

Impact assessment between the city and the company reputation Effect of the reputation of the city of Győr and Audi Hungaria Motor Kft. on each other



Since intense competition exists for customers on the consumer goods market, cities of the 21st century compete for the inhabitants, tourists, investors and companies. In this contest the image and good reputation of the city is one of the biggest feats of arms. The economy of the dynamically developing city Győr is based on several system changes in the automobile industry. Its main economic pillar is the major international company which has had its headquarter in Győr since 1993, Audi Hungaria Motor Kft. (AHM). During our research through questioning one of the main stakeholders of the city and the company as well, we tried to ascertain the effect of AHM on the reputation of the city. According to the above mentioned, the main goal of the study, after setting out the theoretical background, is to reveal how the headquarter city and the company interact in their reputation, based on the point of view of the investors as stakeholders.

INTRODUCTION

Since intense competition exists for customers on the consumer goods market, cities of the 21st century compete for the inhabitants, tourists, investors and companies. In this contest a huge scale of city marketing tools are available as the image and good reputation of the city is one of the biggest feats of arms. The economy of the dynamically developing city, Győr, has undergone several system changes; it has transformed from a commercial city to an industrial one, and nowadays it has seen a transit into a dynamically developing centre.

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Today Győr is the sixth largest city in Hungary, home of more than 130.000 inhabitants. It is centre of the Kisalföld region and the county seat of Győr-Moson-Sopron County. It is an episcopal seat, a city rich in history. Győr is the third wealthiest city in monuments in Hungary and home to the Champions League winner women handball team of Győri Audi ETO KC. These are undoubted facts about the city, which, in the second decade of the new millennium, boldly declares its presence with the slogan „The future is being built in Győr!” The economy of the dynamically developing city is based – after several model changes – on the car manufacturing industry. Its main pillar is Audi Hungaria Motor Kft; other important counterforts are the suppliers organically connecting to this. Therefore, no wonder that the presence of the city, its economic prosperity have left their mark not only in the economic index numbers, but in the image of the city and in the identity of its inhabitants as well.^[3]

In our research we tried to find the answer to the following question: What kind of effect does the dynamically developing car manufacturer AHM – headquartered in Győr, led by the German premium category company – have on the reputation and image of the city of Győr?

LITERATURE REVIEW

According to Péter Szeles – former president of the Hungarian Public Relations Association – in many people’s point of view reputation is equal to publicity, brand value or even image. In various non-academic writings these academic categories are often interchanged or used for the same phenomenon. Reputation is influenced by the actions of the company and it is formed about the company itself among its stakeholders;^[4] summarizing it is the combination of opinions and impressions of various people in general.^[5]

In this interpretation we mean the corporate reputation, which, based on the impression and opinion of the stakeholders, is similar to the reputation of a city. However, it is a broader category than a product’s reputation, because not only do the customers of a company belong to its stakeholders, but inter alia the suppliers, competitors, partners from the education, and public sector as well.^[6] Charles Fombrun (professor at New York University and president of the Reputation Institute) defines the conception of the corporate reputation as „a general

[3] Jakab, Petra (2014): Győr, városmarketing a gyakorlatban. In: Tózsza, István (ed.): *Turizmus és településmarketing*. Budapesti Corvinus University, Faculty of Economic Geography and Future Research Budapest. 159–168.

[4] Szeles, Péter (2010): Presentation at the conference: *Reputationmanagement, opportunities and risk of measuring reputation by the Hungarian Public Relations Association* (Hírnévmenedzsment, a reputáció mérése és kockázatai a Magyar PR Szövetségnél). Budapest, 14. May 2010. In: <http://www.comprad.hu/hu/compradblog/343.html> Downloaded: 10. August 2015.

[5] Roper, S. – Fill, C. (2012): *Corporate Reputation*. Pearson, 5.

[6] Ibid. 5.

imagination, made up by the voters of a company, furthermore the clear perception of that, how much the facilities of a company can meet the expectations of its stakeholders.”^[7]

The definition of Fombrun gives a good summary of the various definitions of corporate reputation. According to this, corporate reputation is the collective representation of activities and outcomes of the company in the past, which describes the capability of the company to give its various stakeholders a valuable outcome. It measures the relative opinion about the company among the staff (internal) and the stakeholders (external).

