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ASSESSMENT OF ORGANIZATIONAL CRISIS PREPAREDNESS DETERMINANTS IMPACT ON CORPORATE REPUTATION

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Abstract

Company reputation is of vital importance for success, where a reputational crisis represents a significant risk for survival. Therefore, the main research problem of this article is to, through primary empirical research and the use of survey questionnaires on relevant Croatian business practice respondents, assess the impact of the determinants of anticipatory reputational crisis management, more precisely the outcome of the relationship between the organization and its key stakeholders, on the preservation of both dimensions of reputation (reputation of corporate abilities and reputation of corporate social responsibility). The analysis of the theoretical model was carried out using PLS-SEM, where a direct and positive relationship among constructs was identified. Therefore, companies that want to protect their reputation should invest resources in socially responsible and PR activities, implement mechanisms for evaluating internal stakeholders' satisfaction, and adopt practices that allow key stakeholders a higher level of transparency and involvement in the company's decision-making process.

Keywords: *reputation, reputational crisis, crisis management, crisis prevention, Croatia, PLS-SEM*



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1. INTRODUCTION

In the business literature, the corporate reputation represents “an important yet intangible resource that has a very significant impact on performance, if not on the very survival of organizations (Nguyen, Leclerc & LeBlanc, 2013, p. 98)“. Reputation is the observer's judgment about the company (Barnett, Jermier & Lafferty, 2006), an interdisciplinary and multidimensional phenomenon, an intangible, social construct, multifunctional, evaluative, and comparative in nature (Foreman & Whetten, 2012; Lähdesmäki & Siltaoja, 2010; Fischer & Reuber, 2007), which unites perception and reality. It also represents a dynamic asset of the company and a crucial resource that creates added value and is a source of competitive advantage (Dierickx & Cool, 1989). Reputation contributes to increasing company sales, increases stock value, and contributes to the creation of strategic partnerships (Ma & Osiyevskyy, 2017; Eckert, 2017). A good reputation attracts capital and talented employees and is correlated with positive consumer purchasing behavior (Dowling, 2002). Corporate reputation allows an organization to build trust among organization and its stakeholders, differentiate itself from the competition and successfully compete in the market (Sawalha, 2020). Driven by strong changes in the business, social and institutional environment, the concept of reputation is attracting the research interest of scholars from several different field disciplines such as crisis management, public relations and marketing (Hillenbrand & Money, 2007).

Due to the significant importance of corporate reputation in contemporary business, the literature increasingly emphasizes the importance of managing reputational risk and reputational crisis (An Economist Intelligence Unit, 2005; Murray, 2004). Speed and transparency of company's response and communication in times of crisis are crucial for preserving reputation, minimizing negative crisis effects and reputational damage (Nuortimo, Harkonen & Breznik, 2024). In the context of globalization and increasing stakeholder expectations, integrated management systems, such as ISO standards not only improve internal processes and economic efficiency but also strengthen the company's reputation in the market (Britvić, Drvenkar & Forjan, 2024). Furthermore, in times of financial distress, robust and proactive corporate governance can have preventive advantages, as well as improve companies resilience, and crisis response capabilities (Amede & Ilaboya, 2024).

According to a survey conducted by the consulting company Deloitte (2014) on a sample of 300 companies from around the world, 87% of all surveyed managers consider reputational risk to be the most important of all strategic risks their companies face and therefore state that it is precisely this risk that should be given special attention. Furthermore, in a study on a sample of companies from the S&P 500 stock exchange index (Smith-Bingham, 2014), as many as 12.7% of sudden stock price declines are related to reputational problems. Moreso, according to Echo Research 2024 reputation value/ USA research results, corporate reputation in S&P 500 accounts for around 28% of market cap, which speaks volumes about the importance of preserving it.

Considering the nature and significance of a reputational crisis, the question arises of the possibilities of its prevention and crisis management, as well as how the positive relationship with organizations key stakeholders effect company reputation. One of the best-known definitions of crisis management states that: “organizational crisis management is a systemic attempt by organizational members with external stakeholders to avert crises or to effectively manage those that do occur (Pearson & Clair, 1998, p. 61)”. Crisis management can be classified into several key phases (Coombs, 2007): 1) the anticipatory phase (preparedness and prevention), 2) the crisis response phase, and 3) the reactive, post-crisis phase (learning and improvement). The goal of the anticipatory phase of crisis management is to prepare for threats that may cause a crisis, prevent the onset of a crisis, and, if a crisis does occur, to successfully manage it (Pearson & Mitroff, 1993; Selart & Johansen, 2013).

An overview of the significant literature in the field of crisis management reveals two dominant directions of development, i.e. a focus on the internal and external perspectives of crisis management (Bundy et al., 2016). The internal perspective refers to the study of the dynamics of risk management and the study of complexity and technology within the company (Gephart, Van Maanen & Oberlechner, 2009; Bigley & Roberts, 2001; Pearson & Clair, 1998; Perrow, 1984). The internal perspective of crisis management studies the effects of the coordination of complex technical and relational systems and the development of organizational structure on the prevention of the occurrence and reduction of the impact of the business crisis on the organization and accordingly, learning from it. In contrast, the external perspective of crisis management is focused on studying interaction between the organization and key stakeholder groups, mostly relying on the theory of social perception and impression management (Bundy & Pfarrer, 2015; Coombs, 2007; Pfarrer et al., 2008). In such approach, crisis management is studied through the prism of shaping the perception of the organization and coordinating activities with the key stakeholder groups to prevent or solve a business crisis. The above points to the relevance of studying internal and external determinants that can affect business crisis prevention, but also to the relevance of studying the relationship between companies and interest groups from the perspective of crisis management.

