Reputational risks of manufacturing companies arising from a decrease in the value of human capital

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Abstract. The purpose of this article is to consider the features of reputational risks of manufacturing companies arising from a decrease in the value of human capital. As noted in the paper, the reputational risks of modern companies have a direct connection with its personnel technologies, as well as with the attitude towards employees and organizational culture. Today, it is impossible to simply manage employees, requiring them only to perform professional duties and not giving them the opportunity to improve their professional level or show creative professional skills. It is necessary to systematically develop human resources, responding in a timely manner to the needs of the staff, creating an atmosphere of creativity in the team, thereby contributing to the growth of business reputation and improving the efficiency of the company as a whole. Keywords: reputational risks, manufacturing companies, human capital, value reduction.

1 Introduction

Understanding and taking into account the value of human capital is the most important factor that directly affects the level of business reputation of any organization. It is known that personnel in the modern period represent the main resource that is able to realize the tasks set for the company, achieve the necessary results in the set time frame and form an organizational image that allows the organization to take a worthy place in the competition. Accordingly, the preservation, multiplication and development of human resources is one of the main tasks of managers at any level of management.

However, if the situation is reversed, and the value of human resources in the organization is not an important factor in determining its strategy and development policy, staff turnover may occur, as a result of which the company may lose important human resources due to the dismissal of leading specialists whose activities are not properly evaluated, in their opinion, as well as employees with high potential, which cannot be realized in that case, if the management is not interested in this and uses such employees exclusively to perform routine tasks, considering using tools not for development, but for pressure.

Usually, there is no atmosphere of trust and creativity in such organizations, since all employees get used to performing their professional duties within certain limits, since they

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do not expect encouragement from management for work performed in excess of the established standards. This, in turn, does not allow the company to develop creatively and can lead to stagnation.

The situation becomes especially dangerous if there is a change of management in a company whose business reputation in the market was formed in the previous period due to the activities of a cohesive creative professional team that has the willingness to solve the tasks assigned to them promptly, optimally and efficiently. If the newly appointed managers do not consider it necessary to maintain the existing management culture in the organization and use an authoritative or permissive management method, there are many reputational risks that can subsequently lead to a decrease in the level of the company's business reputation in the market and, accordingly, its solvency and financial stability. Thus, we can talk about the direct impact of understanding the value of human capital in an organization on its business reputation. In addition, reputational risks may also arise if the company's reputation level does not correlate with its attractiveness in the labor market, since talented employees do not seek to go to work in a company with weak branding.

The purpose of the work is to consider the features of reputational risks of manufacturing companies arising from a decrease in the value of human capital.

2 Materials and methods

In the course of the research, articles and monographs were studied within the framework of the research topic, as well as comparative and analytical methods of studying the data obtained were applied.

3 Results

Human resources are an important asset of an organization in carrying out an operative activity and achieving strategic goals, vision and mission. As noted in the literature, personnel management is a critical aspect of competitive advantage and the leading investment of the company [1]. Therefore, if a company can find and retain better and more qualified specialists than its competitors, it will be able to make a profit.

Talented employees are the source of life for any organization or company, and every company realizes that talent and special production or creative skills of personnel are the most important factors for the success of the company [2]. The recruitment process is an initial attempt to attract and obtain qualified employees to achieve the vision, mission and goals of the company. It is this process that allows you to select and appoint the right people to the right positions, pointing to highly effective organizations.

By recruiting and selecting potential human resources, the company must pursue effective and efficient strategies to increase the number and quality of job candidates, arousing interest in the company. At the initial stage, it is important to attract applicants to the company. This stage is responsible, since without it the subsequent processes of attracting potential resources, including recruitment and selection of personnel, will not be carried out [3].

The company must understand the factors associated with the intention to apply for a job, because recruitment must be carried out effectively. In a business world with fierce and open competition, employer branding and the reputation of the organization are crucial to attract the best employees.

In addition, employer branding is used to increase the attractiveness of the employer and improve the reputation of the company. Applicants often consider several organizations when applying for a job, and they can use the reputation of the organization as a source of
information about working conditions in various organizations. According to experts, the reputation of an organization is considered one of the intangible and valuable resources that can contribute to achieving a competitive advantage, and often determines the choice of job seekers who are looking for work. Researchers point out that an organization's excellent reputation can become a magnet for attracting and retaining potential employees.

One of the measures that the company's management can take to increase the interest of applicants is to create a positive reputation of the organization due to the attractiveness of the employer's brand. To hire employees, the company must understand the factors that increase the attractiveness of the employer in order to increase the number of applicants [4].

