

ABSTRACT

CORPORATE REPUTATION: AN ALTERNATIVE MEASUREMENT AND EMPIRICAL TESTS OF THE RELATIONSHIP WITH FINANCIAL PERFORMANCE IN THE MALAYSIAN BANKING INDUSTRY

by

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This thesis introduces and tests a new framework to identify the factors of corporate reputation and to explicate the relationship between corporate reputation and financial performance. The framework is built on the tenets of (1) Influences of the Malaysian context to identify the factors of corporate reputation and (2) Model of reputation-financial performance dynamics to explicate the relationship between corporate reputation and financial performance. Examination of these relationships, relationships between corporate reputation with its factors and with prior and current financial performance, provides a basis for delineating the process by which corporate reputation potentially generates superior financial performance for a company.

These issues were explored in three studies (Study 1, 2, and 3) by surveying the stakeholders' evaluation of the companies' reputation and performance. Study 1 was a qualitative research to identify the factors of corporate reputation within the Malaysian context. These results were then used to conduct an exploratory quantitative study (Study 2) and a confirmatory factor analysis (Study 3) to determine the dimensionality of the factors of corporate reputation. Several structural models were then produced to test the relationships between corporate reputation and prior financial performance, as well as, current financial performance. A more critical structural model test using mediation analysis was also

examined to determine the role of corporate reputation in the relationship between prior and current financial performance.

The outcome of these analyses suggests a new measurement model to measure corporate reputation within the Malaysian context, a Corporate Reputation (CR) model that consists of six factors. The six factors identified are labelled (1) media and marketing, (2) government support and cooperation, (3) products and services, (4) financial position and performance, (5) vision and leadership, and (6) social and environmental responsibility. This thesis also tests the existing Reputation Quotient (RQ) model using the confirmatory factor analysis and comparing them with the Corporate Reputation (CR) model. The results indicate that the Corporate Reputation (CR) model has better fit to measure corporate reputation in comparison to the Reputation Quotient (RQ) model using data from Study 3. Another finding from this thesis is that corporate reputation was also observed to mediate the relationship between prior and current financial performance.

This thesis is valuable in that it is able to uncover the issue of the corporate reputation factors from a Malaysian perspective and explicate the mediating role of corporate reputation in the relationship between prior and current financial performance. It serves as an excellent first step to move forward in the corporate reputation studies in Malaysia. The contribution of these findings to the theory and practice of strategic management are discussed and directions for future research are suggested.

ABSTRAK

REPUTASI KORPORAT: SATU UKURAN ALTERNATIF DAN UJIAN EMPIRIKAL TERHADAP HUBUNG KAIT DENGAN PRESTASI KEWANGAN DALAM INDUSTRI PERBANKAN MALAYSIA

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Tesis ini memperkenalkan dan menguji satu rangka kerja baru untuk mengenal pasti faktor reputasi korporat dan menerangkan hubungan antara reputasi korporat dan prestasi kewangan. Rangka kerja ini direka berdasarkan prinsip-prinsip (1) pengaruh dari segi konteks Malaysia untuk mengenal pasti faktor reputasi korporat dan (2) model dinamik reputasi prestasi kewangan untuk menerangkan hubungan antara reputasi korporat dan prestasi kewangan. Kajian hubungan antara reputasi korporat dengan faktor-faktornya dan juga prestasi kewangan terdahulu dan semasa, menyediakan garis panduan asas untuk mengenal pasti proses di mana reputasi korporat berpotensi menjana prestasi kewangan yang unggul bagi syarikat.

Isu-isu ini diterokai melalui tiga kajian (Kajian 1, 2, dan 3) iaitu dengan mengukur penilaian *stakeholders* dari reputasi dan prestasi syarikat-syarikat. Kajian 1 adalah penyelidikan kualitatif untuk mengenal pasti faktor-faktor reputasi korporat dalam konteks Malaysia. Keputusan ini kemudiannya digunakan untuk menjalankan kajian penerokaan kuantitatif (Kajian 2) dan analisis faktor pengesahan (Kajian 3) untuk menentukan *dimensionality* faktor-faktor reputasi korporat. Beberapa struktur model kemudian dihasilkan untuk menguji hubungan antara reputasi korporat dan prestasi kewangan terdahulu, serta, prestasi kewangan semasa. Satu ujian struktur model yang lebih kritikal telah diperiksa menggunakan analisis *mediational* untuk menentukan peranan reputasi korporat dalam hubungan antara prestasi kewangan terdahulu dan semasa.

Analisis tersebut menghasilkan model pengukuran baru untuk mengukur reputasi korporat dalam konteks Malaysia, model *Corporate Reputation (CR)* yang terdiri daripada enam faktor. Enam faktor yang dikenal pasti dilabel seperti berikut; (1) media dan pemasaran, (2)

sokongan kerajaan dan kerjasama, (3) produk dan perkhidmatan, (4) kedudukan dan prestasi kewangan, (5) visi dan kepimpinan, dan (6) tanggungjawab sosial dan alam sekitar.

Tesis ini juga menguji model *Reputation Quotient (RQ)* menggunakan analisis faktor pengesahan dan dibandingkan dengan model *Corporate Reputation (CR)*. Analisis ini dikaji dengan menggunakan data daripada Kajian 3. Keputusan menunjukkan bahawa model *Corporate Reputation (CR)* lebih sesuai berbanding dengan model *Reputation Quotient (RQ)* bagi mengukur reputasi korporat. Satu lagi hasil kajian tesis ini menunjukkan bahawa reputasi korporat juga menjadi pemerhati hubungan di antara prestasi kewangan terdahulu dan semasa.

Kajian ini penting kerana ia mampu untuk mendedahkan isu faktor-faktor reputasi korporat dari perspektif Malaysia dan menerangkan peranan reputasi korporat sebagai pengantara dalam menghubungkan antara prestasi kewangan terdahulu dan semasa. Ia berperanan sebagai langkah pertama yang terbaik dalam kajian reputasi korporat di Malaysia. Sumbangan hasil kajian ini kepada teori dan amalan pengurusan strategik turut dibincangkan dan hala tuju untuk penyelidikan masa hadapan juga dicadangkan.