Regarding reputation, three categories are often mentioned: these are the image, identity and the brand. The image is a certain picture formed in the individuals, the members of the stakeholder groups. If it is positive, it is the basic condition of trust and good reputation. The corporate identity is interpreted in our study in a corporate context. While the identity is formed by the company, the image is formed by the community, the stakeholders, and the public. In its forming the company can only play an indirect role. The development of the positive image means accordingly the reputation. It is often used as the synonym of the image. Therefore it must be pointed out that differentiation between image and reputation is needed and useful, if only we take the fact into consideration that image can change fast, even by the effect of the commercials, while more time and efforts are needed to build up reputation both in an internal and external point of view.^[8]

Not only the companies, but countries, regions, cities, organisations and persons as well do their best for their good reputation,^[9] so in Győr, too, the colleagues of the City Marketing and Event Management Department, a special department of the Mayor’s Office dealing with the communication, PR activities and marketing of the city.

How can we measure the value of a company’s reputation? Which factors do we have to take into consideration? The measurement of corporate reputation does not have a generally accepted, uniform method. Below are short demonstrations of the generally known ones, in particular highlighting the method which was chosen by the authors in the study in Győr.

The reputation ranking „Most admired companies” of the Fortune magazine had been until 1997 the unique reputation ranking and concentrated only on US American companies until 2008. The ranking is based on the 0-10 evaluation of nine attributions regarding the reputation.

[7] Fombrun, C. J. (1996): *Reputation: Realizing the Value from the Corporate Image*. Harvard Business School Press, Boston.

[8] Konczosné Szombathelyi, Márta (2013): A hírnév és menedzselése. In: Tompos, Anikó – Abolnczyné Mihályka, Livia (eds.): *Növekedés és egyensúly*. Széchenyi István University, Győr. 1-11.

[9] Konczosné Szombathelyi, Márta (2012): Nemzetközi tendenciák a PR-ban. In: Józsa, László – Konczosné Szombathelyi, Márta – Huszka, Péter (eds.): *A marketing új tendenciái*. Széchenyi István University Kautz Gyula Faculty, Győr. 215-228.

Charles Fombrun developed a method in 1999, the Reputation Quotient, which was the first complex method to measure reputation. The responders were consumers, employees and investors, who rated the companies on a 7 point Likert scale according to 20 characteristics in six dimensions.^[10]

The improved version of the RQ is the RepTrak Model and the Global Pulse Study, which were established by the Reputation Institute in 2006. The 23 most important indicators are assigned to seven basic motivators as a result of qualitative and quantitative research methods. The RepTrak™ model highlights the connection between the emotional (feeling, esteem, trust, admire) and the rational (product/service, innovation, workplace, governance, citizenship, leadership, performance) dimensions.^[11]

The authors conduct their survey according to the dimensions of the RepTrak model considering the possible expansion of the research. The models of the Reputation Institute are capable of measuring not only corporate reputation, but the reputation of cities and countries as well. So they can ensure an adequate international base to set up a model of Győr in the future.

QUESTIONNAIRE SURVEY

The method of the primer data research was semi-structured interviews made as surveys on 27th of March 2015 in the University Hall of Széchenyi István University. The so-called Techtogether Junior^[12] competition was held for the very first time there. There were at this event all-important participants of the cooperation Automobile Life Model of Győr, so we could find several representatives of one of the main stakeholder groups, the investors; therefore we managed to personally conduct 16 questionnaires.

There were among those who filled in the questionnaire small, medium sized and large companies as well. Regarding their founding date two companies can be considered as absolutely traditional, since they were founded at the end of the 19th century. Most firms were established in the '90s of the last century. The geographical extension of the working territory of the companies shows a heterogeneous picture; 7 of them undertake international activities, 4 have Hungar-

[10] Pinillos, A. (2012): *Why companies need to worry about managing their reputation or why Schumpeter has a limited view of companies' reputation*. (<http://www.rcysostenibilidad.telefonica.com/blogs/2012/05.31/why-companies-need-to-worry-about-managing-their-reputation-or-why-schumpeter-has-a-limited-view-of-companiesE2%80%99-reputation/>) Downloaded: 20. May 2013.

[11] Konczosné Szombathelyi, Márta (2013): op. cit. 9.