The attractiveness of an employer is an advantage that potential employees see in positions in specific organizations. It is related to how a company tries to strategically use the power of the organization to attract candidates.

There is an opinion that the labor market today is dominated by a generation of millennials – people born in the period from 1981 to 2000. Representatives of this generation are most interested in working in transparent organizations where the vision, mission, values, operations and conflicts within the company are openly shared. In order to attract and retain employees of this generation, the organization must take into account the differences between generations in general in order to support millennial employees in achieving creativity and productivity.

For a company, talent is an asset that needs to be maintained and developed. One of the options in this context may be the creation of an office with the concept of flexibility and cooperation [5].

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It is also important that the employer's brand is associated with the relevance of the company. With this strategy, a brand can be successful if it is relevant for the current generation. In order to improve the image of the employer, one of the strategies implemented by the company is to constantly work with university graduates to identify and stimulate the interest of the younger generation to the work in the organization.

An employer's brand is a process of creating a distinctly different place for working, and then promoting it among talents whose knowledge and skills will help achieve their business goals and objectives. Another research position defines the employer's brand as an advantage offered by the company to employees to create a unique identity in the eyes of employees and job seekers, which may encourage them to stay with the company or join it.

Branding for human resource management is called employer branding, where the employer company's brand is seen as a "good place to work" for both talent in the company and talent candidates. An employer brand is a term used to describe how a company communicates an offer to potential employees and employees who have worked to attract and maintain their loyalty and promote the company as a company different from other companies and companies they want to work for [6].

An employer's brand is a unique and recognizable brand identity, and employer branding
is the process by which a company's brand is formed and distributed both inside and outside the company. The stronger the attractiveness of the employer's brand, the higher the perceived value of the employer's brand in the perception of job seekers. The researchers propose to consider the employer's brand as a "strong side" that attracts the attention of applicants to the organization and encourages employees currently working in the company to remain loyal to the company [7].

The employer's brand is closely related to the value proposition of employees (VPC), which can be defined as the integral sum of everything that people experience and receive while working in the company. A strong VPC perceived from the outside attracts great people, just as flowers attract bees. Thus, the most effective VPCs are those that act as brands. In this regard, the researchers argue that brand perception is a key factor influencing the applicant's impression of what the company would like to work for. The organization uses the employer's brand to attract new employees and as a means of ensuring that the talents in the company participate in the company's culture and strategy.

Impressions of potential employers, including the perception of organizational attractiveness, are the key to success in attracting job seekers. The attractiveness of an employer is a set of advantages expected by potential employees from working in an organization. All of the above forms the category of "employer attractiveness" (Fig. 1).

**Fig. 1.** Characteristics of the concept of "employer attractiveness".

The attractiveness of an employer is divided into two separate but interrelated dimensions, namely general attractiveness, which refers to a person's emotional thinking and his attitude to the company as a potential employer, and the intention to actively continue working in the company. The attractiveness of an employer refers to conclusions about the characteristics of
an organization and the associated benefits perceived by potential employees that they will receive while working in the organization [8].

The more positive applicants' beliefs about the organization are, the more likely they are to be attracted to the company, and the more prepared applicants are when applying for vacancies. The importance of an employer's attractiveness for hiring has been studied in research in the field of personnel management and marketing. So, a separate group of specialists conducted a study related to the employer's brand, which shows the importance of hiring results based on the company's image as an employer. Another group of specialists noted that the attractiveness of an employer affects career intentions and job choice. The attractiveness of an employer depends on the beliefs of applicants regarding the image and familiarity of applicants with the brand and reputation of the organization [9].

Reputation can be defined as a valuable strategic asset for any business. Reputation measures the degree of trust consumers, customers, the market and the industry as a whole have in a brand. It is not easy to create trust, it takes years to create it, but you can destroy trust overnight if the company does something illegal and unethical. Thus, trust is the basis of reputation [10].

Organizational reputation reflects the relative position of the organization within the company in relation to talents and externally in relation to other stakeholders. According to the psychology of personnel, the reputation of an organization positively affects the intention to apply for a job. Based on the theory of social identity, researchers note that an organization with an attractive external image (reputation) is associated with a higher level of organizational identification. It was also suggested that an organization with a superior perception of prestige and a higher positive status would attract more attention from talents.

Some authors believe that the advantages of an improved reputation are hiring and retaining the best employees. Another important factor is the wide coverage of the company's activities in the media, followed by a higher probability of benefiting from the doubts of interested parties in case of reputational damage [11].