It follows that a positive outcome of the relationship between the organization and key stakeholders can significantly contribute to preserving both dimensions of reputation, the reputation of corporate abilities (CA) and the reputation of corporate social responsibility (CSR). The second-order latent *construct positive outcome of the relationship between the organization and the stakeholders* can be measured using four first-order subconstructs: *control mutuality* (the level to which the parties involved agree on which party has the right to influence the other), *trust* (the level of trust and willingness of one party to open up to the other), *satisfaction* (the level of one party's liking for the other because positive expectations from the relationship), and *commitment* (the level to which

each party believes it makes sense to invest in the relationship) (Yang, 2007; Hon & Grunig, 1999).

Considering the importance of corporate reputation in modern business, the main research problem of this paper is to determine through the conducted primary empirical research the impact of applying the determinants of anticipatory reputational crisis management, more precisely, the outcome of a relationship between the organization and key stakeholders on the preservation of both dimensions of reputation (reputation of corporate abilities and reputation of corporate social responsibility).

Accordingly, two hypotheses were formed:

H1: A positive outcome of the relationship between the organization and its key stakeholders has a direct and positive impact on a higher level of corporate social responsibility (CSR) reputation.

H2: A positive outcome of the relationship between the organization and its key stakeholders has a direct and positive impact on a higher level of corporate ability (CA) reputation.

Through the two proposed hypotheses, the influence of the anticipatory crisis management determinants is studied and its impact on two dimensions of reputation: first, social responsibility that reflects the character of the company in relation to important social issues, and second, corporate abilities related to expertise in the production or procurement of products or services (Sohn & Lariscy, 2014; Brown & Dacin, 1997). Accordingly, this article contributes to better understanding of organizational crisis preparedness determinants and their impact on two aspects of corporate reputation using the PLS-SEM statistical method.

The following sections are organized as follows: Section 2 reviews the literature on organizational crisis and reputation. Section 3 describes the research methodology and the theoretical model with variable operationalization. In Section 4, data is analyzed and key results are assessed. In the concluding Section 5 of this article, key theoretical and business implications and recommendations are provided.

2. LITERATURE REVIEW

No organization is self-sustaining; each organization's survival depends on the type of relationships it establishes with the larger systems to which it belongs (Scott & Davis, 2007). Relationship management involves undertaking activities aimed at developing, maintaining, growing, and fostering mutually beneficial relationships between organizations and their most important stakeholders (Thomlison, 2000). Successful relationship management primarily depends on whether a company meets social norms and stakeholders expectations, whereas a failure to do so can be a symptom of a crisis (Coombs, 2000).

Reputation is a measure of the company's relative reputation internally among employees and externally among various stakeholder groups in the competitive and institutional environments (Fombrun & Van Riel, 1997). The external image of a company begins with the company's internal stakeholders, namely its employees, and the way they perceive the company (Gray, 1986). Employee behavior affects the image of a company, primarily the behavior of employees who are in direct contact with customers (Lloyd, 1990), such as in restaurants, hotels, or educational institutions. In addition to preparing organizations and employees for the crisis, it is important to promote that employees' ability to learn and adapt in order to enable effective organizational change (Talaja, Dumanić, 2023). In practice, there is often a gap between what stakeholders experience or perceive about the company and what the company's mission and vision promise (Chun, 2005), and monitoring these discrepancies can signal problems in preventing reputational crises (Dowling, 1994).

There is a range of research in the field of crisis prevention that suggests that maintaining positive relationships with stakeholders can reduce the likelihood of a crisis (Pfarrer et al., 2008; Clair & Waddock, 2007; Coombs, 2007; Ulmer, 2001). In addition, investing in stakeholder relationships can minimize the loss of their support during a crisis event (Ulmer, 2001). As Park and Reber (2011) point out, reputation building can be a central part of proactive crisis management, because if the public's perceptions of the company become increasingly positive, companies will have a wider range of strategic responses to the crisis at their disposal.

Positive relationships between an organization and stakeholders can protect a company's reputation and future relationships from serious damage in a crisis (Coombs, 2000). Employees have a significant active role in shaping a company's reputation through their engagement at work, their sense of fulfillment and their willingness to promote their company, which leads to a positive public image (Esenyel, 2020). On the other hand, ignoring and abusing relationships with key public figures before a crisis can lead to significant damage to the company's reputation (Coombs, 2000).

