

**SAMA Working Paper:**

**Adapting and Validating a Customer-Based Corporate  
Reputation Scale for Banks in Saudi Arabia**

**December 2018**

**By**

**Faisal A. Albassami, PhD**  
**International Affairs Department**

**Walid Mansour, PhD**  
**Financial Sector Development Department**

**Saudi Arabian Monetary Authority**

The views expressed are those of the author(s) and do not necessarily reflect the position of the Saudi Arabian Monetary Authority (SAMA) and its policies. This Working Paper should not be reported as representing the views of SAMA.

# **Adapting and Validating a Customer-Based Corporate Reputation Scale for Banks in Saudi Arabia**

**By**

**Faisal Albassami \* and Walid Mansour \*\***

**Saudi Arabian Monetary Authority**

## **ABSTRACT**

The purpose of this paper is to adapt and validate a customer-based corporate reputation (CBR) scale for banks in Saudi Arabia (with fully *shari'ah*-compliant products). So far, no multidimensional scale exists in the literature to measure the corporate reputation of banks in Saudi Arabia. Based on Walsh et al. (2009) short-form CBR scale, we adapted and validated a 15-item scale. The following steps were taken. First, based on literature review and two samples of qualitative research, we added some items reflecting the context in which Saudi banks operate. Second, an intermediate adapted item pool for CBR scale was distributed to a final sample of 491 respondents. Exploratory factor analysis and confirmatory factor analysis were conducted to identify the final revised scale. The main contribution is a revised 18-item scale. Policy makers, chief executive officers (CEOs), and senior reputation officers in banks in Saudi Arabia can draw practical insights and useful lessons from this new 18-item scale. This is the first paper of its kind in the banking sector in Saudi Arabia.

**Keywords:** corporate reputation; banks; banking; scales; measurement; Saudi Arabia.

**JEL Classification Numbers:** D90; G20; M14; M21; M31

\* Faisal Albassami (corresponding author), Email: [falbassami@sama.gov.sa](mailto:falbassami@sama.gov.sa)

\*\* Walid Mansour, Email: [wmansour@sama.gov.sa](mailto:wmansour@sama.gov.sa)

## **1. Introduction**

The modern management literature sheds light constantly on the significance of customer-based corporate reputation (CBR) in improving customer response variables such as customer satisfaction, trust, word of mouth and loyalty (Walsh et al. 2015). Service firms cannot manage their reputation effectively without learning to measure reputation from the perspective of an important stakeholder group, namely customers (Walsh and Beatty, 2007). The measurement of corporate reputation from the perspective of customer stakeholder group can be very useful, as this will help to understand how their customers' perceptions are being formed (Walsh, 2007). Historically, corporate reputation has been measured from the perspectives of industrial customers or multiple stakeholder groups (Doney and Cannon, 1997; Fombrun et al., 2000), largely ignoring final customers (Walsh and Beatty, 2007). Customer stakeholder group is the most important of all other stakeholders simply due to their responsibility to make - or not -- the final decision to do business with the service provider (Page and Fearn, 2005).

## **2. Background**

### **2.1 Concept of Corporate Reputation**

Corporate reputation is a function of how external audiences evaluate a certain organization based on its traits and performance. Corporate reputation is seen as a consequence of the interactions between stakeholders and the firm over an extended period of time (Argenti and Druckemiller, 2004; Albassami et al, 2015).

In other words, it corresponds to a value judgment that is not only based on the feelings and emotions of stakeholders, but also on their beliefs and opinions of the organization (Rindova and Fombrun, 1998). Traits may stimulate the feelings and emotions as opposed to performance, which usually stimulates logical beliefs and opinions. Hence, there are two perspectives of corporate reputation. The first perspective of corporate reputation considers it as a value judgment that is based on affect and emotions about the organization. The second perspective considers it a value judgment that is attributed to logical-based beliefs and opinions.

Corporate reputation is still debated by many scholars in terms of how it is defined (Shamma, 2012 and Devine and Halpern, 2001). Some of the common definitions of corporate reputation are as shown in Table 1.

**Table 1.** Corporate reputation definitions

<b>Definition</b>	<b>Corporate reputation</b>
<b>Balmer (2001)</b>	“Lasting perception held of an individual, group, or network that forms a collective system of beliefs and opinions that influences people’s actions with regards to an organization.”
<b>Gotsi and Wilson (2001)</b>	“A stakeholder’s overall evaluation of a company over time.”
<b>Fombrun (1996)</b>	“A perceptual representation of a company’s past actions and future prospects that describes the firm’s overall appeal to key constituents compared to other leading rivals.”
<b>Saxton (1998)</b>	“It is a reflection of stakeholder’s views about an organization over time.”

