

Influence of Factors on the Formation of Reputation in Insurance Companies

Frank Gerwald

University of Economics, Faculty of Business Management,
Dolnozemska cesta 1, Bratislava 5, 852 35
Slovak Republic
frank.gerwald@euba.sk

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Abstract: The aim of this work is to identify important factors that insurance companies consider important for their reputation and at the same time to assess their weighting. Based on the results of an extensive literature review, the six factors that are held responsible for the formation of reputation were derived. These factors served as the basis for structured expert interviews, which were conducted with experts from the insurance industry following the literature research. The evaluation of the interviews shows that, due to the regulatory nature of the insurance industry, special conditions apply here for the formation of reputation. In particular, the area of services should be considered separately from the product factor, as this is where insurers have the best opportunities to create their own profile and differentiate themselves from the competition. The survey also shows that the responsible handling of corporate values and the emotional appeal to stakeholders are regarded as important factors by the experts. While the interviewees indicated that they ascribe growing importance to social media, at the same time there is still room for improvement in insurers' use of these channels.

Keywords: reputation, insurance, reputation management

JEL classification: G22, D91, L14

1 Introduction

Building a good reputation is an undertaking that must be understood as a long-term investment. Companies that have a positive reputation are assumed by stakeholders to be above-average performers. At the same time, the strategic competitive position improves, making it easier for the company to achieve higher prices, strengthen the loyalty of customers and suppliers, and reduce transaction costs. A high reputation also reduces susceptibility to crises and economic fluctuations.

As valuable as a positive reputation is for the company, it is also fragile. Reputations built up over the long term can be destroyed within a few moments and turn into the opposite. Once a previously good reputation has been destroyed, it is only possible to regain the good values in the long term and at great expense. To prevent this from happening in the first place, the company needs targeted reputation management.

For a company to be able to manage its reputation in a targeted manner, it must first determine which factors have any influence at all on perceived performance. Massive investments in reputation-building measures only pay off if the company's management assesses the importance of the individual factors in the same way as the stakeholders.

The discussion about reputation management is gaining additional momentum as a result of advancing digitization. The weight of customer reviews in online portals and social media is steadily increasing, since on many platforms the user has the floor. User reviews are highly significant, as their opinions are considered neutral by other users. Reputation also takes place online and companies need to find a way to monitor and analyze their customers' online feedback.

2 Identification of the most important factors

A company's reputation among its stakeholders is a valuable asset and one of its most valuable success factors (Pollák et al., 2021). Viewed from the stakeholder perspective, a company's reputation provides an assessment basis for estimating the company's contribution to its own and the common good (Helm, 2007). Specific performance characteristics of individual companies are increasingly easily and quickly copied by competitors, whereas reputation as an intangible value can only be taken over by competitors with difficulty (Kirstein, 2009).

There is a wide spectrum in the literature about what exactly reputation is. The consensus of all descriptions is that reputation as an intangible corporate asset is an extremely fragile element that every organization has to offer. A company's positive reputation has an impact on numerous areas of the corporate environment. For example, it contributes to the company being valued, respected, and perceived positively by customers, investors, suppliers, and employees alike (Farooq, 2016; Fearnley, 1993). At the same time, a high reputation reduces vulnerability in economic crises, such as the 2008 financial crisis. Raising the company's profile makes it easier for firms to differentiate themselves from competitors in the perception of customers and to create unique selling points (Ternés, 2015).

The battle for young talent has long since begun in the insurance industry. When choosing an employer, the reputation of the company is increasingly becoming a decisive criterion in addition to the question of remuneration. Pride in the company, in the work performed, and in corporate values lived is an essential element of self-

expression for many employees (Ternés, 2015). By recruiting well-qualified and motivated employees, business results and brand value are increased in the medium term (Ternés, 2015).

In the scientific literature, there are differentiated approaches to defining the term reputation. At the beginning of the 1990s, various authors formulated their different definition approaches. Hall (1992), for example, described that in his view the emotions and knowledge of individuals determine the reputation of companies. For Dozier (1993), reputation arises from the direct experiences of stakeholders on the one hand, but also from a continuous communication process on the other. While Hall and Dozier thus draw on both affective and cognitive perspectives to define reputation, Fombrun (1996) restricts himself to a primarily affective perspective. A few years later, he published his approach, according to which reputation is the overall assessment of a company by its stakeholders, consisting of the total affective reactions of customers, investors, employees and the public. In contrast, Gray and Balmer (1998) take a different approach to the definition. For them, corporate reputation is more an evaluation of corporate attributes. Accordingly, this view does not take the affective components into account, but focuses on the conscious perception by stakeholders.

Reputation is understood as a collective term referring to the view of all stakeholders on corporate reputation, including identity and image (Davies et al., 2001). Partial views of corporate reputation can be found in psychology, sociology, philosophy, economics, marketing and other fields of science (Pollák et al., 2021). From a sociological perspective, Fombrun and van Riel (1997) describe corporate reputation as an aggregate assessment of firm performance, relative to the expectations and norms of stakeholders in an institutional field.