Previous research in the field of reputational crisis management has been predominantly focused on reactive crisis management, studying various communication strategies that attempt to repair reputational damage after a crisis has already hit a company (Claeys, Cauberghe, & Vyncke, 2010; Coombs, 2007, Benoit, 1995). The literature is mainly presented in the form of case studies and theoretical presentations (Smaiziene & Orzekauskas, 2009), where conclusions are drawn about the effectiveness of certain crisis management approaches using examples of reputational crises from business practice (Zyglidopoulos & Phillips, 1999). On the other hand, there is not much quantitative research that uses statistical methods to determine the relationships between certain constructs (Sohn & Lariscy, 2014; Yang, 2007). Furthermore, another part of the literature from this field is of an expert nature and refers mainly to consulting studies (Deloitte, 2014; Smith-Bingham, 2014; Sidley Austin, 2012; An Economist Intelligence Unit,

2005) that propose certain steps in reputation risk management, but without a real scientific approach and actual empirical validation of the presented theory. Considering the above, the literature to date does not provide a clear scientific insight into the possibilities of preventive action on the reputational crisis.

Previous scientific research on the topic of reputation has shown that it is a complex construct that can be observed through multiple dimensions (Sohn & Lariscy, 2014). In their research on the treatment of corporate reputation in accounting, Riahi-Belkaoui and Pavlik (1992) concluded that corporate social performance and organizational effectiveness are the two main signals that companies use to develop a good reputation. Following their research, Brown and Dacin (1997) defined corporate reputation through two main dimensions, corporate ability (CA) reputation and corporate social responsibility (CSR) reputation. Corporate ability (CA) reputation is related to the level of expertise of individual firms in the production and delivery of products and services (Brown & Dacin, 1997). For example, firms that offer exceptionally high-quality products in the eyes of important stakeholders, that have highly skilled employees or production processes, and use advanced technology have a high positive corporate abilities reputation. Furthermore, the reputation of corporate social responsibility (CSR) represents the character of a company in relation to important social issues (Brown & Dacin, 1997), such as caring for the poor, protecting the environment, and operating in accordance with ethical principles. In terms of reputation, environmental, social and governance (ESG) indicators present a significant tool for building organizational trust and long term stability (Žiković, Arbula Blecich & Vranješ, 2024). Social component of the ESG (Environmental, Social, Governance) has a significant, often differentiating role in times of crisis, especially in regard to companies management of employees, customers and communities, as it directly affects investors and public reputation, trust, and organizational long-term sustainability (Tuškan Sjauš, Zlovolić & Krišto, 2024).

Accordingly, the hypotheses H1 and H2 proposed in this research examine the relationship between the independent variable of a positive outcome of a relationship between the organization and key stakeholders and two dimensions of reputation as dependent variables corporate ability (CA) reputation and corporate social responsibility (CSR) reputation.

3. METHODOLOGY AND MODEL

The research was conducted in three phases. The first stage implied the above presented secondary research of the relevant literature in the field of crisis management and reputation theory in order to develop a model of anticipatory management based on existing theoretical concepts of reputational crisis. The second phase of the research involved collecting information based on a questionnaire instrument on a sample obtained from the population of medium and large sized companies operating in the Republic of Croatia. These types of companies were chosen due to the assumption that medium and large sized

companies are more business sophisticated and pay greater attention to reputational crisis management compared to small sized companies. The third phase of the research involved testing the proposed hypotheses using the PLS-SEM statistical method. Implementation and sample of the empirical research comprised of the enterprises operating in the Republic of Croatia (N=1,848 that is 1,413 medium and 435 large companies) based on data from the national register of business entities of Croatian Financial Agency (FINA).

The research used a stratified sample, whereby a separate stratum sample was formed for medium-sized and a separate stratum sample for large sized enterprises based on a proportional selection fraction, in order to achieve greater accuracy of the results and ensure the representativeness of the sample, while the sample size was defined based on the formula developed by Krejcie and Morgan (1970). By applying the formula with a 95% confidence level, a 5% permissible error level and an expected return rate of 20%, the required sample size was 1,590 enterprises (1,208 medium-sized and 382 large companies). The enterprises were selected into the sample by random selection based on the Excel function "RandBetween"

When conducting the empirical research, an online method of filling out the questionnaire was used using the "Google Forms" program. The questionnaire was sent to the e-mail addresses of identified key persons in the company, i.e. executive managers, crisis managers, PR managers and owners who are considered the most relevant and knowledgeable respondents.

Before sending, the questionnaire was previously tested and confirmed through in-depth interviews with two experts from the field of crisis management, one from the academic community and one from business practices to give an additional dose of objectivity and validity to the survey questionnaire and to eliminate potential ambiguities.

Out of a total of 1,590 companies included in the sample, after sending two reminders, 123 completed surveys were obtained, of which 71 were medium-sized companies and 52 were large companies, which makes an overall return rate of 7.7%. The gathered number of responses was adequate for the use of PLS-SEM methodology.

PLS-SEM is a structured equation modeling method that allows estimation of complex causal relationships between latent variables and is based on maximizing explanations of the variance of endogenous variables (Hair et al., 2014). It is suitable for exploratory and predictive research (Richter et al., 2016), in situations where there is no normal data distribution (Cassel, Hackl and Westlund, 1999) and in small samples (Henseler & Chin, 2010). The PLS-SEM method is extremely useful for identifying and establishing new connections between model constructs and for their explanation (Wold, 1985) and is often used in research in the field of management (Hair et al., 2017), and organization (Sosik, Kahai & Piovoso, 2009).