However, the above-mentioned definitions share the following common elements about corporate reputation:

- It takes time to build and manage corporate reputation.
- It is about past actions and future prospects of an organization.
- Different stakeholders may have different perceptions of reputation according to their needs and expectations.
- It is an overall perception of the organization as a whole and not at the product level.

This working paper has a particular interest in a specific definition of corporate reputation, which focuses on the customer stakeholder group, namely the customer-based corporate reputation (CBR). Walsh and Beatty (2007, p.129) defined customer-based corporate reputation as follows:

“The customer’s overall evaluation of a firm based on his or her reactions to the firm’s goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such employees, management, or other customers) and/or known corporate activities”.

## **2.2 The Customer-based Corporate Reputation scale**

Historically, most developed corporate reputation scales were used to evaluate the perceptions of multi stakeholder groups. Nevertheless, the first measurement scale of corporate reputation specifically developed to assess only the perceptions of the customer stakeholder group is the CBR scale (Terblanche, 2014). This scale was developed by Walsh and Beatty (2007) and revised into a short-form CBR scale by Walsh et al. (2009).

**Table 2.** Walsh et al. (2009) 15-item CBR scale

<b>Factor 1: Customer Orientation</b>	
1	Has employees who are concerned about customer needs
2	Has employees who treat customers courteously
3	Is concerned about its customers
<b>Factor 2: Good Employer</b>	
4	Looks like a good company to work for
5	Seems to treat its people well
6	Seems to have excellent leadership
<b>Factor 3: Reliable and Financially Strong Company</b>	
7	Tends to outperform competitors
8	Seems to recognize and take advantage of market opportunities
9	Looks like it has strong prospects for future growth
<b>Factor 4: Product and Service Quality</b>	
10	Offers high quality products and Services
11	Is a strong, reliable company
12	Develops innovative services
<b>Factor 5: Social and Environmental Responsibility</b>	
13	Seems to make an effort to create new jobs
14	Would reduce its profits to ensure a clean environment
15	Seems to be environmentally responsible

Walsh et al. (2009) developed a 15-item short-form version of the scale in lieu of their older version scale, which consisted of 28 items. This scale consisted of five dimensions (3 items per dimension) of their scale (Table 2). The five dimensions are as follows: Customer Orientation, Good employer, Reliable and Financially strong company, Product and Service Quality and Social and environmental responsibility. Coefficient alpha estimates across the five dimensions ranged from 0.63 to 0.84 across all samples.

### **2.3 Benefits and importance of a shorter CBR scale**

The old version of CBR scale by Walsh and Beatty (2007) contains 28 items that constitute five dimensions encompassing the five factors mentioned earlier. Practitioners may consider this CBR scale as too heavy to use for their surveys. Hence, Walsh et al. (2009) proposed a short version of CBR, which

is believed to be more useful. This refinement is justified for a number of reasons. First, this short version of CBR scale takes very little space on a survey instrument, permitting researchers to include other measurement scale items of other constructs in the questionnaire. Second, a shorter version of the CBR scale reduces the probability that respondents will start guessing due to the large number of items. Third, in some research programs in which corporate reputation is not of major interest, a short version CBR scale may be very useful if researcher wants to add a CBR scale to the questionnaire in addition to the main constructs (Richins, 2004).

According to Deloitte's (2014) global survey on reputation risk, survey respondents gave the highest importance to customers versus other stakeholder groups. This becomes more convincing when we factor in social media communications and ever-rising customer expectations. Customer perceptions over companies are not only a function of their personal experiences and other customers' word of mouth but also a function of "mouse" communications as they say sometimes pointing to social media communications. Frank Taussing, a former president of the American Economic Association stated once back in 1912 that, "we must accept the consumer as the final judge" (The Economist, 2006).

#### **2.4. The Saudi Banking Sector**

In light of Saudi Vision 2030, the financial sector landscape in Saudi Arabia is getting ready to open up and expand, giving a preponderant role for the private sector. New international banks as well as fintech entities are seriously considering joining the financial sector landscape in Saudi Arabia, which will subsequently improve its dynamics and resilience. This is clear as Saudi

Vision 2030 through its Financial Sector Development Program aims at enabling financial institutions to support private sector growth, enhancing diversity and breadth of financial services, and building an innovative financial infrastructure. This will level up the sectoral competitiveness vigor and banks would be required to enhance their reputations by working on reputation-building enablers. Such enablers include quality of products and services, relationships with their customers and employees, and their contribution to the environment and society. Investment in such reputation-building enablers will reflect positively on how customers perceive their banks in a positive light.

