

Effect of Corporate Reputation to Brand Loyalty of Banks in Thailand

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Abstract: Under the circumstance of high competition in any business now-a-days, it is necessary to assess corporate reputation by stakeholders. The understanding of stakeholders' requirement is able to force the administrative to make good relationship to both internal and external. This implementation is able to create value of firm, namely reputation and brand loyalty. The purpose of this study, was to examine the construct of corporate reputation and effect of corporate reputation to brand loyalty on perceptions of employees and customers of banks in Thailand. The systematic random sampling was taken on 385 employees and 385 customers of banks. The questionnaires were distributed and explained to the respondents by researcher for better understanding to respond. This study found that employees and customers have different view in factors and perception of reputation to brand loyalty. In side of employees, the construct of reputation are emotional appeal and competence. The reputation on employee's perception in competence has more effect than emotional appeal. In side of customers, however the construct of reputation are emotional appeal, quality of product and service, corporate responsibility and performance. The reputation on customer's perception in emotional appeal has effect on brand loyalty but other factors not significant.

Key words: Corporate reputation, brand loyalty, bank, emotional appeal, quality of product

INTRODUCTION

In a highly competitive and dynamic on business environment, strengthening reputation of an organization force to be growth (Ilesanmi *et al.*, 2012). Leading firms represent that reputation provides value to achieve competitive advantage (Ewing *et al.*, 2010). Corporate reputation is interested increasingly within strategic management for establishing competitive advantage (Dierickx and Cool, 1989; Barney, 1991; Deephouse, 2000). Establishment and preservation on reputation are both important for whole organization, so that administrative team has to be accountable for reaching long-term on competitiveness (Ilesanmi *et al.*, 2012). It is therefore, under higher competition by consideration on being corporate reputation is very significant (Schwaiger, 2004).

Corporate reputation is viewed, as the integrated assessment with performance and expectation. Besides, it seems to be an experience of stakeholders (Fombrun and van Riel, 1997). As a result, the administrative has to concentrate on the assessment of firm's performance by considering perception on corporate reputation for both internal and external stakeholders. Moreover, the assessment on corporate reputation is considered on how perception is whatever accumulated to be firm's performance. It is beneficial to consider on reputation transforming to loyalty for the long-term.

Even corporate reputation is interested in both academic and business circumstance, an experienced model from any organization cannot apply completely for other context. This is because there are different on culture and environmental context. For instance within different country and business operation, there is different on reputation management. Additionally, difference within reputation management on various stakeholders, the procedure and strategy are also diverse.

Financial liberalization makes higher competition in banking business. Value on a brand of a bank originates by perception of both employees and customers. Therefore, this study aims to study the component of perception on corporate reputation from employees and customers. Furthermore, what such an effect of perception on corporate reputation to brand loyalty by employees and customers is alternatively investigated. The findings are preferable for administrative, academic and interested person to apply beneficially on strategic management. It is, also advantage for achieving corporate reputation and brand loyalty.

Literature review

Corporate reputation: Corporate reputation is a normal characteristic of a firm. It reflects to both internal and external stakeholders and perception on any activities implemented within a firm (Roberts and Dowling, 2002).

Corporate reputation seems as a sense on the view of stakeholders (Chun, 2005) and it is categorized as a resource to release a competitive advantage (Deephouse, 2000). It will also create future values for an organization (Weigelt and Camerer, 1988). Globalization is continuous moving during high competition within any businesses. It forces to achieve any benefits from business operation. Importantly, this circumstance is determined on both tangible and intangible assets. Corporate brand is one of them for considering on corporate reputation, reliability and image. These factors force to achieve firm's performance (Schwaiger, 2004).

Corporate reputation measurement: Corporate reputation will be strengthen on being leading firm and positive assessment from stakeholders who are different on perception (Rindova *et al.*, 2005). From this reason, corporate reputation is significant to provide values and profit back to a firm better than competitors in the long period (Roberts and Dowling, 2002). This is because the narrative and any record of a firm will be evaluated by all stakeholders (Deephouse, 2000). Business operation is examined from operation by considering in corporate reputation, knowledge, ability and reliability from all stakeholders (Fombrun *et al.*, 2000; Brown *et al.*, 2006).

Corporate reputation is a crucial factor to determine firm's performance, especially in strategic management (Fombrun and Shanley, 1990). Because of corporate reputation creates value comparing with competitors (Deephouse, 2000; Fombrun and van Riel, 1997), it encourages to be competitive advantage (Ewing *et al.*, 2010). The endeavor of administrative team affects to corporate reputation by addressing on the effectiveness of business operation. This signal is directed by all stakeholders (Fombrun and Shanley, 1990). However, corporate reputation is narrow on its role because it comes from the view of stakeholders. Thus, the administrative should manage and make clear understanding on the effect of corporate reputation. It is an importance criterion in strategic management (Maden *et al.*, 2012).

