



## REPUTATION OF BANKS IN SLOVENIA

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### Abstract

*Corporate reputation is one of the key success factors of a single company on today's global competitive market. In order to obtain a positive corporate reputation it is necessary to know and understand all the features in forming a corporate reputation. This article presents the key elements of corporate reputation and which tools of the marketing communications mix are most effective for forming and executing company communication in order to ensure a long term positive bank reputation. The main findings of this research will therefore be a useful basis for corporate reputation management, not only within bank institutions, but also for other companies, which are trying to build and maintain positive corporate reputation in the long term.*

**Keywords:** corporate reputation, corporate image, banking, banking services, marketing communications

**JEL classification:** M14, M21, M31, G21

### 1. INTRODUCTION

Today, companies are more and more aware of the fact that in order to survive and achieve corporate success in the global competitive market having only quality products and services is not enough, but intangible corporate factors are becoming more important. Corporate reputation is ranked amongst them, which experts also often call non-financial assets of the company (Daffey and Abratt, 2002).

Companies build their reputation on planned and unplanned activities, as all the information it delivers to the environment influences the viewpoints and opinions of different groups of participants or in other words it has an influence on shaping the public's perception about itself, its corporate practices, its social responsibility, etc. (Harris and de Chernatony, 2001).

Banking is part of the service sector where the element of corporate reputation is that much more significant. Banking services are activities, benefits and satisfaction connected

with money, which offers the end user a value that is connected to wealth (Meidan, 1996, p.1). That is to say that as a result of the intangibility of the service customers, through a corporate reputation, also make a judgment if it is worth trusting. Banking itself because of the nature of its operations already demands a high level of trust from customers and employees as well as from the general public and experts (Wilkinson and Balmer, 1996; Albers-Miller and Straughan, 2000).

## 2. CORPORATE REPUTATION

Corporate reputation is a phrase that relates to a consumer's complete impression about a company and its products. It is the result of a process whereby the ideas, feelings and past experiences with the company and its products/services are saved in memory and transformed into an opinion or viewpoint (Nguyen and LeBlanc, 1998; Balmer, 2001; Dolphin, 2004).

The terms image and reputation of a company are in correlation with one another and thus it is not unusual that they are used incorrectly. The essence is that the image of a company is created by any individual, who has at least heard about or seen the company. Their reputation can be discussed by only those who have experience with them, co-operate with them or know them well in some other way. Consequently, corporate reputation is formed when the personal values and company behavior are linked with perception, therefore the company image. Corporate reputation is an evaluation of the company's image as perceived by different interest group. (Dowling, 1994, p.8).

Just as all the other evaluations made by consumers, evaluating reputation also cannot be objective, knowledge about a company that is emotionally tinted. It is a combination of the product/service features, which do not relate to its physical features; nevertheless they identify with it and cannot be separated from it. These features include tradition, ideology, low prices, different additional services, good relations with the company's employees. The identity of the company, the level and quality of advertising and the distribution system also have a big influence in building a corporate reputation (Pina *et al.*, 2006).

In order for the company to achieve a desirable reputation, it is necessary to define it plan it and at the same time with the appropriate activities influence its development and when needed also adjust it. All experts agree that a reputation is easier to worsen than improve. Corporate reputation is formed over a longer period of time and that is why it is necessary to maintain and protect, as every little mistake (accidents, scandals) can lead to a declining cycle in sales, profit, investments, the moral in the company etc.

At the same time, regaining a corporate reputation demands much more time and effort compared to just developing it.

### 2.1. Corporate reputation factors

We can define or research corporate reputation if you know the factors that influence their reputation. Experts list different factors that originate from different research. The factors that form corporate reputation by Dowling (1994, pp.39-85) are the following:

#### a) Vision

Every company has their own vision. Some are not even aware of it and others have decided on common values, corporate philosophies and have even showed the expected reputation formally. It is above all intended for communicating within the company. With it the company motivates and focuses employees to achieve higher goals, defines the business

limits, enables a general and unified theme for communicating and helps distinguish the company from its competitors.