The Saudi banking sector consists of 26 banks operating in Saudi Arabia (25 operating and 1 licensed) in 2017, including branches of foreign banks, which provide services with a combined network of 2079 branches in various regions of Saudi Arabia (SAMA annual report 2018). The banks in Saudi Arabia offer both conventional and *shari'ah*-compliant products and services. The main difference between these two categories lies in the use of interest as a main incentive mechanism. Banks (with fully *shari'ah* compliant products) refer to *shari'ah* maxims<sup>1</sup> to specify the array of their offered products and services. One of the principles is profit-and-loss sharing (PLS) principle, which holds that providers of capital/lenders (banks) and users of funds/borrowers (customers) share business risk by sharing profits and losses (Khediri et al., 2015). Customer-bank relationship in this case is unique as both parties have a vested interest in making the venture succeed. However, banks (with fully *shari'ah*-compliant products) have easier accessibility to a large pool of non-

---

<sup>1</sup> See Mansour et al. (2015) and Bedoui and Mansour (2015) for an overview of *shari'ah* maxims.

interest bearing assets relative to the size of their assets. Therefore, conventional banks increasingly introducing *shari'ah*-compliant products (Ainsworth et al, 2016). In addition, banks with fully *shari'ah*-compliant products and services have become increasingly enticing to investors of both *shari'ah*-compliant and conventional products (James, 2012).

### **3. Description of Methodology**

For adapting and validating the CBR scale, we followed the scientific methodology recommended in the literature (Churchill, 1979). Therefore, we followed the following 6-step process (Table 3):

**First**, we made sure that we are clear on the definition of the construct. This is because we have used an already reliable and validated scale for our chosen construct of corporate reputation (Walsh et al., 2009). This 15-item CBR scale encompasses five dimensions, namely, Customer Orientation, Good Employer, Reliable and Financially Strong Company, Product and Service Quality, and Social and Environmental Responsibility.

**Second**, we adapted this CBR scale in two ways. On the one hand, we made sure that the CBR scale items are culturally suitable to the context and customers of the banking sector in Saudi Arabia. Every item of the original scale has been reviewed to make sure it is comprehensible and making sense in the Saudi context. Every item passes the test, stays as is, and if not, it is slightly reworded. On the other hand, researchers have reviewed the banking sector literature and made sure that a few items are added to each dimension of the original scale so that the scale becomes more relevant and very much pertinent to the context of measuring reputation for the banking system in

Saudi Arabia. As advised in the literature, we initially generated a pool of items to draw from later on the process. In other words, any added item to the original scale was drawn from this pool of generated items to follow the procedures recommended in the literature. As a result, a 23-item scale was generated as eight new items were proposed and added to the original 15-item scale. In addition, at this stage, 8 original items were slightly adapted by slightly amending how they are worded. Table 3 describes the methodology.

**Table 3.** Description of methodology

<b>Steps</b>	<b>Description</b>	<b>Results</b>
<b>Step 1</b> Selecting the original scale of Walsh et al., (2009) for adaptation and validation.	<b>DEVELOPING A PRECISE CONCEPTION OF CONSTRUCT</b> We used a well-defined customer-based corporate reputation construct with valid and reliable scale according to Walsh et al., (2009).	- An original 15-item scale was the starting point.
<b>Step 2</b> Adaptation of Walsh et al.'s (2009) CBR scale and item generation.	<b>DEVELOPING ITEM POOL</b> Walsh et al.'s (2009) short form of CBR was the baseline and initial phase of new items generation.	- Generated 8 new items and partly adapted 8 original items from Walsh et al. (2009), which leads to a 23-item scale.
<b>Step 3</b> Item generation (1) Item judgment (1)	<b>DEVELOPING AN ITEM POOL AND MEASURE PURIFICATION</b> First batch (20) of interviews with customers sample. Assessment of the generated 58 items through the guidance of two experts judges who evaluated the items and the related dimensionality.	- The interview session led to the generation of 58 new items.  - The 58 items generated in Step 2 were reduced to 9 items for lack of clarity, redundancy, and incomplete wording. The updated number of items amounts to 32 items.
<b>Step 4</b> Item generation (2) and item judgment (2)	<b>DEVELOPING AN ITEM POOL AND MEASURE PURIFICATION</b> 8 executives level interview was conducted from Saudi financial services sector.	- Adding one new item. - Rewording 4 existing items. - Elimination of 2 items. - New total number of items amounts to 31
<b>Step 5</b> Pre-testing	<b>PRETESTING</b> After the questionnaire items have been translated into Arabic and back translated to English to ensure precision in translation, the survey was pre-tested using a sample of 15 individuals to make sure it is free from typos and inconsistencies.	- Few items has been slightly reworded - The survey's introduction has been refined.
<b>Step 6</b> Final data collection and statistical testing	<b>ASSESSING RELIABILITY AND VALIDITY OF SCALE</b> The final reached 31-item scale for CBR was distributed to a sample of banks' customers using graduate students from Saudi universities. Exploratory Factor Analysis and Confirmatory Factor Analysis conducted.	Using a convenience sample and surveys administered using Survey Monkey to facilitate data collection and data analysis. Final number of clean and accepted surveys reached 476. A final 18-item scale was found to be valid and reliable to measure reputation of banks in Saudi Arabia.

