondents was formed – partner stakeholders (they represent leading Ukrainian wholesale and retail networks, suppliers of agricultural raw materials, logistics companies, and financial institutions). First of all, the current experience and further desire to cooperate with the studied companies are clarified. Then, it was analyzed what factors are significant and determine the attitude of the partners to the studied companies; approval of the reputational management of the surveyed companies according to instruments (expert awareness and assessment of the companies surveyed); effectiveness of the reputation management of the surveyed companies in building reputation in the eyes of the staff (expert awareness and evaluation of the surveyed companies).

Experts from the "Key partners of companies" group were offered nine factors exhaustively determining the attitude of partner organizations to food processing companies (besides, the developed list is quite versatile to measure attitudes towards manufacturing companies from other industries): 1) fulfillment of obligations by the company on term and in full; 2) openness and transparency of financial statements; 3) transparency of the company's business activity; 4) release of innovative (new) products by the company; 5) social projects, charity, sponsorship; 6) top management reputability; 7) availability of information on the company in media; 8) absence of negative news topics in media; 9) adequate and prompt re-

action of the company to the appearance of negative newsworthy events. All factors surveyed were assigned a degree of significance on a scale of 0 to 10 by each respondent.

In order to summarize the empirically obtained results, the author introduced an integral RMS activity indicator (see Table 2 in Appendix), which takes into account the stakeholders awareness regarding reputation management processes in the studied enterprises, the degree of approval of the reputational management of studied enterprises according to the tools used, the degree of approving the frequency of these tools. This integral indicator is calculated as the average of the abovementioned estimates, converted into percentages of the maximum possible amount of points. Integral indicators are calculated for 18 sampling enterprises.

### 1.3. Researching the enterprises-key stakeholders' interaction

To assess the reputation management system according to the interaction with key stakeholders, a survey of representatives of certain stakeholders (consumers and key partners) was first conducted; secondly, the system of supporting two-way communication with these stakeholders was investigated by questioning companies' management and staff. Respondents provided a point (ranking) score of their answers (0 to 100) to the following questions:

- Would you like to buy the company's products (to be with an enterprise, to cooperate with the enterprise as a partner, to invest in the enterprise, etc.)?
- How interested are you in information about the enterprise (information on the enterprise activities, on its trademarks (TM), on products, on special offers, on social projects, sponsorship)?
- Do you collect, disseminate information about the enterprise activities?
- Will you support, if necessary, the company's anti-crisis measures (raising prices for products, reducing staff, not paying dividends, etc.)?

- Would you recommend the company (purchase its products or interact in a different format) to other persons (potential consumers, partners, investors, etc.)?

When interviewing company managers with the aim to assess the support system for two-way communication with stakeholders, respondents were required to provide a point (ranking) scores of their answers to questions regarding the following: frequency of feedback measurements with stakeholders; purpose of measuring feedback from stakeholders; the duration (how long?) of measuring feedback from stakeholders; the complexity of the stakeholders feedback measurements (using own resources, outsourcing); planned feedback measurement from stakeholders.

According to the survey results and taking the scoring level into account, the level of the reputation management system maturity is identified in the context of interaction with stakeholders – from the lowest to the highest in the above range of 0-100 points.

At the final stage, the reputation management models of the enterprises under study were identified on the basis of calculating the scores for each of the three abovementioned directions of the RM empirical assessment. In order to formalize the description of the empirical results, the following notation is introduced for the above three components of the enterprise RMS:

- *P* (profile) is an organizational RMS profile. Five RMS profiles identified in the food processing companies, taking their elemental completeness into account, were grouped into three areas: developed and transitional ( $P \rightarrow \max$ ) profiles are the most developed ones, the number of elements in which tends to the maximum; consumer – medium-developed profile ( $P \rightarrow \text{medium}$ ); least developed are infant and zero/subsidiary ( $P \rightarrow \min$ ) profiles;
- *A* (activity) – RMS activity as the extensive use of various reputation management tools, which can be summarized as:  $A \max$ ,  $A \rightarrow \text{medium}$ ,  $A \rightarrow \min$ ;
- *E* (engagement) – involving stakeholders in the company's reputation management, which

can be presented as follows:  $E \rightarrow \max$ ,  $E \rightarrow \text{medium}$ ,  $E \rightarrow \min$ .

