

3rd Global Conference on Business and Social Science-2015, GCBSS-2015, 16-17 December
2015, Kuala Lumpur, Malaysia

The Reputation Quotient as a corporate reputation measurement in the Malaysian banking industry: A confirmatory factor analysis

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Abstract

The Reputation Quotient is one of the popular measurements for corporate reputation. It has been tested within a cross-cultural setting among countries in the United States, Europe and Australia. However, there is no reliable evidence that the Reputation Quotient is fit for Malaysia. The purpose of this paper is to empirically examine the Reputation Quotient model when it was applied to measure corporate reputation for the Malaysian banking industry. We resort to the standard confirmatory factor analysis tests. Workplace environment dimension was found weaker in the second order test. This paper seeks to introduce Reputation Quotient studies in Malaysia.

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Peer-review under responsibility of the Organizing Committee of the 3rd GCBSS-2015

Keywords: Reputation Quotient Dimensions, Corporate Reputation, Empirical Tests, Confirmatory Factor Analysis, Malaysian Banking Industry

1. Introduction

Corporate reputation is an intangible asset of a corporation that leads to numerous strategic benefits, some of which are: attracting applicants (Fombrun, 1996; Turban & Greening, 1997), customers (Fombrun, 1996), and investors (Srivastava *et al.*, 1997). Corporate reputation also enables companies to charge premium prices (Deephouse, 2000; Fombrun & Shanley, 1990; Rindova *et al.*, 2005), lower firm costs (Deephouse, 2000; Fombrun, 1996), increase

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profitability (Roberts & Dowling, 2002), creating competitive barriers (Deephouse, 2000; Fombrun, 1996; Milgrom & Roberts, 1982), and strengthen competitive advantages (Barney, 1991; Roberts & Dowling, 1997).

Practitioners and academicians have been increasingly concerned corporate reputation. For example, numerous studies have been conducted over the past two decades that proposed various measures of corporate reputation. One of the more popular and well cited measurements for corporate reputation was developed in the United States, namely the Reputation Quotient (RQ), a multidimensional construct composed of six dimensions that identified the stakeholders' perceptions about the reputation of a company (Fombrun *et al.*, 2000). The Reputation Quotient has been tested in a cross-cultural setting among countries like the United States, Europe and Australia (Gardberg, 2006). However, there is no valid evidence that the Reputation Quotient dimensions are fit for Malaysian companies.

Malaysian banks would welcome a realistic and sustainable measurement of corporate reputation and benefit in numerous ways. The corporate reputation measurement would provide information to Malaysian banks on how to build a stronger bank reputation able to discharge their duties more efficiently. A strong bank reputation will lead to long term profitability and sustainability (Roberts & Dowling, 2002).

This study examined the dimensions of corporate reputation before looking at how corporate reputation can lead to sustainable competitive advantages. This paper uses six dimensions of the Reputation Quotient as an initial approach (Fombrun *et al.*, 2000). A quantitative study through confirmatory factor analysis has been conducted. This study will provide a significant insight on Malaysian banking stakeholders' view on the dimensions of Reputation Quotient.

The rest of this study is organized as follows: Section 2 reviews related literature on corporate reputation dimensions, Section 3 describes the methodology used, Section 4 reports and discusses the findings, and finally the conclusion remark is given in Section 5. Here introduce the paper, and put a nomenclature if necessary, in a box with the same font size as the rest of the paper. The paragraphs continue from here and are only separated by headings, subheadings, images and formulae. The section headings are arranged by numbers, bold and 10 pt. Here follows further instructions for authors.

2. Corporate Reputation Measurements and Reputation Quotient

Measuring corporate reputations has been conceptualized in two ways by scholars: single-faced and multi-faceted measures of corporate reputation. In the single-faceted generic measures, all stakeholders are asked generic questions regarding their perceptions about the overall reputation of a corporation (Gardberg & Hartwick, 1990; Wang *et al.*, 2006). A single-overall measure for corporate reputation did not incorporate the specific measures by which stakeholders form their overall perception of a corporations' reputation. The single-item measurement limits the organization's ability to identify the specific elements of a corporation, which bring a positive reputation and whose elements result in a negative reputation. Therefore, it was deemed necessary to develop a series of measures for corporate reputation that has been proposed from a multi-faceted specific approach.

Of late, researchers tend to use the multi-faceted specific measures rather than the single-faceted generic measures of corporate reputation. For example, a study presented the multi-faceted specific measure of corporate reputation by studying the securities analyst using the single stakeholder approach (Gabbioneta *et al.*, 2007). Another study also assessed company reputation using the multi-faceted specific measures by studying customers using the single stakeholder approach (Shamma, 2007). The single stakeholder approach to measure corporate reputation did not incorporate the opinions of other stakeholder groups from the overall evaluation based on the perception of a corporation's reputation. Therefore, other researchers developed a series of measures for corporate reputation that has been proposed from a multi-stakeholder approach.

A variety of measures have been developed within the corporate reputation measurement landscape from a multi-faceted perspective using the multi-stakeholder approach. The corporate reputation measures in this approach include the following: Reputation Quotient (Fombrun *et al.* 2000), Corporate Reputation (Brady, 2003), Reputation Index

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