**Third,** we used two levels of samples to purify the measure by testing the so-called the face and content validity. We interviewed a convenience sample of 20 individual customers using an initial adaption of the original survey (23-item) according to the pervious step. Using such sample, we requested participants to generate new items for the scale. In addition, we collected their feedback on the items comprising the initial, adapted 23-item survey and we

screened their proposed items and made the needed changes to the initial survey based on their received feedback. We used their judgement to reach a final list of the items at this stage according to the new generated items as well as the participants' feedback on the scale. As a result, 58 new items were generated at this stage and upon reviewing such items the researchers approved nine (9) items and ignored the rest of items for reasons of lack of clarity, and redundancy or incomplete wording of the items. The new number of items for the scale at this stage is 32 items (23 items from the previous step plus 9 new approved items).

**Forth**, we made the needed amendments to the initial draft of the scale in the preceding phase. We conducted a focus group workshop with eight executives. By taking their feedback on the latest version of the scale (32 items) from the previous step, we were able to get a very insightful feedback on some of the items. After reviewing the output of this workshop, the needed changes were made to the items in the scale. According to the focus group workshop, we came to add one new item, reword four existing items and eliminate two items. As a result, we ended up with a final scale of 31 items for CBR.

**Fifth**, this step requires that the final 31-item CBR scale is pretested. Initially, the 31-item were translated into Arabic and then back-translated into English to ensure precise translation. Then, the Arabic version survey was pretested by distributing the surveys to a sample of 15 bank customers using graduate students from some of the public universities in Saudi Arabia. This was done to make sure that the survey has no serious issues such as typos, redundancies, or other problems limiting the respondents' abilities to choose their answers

smoothly. As a result, few items have been slightly reworded and introduction section of the survey was refined according to received feedback.

**Table 4.** Tentatively face -validated CBR 31-item scale for banks in Saudi Arabia

<b>Factor 1: Customer Orientation</b>	
1	Bank has employees who treat customers courteously
2	Bank has employees who are concerned about customer needs
3	Bank is concerned about its customers
4	Bank has catered to customers looking for <i>shari'ah</i> -compliant products and services
5	Has employees who are well-versed in <i>shari'ah</i> -compliant products and services
6	Provides excellent after-sales services.
<b>Factor 2: Good Employer</b>	
7	Bank looks like a good bank to work for
8	Bank seems to treat its people well
9	Bank seems to have excellent leadership
10	Seems to provide distinctive Talent Development Programs
11	Bank provides best work environment for its employees
12	Seem to provide top of notch <i>shari'ah</i> -compliant products employee knowledge
<b>Factor 3: Reliable and Financially Strong bank</b>	
13	Tends to outperform conventional banks
14	Bank seems to recognize and take advantage of untapped market opportunities
15	Bank looks like it has strong prospects for future growth in unexploited market niches.
16	Bank seems to have an effective corporate governance structure
17	Bank seems to innovate continuously
18	Bank provides products and services with lower costs
19	Seems to have an effective <i>shari'ah</i> Board
<b>Factor 4: Product and Service Quality</b>	
20	Bank is a strong, reliable bank
21	Bank develops innovative products and services
22	Bank offers high quality products and services
23	Bank offers products and services that reflect <i>shari'ah</i> 's ethical values
24	Bank offers products and services that are genuinely designed according to <i>shari'ah</i>
25	Bank offers customized formats of <i>shari'ah</i> -compliant contracts that are fairer and more equitable
26	Bank offers transparent and clear <i>shari'ah</i> -compliant contracts
<b>Factor 5: Social and Environmental Responsibility</b>	
27	Bank seems to make an effort to create new jobs
28	Bank seems to be environmentally responsible
29	Bank would reduce its profits for social responsibility causes
30	Bank seems to provide financial solutions to less privileged individuals and business owners
31	Bank seems to contribute to reducing financial illiteracy in society

**Sixth**, the final 31-item scale, after going through minor improvements according to feedback, was distributed to a larger sample of bank customers using convenience sampling technique with graduate students from Saudi public universities. Survey Monkey platform was used to facilitate data collection by enabling graduate students to easily access the survey through their smart phones and take an average of five minutes to address all of the questions. This apparently facilitated, later on, data exporting to Statistical Package for Social Sciences (SPSS) for data analysis. Finally, data collected was put to statistical testing to examine validity and reliability.

