THE IMPACT OF A COUNTRY'S REPUTATION IN THE ECONOMIC DEVELOPMENT OF A NATION

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Abstract
National brands compete on a huge market, and it is no wonder that governments that are aware of the importance of the national brand are constantly working to promote, protect, and evaluate it. The governments of these countries understand the benefits of building a good reputation and are preparing strategies for the development of the country brand. It is through these strategies that they expect to improve their national competitiveness and gain competitive advantages on the global market. The methods and tools used to outline these strategies are similar and sometimes even identical to those traditionally used in business management. This paper is a literature review that aims to establish the basis for future research, through it, the author will study the impact which the growing reputation of the country has over the entrepreneurial environment.

Keywords
Country reputation, nation branding, economic development, Romania.

Introduction

Globalization and the increased levels of competitiveness to attract tourists, talent, investors and to open up new markets, lead countries to use reputation management as a key factor of competition and economic, social, and cultural development. The image we have of a place directly affects our behavior and attitude towards it, its products, and its population. In this sense, all countries try to develop in a more or less strategic, structured, and organized way through actions that promote their image both in the domestic and international markets. These tactics seek to change or strengthen the perception of potential investors, tourists, and other stakeholders.

This paper is a brief review of the current literature and aims to establish the basis for future research through which the author will study the impact which the growing reputation of the country has over the entrepreneurial environment. Also contains data from the informal discussion the author had with different stakeholders and observations made during the working years.

Nations compete with each other and communicate with the international audience how good they are (Fan, 2010). Taking into account the fact that brands add value to products and services, strong, well-known country brands can offer nations competitive advantages on the global market (Anholt, 2007). Thus, the purpose of developing a national brand is to increase the country's reputation. As such, it can be defined as the sum of the perceptions international stakeholders have for a nation (Fan, 2010).

The country brand strategy is not represented by a slogan and a logo. National branding involves a systematic process of actions, behaviors, investments, innovations, and communication methods in regards to a country. All of these are centered on a clear strategy that aims to achieve a strong, competitive identity.

Interest in the development of the national brand has increased in past years due to the fierce competition between nations, all aiming to attract limited resources, to increase exports, to attract foreign tourists, to increase investment, but also to attract foreign students. National brands compete in a gigantic market, and governments that have understood the importance of the national brand are constantly working to promote, protect, and evaluate it.

Once a favorable national reputation is created, the nation can gain a competitive advantage in the global market. These competitive advantages include attracting tourists, investors, and foreign consumers (Dinnie, 2015). A study by Kalamova and Konrand (2010) found that foreign investment is directly influenced by the national brand of the receiving country. The results of the study also indicated that the volume of foreign investment increases by 27 percent when the national brand index increases by 1 point.

The country of origin should also be taken into account. For example, companies from countries with a favorable image, such as Germany, may have competitive advantages on the global market despite their low reputation at the company level. There are also companies and countries that benefit from each other's good reputation, for example, Volvo uses the slogan "made by Sweden" to transfer Sweden's favorable reputation in terms of perception: in Sweden people are placed first. Conversely, Sweden is associated with the good reputation of Volvo, being discussed in the speeches about Swedish companies. This creates a reciprocal image transfer. Other examples of companies that pride themselves with and use their home country communication to add value to their products are Rolex and Apple. On the other hand, companies from countries with an unfavorable reputation try to detach themselves from the association with the country of origin and focus on the reputation of the corporation. For example, China still faces difficulties in selling Chinese products due to the country's negative reputation. Thus, it is relevant to understand the relationship between national and corporate reputation because reputation has implications at both the micro and macroeconomic levels. (Kim, 2016)

The governments of the countries that have understood the benefits of building a good reputation are creating strategies for the development of the country brand. With its help, they expect to improve their national competitiveness and gain a competitive advantage in the global market. The methods and tools that are used to outline strategies are similar and sometimes even identical to those traditionally used in business management. Although some states enjoy natural resources that already provide them with competitive advantages, most nations have become aware of the importance of intangible assets such as reputation. Efforts to improve reputation are made to attract new foreign investment, find new sources of financing for national projects, develop private companies, and attract qualified employees, tourists, and new residents. In the contemporary economy, based on knowledge and information, one of the most basic resources that guarantee strategic advantages and the development of new markets is reputation.

Reputation and country brand

In a general sense, reputation is a public opinion, favorable or unfavorable, developed about someone or something; the way someone is known or appreciated, be they famous, infamous, or a celebrity (dexonline.ro, 2020). The term reputation has also been scaled up at the company level. The reputation they have affecting the number of products or services they sell. Corporate reputation management is not a recent idea, but the concept of reputation continues to gain importance in the daily life of companies, especially in the field of management (Fombrun, Ponzi, & Newburry, 2015).