**b) Corporate Strategy**

Formal policy develops the strategy, structure and control systems in the company. It has an influence on the image of the company and the products and services they offer to their customers. With a corporate plan a company defines the purpose of its business operation. This includes a market analysis, a marketing strategy, and an analysis of competitive advantages, generic strategies and organizational structure.

**c) Organizational Culture**

The organizational structure plays a significant role in simulating values defined in the vision notice relating to employee behavior. This is a system of common values and beliefs, which is a reflection of the people within the company, organizational structure and control system. It also develops the norms of employee behavior.

**d) Market Communication**

Public relations, advertising, personal sales, sales promotion and other tools (publicity, sponsorship, donations) are important factors that help a company develop their reputation (Balmer and Greyser, 2006; Balmer and Gray, 1999).

When communicating, management must thoroughly think through the information that they want to deliver. They must not only focus on daily activities, but on the entire company picture and its operations. The best approach to this is if it is aware of and deals with its employees as its target public (Papasolomou and Vrontis, 2006).

The majority of managers devote most attention to channel communication and not so much to forming the message. This type of approach is incorrect because forming the message and identifying the needs of the target public is a base without which it is very difficult to define the proper communication media (Olins, 1991).

Many authors agree with the fact that the method the company uses to communicate with its internal and external audience can influence the differentiation of a company from others. As a result, corporate communication is an area whereby the company must pay attention to because whatever the company says or does means communicating with the other participants (Baker and Balmer, 1997).

Balmer (1991) states that corporate communication must express the corporate personality, which is the central part of corporate identity in a certain organization. Marwick and Fill (1997) state that it is possible to deal with managerial communication as a potential link between corporate personality and identity. Van Riel (1995) states that management communication is the most important form of communication. Actually with it, managers have the ability to change the corporate image as the internal and external audience perceives it to be.

*2.2. Significance in developing a corporate reputation*

A corporate reputation is a source of information for people who make decisions. Based on this information, people decide on whether to co-operate with a company or direct their interests somewhere else (Bromley, 1993, p.155).

A reputation which a company has in the eyes of key groups of participants undoubtedly represents its intangible property. The viewpoints and opinions of public interest groups regarding a company represent a significant determinant for financial success. This is why managers with the goal of improving and preserving a corporate reputation often direct their activities towards those that positively influence the reputation. Corporate reputation also in-

fluences other corporate processes that occur inside and outside of the company (Eberl and Schwaiger, 2005).

The intangible property of the company, which is part of intellectual capital, is a term used amongst managers more and more in today's world. This supplements the value of the company, which is shown by the traditional methods of evaluation. The latter is for the most part based on information from the past, unified levels of risk and unadoptable factors of success such as the effectiveness of capital and the quality of brand names.

Corporate reputation can also represent an important factor for making purchase decisions. To which extent corporate reputation will influence a purchase decision, of course depends on all the factors that influence the purchasing process. A consumer decides to purchase a product because of a good reputation or in other words a good image especially in the following cases:

- when competing products are similar in quality and price;
- when the acquired information in the purchasing process, which the consumer basis their decision on is incomplete, contradictory, or too complicated;
- when the consumer's occupation in the purchasing process is too low;
- When the purchasing process has a time limit.

We must not forget that the purchasing process of consumers does not only influence the reputations of sellers but also the consumer's reputation. Amongst other things, a company with a good reputation will also attract a bigger part of the labour force and suppliers, which will enable them to make a more qualitative selection amongst them.

### 3. RESEARCH THE BANKS CORPORATE REPUTATIONS IN SLOVENIA

#### 3.1. Defining the sample, methodology and compiling data

The empirical part of this study is based on data research carried out in 2011 with a personal interview on the basis of the public sample. When carrying out the questionnaire we were not limited to only clients that had entered and left the banks, but other people as well. As a result we acquired 201 filled out questionnaires. We analyzed the data with the Microsoft Excel and the statistical program SPSS The sample structure is in the Table 1.

From the Table no. 1 we can see that the participants are equal regarding sex and equally distributed into five age groups (10% of the participants did not want to answer the question about age).