#### **4. Customer-based corporate reputation (CBR) scale**

##### ***4.1 Scale development***

Based on the previous literature on CBR scales (Terblanche, 2014; Walsh & Beatty, 2007; Walsh, Beatty, & Holloway, 2015; and Walsh, Beatty, & Shiu, 2009) and on our qualitative research, we developed an initial list of 31-item scale for measuring customer-based corporate reputation in the context of Saudi Arabia. In the proposed CBR scale, multiple items were suggested to measure each of the primary latent construct, i.e., Customer Orientation (CO); Good Employer (GE); Reliable and Financially Strong Company (RFSC); Product and Service Quality (PSQ); Social and Environmental Responsibility (SER). The following factors (dimensions) in the scale namely, CO, GE, and RFSC comprised of six items (questions) each to measure these constructs (concepts/variables). PSQ consisted of eight items and SER consisted of five items (see table 4). Each one of the latent constructs was measured on a five-point Likert scale from “Strongly Disagree” to “Strongly Agree.”

## 4.2 Data collection and sample profile

To validate the customer-based corporate reputation in the context of Saudi Arabia, we developed an online survey on Survey Monkey. The link to the survey was shared with effective users of Saudi banking sector through various methods such as email, social media, etc. We received 491 filled questionnaires. After filtering out the non-pertinent or atypical cases, the final sample consists of 476 respondents. Table 5 provides the detailed demographics of the respondents.

**Table 5.** Sample demographics

Measure	Item	Frequency	Percentage
Gender	Male	438	92
	Female	38	8
Age	18-24 years	20	4.2
	25-34 years	110	23.1
	35-44 years	159	33.4
	45-54 years	101	21.2
	55 years and above	86	18.1
Education	High School	39	8.2
	2-year diploma	38	8
	4-year College	219	46
	Higher Education	180	37.8
Length of relationship in Years	Less than a year	29	6.1
	2-5 years	67	14.1
	6-9 years	70	14.7
	10 years above	310	65.1
N= 476			

## 4.3 Exploratory factor analysis

Factor analysis is a commonly used method for data reduction into meaningful latent variables. It assesses the intercorrelations among a number of items and groups them into various dimensions commonly known as factors. For the scale refinement, we followed Churchill's (1979) scale development

paradigm. The proposed scale was assessed regarding content validity as well as internal consistency and validity. Data analysis was carried out in two phases. In the first phase, we used exploratory factor analysis to examine the dimensionality of underlying latent measures. In the second phase, the psychometric properties of the scale have been assessed (Gerbing and Anderson, 1988).

To evaluate the dimensionality of the customer-based corporate reputation scale, a principal component analysis with varimax rotation has been used. Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity have been used to assess the suitability of the data for the factor analysis. Both tests indicate that the data is suitable for factor analysis as the KMO values are well above 0.7 and Bartlett's Test of Sphericity is not significant (see Table 6).

**Table 6.** KMO and Bartlett's Test

<b>Test details</b>		<b>Results</b>
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.888
Bartlett's Test of Sphericity	Approx. Chi-Square	4075.827
	df	153
	Sig.	.000

**Table 7** Rotated component matrix<sup>a</sup>

Items	Component				
	1	2	3	4	5
SER2	.837				
SER3	.816				
SER4	.736				
SER5	.723				
SER1	.629				
GE2		.838			
GE5		.775			
GE1		.715			
GE3		.688			
PSQ5			.830		
RFSC7			.818		
PSQ4			.785		
RFSC2				.813	
RFSC3				.802	
RFSC5				.681	
CO2					.853
CO1					.839
CO3					.668

*Extraction Method: Principal Component Analysis.*

*Rotation Method: Varimax with Kaiser Normalization.*

*Percentage of variance explained: 69.615%*

*a. Rotation converged in 6 iterations.*

Various criteria such as inter-item correlations, communalities, and cross-loading have been used to refine the scales. Using the high cross-loadings criteria resulted in eliminating three items from Customer Orientation scale, two items from Good Employer scale, three items from Reliable and Financially Strong Company scale, and four items from Product and Service Quality. All the items of Social and Environmental Responsibility were retained because no issues related to cross-loadings were observed in any of the items in Social and Environmental Responsibility scale. All the items loaded on to the respective factors except one of the items in the Reliable and

Financially Strong Company (RFSC) factor numbered seven, which may be explained by how the item was worded. Instead, the item was loaded into factor labeled Product and Service Quality. Table 7 summarizes the results of exploratory factor analysis with varimax rotation.

