BRQ Business Research Quarterly (2014) 17, 259–278

BUSINESS RESEARCH QUARTERLY

www.elsevier.es/brq

ARTICLE

Determinants of reputation of leading Spanish financial institutions among their customers in a context of economic crisis

Belén Ruiz*, Águeda Esteban, Santiago Gutiérrez

University of Castilla-La Mancha, Department of Business Administration, Avda. Real Fábrica de Sedas s/n, 45600 Talavera de la Reina (TOLEDO), Spain

Received 13 October 2013; accepted 14 April 2014
Available online 6 June 2014

JEL CLASSIFICATION
M31

KEYWORDS
Corporate reputation;
Loyalty and word of mouth;
Financial institutions;
Economic crisis;
Partial least squares

Abstract This paper develops a bank reputation model, in an environment of economic crisis specifically marked by the nationalization of Bankia and the offer of financial rescue from the Eurogroup to Spain. From a study among four hundred bank customers, an index is developed reflecting the new configuration of reputation of the leading Spanish financial institutions and its effect on the behavior of the consumer. The conclusions of this research show that, in an environment where the financial system has been identified as the main cause of the new socioeconomic landscape, banks should focus their reputation strategies to convey reliability and to reinforce the leadership of their managers, paying special attention to consumer satisfaction and trust in order to achieve the maximum optimization of their reputation resources.

Introduction

Many economic theories have helped to confirm the importance of reputation in the strategic processes of the organization, but the resources based-view (Barney, 1991) shows the ability of this intangible resource to generate superior profits, and a key sustainable competitive advantage for corporate success. Following this theory, reputations, as indicators of quality of the set of managerial actions, are a valuable resource hard to imitate, which plays a crucial role in times of crisis (Coombs, 2007). Good corporate reputations provide a reservoir of goodwill which buffers companies from market decline in times of uncertainty and economic turmoil (Jones et al., 2000), and it is quantifiable on the base of its restraining action on negative effects that could potentially spread in case of its absence (e.g. expected sales drop or time necessary to gain back the financial markets' esteem) (Cuomo et al., 2011).

* Corresponding author. Tel.: +34 902 204 100; fax: +34 902 204 130.
E-mail addresses: Belen.Ruiz@uclm.es (B. Ruiz), Agueda.Esteban@uclm.es (Á. Esteban), Santiago.Gutierrez@uclm.es (S. Gutiérrez).

http://dx.doi.org/10.1016/j.brq.2014.04.002
2340-9436/

In this paper, the election of the analysis of bank reputation is conditioned by three issues that will be considered. On the one hand, in the banking sector, the service intangibility makes its assessment difficult, giving more relevance to reputation (Walsh and Beatty, 2007) whose loss may cause more harm than in any other kind of companies (Kim and Choi, 2003). On other hand, banks are facing the major challenge of resisting the negative effect that the economic crisis (also known as financial crisis) has had in the perceptions that consumers have of banks. The *subprime* mortgage scandal revealed that the excessive deregulation had created a parallel market, based on the fact that derived products and financial vehicles created fictitious and uncontrolled money, leading to a huge bubble that burst after the housing bubble, with devastating results for both the Spanish and world economy. And, finally, the election of this sector makes it possible to verify if the expectations and perceptions of the banks that have assumed more risks are spreading to other companies in the sector, as it is shown in the results of the study of bank reputation carried out in the United Kingdom by Burke et al. (2011).

This study also faces one of the issues that has been more controversial in measuring corporate reputation, which is its conceptualization as a reflective construct, involving the use of measurement scales that use factorial loadings to define the final structure of data without a previous theoretical basis (Dowling, 2004; Helm, 2005). In this process, essential variables containing a great part of the corporate reputation theoretical meaning can be eliminated. It is therefore necessary to analyze reputation from a multidimensional and formative approach where the dimension indicators, obtained from an extensive review of the literature, enables to extract the very essence of the concept. Considering that most reputation models use general dimensions (Schwaiger, 2004; Helm, 2005; Ponzi et al., 2011) or are focused on few specific dimensions of the study (Walsh and Beatty, 2007; Nguyen, 2010), it is advisable to consider both contributions so that the key reputation elements of the organizations analyzed are not excluded.

In this way, this paper first explores the antecedents of corporate reputation establishing a formative model of ten dimensions. These dimensions are extracted from a detailed analysis of the most relevant general and specific reputation models available in academic literature, used to measure and analyze the reputation of banks from their customers' perspective. Then, the relationship between corporate reputation, customer loyalty and word of mouth is studied. Following this, the model is validated and applied to the four banks that lead the retail banking in Spain, in particular: BBVA, Santander, La Caixa and Bankia. Later, the implications of this current study in the field of business management are discussed. It is shown here that the measurement index extracted from this research is considerably different from the measurement proposals found in academic and professional literature. Before this circumstance, it is suggested that, in changing environments, companies should reconsider the reputation criteria that were key factors under equilibrium situations. The paper finishes by presenting the limitations of the study and suggesting future research lines related to this topic.

Theoretical foundation

Definition of corporate reputation

In the literature regarding corporate reputation, the problems derived from the complex and intangible nature of reputation are perfectly known, making it very hard to perform a conceptual delimitation, characterization and measurement (Shenkar and Yuchtman-Yaar, 1997; Deephouse, 2000; Martín et al., 2006).

Table 1 shows the definitions most cited in the academic literature, being the one by Fombrun (1996) the most highlighted because it has been used as reference definition repeatedly (Wartick, 2002; Smaiziene and Jucevicius, 2009; Walker, 2010; Lange et al., 2011). Nevertheless, according to Ruiz et al. (2012a), giving continuity to the interpretation that Fombrun (1996) gives of corporate reputation as ''perceptions... of the overall appeal of the company for all its constituents'', implies measuring reputation with models that would offer too overall results to be useful in business management. Companies are more interested in learning how they are perceived by certain stakeholders and what the criteria are that condition these perceptions, instead of learning market ''overall'' perception of them. Therefore, this study uses the reference of the definition proposed by Ruiz et al. (2012a), who understand reputation as *a perceptual representation of past actions and future prospects of a firm that describes its appeal in specific contextual circumstances, with respect to the different criteria and a specific stakeholder, compared against some standard.*[1] Although this is a combination of preceding definitions, it is indeed an adaptation of Fombrun's (1996) definition to the reputation definition by the *American Heritage Dictionary*, which was also Fombrun's (1996) reference source, although it now presents a new conceptualization more advanced and better adapted to the true essence of the concept.

With this definition, companies may have as many reputations as groups of stakeholders and different reputations for the different criteria. From this conceptualization, reputation is measured as a multidimensional construct that provides ''specific information'' where reputation programs will be developed, focusing on one or several aspects that the firm is interested in enhancing among its different interest groups.

From this conceptualization of corporate reputation, it is likewise possible to distinguish reputation from the concepts of identity and image, which far from being synonyms for reputation would be related concepts. Thus, ''the organization (past) actions, influenced by the company identity (conveyed through communications, employers and other company events) would become their external images (corporate image), that generates expectations (future) for company's performance, behavior and ethics, which are contrasted by individuals over time with their experiences and other actions of the company, giving rise to a reputation'' (Ruiz et al., 2012a: 14). According to this concept

[1] This standard may be competence, the average reputation for the sector or the reputation levels of the company in the past, among others.