According to this study objectives, the RMS activity and stakeholder engagement ratio, which can be shaped into  $A > E$ ,  $A = E$ ,  $A < E$ , is important.

Further, given the ratio of  $P$  (profile),  $A$  (activity) and  $E$  (engagement), reputation management models were identified, which, according to some special features, are given the author's names:

Summer House is a model, where  $P \rightarrow \min$ , while  $A = E$ ,  $E \rightarrow \min$ .

- Comb is an unbalanced model according to the RMS activity vectors in the context of stakeholder audiences,  $P \rightarrow \min$ , while  $A > E$ ,  $E \rightarrow \min$ .
- Iceberg is a model, where the following requirements are met:  $P \rightarrow \max$ , with  $A = E$ ,  $E \rightarrow \text{medium}$ .
- Balanced model corresponds to  $P \rightarrow \max$ , with  $E = A$ ,  $E \rightarrow \max$ .
- Funnel is a model, where  $P \rightarrow \max$ , with  $E > A$ ,  $E \rightarrow \max$ .

According to the author's hypothesis of effective reputation management:

- 1) natural development (increasing the maturity level) of the RMS model should take place towards gradual transfer of reputation management functions from managers to enterprise stakeholders, that is, *ceteris paribus*, relatively more mature RMS models have the  $E > A$  ratio, i.e., replacing the enterprise management and personnel activity to maintain reputation by stakeholder engagement;
- 2) with that, the level of organizational prerequisites should be high, but aimed not so much at ensuring activity as at stakeholder engagement, i.e. at the "indirect" reputation management.

Having identified the companies, for which an  $E > A$  ratio is observed, an in-depth analysis of

their organizational profile components was carried out. Thus, a comparative analysis of data on companies with different reputation management models allowed not only to state the increase in engagement as the model maturity increased, but also to shape, based on practical data, recommendations on the planning reputation management for enterprises seeking to take advantage of the stakeholder engagement in reputation management.

## 2. RESULTS

The main results of the research consist in systematizing theoretical information on the need and ways to engage stakeholders in reputation management, practical study of existing reputation management systems, as well as confirming the author's hypothesis that the natural development (increasing maturity) of the reputation management system takes place towards gradual transfer of reputation management functions from managers to stakeholders of the enterprise, i.e., replacement of the company staff and management reputation activity with stakeholder engagement. It has also been proven that the level of organizational prerequisites should be high, but aimed not so much at ensuring management activity, as at engaging stakeholders delegated to manage the company's reputation.

Given the author's research data generalized, a formalized description is presented for the sampling enterprises (Table 1) and graphic RMS models are developed (Figure 2) based on the three components ratio of the " $P$  (profile) –  $A$  (activity) –  $E$  (engagement)" system.

According to the results, the RMS of food processing companies is represented by the following models:

- Funnel is represented by two companies with a well-developed RMS profile, namely Carlsberg Ukraine and Vitmark Ukraine;
- Balanced model is typical for two enterprises of the sample, IDS Group (transition profile) and Nestle Ukraine (developed profile);
- an Iceberg model is specific to two enterprises with a transition profile (Myronivskiy

Khliboprodukt and AVK) and to one with a developed RMS profile (Veres);

- a Comb model was revealed in three modifications in descending the RM activity as “large”, “medium” and “small”: Comb (l) – for two enterprises with a consumer profile (Roshen and Rosynka); Comb (m) for two other enterprises with a consumer profile (Milkiland Ukraine and Chumak); Comb (s) for Concern Khlibprom (rudimentary profile);
- Summer House was found in two modifications, according to the RM activity level: “medium” and “small”. Summer House (m) is immanent to Chipsy Lux (zero/subsidiary profile), Summer House (s) is typical for five

enterprises of the Cargill sampling (zero/subsidiary profile), Shelf (rudimentary profile), Odesskiy Karavay (zero/subsidiary profile), Oasis CIS (rudimentary profile), Kyivmlyn (rudimentary profile).