Corporate reputation and brand loyalty: The corporate brand will deliver and stand behind its product and service in both of spirit and substance (Aaker, 2004). The evidence suggests that the higher trust on brand affects to higher purchase as brand loyalty (Chaudhuri and Holbrook, 2001). Corporate reputation is significant to the customers satisfaction and loyalty. So that, it has to consider on the factors affecting to longer relationship and customers loyalty (Tu *et al.*, 2012). Within

employees' view, corporate reputation creates deeper relationship. It is further related to the perception of the business goal and firm's performance. Moreover, it also motivates and creates an ambition for employees to work effectively (Schiebel and Pochtrager, 2003).

MATERIALS AND METHODS

The purpose of this study was to examine, the construct of corporate reputation and effect of corporate reputation to brand loyalty on perceptions of employees and customers of banks in Thailand. The systematic random sampling was taken on 385 employees and 385 customers of banks. The questionnaires were distributed and explained to the respondents by researchers for better understanding to respond.

The measurements composed of corporate reputation following Fombrun *et al.* (2000). In the parts of employee loyalty, it was used by Van Dyne *et al.* (1994) and customer loyalty was also used by Sudhahar *et al.* (2006). The questionnaire was adapted from academicians to comply with context of a bank in Thailand. Respondents were encouraged to rate each item on a 5 point scale ranging from strongly disagree to strongly agree.

The questionnaire was used to gather data categorizing into 2 groups of sample. A pilot test was carried out to assess the validity and reliability of the questionnaire by 30 respondents of both bank's employees and customers. The items of employee perception and reputation reveal 0.961 and employee loyalty reveal 0.902 of Cronbach's alpha. When consideration customer perception, reputation had values of Cronbach's alpha earlier the established thresholds for composite reliability (0.937) while employee loyalty had a satisfaction value (0.868). The validity of the questionnaire was determined by the use of exploratory factor analysis to determine component of reputation and also to investigate effective of reputation to loyalty in perception of employee and customer.

RESULTS

Before estimating the conceptual model, researchers examined the discriminant validity of corporate reputation scales on employee's and customer's perception.

Employee perception: An exploratory factor analysis of corporate reputation in employee perception revealed 2 factors with eigen values >1. The 2 factors explained 71.52% of the variance. Researchers, also assessed the internal reliability of the 2 dimensions of corporate reputation dimension by calculating a Cronbach's alpha for each dimension using 16 items scale of

employee's perception. All values were satisfactory; the 11 competence items = 0.951 and the 5 emotional appeal items = 0.937. After rotation a clean factor structure for employee's perception, the components were displayed in Table 1.

The factor of employee loyalty explained 72.24% of the variance. Researchers, also assessed the internal reliability of the employee loyalty by calculating a Cronbach's alpha for 5 items scale of employee perception = 0.902 that values was satisfactory (Fig. 1).

The estimate model fits the data reasonably well: GFI = 0.961, AGFI = 0.938, CFI = 0.997, RMSEA = 0.021, $\chi^2 = 169.152$, df = 145, p = 0.083 (ratio between χ^2 and number of degree of freedom = 1.167).

Customer perception: After rotation a clean factor structure for customer's perception were display. The factor of customer loyalty explained 65.50% of the variance. Researchers, also assessed the internal reliability of the customer loyalty by calculating a

Table 1: Factor structure for employee's perception

Employee's perception	Component	
	Competence	Appeal
A1: I have a good feeling about my company	0.343	0.839*
A2: My company looks like a good company to work for	0.378	0.836*
A3: I admire and respect my company	0.355	0.845*
A4: My company is well managed for successful	0.421	0.769*
A5: My company looks like a company that would have good employee	0.378	0.759*
P1: My company stands behind its products and services	0.757*	0.363
P2: My company develops innovative product and services	0.734*	0.403
P3: My company offers product and service that are a good value for the money	0.749*	0.365
P4: My company offers high product and services	0.759*	0.343
C1: My company has a strong record of profitability	0.727*	0.282
C2: My company looks like a company with strong prospect for future growth	0.712*	0.361
C3: My company has trends to outperform its competitions	0.790*	0.288
L1: My company has excellent leadership	0.659*	0.469
L2: My company has a clear vision for its future	0.695*	0.472
S1: My company supports good causes	0.715*	0.428
S2: My company has been recognized by international organizations	0.752*	0.291
Cronbach's alpha	0.951	0.937

*The factor on which each item predominantly loads

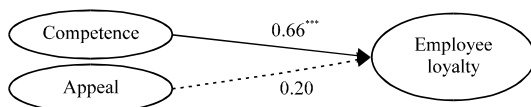


Fig. 1: Competence and emotional appeal affects to employee's loyalty model; ***p<0.001

Cronbach's alpha for 5 items scale of customer perception = 0.868 that values was satisfactory (Table 2).