According to education the majority (58%) of participants have a high school education or less (only three participants had primary school education or less and we had merged them with the participants with high school education because of processing at a later date), 13% have a college education, 14% have a university education or more (only four participants had a masters degree or Ph.D.). 15% of the participants did not want to make a reply about education.

The question on employment had two possible answers; employed (68%) and unemployed (11%), 21% of the participants did not want to make a reply about employment.

Table no. 1 Demographic Structure of the Sample

Sex	Female	50%
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	Male	50%
<b>Age</b>	18-28 years	21%
	29-38 years	21%
	39-48 years	19%
	49-58 years	15%
	Over 58 years	13%
	No answer	10%
<b>Education</b>	High School or less	58%
	College	13%
	University or more	14%
	No answer	15%
<b>Employment</b>	Employed	68%
	Unemployed	11%
	No Answer	21%
<b>You are a client of which bank?</b>	NLB	28%
	SKB	21%
	A banka	11%
	Gorenjska banka	7%
	NKBM	6%
	Bank Austria Creditanstalt	6%
	Hypo Alpe Adria bank	9%
	Other	16%
	I'm not a client of any bank.	7%

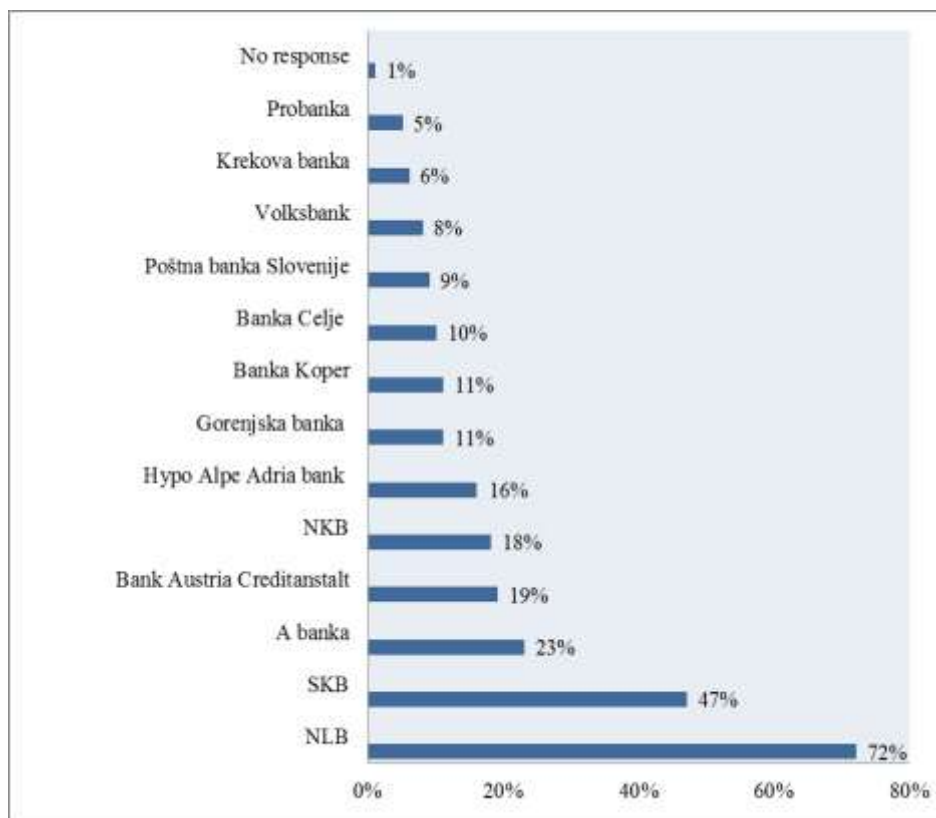
Source: [from survey results]

The chart also shows a partial distribution of participants with regards to which bank the clients use. Here we united banks with less than 6% share of clients into category two, and a more detailed distribution of participants regarding which bank they use is shown in the continuation of the research. We can see that the most were clients from NLB (28%), then SKB (21%), A banka (11%), Gorenjske banka (7%) and NKBM and Bank Austria Creditanstalt (6%). 16% of the participants were clients from other banks, 7% of the participants were not clients of any bank or they did not make a reply.