#### 4.4 Confirmatory factor analysis

The confirmatory factor analysis (CFA) is a mathematical technique that is generally used to substantiate the factor structure of the underlying variables. It allows for the examination of the reliability and validity of the scale. To check the psychometric properties of the scales in terms of reliability and validity we carried out a confirmatory factor analysis on the five dimensions extracted from exploratory factor analysis using AMOS 23 (Structural equation modeling program by IBM). A measurement model was developed (Figure 1) by drawing covariance among each latent construct.

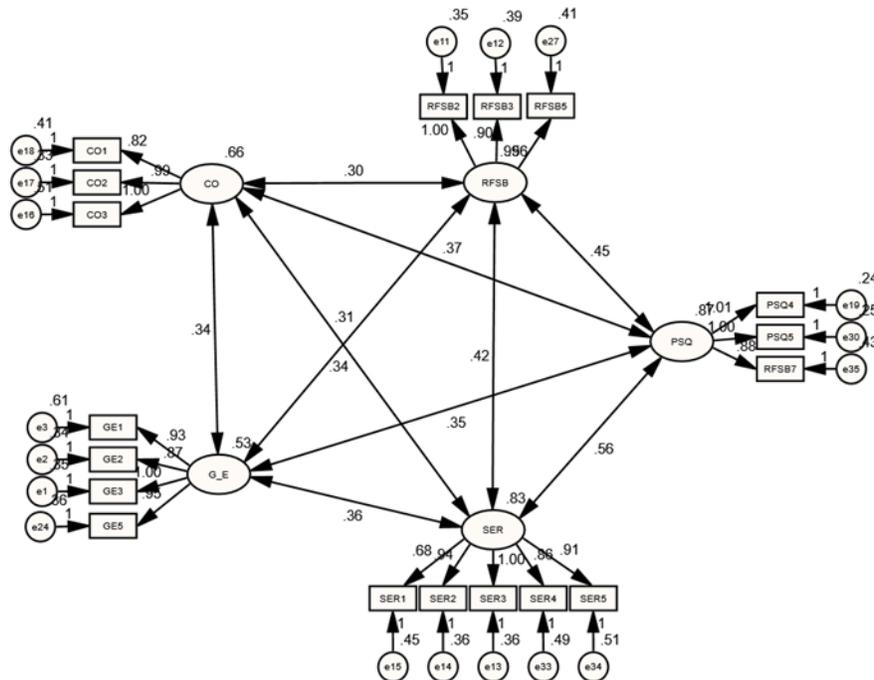


Figure 1. Measurement model

The fit indices of the measurement model (Chi-square ( $\chi^2$ ) = 399.70, df= 125,  $\chi^2/df$ = 2.72, GFI=.93, TLI=0.94, NNFI=.93, CFI=.95, and RMSEA=.05) indicate an adequate model fit. The goodness of fit measures are acceptable as all the fit indices meet the minimum requirements of an acceptable model fit. Table 8 shows the obtained values and corresponding the recommended values for each of the fit index.

**Table 8.** Measurement model fit indices

Fit Index	Recommended Value	Obtained Value	Reference
Normed Chi-square ( $\chi^2/df$ )	$\leq 5.00$	2.72	Hu & Bentler (1999)
GFI	$\geq 0.90$	0.93	Jöreskog & Sörbom (1982)
AGFI	$\geq 0.80$	0.90	Jöreskog & Sörbom (1982)
TLI	$\geq 0.90$	0.94	Hu & Bentler (1999)
CFI	$\geq 0.90$	0.95	Hu & Bentler (1999)
RMSEA	$\leq 0.08$	0.05	Hu & Bentler (1999)

### Scale Reliability

After achieving an adequate model fit, we assessed the reliability and validity of the underlying scales. Cronbach's alpha coefficients ( $\alpha > 0.7$ ) and composite reality (CR > 0.70) measures of the latent constructs have been observed to assess the reliability of each construct (Nunnally, 1978). Table 9 shows that both the Cronbach's alpha coefficients and composite reality values are well above 0.7 for each construct. In addition, the standardized path coefficients of each item are also reported.