In the specialist literature, there are various approaches and views on which factors of reputation should be recorded for the most accurate measurement possible. Different authors place different emphases and weightings on the items in their studies and investigations. Table 1 provides an overview of the six most influential factors in the formation of reputation.

Table 1. Categories derived from the state of research

Categories	Sources
<p>General management quality</p> <ul style="list-style-type: none"> • Qualified employees • Presentable as an employer • employee orientation • Appearance pleases 	<p>Fombrun (2000); Fryxell (1994); Schwaiger (2004)</p>
<p>Responsibility in dealing with society and nature (social responsibility/ environmental orientation)</p> <ul style="list-style-type: none"> • Ethical behavior • Not only profit-oriented • Social responsibility • Environmental commitment • Transparency and openness • Social Responsibility • Support for good causes 	<p>Fombrun (2000); Fryxell (1994); Schwaiger (2004)</p>
<p>Perception of the quality of products and services</p> <ul style="list-style-type: none"> • Price/performance ratio • Quality • Innovative strength • Customer orientation 	<p>Fombrun (2000); Fryxell (1994); Schwaiger (2004)</p>
<p>Earnings and financial strength</p> <ul style="list-style-type: none"> • Value as a long-term investment • Growth momentum • Outperforms competitors • Low-risk investment • Market leadership • Ability to go global, internationalization 	<p>Fombrun (2000); Fryxell (1994); Schwaiger (2004)</p>
<p>Responsible approach to corporate values</p> <ul style="list-style-type: none"> • Inspiring vision • Leadership • Clear values • Fair pay • Attractive workplace • Pleasant working environment • Independence 	<p>Fombrun (2000); Fryxell (1994); Schwaiger (2004)</p>
<p>Emotional appeal to stakeholders</p> <ul style="list-style-type: none"> • High level of identification with the company • Greater regret in case of loss • Trust • Admiration and respect • Reliability • Credibility • Communication performance 	<p>Fombrun (2000); Schwaiger (2004)</p>

3 Aim and methodology

The goal of this paper is to identify important factors that insurers rank as important to their reputation and to determine how these factors are weighted.

The starting point of the research is a consideration of the current state of knowledge through a literature review, which is one of the qualitative research methods. The approach aims at illuminating and comparing the different scientific perspectives. The research is based on scientific articles, studies, conference papers and reference books. Within the framework of the systematic literature research, the three phases of literature search, literature acquisition, and literature utilization were followed (Okoli, 2010).

In a further step, 12 structured expert interviews were conducted to obtain practice-relevant data. The interviews were conducted with experts and managers from the insurance industry. The contacts to the interview partners were established from the author's professional environment. A guideline geared to the topic with defined categories served as the survey instrument and was previously verified with the help of a pretest. The various experts answered the questions orally, independently of each other, in individual interviews. The guideline was not used as a standardized process in order to take into account unexpected topic extensions that arose in the course of the interviews. This ensured that any unexpected aspects would find their place in the investigation. The guideline for the expert interviews serves to structure the topic area and the investigation and thus has a central orientation function. It takes into account the principles of qualitative research, in particular the principle of openness. The approaches of qualitative content analysis according to Mayring served as orientation for the evaluation of the interview recordings.

4 Results and discussion

In the twelve interviews conducted, the interviewees were asked to give their assessment of the importance of the six key factors for corporate reputation in insurance companies.

4.1 General management quality

Most of the interviewees believe that good management should be far-sighted and stand for continuity. It provides clear structures and exemplifies what it expects from its employees. Management must ensure that employees do their jobs as well as possible on their own. An important point that was mentioned again and again during the discussions is the further training of employees, which, in addition to improving quality, also serves as protection against exogenous shocks. The interviewees agreed that customers directly sense whether an insurance company's employees are well qualified, which definitely has an impact on the perception of its reputation.

4.2 Responsibility in dealing with society and nature (social responsibility/ environmental orientation)

In assessing this factor, the interviews gave a mixed picture. While some interviewees consider this point to be very important, the other part does not consider the topic of sustainability to be as relevant as it is often seen in public, since customers often do not question whether an insurance company is sustainable. Some interviewees say that it is important for companies to talk about CSR activities, while others see more of a risk of greenwashing here. For these individuals, sustainability is more of a hygiene factor that only becomes important when the company is not behaving sustainably. According to the interview participants, many customers nowadays expect companies to go as paperless as possible. Companies are happy to take this up, as it can generate major cost savings at the same time.

4.3 Perception of the quality of products and services

Whereas in the literature the areas of products and services are always considered uniformly, the evaluation of the interviews showed that this does not apply to those of the insurance industry. There is a clear distinction from other industries, which is justified by the fact that government regulation makes it virtually impossible for groups to differentiate themselves by products. The guidelines for product development are so narrowly defined that the products of the individual insurance groups differ only in nuances. Only in the event of a claim does the intangible product of the insurance company materialize. For this reason, the interviewees see it as very important that the insurance terms and conditions must be written in a comprehensible way and that it must be clear to customers what is insured and what is not.