### 3.2. Analysis and results of the research

#### Spontaneous recalling of a bank

At the beginning of the questionnaire we asked the participants to list the first three banks they could remember. The spontaneous recalling of a bank is shown in the chart below. We can see that the majority of participants had spontaneously recalled (NLB) (72%), next is SKB banka (47%) with quite less, A banka (23%), Bank Austria Creditanstalt (19%), NKBM (18%), Hypo Alpe Adria bank (16%) and Gorenjska banka and Banka Koper with 11%. The rest of the banks had a smaller share.



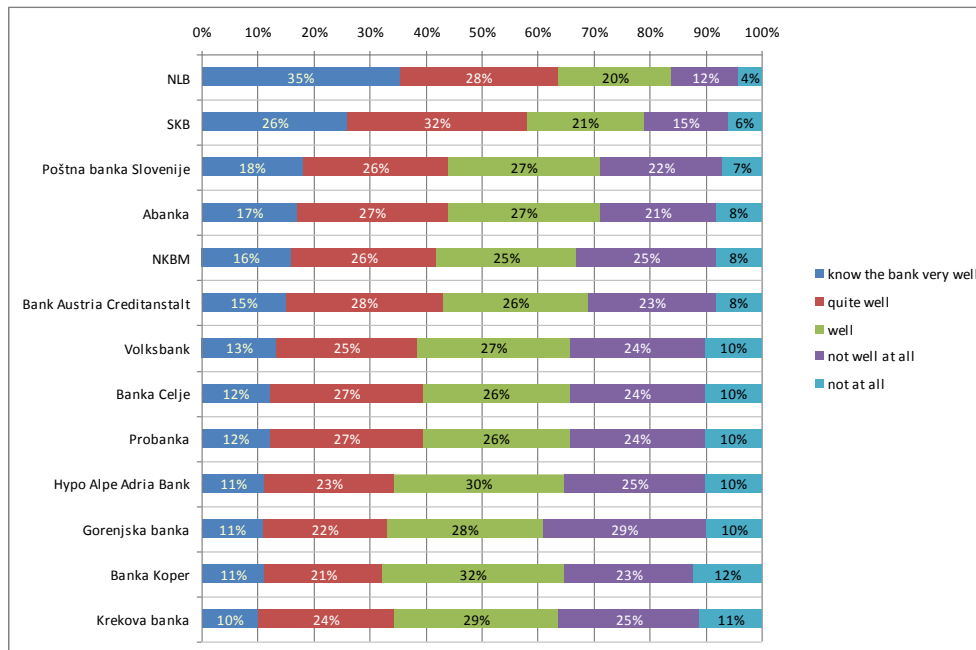
Source: [from survey results]

Figure no. 1 Spontaneous recalling of a bank (more answers were possible)

### Knowing the banks

From a range of 1 to 5 the participants evaluated how well they knew the banks (5 – know the bank very well; 4 – quite well; 3 – well; 2 – not well at all; 1 – not at all). Figure no. 2 shows a detailed distribution of evaluating how well a participant knows thirteen banks.

The banks are organized according to the percentage of evaluation for »know the bank very well«. Participants were most familiar with NLB, whereby 28% knew it quite well. After NLB comes SKB, for which 26% of the participants stated that they knew the bank very well and 32% knew the bank quite well. The participants knew the rest of the banks much less.