According to the maturity degree, RMS models range as follows (Figure 3):

- RMS models of low maturity level: Summer House (medium), Summer House (small), where  $P \rightarrow \min, A = E$ ;
- RMS models of medium maturity: Comb (large), Comb (medium), Comb (small) – unbalanced according to the RM activity vectors, with  $A \rightarrow E$ ;

**Table 1.** Formalized description of the RMS models of the food processing companies under study

Source: Developed by the author.

No.	Enterprise/RMS model	P (profile) RMS organizational profile	A (activity) RMS activity	E (engagement) Stakeholder engagement in RMS	The RMS activity to stakeholder engagement ratio
1	Rosynka (C) Comb (l)		$A \rightarrow \max$		$A > E$
		$P \rightarrow \text{medium}$		$E \rightarrow \text{medium}$	
2	IDS Group (Tr) Balanced		$A \rightarrow \max$	$E \rightarrow \max$	$A = E$
		$P \rightarrow \max$			
3	Nestle Ukraine (D) Balanced		$A \rightarrow \max$	$E \rightarrow \max$	$A = E$
		$P \rightarrow \max$			
4	Roshen (C) Comb (l)		$A \rightarrow \max$		$A > E$
		$P \rightarrow \text{medium}$		$E \rightarrow \text{medium}$	
5	Carlsberg Ukraine (D) Funnel		$A \rightarrow \text{medium}$	$E \rightarrow \max$	$E >$
		$P \rightarrow \max$			
6	Chipsy Lux (Z/S) Summer House (m)		$A \rightarrow \text{medium}$	$E \rightarrow \text{medium}$	$A = E$
		$P \rightarrow \min$			
7	JV Vitmark Ukraine (D) Funnel		$A \rightarrow \text{medium}$	$E \rightarrow \max$	$E >$
		$P \rightarrow \max$			
8	Agricultural produce company Myronivskyi Khliboprodukt (Tr) Iceberg		$A \rightarrow \text{medium}$	$E \rightarrow \text{medium}$	$A = E$
		$P \rightarrow \max$			
9	AVK (Tr) Iceberg		$A \rightarrow \text{medium}$	$E \rightarrow \text{medium}$	$A = E$
		$P \rightarrow \max$			
10	Veres (D) Iceberg		$A \rightarrow \text{medium}$	$E \rightarrow \text{medium}$	$A = E$
		$P \rightarrow \max$			

**Table 1 (cont.).** Formalized description of the RMS models of the food processing companies under study

No.	Enterprise/RMS model	P (profile) RMS organizational profile	A (activity) RMS activity	E (engagement) Stakeholder engagement in RMS	The RMS activity to stakeholder engagement ratio
11	Milkiland Ukraine (subsidiary) (C) Comb (m)	P → medium	A → medium	E → min	A > E
12	Concern Klibprom (R) Comb (s)	P → min	A → medium	E → min	A >
13	Chumak (C) Comb (m)	P → medium	A → medium	E → min	A > E
14	Cargill (Z/S) Summer House (s)	P → min	A → min	E → min	A = E
15	Shelf (R) Summer House (s)	P → min	A → min	E → min	A = E
16	Odesskiy Karavay (Z/S) Summer House (s)	P → min	A → min	E → min	A = E
17	Oasis CIS(R) Summer House (s)	P → min	A → min	E → min	A = E
18	Kyivmlyn (R) Summer House (s)	P → min	A → min	E → min	A = E

- RMS models of high maturity level: Balanced, Funnel, and Iceberg, where the requirements of  $P \rightarrow \max$  are observed, for the Funnel model,  $E > A$  is typical.