All used constructs in the study were identified based on the study of scientific literature in the field of crisis management and reputation management and were previously used in existing research. The research questionnaire was divided into several conceptual units where key data on the research topic were obtained from respondents using a Likert scale (determined by a scale from 1 - the highest degree/level of agreement with the stated statement to 7 - the lowest degree/level of agreement with the stated statement). PLS-SEM statistical method was used to test the hypotheses. The model variables were measured using existing measurement scales that have already been developed and are available in the literature:

- A positive outcome of the relationship between the organization and key stakeholders represents a second-order latent construct that can be measured through four subconstructs (first order- latent constructs): control mutuality (5 indicators), trust (6 indicators), satisfaction (5 indicators), and commitment (5 indicators) (Yang, 2007; Hon & Gruning, 1999).
- Corporate Social Responsibility (CSR) reputation (5 indicators) (Sohn & Lariscy, 2014).
- Corporate Abilities (CA) reputation (3 indicators) (Sohn & Lariscy, 2014).

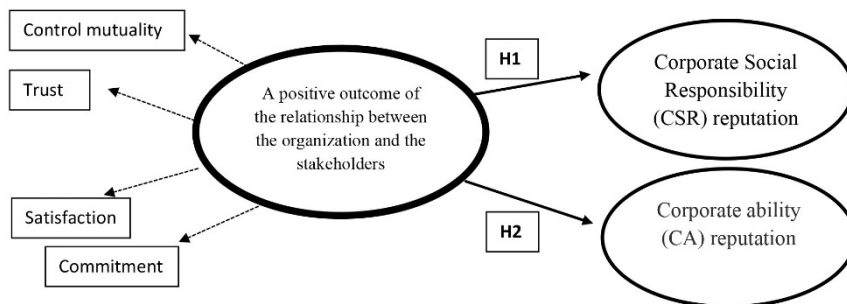


Figure 1 Proposed structural model

4. ANALYSIS AND RESULT

In this section key results and findings are presented, beginning with sample descriptive statistics, followed by respondents responses regarding reputational crisis. Furthermore, measurement and structural model is assessed, along with subsequent tests using the PLS-SEM statistical method.

Table 1 Sample descriptive statistics

Attribute	Values	Percentage %
Company size	1= Medium (<250 employees)	58%
	2= Large (250 or more employees)	42%
Respondents' hierarchical position in the company	1= Managers/ Crisis managers	61%
	2= Owners	11%
	3= PR experts	9%
	4= Controllers/ Management accountants	7%
	5= Other organizational functions	12%
Company age in years	1= 0-5	4%
	2= 6-10	8%
	3= 11-20	19%
	4= 21-50	44%
	5= above 50	25%
Respondents' by industry	1= Manufacturing and processing industry	42%
	2= Wholesale and retail trade	23%
	3= Finance	8%
	4= Tourism and catering	7%
	5= Construction	6%
	6= Transport and communication	4%
	7= Agriculture and livestock	3%
	8= Information technology	2%
	9= Other industries	5%
Gender	1=Male	55%
	2= Female	45%
Level of formal education	1= High school	8%
	2= University degree	60%
	3= MBA/ Master's degree	30%
	4= PhD	2%

Source: Authors research

Presented data indicate that in Croatian business practice there is a certain level of awareness of the importance of reputational crisis prevention measures. However, further work is needed to inform management about the importance of constant investment in reputation preservation measures, since reputational risks are increasing daily in the modern business environment.

Before the assessment of the measurement and structural model, it is necessary to assess the quality of the collected data (Hair et al., 2014): existence of missing data; analysis of suspicious patterns of answering survey questionnaire; analysis of outliers; data distribution analysis.

During the implementation of the empirical research, an online method of filling out the survey questionnaire was used using the "Google Forms" tool, where it was specified in the tool itself that the respondents had to answer a particular question to be able to continue filling out the survey questionnaire. Due to this restriction, the problem of missing data is not present in empirical research. Furthermore, suspicious response patterns include situations in which respondents mark the same answer for many questions (straight lining) or in which there is

inconsistency in answering. An analysis of all 123 completed questionnaires in the research survey revealed that in no case suspicious patterns of answers occurred. To analyze the existence of atypical values, a univariate z-value analysis was performed using the SPSS Statistics program. After a detailed analysis, it was determined that several atypical values in question are not problematic and were retained in the further analysis.

Table 2 Respondents' responses regarding reputational crisis

Company's significant previous crisis experience	1= Yes 2= No	56.5% 43.5%
Company's significant previous reputational crisis experience	1= Yes 2= No	37.9% 62.1%
Level of agreement with statement "Reputational crisis is a serious threat to business"	1= Completely Agree 2= Agree 3= Partially Agree 4= Neither Agree nor Disagree 5= Partially Disagree 6= Disagree 7= Completely Disagree	30.6% 40.3% 8.9% 7.3% 6.5% 4.8% 1.6%
Company's care of reputational crisis prevention	1= Yes 2= No	84.7% 15.3%
Company's specific activities and measures to prevent reputational crisis	1= Yes 2= No	57.3% 42.7%
Level of agreement with statement "Activities and measures to prevent reputational crises are extremely important in the context of preserving a company's business"	1= Completely Agree 2= Agree 3= Partially Agree 4= Neither Agree nor Disagree 5= Partially Disagree 6= Disagree 7= Completely Disagree	35.5% 29.8% 14.5% 11.3% 4.8% 0.8% 3.2%
At what level of management should the issue of reputational crisis and its preventive actions be addressed?	1= Strategic Level 2= Operative Level	75.8% 24.2%
Should company invest further in preventing reputational crises?	1= Yes 2= No	52.4% 47.6%