Analogously the concepts of reputation, image, and identity can be used in regards to nations (Szwajca, 2017):

- A country's reputation is a relatively well-established opinion of various groups of internal and external stakeholders assessed based on environmental aspects and the activities of its citizens;
- The image of a country is given by the perception of its identity of internal and external observers based on information from various sources;
- The identity of a country is a system of visual elements: name, national emblem, flag colors, cultural monuments, works of art, landscapes, architecture, but also traditions, customs, attitudes, and behavioral patterns especially concerning foreigners.
- Reputation is also built on the experiences of a nation.

The entities that take part in the reputation assessment process are external and internal stakeholders. Internal stakeholders can be public administration institutions (parliament, government, ministries), tourists, media (traditional and digital), investors, businesses (domestic and international), business partners, control and supervision institutions, NGO opinion formers (politicians, economists, activists). Internal stakeholders are citizens of a nation and members of various organizations.

The reputation and image of a country are closely related to the notion of a country brand. Simon Anholt (2011) who is considered one of the pioneers of the development of the country brand concept argues that a nation's reputation is built by exchanging material and immaterial values explained further. According to S. Anholt countries are building their reputation through the exchange of material and immaterial values through the following six communication channels:

Governance: public opinion on the competence of the government, its honesty, and the perception of the commitment to regional and global issues. An important aspect to consider is the quality of life, an indicator that is measured by the FutureBrand-Country-Index.

Population: the reputation of the country's citizens regarding competence, openness to foreigners, and a friendly attitude. Alongside these factors are also prominent and respected figures from the world of science, politics, sports, art, media.

Culture and heritage: public perception of national heritage and culture.

Investment and immigration: the power to attract people to live, work, and study; the perception that people have in regards to the quality of life and business environment.

Tourism: the level of interest in visiting the country.

Export: the public image of a country's products and services that also involves the creation of well-known brands that highlight the country of origin and position the nation in the minds of consumers (e.g. Made in Germany, Made in Sweden, etc.).

An institute has been set up worldwide to measure a country's reputation annually since 1999. The tracked indicators are calculated based on 16 attributes divided into three groups (Figure 1):

- effective governance: a safe place, ethical country, responsible participation in the community, development of progressive economic and social policies, creation of a favorable business environment;
- attractive environment: friendly and welcoming, beautiful country, attractive lifestyle and pleasant country
- developed economy: contributor to global culture, high-quality products, and services, well-known brands, well-educated and reliable workforce, capitalization of education, technologically advanced.

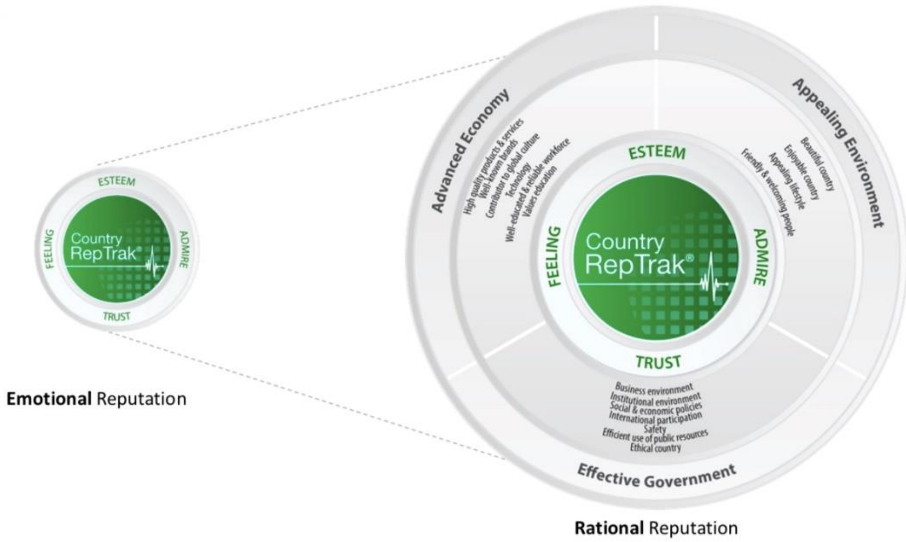

Figure 1. The Country RepTrak® Model
Source: Reputation Institute, 2015, p.4

The data provided by the Reputation Institute dates from 2017, and the study was conducted in 55 countries and included 39,000 respondents. Image 2 shows the top 20 countries ranked at the top of the reputation table.