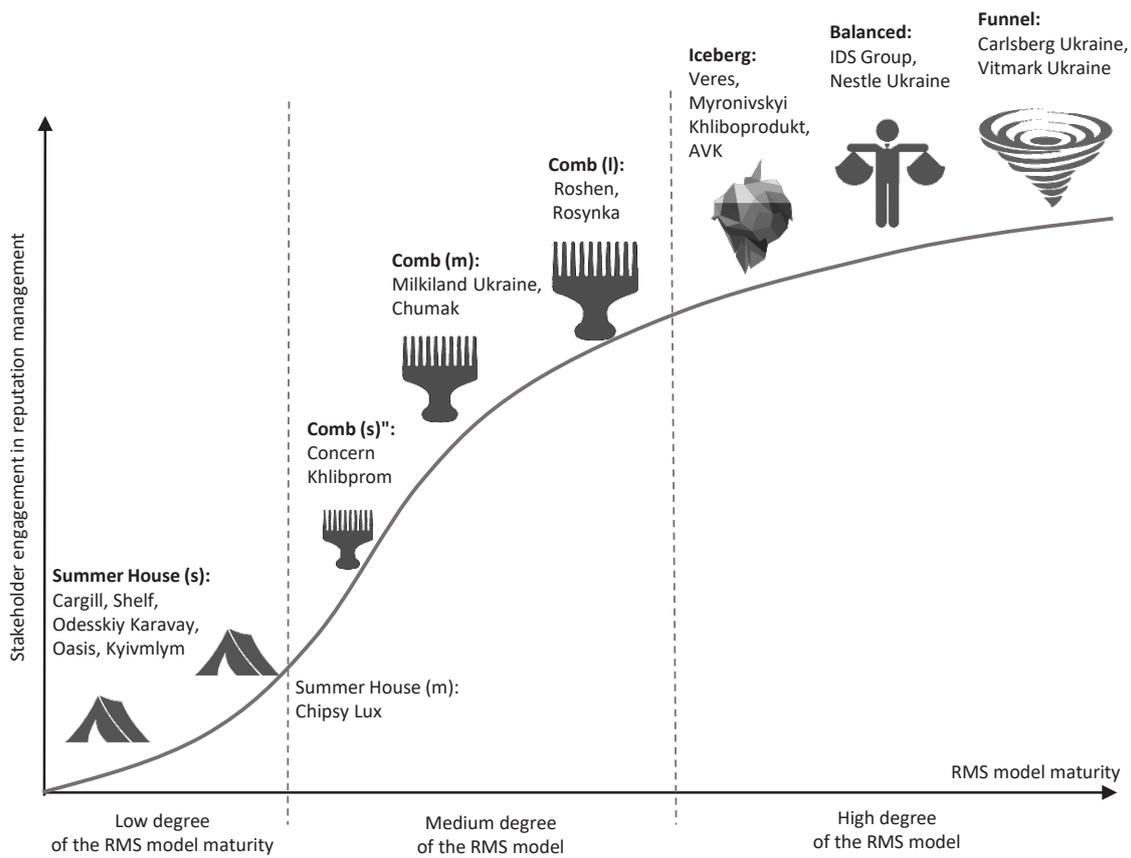
Taking the simulation results into account, let us make some point: the author understands the RMS model maturity as its maturity over all three RMS vectors ( $P$ ,  $E$ , and  $A$ ), with  $E \geq A$  at  $P \rightarrow \max$ . This can be interpreted as follows: in a mature model, organizational prerequisites of the RM are formed, more aimed at involving stakeholders in reputation management than at RM activity; from a theoretical perspective, this allows us to shape reputation and ensure the sustainable development of an enterprise in a strategic perspective. Accordingly, only two out of 18 RMSs of the companies analyzed correspond to this condition: this is the Funnel model characteristic of Carlsberg Ukraine and Vitmark Ukraine.

To study the organizational prerequisites that allowed these companies to form RMS with the ratio of  $E \geq A$  at  $P \rightarrow \max$ , an in-depth analysis of the data on the components of their organizational

profile was carried out (Figures 3 and 4). The organizational elements were studied, the list of which was developed by the author and presented in the Methodology (see Table 1 in Appendix).