Source: Authors research

PLS-SEM is a non-parametric statistical method that does not require normality of data distribution, however, it is still necessary to check whether the obtained data deviate significantly from the normal distribution, since extremely non-normal data can pose a problem when assessing the significance of parameters in the model (Hair et al., 2014). For this purpose, calculations of the coefficient of skewness and the coefficient of kurtosis were performed. The analysis conducted showed that the data distributions of most variables are mostly left-sidedly asymmetric, which indicates that respondents mostly gave high ratings on the measurement scales when answering the survey questionnaire. Based on the results obtained, it can be concluded that the research does not contain extremely abnormal distributions that could compromise the representativeness of the data for further examination. After the quality of the collected data was conducted, the measurement and structural model was assessed.

In the measurement model assessment, reliability and validity analyses were performed, which included convergence analysis (Cronbach alpha test, CR-Composite reliability, AVE- Average Variance Extracted), and discriminant validity (AVE>coefficient of determination between the latent variables).

Table 3 Second order construct Positive outcome of the relationship between the organization and the stakeholders measurement model assessment

Indicators	Factor loadings	Indicator reliability ²	Composite reliability (CR)	Average variance extracted (AVE)	Discriminant validity
CM1 This organization and people like me are attentive to what each other say.	0.606	0.367	0,984	0,744	Yes
CM2 This organization believes the opinions of people like me are legitimate.	0.697	0,486			
CM3 In dealing with people like me, this organization has a tendency to throw its weight around. (*Reversed question)	0.462	0,213			
CM4 This organization really listens what people like me have to say.	0.683	0,466			
CM5 The management of this organization gives people like me enough say in the decision-making process.	0.819	0,671			
T1 This organization treats people like me fairly and justly.	0.907	0,823			
T2 Whenever this organization makes an important decision, I know it will be concerned about people like me.	0.904	0,817			
T3 This organization can be relied on to keep its promises.	0.894	0,799			
T4 I believe that this organization takes the opinions of people like me into account when making decisions.	0.900	0,810			
T5 I feel very confident about this organization's skills.	0.919	0,845			
T6 This organization has the ability to accomplish what it says it will do.	0.899	0,808			
C11 I feel that this organization is trying to maintain a long-term commitment to people like me.	0.931	0,867			
C2 I can see that this organization wants to maintain a relationship with people like me.	0.968	0,937			
C3 There is a long-lasting bond between this organization and people like me.	0.916	0,839			
Q4 Compared to other organizations, I value my relationship with this organization more.	0.911	0,830			
Q5 I would rather work together with this organization than not.	0.928	0,861			
S1 I am happy with this organization.	0.927	0,860			
S2 Both the organization and people like me benefit from the relationship.	0.912	0,832			
S3 Most people like me are happy in their interactions with this organization.	0.914	0,835			
S4 Generally speaking, I am pleased with the relationship this organization has established with people like me.	0.932	0,869			
S5 Most people enjoy dealing with this organization.	0.894	0,799			

Note: Latent first order constructs: CM= Control Mutuality; T= Trust; C= Commitment; S= Satisfaction

Source: authors research results based on the scale in Hon and Gruning (1999) and adopted from partially modified scale in Yang (2007)

In the case of the second order construct Positive outcome of the relationship between the organization and the stakeholders, the composite reliability of 0.984 indicates that the construct has a high level of internal consistency. The AVE indicator value of 0.744 indicates a relatively high level of convergent validity, as the value is above the minimum acceptable level of 0.50.

Regarding the assessment of indicator reliability, the factor loadings of most indicators are above the defined value of 0.708. However, since all the values mentioned are above the threshold of 0.40 and the AVE level of 0.744 indicates a relatively high level of composite reliability, it was decided to keep the mentioned indicators as part of the construct.

The construct Positive result of the relationship between the organization and the public is discriminantly valid, since the Fornell-Larcker criterion is met, which states that the second root of the AVE value for an individual construct must be greater than the highest correlation between that construct and any other construct, and since, when assessing cross loadings, all factor loadings of the corresponding construct are higher than all factor loadings of other constructs.

Table 4 Results of the measurement model assessment for the corporate abilities (CA) reputation construct

Indicators	Factor loadings	Indicator reliability ²	Composite reliability (CR)	Average variance extracted (AVE)	Discriminant validity
CA1 This company would offer high quality products and services.	0.939	0.882	0.906	0.765	Yes
CA2 This company would develop innovative products and services.	0.752	0.566			
CA3 This company seems competent and effective in providing its products and services.	0.921	0.848			

Note: CA= Corporate Abilities reputation

Source: authors research results based on the scale in Sohn and Lariscy (2014)

The composite reliability level of 0.906 indicates that the construct has a high level of internal consistency. Furthermore, the AVE indicator value of 0.765 indicates a relatively high level of convergent validity, while the factor loadings of all indicators forming the construct are above the defined value of 0.708, indicating the indicator reliability. The construct of the corporate abilities (CA) reputation can be evaluated as discriminantly valid since the Fornell-Larcker criterion and the cross loadings comparison criterion are met.