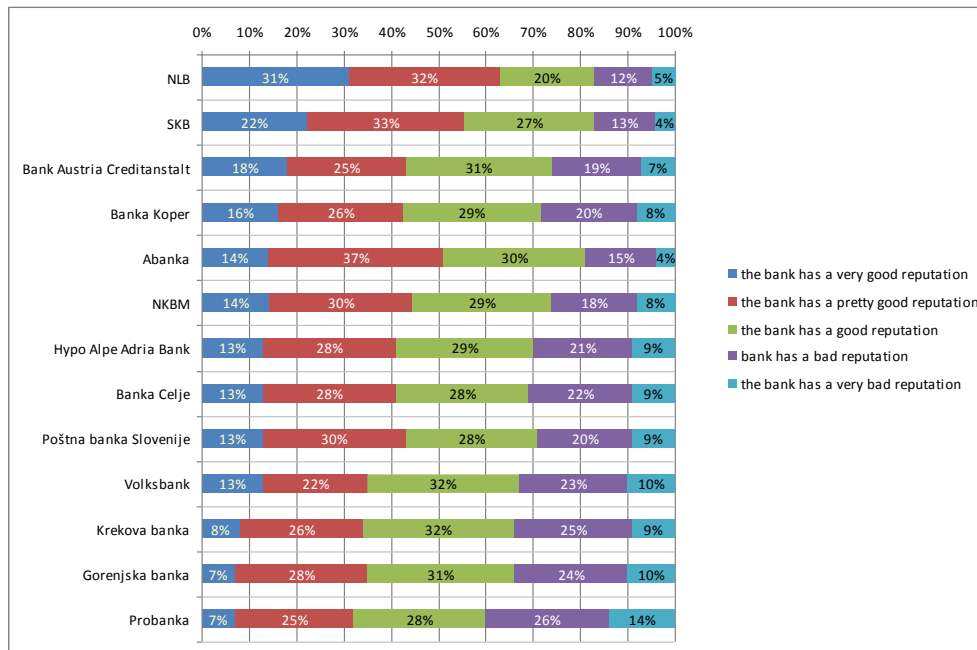
Source: [from survey results]

Figure no. 2 Knowing some banks in Slovenia (distributing the evaluation of knowing banks)

**Reputation of banks**

Figure no. 3 shows how participants evaluated the reputation the banks in Slovenia. The distribution of evaluating reputation, whereby the participants again used a 5 level ranking system (1-the bank has a very good reputation; 2- the bank has a pretty good reputation; 3-the bank has a good reputation; 4-the bank has a bad reputation; 5- the bank has a very bad reputation).

Even though in general the differences in the distribution of evaluating the banks in Slovenia are small, we can see that the participants evaluated NLB as being the most reputations bank, whereby almost a third of the participants evaluated it as have a very good reputation and the other third saying it had a good reputation. SKB Bank was the next bank with quite a low percentage (22%) stating that they had a very good reputation. 18% of the participants evaluated Austria Creditanstalt as having a very good reputation and 16% for Bank Koper, Gorenjska Bank (7%), Probanka (7%) and Krekova Banka (8%) were banks that the participants evaluated as having a very good reputation the least.



Source: [from survey results]

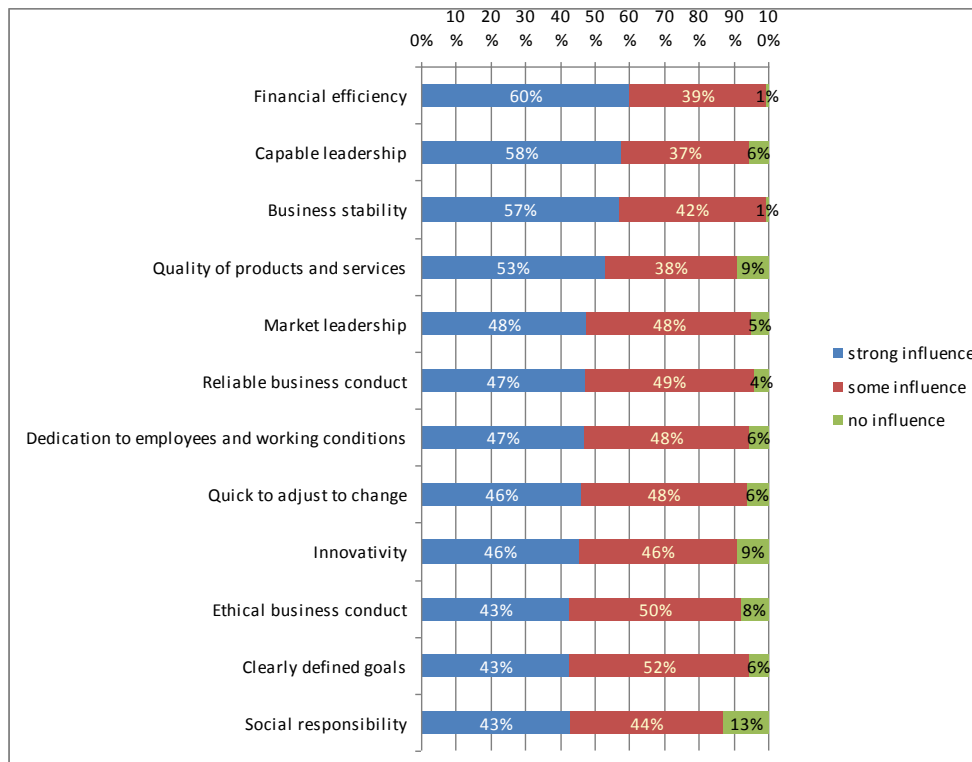
**Figure no. 3 Evaluating the reputation the banks in Slovenia (distribution of evaluation using a 5 level ranking system)**