When looking at services, the most important aspect mentioned by all interviewees was the speed with which customer questions are answered and the length of time it takes to process them. Here, the interview participants call for more creativity in optimizing processes. Innovation does not always refer only to products, because improving existing products alone is not yet innovation. Insurers must ensure that customers have a positive experience with their insurer even without a claim. This can include, for example, actively promoting preventive measures so that a claim does not occur in the first place. The expectation of digitized processes is that they will become faster and simpler and increase convenience.

4.4 Earnings and financial strength

The importance of an insurer's earnings and financial strength in building reputation depends on the type of insurance the customer is interested in. When taking out a motor vehicle liability insurance policy, it makes virtually no difference how well the insurer is positioned financially. That's why there are always new companies in this area that offer their services completely digitally and cost-optimized on the Internet. When taking out endowment or pension insurance, on the other hand, this factor becomes

more important. These insurance lines require a long-term commitment to the company with high annual premiums. Customers have an interest in ensuring that the company will still exist in twenty years' time and that the accumulated credit balances can be paid out on time. At the same time, large insurers can better exploit economies of scale and, according to the interviewees, have higher customer acceptance at the same time.

4.5 Responsible approach to corporate values

The interviewees agreed that it is essential to breathe life into the corporate values. It is also necessary that these values are lived with the same intensity from the top of the company to the employees. On the other hand, corporate values that are not lived can lead to a poor reputation. Vision plays a subordinate role in the insurance industry due to regulation. Unlike tech companies, customers do not expect visionary ideas in the eyes of the interviewees, but rather continuity and reliability. While in other industries, such as delivery services or even warehouse workers at Amazon, employee pay repeatedly causes negative reputations, this is not the case in the insurance industry. Since the image of the industry is often negatively tainted, it is occasionally heard from the customer side after negative experiences that the payment of the insurance sales force is rather too high than too low.

4.6 Emotional appeal to stakeholders

The argument that communication with customers must take place at eye level and that each target group needs to be addressed individually was mentioned again and again. For some of the customers, the interviewees noted an increasing need for personal contacts with increasing digitization. Ethical behavior on the part of companies is also relevant to their own employees, because employee satisfaction is also noticeable to customers. Answers were mixed when asked about the importance of a modern workplace. On the one hand, it was noted that customers were not interested in whether employees' workplaces were modern. On the other hand, according to the interviewees, customers expect insurers to have good technical equipment.

Some of the respondents said that the importance of comparison portals will continue to increase when buying insurance. Here, in addition to the familiar comparison calculators on which the products of the individual insurers compete with each other, rating platforms on which customers share their experiences with each other were also mentioned. The use of social media by insurers is viewed rather cautiously by the interviewees. Here, a large proportion is of the opinion that insurers have not yet understood social media. They believe that social media is about facts, figures and data, but this is not the case in reality. At most, business initiations take place via social media, but no direct sales. Nevertheless, the professional use of social media is imperative in order to make contact with the younger generations.

4.7 Weighting of the individual factors by the interviewees

Following the interview, the interviewees were asked to rate the importance of the respective factor on a scale of 1 (fully agree) to 6 (not at all agree). Of the six factors queried, the quality of products and services factor was rated as the most important. The factors responsibility for society and nature and financial power and strength, on the other hand, were rated as least important by the respondents.

Table 2. Weighting of the individual factors

Factor	Average Value	Standard Variation
General management quality	2,17	0,30
Responsibility in dealing with society and nature (social responsibility/ environmental orientation)	3,00	1,50
Perception of the quality of products and services	1,50	0,73
Earnings and financial strength	2,83	0,56
Responsible approach to corporate values	1,92	4,26
Emotional appeal to stakeholders	1,92	0,90

The standard deviation for the factor Responsible handling of corporate values is particularly striking. It was rated 1 five times, but also 5 five times.

5 Conclusion

With the help of extensive literary research, the six most important factors that are held responsible for the formation of reputation were identified. These factors were previously considered universal for all industries, although different industries have different prerequisites. The aim of this paper is to examine whether these factors are also applicable to reputation in the insurance industry. In the next step, experts and managers from the insurance industry were interviewed in structured expert interviews to obtain data relevant to practice.

The survey showed that not all factors are considered equally important and that there are different weightings from the respondents' point of view. While in theory products and services are combined into one factor, in the insurance industry they have to be considered separately. Due to strong regulatory requirements, it is hardly possible to distinguish insurers by products alone. The opportunity to stand out from the competition exists primarily by using the services around the products to distinguish oneself to the customers. This point was seen by the interviewees as the most important factor in building a corporate reputation.

Second and third place were taken by the factors responsible handling of corporate values and emotional appeal to stakeholders. The way in which the company

communicates with customers and its use of social media are the main focus here and were rated as equally important by the interviewees. When assessing general management quality, the terms continuity and reliability in particular were mentioned again and again as being important for customers, but also for employees. On the other hand, the financial strength of insurers and the responsible treatment of society and nature were ranked fifth and sixth in the evaluation of the six factors. The study showed that industry-specific characteristics must be taken into account when determining the factors for building reputation.

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