Table 5 Results of the measurement model assessment for the corporate social responsibility (CSR) reputation construct

Indicators	Factor loadings	Indicator reliability ²	Composite reliability (CR)	Average variance extracted (AVE)	Discriminant validity
CSR1 This company would support good causes.	0.724	0.524	0.933	0.736	Yes
CSR2 This company would be an environmentally responsible company.	0.832	0.692			
CSR3 This company would be honest.	0.937	0.878			
CSR4 This company would be sincere and genuine.	0.866	0.750			
CSR5 This company would behave ethically.	0.915	0.837			

Note: CSR= Corporate Social Responsibilites reputation

Source: authors research results based on the scale in Sohn and Lariscy (2014)

The composite reliability level of 0.933 indicates that the construct has a high level of internal consistency. Likewise, the AVE indicator value of 0.736 indicates a relatively high level of convergent validity, while the factor loadings of all indicators that form the construct in question are above the defined value of 0.708, indicating the indicator reliability. Also, the Fornell-Larcker criterion and the cross-loadings comparison criterion were met, so it can be concluded that the corporate social responsibility (CSR) reputation construct is discriminantly valid.

After the necessary evaluations of all reflective measurement models have been performed and verified, the final evaluation of the structural model in the SmartPLS can be assessed.

Table 6 Bootstrap structural coefficients analysis for structural relations in proposed structural model

Hypothesis	Direction relation	Original sample	Sample mean	Standard Deviation	T statistics	p value	Hypothesis confirmed
H1	Positive outcome of the relationship between the organization and the stakeholders -> Corporate ability (CA) reputation	0.642	0.645	0.107	6.015	0.000	YES
H2	Positive outcome of the relationship between the organization and the stakeholders -> Corporate social responsibility (CSR) reputation	0.460	0.458	0.095	4.854	0.000	YES

Source: authors research

The significance of an individual structural coefficient depends on its standard error determined through bootstrapping, which can be used to calculate the empirical t -value. In a situation where the empirical t -value is greater than the critical theoretical t -value, the structural coefficient is said to be significant with a certain error of probability, that is, the level of significance. Commonly used critical theoretical t -values for the "two-tailed" test are 1.65 for the significance level $\alpha=0.10$, 1.96 for the significance level $\alpha = 0.05$ and 2.57 for the significance level $\alpha = 0.01$ (Hair et al., 2014). From the table above, it can be concluded that the obtained empirical t values are greater than the theoretical critical t value of 1.65 with a significance level of $\alpha=0.10$, i.e. the structural coefficients are significant in the following relations:

1. Positive outcome of the relationship between the organization and its key stakeholders-> Corporate social responsibility (CSR) reputation (6,015>1,65)
2. Positive outcome of the relationship between the organization and its key stakeholders-> Corporate abilities (CA) reputation (4,854>1,65)

According to the obtained results, R^2 is 0.532 in the case of the endogenous construct corporate social responsibility (CSR) reputation, while in the case of the endogenous construct of corporate abilities reputation (CA) R^2 is 0.500, which are considered moderate values of the coefficient of determination. Based on the above, it can be concluded that the predictive accuracy of the structural model is good. Accordingly, based on the assessments conducted, it can be concluded that the structural model in question is of high quality, reliable and valid.

Therefore, previously established positive relationships between an organization and its stakeholders have a direct and positive impact on a higher level of corporate social responsibility (CSR) reputation (H1) and a higher level of corporate ability (CA) reputation (H2). The above findings imply that, in order to protect their reputation, companies should invest their resources in intensifying PR activities and socially responsible activities, implement mechanisms to assess stakeholders satisfaction with the company, as well as introduce inclusive business policies that allow key stakeholders a certain level of involvement in the decision-making process and a higher level of transparency and insight into the company's operations.

5. CONCLUSION

Given the increasing importance of reputational crisis prevention in modern business, the results of the conducted empirical research and the conclusions make an important scientific contribution to the field of crisis management and reputation management and enrich the existing fund of knowledge since they provide clear scientific insight into how certain determinants of anticipatory reputational crisis management affect the preservation of the overall reputation of a company. In addition to the scientific, this article also has significant

applicable value for the business community, as it provides an insight into the state of business practice of reputational crisis management in the Republic of Croatia and provides company management with guidelines on which activities are worthwhile to invest to protect the reputation of a company. It emphasizes and proves the importance of corporate reputation in modern business, as well as the danger of a reputational crisis, which contributes to increasing management awareness of the importance of protecting corporate reputation. According to Tej et al. (2014), crisis awareness is a key prerequisite for achieving a high level of crisis preparedness within a company. In addition, this paper provides an insight into the attitudes and thoughts of business practice experts on company reputation, the issue of reputational crisis, and its management. The above findings represent valuable knowledge, since no similar research has been conducted in the Republic of Croatia so far.

Based on the scientific findings, managers are advised to intensify activities aimed at strengthening positive stakeholder relations to preserve both dimensions of reputation. In modern business, which is predominantly exposed to reputational risks and threats, it is precisely the understanding and use of the above factors that can represent the difference between the survival and failure of a company.