[12] Techtogether Junior is a competition for technical and natural sciences, among the general and technical educational secondary schools in the economic region of Győr. As exhibitors there were secondary and high schools, Széchenyi István University, as well as other companies connected to the Automotive Career Model of Győr. The aim of the event was to demonstrate and propagate that the Győr region offers great educational and career opportunities thanks to the blooming automotive industry, and to strengthen the cooperation among the actors in the education and labour market.

ian ones, one works in the county and one in the small region, 3 of them operate only in Győr. The persons, who filled in the questionnaires, were colleagues in leading, senior management positions or working as management assistants, so for this reason why we can rely on relevant answers.

15 of the 16 answering companies have business contacts to AHM. In answer about the role of the presence of the AHM in their headquarter-choice, 7 gave us a positive answer. 4 showed that they were in Győr before 1993 and the foundation of the German plant and 5 gave a negative answer to the correlation between the existing headquarter and their motivation. On asking about the settling motivation of the companies our aim was to get ideas and key-words about Győr as a headquarter, and we were wondering whether AHM would be among the motivation factors mentioned (Figure 1.). 2 of the 16 answering companies did not fill in this part of the questionnaire, so among the 14 answers the most common one was the local company-owner (5 times) and the skilled workforce (4 times). Among others we received answers like the infrastructure, automobile industry, availability, cheap workforce, and so on. Audi was mentioned twice as the main motivation of their settling in Győr.

Figure 1: Motivations of settle-down of the companies in the survey



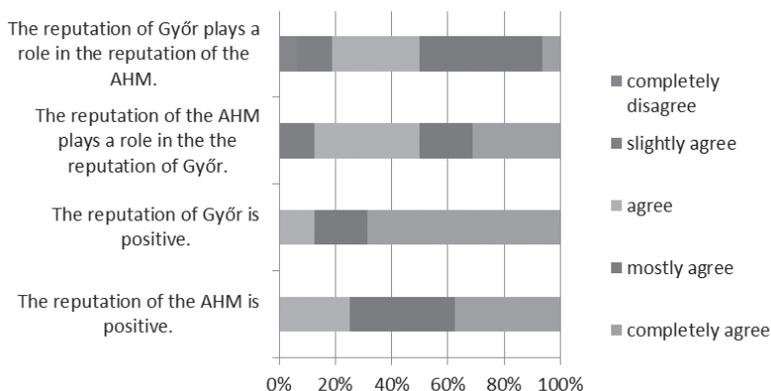
Source: own compilation.

In the following part we asked the positive and negative characteristics of Győr as a headquarter. Among the positive ones the dominance of good infrastructure, geographic location, industrial centre and the proximity of West-Europe, Austria was clear. Among the negative answers the lack of workforce was mentioned 7 times. Besides this it is strange that there were complaints about the proximity of the border, which was also significant among the positive ones. The proximity of the western border – Győr is located only 50 km away

from Austria – is a truly Janus-faced capability, since Austria, the West, played a significant role due to the Austrian capital and its mentality in the growth of the former commercial, later industrial city, as they still play nowadays, too. However, the favourable transport and economic-geographical location contributes to the growing lack of skilled workforce in the region^[13] due to the liberalization of employment since the beginning of the millennium and our membership in the European Union.

While the skilled workforce was among the main motivations of the settling of most companies in Győr, nowadays we have to face a lack of it due to the attracting force of the West. Naturally, the leaders of the city of Győr and the actors of the educational and vocational training sector have been taking actions against the process, and restructured the educational system of the city, initiated a scholarship system in the vocational training and a dual education system. The cooperation between the chamber, the companies, educational institutions and the municipality is strong. The height of this cooperation is the Automotive Career Model, which was launched in Győr 3 years ago, as an outstanding initiative.^[14]

Figure 2: The effect of Győr and the AHM on each other, on their reputation



Source: authors' own research.

In the following part of the questionnaire we asked the partners to rate our statements on the Likert-scale. (Figure 2) They mostly agreed with them. In case of the statement ‘The reputation of Győr is positive’, we didn’t get any negative

[13] The minimum wage in Austria is 3 times more than in Hungary, also the fringe benefits, the health and insurance system are more developed, and so is the building, hotel and catering industry, as well as in the labour-intensive branches.