Figure 2. The 20 most reputable countries of 2017
Source: Reputation Institute, in Tisch, 2017

The survey has implications for foreign policy, tourism marketing, and international trade in many countries. A few findings stand out:

- Three factors drive national reputations: 37.9 percent comes from perceptions of its environment (e.g., welcoming people, beauty, lifestyle), 37 percent from its governance (e.g., public safety, ethics, international responsibility, social and economic policies), and 25.1 percent from its economy (e.g., educated and reliable workforce, contributions to global culture, high-quality products and services) (Figure 2).
- The strongest national brands focus on all three reputation factors. Of the seven nations with “excellent” rankings (over 80 out of 100), Canada, Switzerland, Sweden, Norway and Finland are seen as global leaders in all three categories, while Australia’s and New Zealand’s reputations are powered by leadership in the environment and governance categories.
- Strong reputations create economic opportunities. Respondents who perceive a country as having a strong reputation state a greater willingness to visit it for business or leisure, or to recommend living in, working in, investing in, studying in, or buying products from, that country. For example, a one-point increase in a country’s reputation in a particular mark correlates with a 3.1 percent increase in visitors from that market and a 1.7 percent increase in exports to that market over last year’s figures.
- Many emerging economies are gradually growing their global reputations. For example, while China still has a weak reputation, driven largely by poor governance, it rose in almost every dimension in the 2017 survey over previous years, with one notable exception — ethics. China’s most notable areas of rising strength are in perceptions of its technology, brands, and business environment. If it can reduce corruption and be seen as a better global citizen, its reputational rise should accelerate.

- Reputation is both internal and external — and big gaps mean big blind spots. For example, Russia has the second-highest self-image in the world, with a rating of 81.1 from its citizens, compared with one of the worst reputations (40.3) in the eyes of the rest of the world — a gap of 40.8 points. The US has the second-largest gap — its internal reputation is 78, which is 23.4 points above its external reputation. After last year's fateful Brexit vote, the UK's self-image rose, while its external image dropped, most dramatically in respondents' openness to investing in the country. Since a strong country brand comes from countless actors — including institutions, businesses, and ordinary citizens — the inability to be self-critical is a major risk. (Tish, 2017)

The more competitive the global business and trade landscape becomes, the more added value will be generated by investing in building a strong country reputation. Reputation building and implicitly the country brand is not something related to the government nor are they just about marketing. However, they are the responsibility of several organizations that united under the coordination of a team will collaborate to define strategy, allocate resources, implement and evaluate results regularly (such as the business environment, the chambers of commerce, business associations, non-profit organizations, academia, and the political environment through the legislation and the ministries).

Conclusions and implications for Romania

A country's reputation is a complex and multifaceted phenomenon, even though at the moment many countries still take into consideration only certain elements. It must be treated systemically and integrated successfully so that the effects are sustainable. For future research, the author proposes to study the impact that the establishment of 3 boards can have on the growth of Romania's reputation and implicitly on the economic development of the country. These are as follows:

The Romanian Investment Board. It acts as an agency to attract investors in Romania, facilitates discussions with the prime minister and/or ministers, and is a concierge that manages relations with the local and central administration. Provides studies based on which investors make business decisions. It is also meant as a discussion partner with the national business environment, the academic environment to ensure skilled labor in areas of investment interest, and the civil society to understand the impact that certain investments have on the community. In this context, Bucharest can become the business hub of the Balkans and the Republic of Moldova.

Romanian Tourism Board. It aims to professionally promote Romania in the world, conducting studies to identify the points where Romania needs investment to attract certain categories of tourists, evaluating HoReCa players to meet the standards required by tourists, but also creating a long-life-learning education system for industry employees.

Export Development Board. Brands are the basis of a country brand (country of origin) and from this point of view, it is relevant to develop this board to support Romanian brands to expand on international markets. This structure will manage a national investment fund to transform products into brands and make them exportable. Target areas in the first phase of the project: viticulture, cosmetics, beekeeping, IT. The role of the Board is to permanently evaluate how the funds are invested, the progress that companies have made, the management of participation in international trade fairs, the facilitation of meetings with decision-makers from partner countries through the body of economic advisers at embassies. The Board is also responsible for drawing up responsibilities for economic advisers attached to embassies so that they can provide relevant data in regards to the markets. They will also be able to create bridges and facilitate communication between partners.

The importance of creating the brand strategy for Romania is given by the competitive advantage that derives from it, aiming to place the country on the world map in terms of tourism, investment, and national brands. A nation with a strong brand and reputation in the international space is more attractive to tourists, investors, and skilled workers, and more resilient to financial crises. National companies also benefit from the positive effects of the country brand by transferring an image to products and services and thus enhancing export capacity.

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