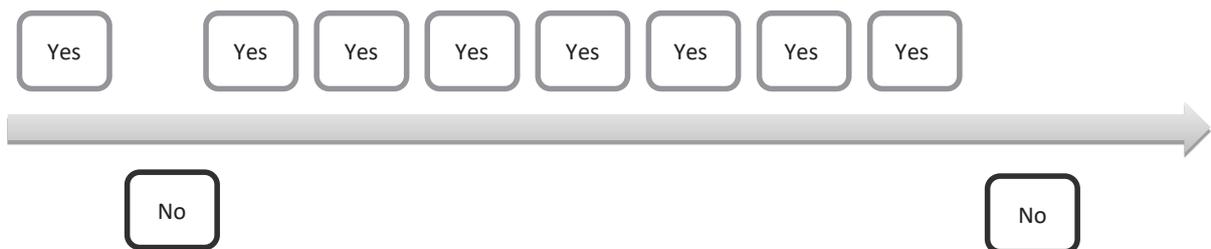
According to the analysis of organizational profiles of companies with the most mature RMS models, one can observe the following elements: 1) there are internal experts in filling and supporting the corporate website and pages of the company and its brands on social networks; 2) there is an editorial for corporate media/text writers in the company's staff; 3) in the organizational structure, there is a specialized PR division (reputation management department); 4) the reputation management business process is regulated; 5) the functional responsibilities of the reputation management business process participants are integrated with the job descriptions of the relevant employees; 6) there is a documented formalized PR strategy and operational plans for the PR work of a different time horizon; and 7) a documented formalized emergency plan (an anti-crisis PR activities plan) is developed.

Source: Developed by the author.



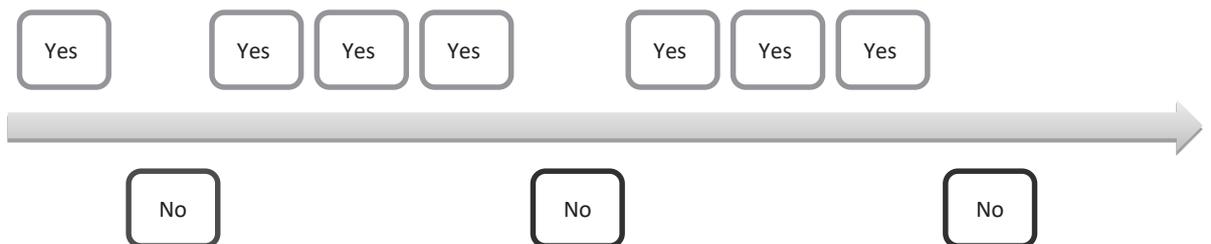
**Figure 2.** Maturity degree-based distribution of RMS models of Ukrainian food processing companies depending on the stakeholder engagement in reputation management

Source: Developed by the author.



**Figure 3.** Organizational profile of the Carlsberg Ukraine RMS

Source: Developed by the author.



**Figure 4.** Organizational profile of the Vitmark Ukraine RMS

## DISCUSSION AND CONCLUSION

It can be summarized that prioritizing stakeholder engagement over traditional reputation management activities at the Ukrainian food processing companies is in its infancy. The target state of the reputation management system, where stakeholder engagement is a priority over management activities, was revealed only in two enterprises out of 18 studied. In 11 of them, these two parameters are balanced, and in the remaining five, traditional activity exceeds engagement.

According to the practical study results on existing reputation management systems, the following features of the reputation management systems planning were identified in terms of their activity and stakeholder engagement:

- low (both absolute and relative, in terms of management activity) level of stakeholder engagement is observed in companies that have not formed an organizational background for RMS and work within the Summer House and Comb models;
- “engagement equal to activity” is typical for companies with a very high institutionalization of the RMS functions (the presence of a full set of elements) in the structure, these are the Iceberg and Balanced models;
- “engagement above activity”, rejecting excess activity in favor of engagement with sufficient, but not the maximum possible institutionalization of functions in the RMS organizational structure – the Funnel model.