**Table 9.** Scale reliability

Constructs	Items	Standardized path coefficients	Alpha	CR	AVE
Customer Orientation	CO1	0.722	0.774	0.807	0.582
	CO2	0.813			
	CO3	0.751			
Good Employer	GE1	0.654	0.805	0.823	0.539
	GE2	0.740			
	GE3	0.778			
	GE5	0.758			
Product and Service Quality	PSQ4	0.887	0.877	0.888	0.725
	PSQ5	0.882			
	RFSB7	0.782			
Reliable and Financially Strong Company	RFSB2	0.783	0.778	0.802	0.574
	RFSB3	0.732			
	RFSB5	0.757			
Social and Environmental Responsibility	SER1	0.678	0.839	0.879	0.593
	SER2	0.820			
	SER3	0.835			
	SER4	0.748			
	SER5	0.758			
<i>Note: Alpha= Cronbach's alpha, CR= Composite reliability, AVE= Average variance extracted</i>					

### Convergent and discriminant validity

In order to assess the convergent and discriminant validity of the scales, we followed the criteria proposed by Fornell and Larcker (1981) who consider that the Average Variance Extracted (AVE) should be higher than 0.5 to reach the convergent validity. The AVE values for each of the construct are greater than 0.5, which confirms that the convergent validity is met. For the discriminant validity, the AVE values for each construct should be greater than the shared variance of the other constructs (Fornell and Larcker, 1981). Table 10 shows that the square root of AVE for each construct is greater than

the correlation among other constructs, which corroborates the discriminant validity of the scale.

**Table 10.** Convergent and Discriminant Validity

<b>Latent Constructs</b>	<b>GE</b>	<b>PSQ</b>	<b>RFSC</b>	<b>SER</b>	<b>CO</b>
Good Employer (GE)	<b>0.734</b>				
Product and Service Quality (PSQ)	0.518	<b>0.852</b>			
Reliable and Financially Strong Company (RFSC)	0.574	0.646	<b>0.758</b>		
Social and Environmental Responsibility (SER)	0.535	0.655	0.612	<b>0.77</b>	
Customer Orientation (CO)	0.574	0.486	0.493	0.463	<b>0.763</b>
<i>Note: Diagonal elements are square root of AVE and off-diagonal elements are the correlations among latent constructs</i>					

As all the conditions for the reliability and validity of the scale are met, the scale meets the requirements of the scale reliability and validity. The 18-item adapted scale is presented in Table 11.

**Table 11.** Newly validated CBR 18-item scale for banks in Saudi Arabia

<b>Factor 1: Customer Orientation</b>	
1	Bank has employees who treat customers courteously
2	Bank has employees who are concerned about customer needs
3	Bank is concerned about its customers
<b>Factor 2: Good Employer</b>	
4	Bank looks like a good bank to work for
5	Bank seems to treat its people well
6	Bank seems to have excellent leadership
7	Bank provides best work environment for its employees
<b>Factor 3: Reliable and Financially Strong Bank</b>	
8	Bank seems to recognize and take advantage of untapped market opportunities
9	Bank looks like it has strong prospects for future growth in unexploited market niches.
10	Bank seems to innovate continuously
<b>Factor 4: Product and Service Quality</b>	
11	Bank offers products and services that reflect <i>shari'ah's</i> ethical values
12	Bank offers products and services that are genuinely designed according to <i>shari'ah</i>
13	Bank seems to have an effective <i>shari'ah</i> board
<b>Factor 5: Social and Environmental Responsibility</b>	
14	Bank seems to make an effort to create new jobs
15	Bank seems to be environmentally responsible
16	Bank would reduce its profits for social responsibility causes
17	Bank seems to provide financial solutions to less privileged individuals and business owners
18	Bank seems to contribute to reducing financial illiteracy in society

## **5. Managerial implications and discussion**

Our results show that Walsh et al (2009) CBR short scale is robust since 12 items out of the 15 original items survived the Saudi context. This not only confirms that the CBR for Saudi banks is multifaceted, but is also evidence supporting the validity of Walsh et al. (2009) short scale.