#### **The Influence of some features regarding corporate reputation**

In continuation, the participants evaluated some of the features linked with a corporate reputation. They ranked 12 features using a ranking scheme from 1-3 (1- has no influence at all, 2 – has an influence, 3 – has great influence) in order to evaluate how much influence each feature has on corporate reputation. The results are shown in the bottom figure, where it is clear that the participants evaluated financial effectiveness, capable management, stable business operations and quality of products and services as having the most influence on a corporate reputation.

The features that the participants evaluated as having the least influence on corporate reputation included social responsibility, clearly defined goals and ethics in business contacts.





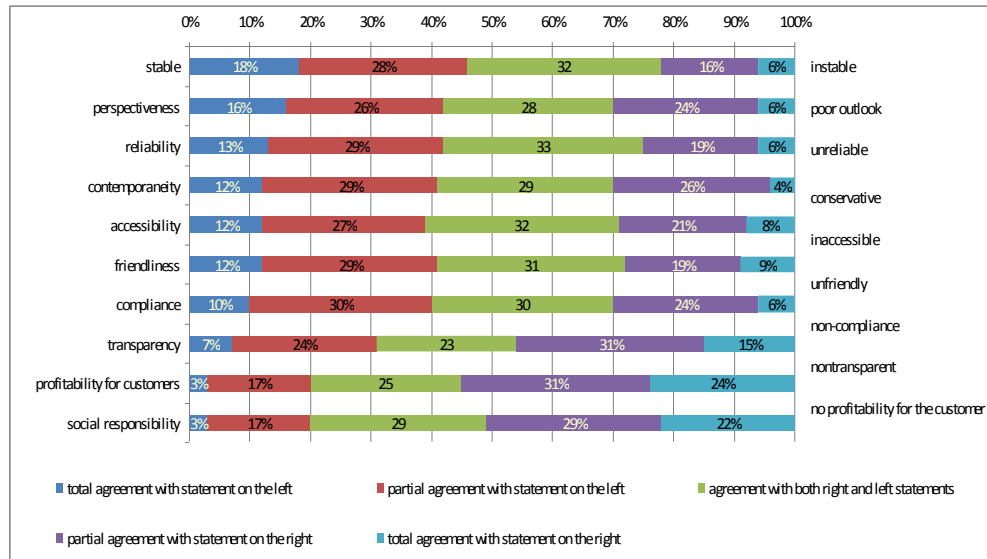
Source: [from survey results]

Figure no. 4 The influence of certain features on corporate reputation

**The influence of some features on a reputation in banking and on banks**

In continuation, the participants also evaluated the positive and negative features of the banking industry as a whole. The features were presented as semantic differentials, which illustrate the features of the bank in the sense of bipolar adjectives. This means that the participants used an evaluation from 1 to 5 in order to approach one of the »poles« of the listed features. An evaluation of 1 represents total agreements with the statement on the left side of the scale, while an evaluation of 5 represents total agreement with the statement on the right side of the scale.