Research limitation relates to the fact that survey questionnaire primarily surveyed managers and company owners. Although the two groups of respondents mentioned are usually surveyed in similar studies, and is valid due to the assumption that owners and management, due to their roles in the organization, have the best overview of the company's operations, there is a certain risk of obtaining biased answers. In future research, it would be desirable to include more respondents within one company who have different roles in the survey process so that the conclusions obtained are based on various points of view, as well as survey the external stakeholders' perspectives. Also, the sample consisted of several industries and would in the future be interesting to research crisis preparedness and the reputation of a specific industry, such as banking industry, or companies that are more exposed to reputation risks and crises.

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APPENDIX – RESEARCH SURVEY QUESTIONNAIRE

SECTION 1: General characteristics of surveyed companies

1. According to the classification of the Accounting Act, your company falls into the category:

(per Accounting Act classification, companies are categorized into one of the following categories if they meet at least two of the three criteria offered. For the medium-sized company category, the criteria are as follows: 1. assets from 30 million HRK to 150 million HRK; 2. revenue from 60 million HRK to 300 million HRK; 3. average number of employees during the business year from 50 to 250. For the large company category, the criteria are as follows: 1. assets over 150 million HRK; 2. revenue over 300 million HRK; 3. average number of employees during the business year over 250.):

Medium-sized

Large-sized

2. Which industry sector does best describe your business:

Construction

Manufacturing/Processing

Transport and Communications

Trade

Finance and Other Business Services

Agriculture and Livestock

Tourism and Hospitality

Other: _____

3. Did your company achieve a positive result (net profit) in 2017?

Yes

No

4. What is your role within the company?

Owner

Manager

Crisis Manager

Controlling Department Employee

PR Specialist

Other: _____

5. What is your gender?

Male

Female

6. How much work experience do you have?

<1 year

1–4 years

5–10 years

>10 years

7. What is your level of education?

- Primary School
 High School
 University
 MBA/Master's
 Doctorate

8. How old is your company?

- <5 years
 5–10 years
 11–20 years
 21–50 years
 >50 years

SECTION 2: Respondents' views on the issue of reputation crisis and its preventive management**9. Has your company ever experienced a business crisis that has jeopardized its regular business activities?**

(The term business crisis includes all unplanned and undesirable processes of limited duration and possibility of influence, which can have an ambivalent outcome).

- Yes
 No

10. Has your company ever experienced a reputational crisis?

(The term reputational crisis refers to an unusual event or series of events, whether they occur gradually or suddenly, that cause significant reputational damage due to the inability to meet the expectations of key interest groups).

- Yes
 No

11. Please rate the extent to which you agree with the following statement: "A reputational crisis represents a serious situation that can significantly jeopardize a company's operations."

1 = Strongly Agree	2	3	4	5	6	7 = Strongly Disagree
--------------------	---	---	---	---	---	-----------------------

12. Does your company take care of reputational crisis prevention?

- Yes
 No

13. Are there defined specific activities and measures to prevent reputational crises in your company?

- Yes
 No

14. Please rate the extent to which you agree with the following statement: "Reputational crisis prevention activities and measures are extremely important in the context of preserving a company's business."

1 = Completely agree	2	3	4	5	6	7 = Completely disagree
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15. What reputation crisis prevention activities and measures are used within your company?

16. In your opinion, at what primary level of management should the issue of reputational crisis and its preventive action be addressed?

Operational level

Strategic level

17. Do you think your company should invest further in preventing reputational crises?

Yes

No

18. In your opinion, what additional activities would need to be undertaken in order to prevent the appearance of a reputational crisis?

SECTION 3: Perception of respondents about the Company

19. This organization and people like me are attentive to what each other say.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

20. This organization believes the opinions of people like me are legitimate.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

21. In dealing with people like me, this organization has a tendency to throw its weight around.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

22. This organization really listens to what people like me have to say.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

23. The management of this organization gives people like me enough say in the decision-making process.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

24. This organization treats people like me fairly and justly.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

25. Whenever this organization makes an important decision, I know it will be concerned about people like me.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

26. This organization can be relied on to keep its promises.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

27. I believe that this organization takes the opinions of people like me into account when making decisions.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

28. I feel very confident about this organization's skills.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

29. This organization has the ability to accomplish what it says it will do.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

30. I feel that this organization is trying to maintain a long-term commitment to people like me.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

31. I can see that this organization wants to maintain a relationship with people like me.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

32. There is a long-lasting bond between this organization and people like me.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

33. Compared to other organizations, I value my relationship with this organization more.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

34. I would rather work together with this organization than not.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

35. I am happy with this organization.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

36. Both the organization and people like me benefit from the relationship.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

37. Most people like me are happy in their interactions with this organization.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

38. Generally speaking, I am pleased with the relationship this organization has established with people like me.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

39. Most people enjoy dealing with this organization.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

SECTION 4: How would you rate the implementation of the following early warning signal detection activities within your company?

(Early warning signal detection activities include monitoring and identifying potential problems in the internal and external environment of the company, monitoring upcoming changes, and studying weaknesses within the organization).