An exploratory factor analysis of corporate reputation in customer perception revealed 4 factors with eigen values >1. The 4 factors explained 71.46% of the variance. Researchers, also assessed the internal reliability of the 4 dimensions of corporate reputation dimension by calculating a Cronbach's alpha for each dimension using the 17 items scale of customer perception. All values were satisfactory; the 6 emotional appeal items = 0.874, the 4 quality of product and service items = 0.897, the 4 corporate social responsibility items = 0.882 and the 3 corporate performance items = 0.852 (Fig. 2).

The estimate model fits the data reasonably well: GFI = 0.956, AGFI = 0.935, CFI = 0.995, RMSEA = 0.020, $\chi^2 = 198.301$, df = 171, p = 0.075 (ratio between χ^2 and number of degree of freedom = 1.160).

Structure equation model was used for testing the model. Researchers conducted an exploratory factor on the entire set of corporate reputation in employee's perception and set of corporate reputation in customer's perception that addressed the 2 dimensions of corporate reputation in employee's perception (emotional appeal and corporate competence) and the 4 dimensions of corporate reputation in customer's perception (emotional appeal, quality of product and service, social responsibility and corporate performance).

Statistical results indicate that competence component of corporate reputation exerts greater and more significant influence on establishment of employee loyalty than the emotional appeal component does. Furthermore, results indicate that emotional appeal component is significant influence on establishment of customer loyalty but other factors (quality of product and service, social responsibility and corporate performance) are not significant.

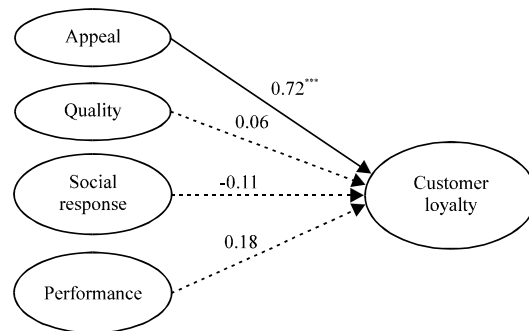


Fig. 2: Competence and emotional appeal affects to customer's loyalty; ***p<0.001

Table 2: Factor structure for customer's perception

Customer's perception	Component			
	Appe.	Qual.	Resp.	Perf.
A1: I have a good feeling about this bank	0.748*	0.274	0.107	0.230
A2: I trust this bank	0.673*	0.244	0.032	0.322
A3: This bank has excellent leadership	0.693*	0.196	0.411	0.106
A4: This bank has a clear vision for its future	0.652*	0.188	0.482	0.082
A5: I admire and respect this bank	0.569*	0.357	0.266	0.248
A6: This bank is well managed	0.591*	0.269	0.336	0.223
P1: This bank stand behind its product and service	0.307	0.739*	0.151	0.199
P2: This bank has developed innovative products and service	0.174	0.832*	0.233	0.230
P3: This bank has product and service that are good value for money	0.240	0.824*	0.191	0.133
P4: This bank has offers high quality product and service	0.316	0.762*	0.272	0.072
S1: This bank is an environmentally responsible bank	0.307	0.251	0.743*	0.086
S2: This bank has maintains high standards in the way it treats people	0.215	0.226	0.764*	0.270
S3: This bank has support good cause	0.204	0.190	0.780*	0.281
S4: This bank has been recognized by international organizations	0.139	0.201	0.679*	0.415
C1: This bank has a strong record of profitability	0.151	0.174	0.257	0.781*
C2: This bank looks like a bank with strong prospects for future	0.273	0.138	0.211	0.814*
C3: This bank has trend to outperform its competitors	0.252	0.182	0.235	0.755*
Cronbach's alpha	0.874	0.897	0.882	0.852

*The factor on which each item predominantly loads

DISCUSSION

Corporate reputation arises in a variety of setting when stakeholders search for commercial banks that they engage. Corporate reputation affects the way in which various stakeholders behave towards an organization, influencing, such as employee and customer loyalty. Not surprisingly, manager sees corporate reputation as a valuable intangible asset. A favorable reputation create trust from communities, encourages shareholders to invest in a company. It also motivates staffs and retains customers.

CONCLUSION

The research has distinguished among reputation while also suggesting that among competence and appeal includes components related to employee's loyalty. The evidence suggests reputation on employee's perception in competence has more effect than emotional appeal. In the view of customer, suggesting that emotional appeal related to customer's loyalty. This is the aspect suggested by the concept presented which include the point of views to define different weights to different dimensions and different value to different groups of stakeholders which enables one to bring together factors for managing corporate reputation and determine appropriate actions to improve recognition by each stakeholder.

LIMITATIONS

This research studied the effect of corporate reputation to corporate loyalty. In fact, employee's and

customer's loyalty may come from the reasons more than perceived reputation of the organization. Brand loyalty affected by numerous factors. Research should examine other factors that related to the loyalty of an organization. The loyalty of the organization may come from corporate strategy or devotion caused by social responsibility of the organization.

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