We can see that the majority of features in banking had been evaluated almost equally by the participants. The features that were evaluated with the highest positive evaluation were stability, perceptiveness, reliability, contemporaneity, accessibility, friendliness and complaisance. The features which the participants evaluated as being more negative were lack of transparency, lack of profitability for customers and social irresponsibility.



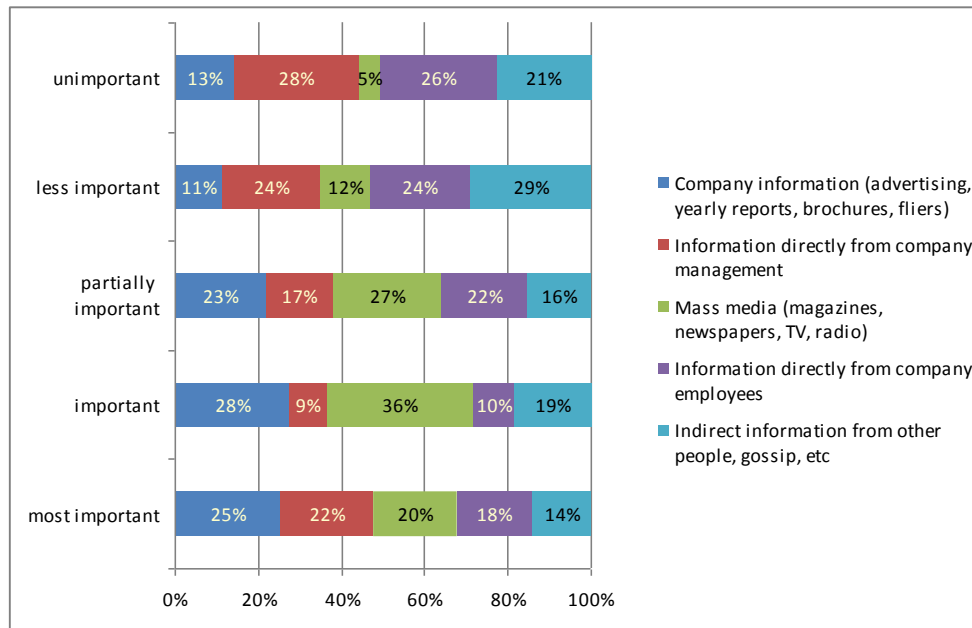
Source: [from survey results]

Figure no. 5 Agreeing with the positive/negative features in banking

#### How significant sources of information are

Figure 6 shows how important sources of information are for the participants in order to form an opinion about a company, whereby the participations had evaluated the importance using a range from the most important (1) to the least important (5).

The participants indicated that a company's message and mass media are the most important. More than half of the participants put these two sources of information as number 1 or number 2. Half of the participants ranked the rest of the sources of information in the last two places regarding the importance of the source. However, despite this we can see that a certain segment of participants exist who also evaluates these sources as very important. Thus, a good one fifth of the participants evaluated information coming directly from management as being the most important source, 18% of them indicated that the most important source of information was information coming directly from the employees and 14% claimed that the most important was from indirect information coming from other people, gossip and the like.



Source: [from survey results]

Figure no. 6 How important sources of information are for the corporate reputation

#### 4. CONCLUSIONS

On the basis of theoretical knowledge and the results of the empirical research study we can rank the banks corporate reputation as one of the most important factors for a banks success. Banks who understand that planning and building a reputation can create numerous opportunities, take advantage of having a good reputation in the public eye and as a result attract partners to make investments, create shares that have a higher value and attract the best and most qualified people for the job. This is also very important in bank sector.

The procedure for building a reputation, which can make good use of the above mentioned advantages is complicated and can take a long time. Therefore, banks must undertake this task in a planned and well deliberated manner.

The most essential roles in the process of reputation building is certainly the goals and proper selection of tools, which are going to enable the banks to communicate with the public in ways so that they can achieve the desired results when building their reputation.

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