[14] Jakab, Petra (2014): Sikeres gazdasági modellváltások Győrben. In: Honvári, János (ed.): *Győr fejlődésének mozgatórugói*. Universitas-Győr Nonprofit Kft., Győr. 154.

answers, moreover, 11 from the 16 responders completely agreed, which means 70%. According to the responders' point of view, the created image of the factory plays, without a doubt, a role in the opinion about the city. There were no disagreements; however, 6 answers said 'I agree', 3 had the opinion 'I mostly agree' and 5 people answered with 'I completely agree'. The correlation exists also in the reverse direction in the majority's opinion but it isn't so clear. In this statement we faced a negative answer, and 2 persons slightly agreed. We received the answer 5 times 'I agree', 7 times 'I mostly agree', and only one respondent's opinion agreed completely with our statement.

Following the RepTrak Model we asked about the relevant dimensions playing a role in the relation of the city and the car-manufacturing company and being interpretable for the interview stakeholders. (Figure 3)

The answers express that the partners perceive the importance of reputation also in the single dimensions of the relationship between the city and the company. It can be felt most dominantly in education (higher education). Since there was a dichotomy in the opinions in terms of the workforce supply and demand, AHM's impact on the labour market and on the run of the average earnings divided the responders.

To go into more detail, the statement about AHM's contribution to the development of Széchenyi István University was met with 47% mostly agreements and 53% complete agreements. Staying within this educational issue, in the case of secondary vocational or technical education, the contribution of the factory met mainly compliance. Roughly the same percentage of mostly and complete agreements came from the respondents; however there was one slightly agree response. Observing the factory's contribution to the qualitative and quantitative development of the accommodation and catering supply in Győr, 2 answers slightly agreed, 3 agreed, the main part of the partners mostly agreed with our statement. We could see in the above-presented figure of the motivations of settling that the skilled workforce plays an important role in the city's economy and it has meant a positive externality there. Yet, as emerged from the positive and negative characteristics of Győr as a headquarter, many complained about the shortage of skilled workforce. Examining the factory's reputation contributing to the increment of the skilled workforce supply in Győr, 3 respondents completely disagreed, which could mean the attracting force of AHM as an employer being a negative externality for other employers in Győr and the region. With the next statement - which is almost the reverse of the last one - 50% of the answering partners completely agreed. They think that the significant and qualitative labour demand of AHM has a significant effect of their company. There were three more statements, which totally divided the answering companies: the factory's contribution to the average wages, the multiplier effect of its sponsoring activity and usage of the common slogans. Also three statements received the totally agreement of the 16 respondents, half of them completely agreed with the contribution of AHM to the economic geographical features (Győr-Pér International Airport), meanwhile 5 mostly agreed and 3 agreed. The initiative

role played by AHM in the establishment of the Automotive Career Model of Győr was also acknowledged among the answers. This was also the case with the statement about the AHM-generated media focus on Győr. Our last statement regarding the importance of the German speaking news in the local radio sponsored by AHM got a negative answer from most of the companies.

Figure 3: Opinion about the single dimensions according to the stakeholders



Source: authors' own research.

SUMMARY

In our questionnaire research we examined the connection between the reputation of AHM and the city of Győr. We then examined the effect of AHM on the reputation of the city in the opinions of the stakeholders.

According to the above we can assume, the company, which disposes of a positive reputation, and so the city, plays an important role both in the image of the city and its reputation. In addition, the respondents agreed fully with the fact that the company's reputation has an effect on the headquarter's reputation, and this correlation can be seen in the single dimensions showed by the charts above. The whole reputation research will be based on a multi-component-model for which the interviewing of the other stakeholder groups and the monitoring of the marketing and PR materials will be needed.

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HUNGARIAN SUMMARY

Mint ahogy verseny folyik a vásárlókért a piacon, ugyanúgy versenyeznek a 21. században a városok a lakosságért, a turistákért, a befektetőkért és a vállalatokért. Ebben a versenyben a pozitív imázs és a jó hírnév tudatos kialakítása az egyik legfontosabb eszköz. Győrnek, a dinamikusan fejlődő városnak a gazdasága az autógyártásra épül. Ebben a legnagyobb szereplő 1993 óta az Audi győri leányvállalata, az Audi Hungaria Motor Kft. (AHM). Kutatásunk során arra kerestük a választ – a vállalat legfontosabb stakeholdereinek megkérdezésével –, hogy hogyan hat a város hírnevének megítélésére az AHM jelenléte, illetve hogyan befolyásolja kölcsönösen a város és a vállalat hírneve egymást. Mindennek a bemutatására a kapcsolódó elméletek bemutatása után kerül sor.