The fact that the highest institutionalization of the RM functions in the organizational structure of Ukrainian enterprises currently results in activity maximization, rather than replacing management activity with stakeholder engagement, can be interpreted as follows. Reputation management activities (writing and sending press releases, holding events, corporate social responsibility measures, etc.) are more easily amenable to labor rating, planning and budgeting, i.e., this is a traditional and clear to a company management practice. Whereas companies with a high level of management, but at the same time saving on traditional activities, apply for stakeholder engagement and “indirect” management, thus directing the organizational resource not to costly PR events, but to dialogue with stakeholders via social networks, sensitive tracking of stakeholders’ responses and recommendations. This is a rational and at the same time efficient use of RMS resources. With that, according to the study results, the author’s hypothesis was confirmed that the natural development (increasing the maturity level) of the Reputation Management System (RMS) occurs towards gradually transferring the reputation management functions from managers to enterprise stakeholders, that is, management activity is being replaced by stakeholder engagement.

The research proved that the level of organizational prerequisites should be high, but aimed not so much at ensuring management activity, as at involving stakeholders delegated to manage the company’s reputation. Thus, the results of the analysis of RM organizational prerequisites among enterprises preferring stakeholder engagement show that they have the following elements: 1) there are internal experts in filling and supporting the corporate website and company’s pages and its brands on social networks; 2) there is an editorial office for corporate media/text writers in the enterprise’s staff; 3) there is a specialized PR division (reputation management department) in the organizational structure; 4) the reputation management business process is regulated; 5) functional responsibilities of the reputation management business process participants are integrated with the job descriptions of the employees concerned; 6) there is a documented formalized PR strategy and operational plans for the PR work in a different time horizon; 7) documented formalized scenario in emergency situations (an anti-crisis PR activities plan) has been developed. Therefore, a list of the above elements can be used as recommendations on the rep-

utation management planning for enterprises seeking to take advantage of the stakeholder engagement in reputation management. As a restriction of use one can note that the study was conducted based on the Ukrainian food processing companies, and further investigation is required for other markets and other regions.

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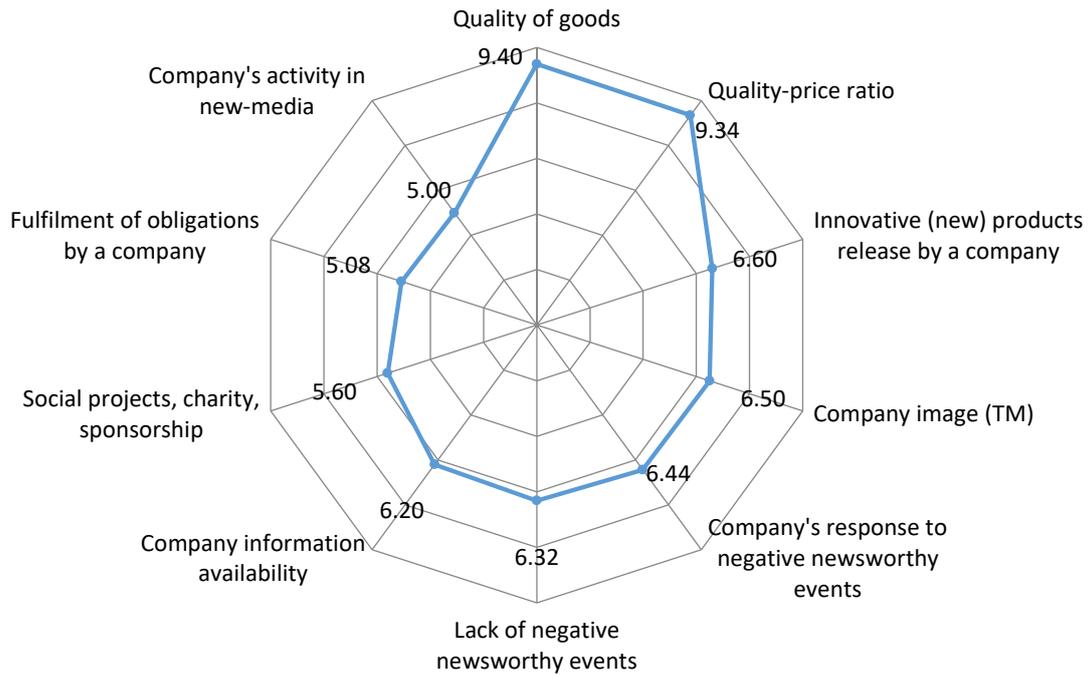
## APPENDIX

**Table 1.** Classification of organizational profiles of the enterprise RMS

Source: Developed by the author.