40. Assessing the weaknesses in the organization.

1 = Extremely important	2	3	4	5	6	7 = Not important at all
-------------------------	---	---	---	---	---	--------------------------

41. Anticipating potential crises.

1 = Extremely important	2	3	4	5	6	7 = Not important at all
-------------------------	---	---	---	---	---	--------------------------

42. Environmental scanning.

1 = Extremely important	2	3	4	5	6	7 = Not important at all
-------------------------	---	---	---	---	---	--------------------------

43. Auditing important functional indicators such as the financial indicators.

1 = Extremely important	2	3	4	5	6	7 = Not important at all
-------------------------	---	---	---	---	---	--------------------------

SECTION 5: Please rate the following statements to reflect the dominant attitude that prevails in your company.

("Crisis management is a process designed to prevent or reduce the damage that a crisis can cause to an organization or its stakeholders").

44. We believe that the removal of ideas that reflect the attitude "that this cannot happen to us" is the removal of fatalism and the removal of the illusion of control.

1 = Extremely important	2	3	4	5	6	7 = Not important at all
-------------------------	---	---	---	---	---	--------------------------

45. We believe that top management's commitment to crisis management is

1 = Extremely important	2	3	4	5	6	7 = Not important at all
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46. We believe that increased awareness of the importance of crisis management among employees is

1 = Extremely important	2	3	4	5	6	7 = Not important at all
-------------------------	---	---	---	---	---	--------------------------

47. Does your company have a written crisis communications plan that establishes protocols for communicating with the media and other outside constituents during a crisis situation?

Yes

No

SECTION 6: Characteristics of the business environment in which your company operates**48. Opportunities for growth in the business environment have**

1 = Significantly decreased	2	3	4	5	6	7 = Significantly increased
-----------------------------	---	---	---	---	---	-----------------------------

49. Production technology/ services in the company's primary activity have

1 = Significantly changed	2	3	4	5	6	7 = Stayed the same
---------------------------	---	---	---	---	---	---------------------

50. The rate of innovation of new operational processes and new products and services in the company's primary activity have

1 = Significantly decreased	2	3	4	5	6	7 = Significantly increased
-----------------------------	---	---	---	---	---	-----------------------------

51. Research and development (R&D) activities in the primary activity of a company have

1 = Significantly increased	2	3	4	5	6	7 = Significantly decreased
-----------------------------	---	---	---	---	---	-----------------------------

52. The necessary diversity of production methods and marketing tactics to serve different customers has over the past 5 years

1 = Significantly increased	2	3	4	5	6	7 = Significantly decreased
-----------------------------	---	---	---	---	---	-----------------------------

53. The market activities of the company's main competitors have become

1 = Significantly less predictable	2	3	4	5	6	7 = Significantly more predictable
------------------------------------	---	---	---	---	---	------------------------------------

54. The market activities of the company's main competitors have become

1 = Significantly more hostile	2	3	4	5	6	7 = Significantly less hostile
--------------------------------	---	---	---	---	---	--------------------------------

55. Market activities of main competitors

1 = Now effect the company in many more areas (pricing, marketing, delivery, service, production, quality, etc.)	2	3	4	5	6	7 = Now effect the company in much smaller areas (pricing, marketing, delivery, service, production, quality, etc.)
--	---	---	---	---	---	---

56. Legal, political, and economic constraints

1 = Have increased significantly over the past 5 years	2	3	4	5	6	7 = Have hardly changed
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SECTION 7: Company Reputation

Please rate agreement with the following statements:

57. This company provides high-quality products and services.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
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58. This company develops innovative products and services.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

59. This company is competent and effective in providing products and services.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

60. This company supports charitable causes.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
--------------------	---	---	---	---	---	-----------------------

61. This company is environmentally responsible.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
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62. This company is honest.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
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63. This company is authentic.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
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64. This company operates in an ethical manner.

1 = Strongly agree	2	3	4	5	6	7 = Strongly disagree
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PROCJENA UTJECAJA DETERMINANTI SPREMNOSTI ORGANIZACIJE NA KRIZNE SITUACIJE NA REPUTACIJU PODUZEĆA

Sažetak

Reputacija poduzeća od vitalnog je značenja za uspjeh, pri čemu reputacijska kriza predstavlja značajan rizik za opstojnost. Stoga je glavni istraživački problem ovog rada na temelju provedenog primarnog empirijskog istraživanja primjenom anketnog upitnika na relevantnim ispitanicima iz hrvatske poslovne prakse utvrditi utjecaj primjene determinanti anticipativnog reputacijskog kriznog menadžmenta, točnije, ishoda odnosa između organizacije i ključnih dionika na očuvanje obiju dimenzija reputacije (reputacije korporativnih sposobnosti i reputacije društveno odgovornog poslovanja). Analiza teorijskog modela provedena je primjenom PLS-SEM-a te je utvrđen izravan i pozitivan odnos između konstrukata. Shodno tome, poduzeća koja žele zaštititi svoju reputaciju trebala bi investirati resurse u društveno odgovorne i PR aktivnosti, implementirati mehanizme za evaluaciju zadovoljstva internih stakeholdera, kao i usvojiti prakse koje omogućuju ključnim stakeholderima višu razinu transparentnosti i uključenosti u proces donošenja odluka poduzeća.

Ključne riječi: reputacija, reputacijska kriza, krizni menadžment, prevencija krize, Hrvatska, PLS-SEM.

JEL klasifikacija: C38, D22, D81, L14, M10, M14.