Also, individual experts measured two parameters of the company's reputation: the applicant's self-perception and the perception of the company's reputation by others. Another group of authors relied on four points, which included the two above, as well as other people's beliefs and the beliefs of close relatives about a well-known, respected, prestigious and admirable company. Despite the fact that the dimensions used above are mainly focused on social identity in the organization, organizational identity is the personal awareness of the members of the organization. Organizational identity can also be used to reflect the views of stakeholders. Thus, this indicator can be used to measure the reputation of an organization, since it reflects how applicants perceive it and think about it.

The intention to apply for a job is a strong predictor in the early stages of the attractiveness of hiring and is important for candidates to understand the choice of work. Experts in the field of social and organizational psychology believe that the intention to apply for a job predicts an action in accordance with Eisen's theory of planned behavior. Therefore, if it is assumed from the point of view of hiring, the intention to apply for a job can strongly predict the actual decisions of applicants to apply for a job [12]. The point of intent is the applicant's thought about the company, which clearly implies further actions to apply for the job. Thus, the intention to move passive thoughts about the attractiveness of the company is to agree to work.

The attractiveness of an employer's brand is an advantage that future talents represent and recognize when working in a particular organization or company. As a company strategy, it is important to attract employees with excellent skills and knowledge, which are the main source of competitive advantage.

Several studies have shown that one of the main factors determining talent recruitment is
the reputation of an organization, related to the status of the organization in relation to other organizations. This study showed that an organization with a positive reputation is more attractive to applicants. Thus, the reputation of the organization acts as a brand, which represents an additional value for work outside the attributes of the work itself (for example, the content of the work and wages) [13].

Employer brands and the reputation of an organization are important aspects for job seekers, as job seekers view the reputation of an organization as a representation of working and organizational qualities. The employer's brand is an important factor in increasing the attractiveness of the employer and the intention to respond to the vacancy. The attractiveness of an employer's brand can be divided into five aspects: presented on the figure 2.

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<th>The main aspects of the attractiveness of the employer</th>
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Fig. 2. The main aspects of the attractiveness of the employer.

Other authors continued studying the employer branding and included the reputation of the organization, the use of social networks and the intention to apply variables in the model with the parameters of the attractiveness of the employer [14]. It was also found that the reputation of an organization largely mediates the relationship between the attractiveness of an employee's brand and the intention to apply.

4 Discussion

The business reputation of the company is, as mentioned above, the basis of the company's brand, which attracts new talented employees to work in it, who will increase the value of the organization in the future. However, this process is also formed under the influence of internal management technologies of the company, which cannot form a positive and attractive brand, and as a result, a high level of business reputation, without a loyal attitude to employees already working in the company. It is these employees who contribute to the company's development in accordance with certain strategic guidelines, and its position in the market would be stable. As a result, a so-called vicious circle is formed: - if the attitude of the management to the company's employees is formed on the basis of authoritarian management norms or is permissive, then the attitude of such employees to
work is formal, there is staff turnover, and its attractiveness in the market decreases;
– if the attractiveness of a company in the market decreases due to a reduction in the level
of confidence of applicants in it, then the influx of new talented personnel into the company
also decreases, which entails a shortage of personnel or the presence of specialists in the
workplace who are not able to think strategically and solve the company's tasks highly
efficiently;
– a company that does not have a sufficient number of talented and highly educated
employees is not able to develop dynamically, increase its level of competitiveness, produce
high-quality products and meet the requirements of international standards in the field of
production and management. Accordingly, the level of business reputation of such a company
will tend to decrease, since the reputational risks mentioned above cannot but have a negative
impact on the production and management process in the organization.
In the light of all the above, it can be noted that the reputational risks of modern companies
have a direct connection with its personnel technologies, as well as with the attitude towards
employees and organizational culture.

Today, it is impossible to simply manage employees, requiring them only to perform
professional duties and not giving them the opportunity to improve their professional level
or show creative professional skills. It is necessary to systematically develop human
resources, responding in a timely manner to the needs of the staff, creating an atmosphere of
creativity in the team, thereby contributing to the growth of business reputation and
improving the efficiency of the company as a whole.

5 Conclusion

There are five dimensions to the attractiveness of an employer's brand; an employer
organization that can provide a challenging work environment, values the creativity of
employees and recognizes that the company produces high-quality products. Therefore, the
company needs to focus on the percentage value in order to increase its reputation and the
intention to apply to the company. The company needs to support and even increase
socialization activities at universities in order to receive high-quality talented personnel in
the future that meet the company's criteria.

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