Levels	The RMS organizational elements and their presence in the enterprise	Organizational profile type				
		Developed (D)	Transitional (Tr)	Consumer-related (C)	Rudimentary (R)	Zero/subsidiary (Z/S)
Functional	Internal expert(s) for filling and supporting the corporate website and pages of the company and its brands in social networks	+	+	+	-	-
	PR specialist in the marketing department	+	-	+	+	-
	Editors office of corporate media/writers in the enterprise's staff	+	+	+	-	-
System	Separating a specialized PR unit (reputation management department) in the organizational structure	+	+	-	-	-
	Regulation of the reputation management business process, relevant documentation availability	+	-	-	-	-
	Integration of functional responsibilities of the reputation management business process participants with the provisions on the enterprise's relevant structural units	+	-	-	-	-
	Integration of functional responsibilities of the reputation management business process participants with job descriptions of relevant employees	+	-	-	-	-
Strategic	Documented formalized PR strategy and operational plans for PR work of various time horizons	+	+	-	+	-
	Documented formalized emergency plan (plan for anti-crisis PR activities)	+	+	-	-	-
	Training of the organization's authorized speakers of the basics and instrumental practices of PR on system principles	+	+	-	-	-

*Notes:* Developed – there are at least 80% of the elements of the RMS “foundation”. Transitional type of organizational profile contains fragmented elements of organizational prerequisites of all three levels (functional, systemic and strategic). Consumer type usually has all the elements of only the functional level. Rudimentary – there is no more than 80% of the foundation elements of the system. Zero/subsidiary – the company has no up to 100% of the elements of the RM system “foundation”.



**Figure 1.** Significance of reputational factors influencing consumer attitudes towards Ukrainian food processing companies, points (on the 0 to 10 scale)

**Table 2.** Activity of use of RM tools according to RMS stakeholder vectors of the Ukrainian enterprises, %

Source: Developed by the author.

No.	Company (RMS organizational profile*)	The use of RM tools according to RMS vectors**				
		Consumers	PR-experts	Top-managers	Partners	Mean value
1	Rosynka, Kyiv bottling plant (C)	85	42	71	70	67.00
2	IDS Group (Oscar Morshyn Mineral Water Plant, Myrhorod Mineral Water Plant) (Tr)	82	50	67	60	64.75
3	Nestle Ukraine (D)	30	72	74	66	60.50
4	Roshen Confectionery Corporation (C)	35	65	74	65	59.75
5	Carlsberg Ukraine (D)	39	68	72	46	56.25
6	Chipsy Lux (Z/S)	70	53	65	28	54.00
7	Vitmark Ukraine (D)	67	41	67	37	53.00
8	Myronivskiy Khiboproduct (Tr)	36	59	71	40	51.50
9	AVK Confectionery Company (Tr)	50	51	65	33	49.75
10	Veres (D)	48	42	70	25	46.25
11	Milkiland Ukraine Affiliate (C)	0	55	68	59	45.50
12	Concern Khibprom (R)	9	36	68	66	44.75
13	Chumak (C)	3	54	72	40	42.25
14	Cargill (Z/S)	39	47	71	0	39.25
15	Fish Company "SHELF" (R)	82	22	38	0	35.50
16	Odesskiy Karavay (Z/S)	33	41	62	0	34.00
17	Oasis (R)	0	23	70	39	33.00
18	Kyivmlyn (R)	14	23	67	0	26.00

Notes: \* designation of RMS organizational profile types: C – consumer, D – developed, Tr – transitional, R – rudimentary, Z/S – zero/subsidiary; \*\* Reputational activity vectors rated above 50 (i.e., above 50% of the potential estimate).