The 18-item adapted and validated CBR scale as exhibited in (Table 11) shows that six new suggested items survived the confirmatory and exploratory factor analyses. This testifies that these items are upheld when the CBR scale for banks in Saudi Arabia is measured. The addition of these six items to the original scale can be discussed through the following themes:

### ***Work environment conditions***

The newly added item ‘Bank provides best work environment for its employees’ indicates that the CBR for our banks is also attributable to the work environment conditions. The favorable perception of reputation seems to partially hinge on how work environment conditions are constantly improving. Investment in ameliorating work environment conditions seems to play an important part in improving reputation perception of banks in Saudi Arabia. Hence, “providing best work environment” is closely related to how customers perceive favorably their banks.

### ***Financial inclusion & financial education***

Financial inclusion is reflected by the item ‘Bank seems to provide financial solutions to less privileged individuals and business owners’, which was added to factor five. The access of less privileged individuals and business owners to financial services seems to be related to the perception of reputation for our banks. This item clearly shows that reputation goes beyond the simple focus on banks’ offered products and services. The item ‘Bank seems to contribute to reducing financial illiteracy in society’ is also indicative of the close link between reputation and the bank’s efforts to improve financial literacy. The societal contribution of our banks is an integral part of their reputation enhancement, as perceived by customers.

### ***Ethical values***

The two newly added items to the fourth factor, namely ‘Bank offers products and services that reflect *shari’ah*’s ethical values’ and ‘Bank offers products and services that are genuinely designed according to *shari’ah*’ indicate that

the CBR is respectively attributable to *shari'ah* ethical considerations and reliability of the offered products and services. Banks can gain more when they serve better their customers by being responsive to their customers' needs for enhancing the process of embedding *shari'ah*'s ethical values. This may require investing more in design innovation in their products and services to reflect *shari'ah*'s ethical values. Alkholifey (2017) points out the need to develop new Islamic financial products that stem from *shari'ah*'s ethical values.

### ***Role of shari'ah boards***

The existence of a reliable and effective *shari'ah* board is a prerequisite for banks in Saudi Arabia. This not only guarantees product development is managed in compliance with *shari'ah* maxims, but also ensures that their bank's reputation is positively perceived by their customers. Although the newly added item 'Bank seems to have an effective *shari'ah* board' was added to factor three (Reliable and Financially Strong Company), our results show that it is more suitable to belong to factor four (Product and Service Quality). This indicates that customers think quality of products and services of the bank is partly attributable to the existence of a reliable and effective *shari'ah* board. Customers seem to believe that *shari'ah* boards play an important role in delivering *shari'ah* compliant products and services of high quality and subsequently influencing how favorably they perceive their bank's reputation.

Based on the previous discussion, few managerial recommendations can be inferred. Indeed, banks in Saudi Arabia should:

- Continuously improve work environment conditions they offer to their employees.
- Combine financial inclusion and financial literacy as integral components of their business activities.
- Constantly enhance the ethical values that stem from *shari'ah*.
- Continue to enhance *shari'ah* boards' role as they are seen to impact favorably corporate reputation of banks in Saudi Arabia.

## **6. Conclusion**

This paper endeavored to examine the customer-based corporate reputation for banks (with fully *shari'ah*-compliant products) in Saudi Arabia by adapting and validating a measurement scale. Based on Walsh et al. (2009) short-form scale, the research methodology used enabled researchers to identify an 18-item scale. This scale is supposed to reflect the corporate reputation of banks (with fully *shari'ah*-compliant products) in Saudi Arabia as seen from the perspective of customers. The findings are particularly interesting not only for academicians but also for policymakers, chief executive officers, and chief reputation officers of banks in Saudi Arabia. Indeed, corporate reputation is important for the sizable implications it engenders on corporate performance.

Our results show that five additional core aspects are specific for the measurement of customer-based corporate reputation for banks in Saudi Arabia, namely, work environment conditions, financial inclusion, financial literacy, *shari'ah*-based ethical values, and role of *shari'ah* boards. These aspects should be seen as pivotal enablers in addition to the original aspects in the scale for building positive and favorable reputation for banks in Saudi

Arabia. These newly added items to the original scale survived the confirmatory factor analysis and were validated in the revised short-form scale.

Hence, banks in Saudi Arabia are advised to invest more in such aspects to reap major improvements in how their customers positively perceive their corporate reputations. We believe that the adapted short-form scale is useful to better understand and measure customer-based corporate reputation in the Saudi context. Such understanding and well measurement of corporate reputation will improve how these banks manage their most important capital namely, their customers' perception of corporate reputation. Business consultants and practitioners can use such measurement scale to diagnose their banks' corporate reputation internally and in comparison with their competitors in the banking sector.

In conclusion, this paper has several limitations such as using a convenience sampling technique as well as covering customers' samples in Riyadh city only. Hence, it is recommended that future research examine such measurement scale with various population samples in different settings and areas.

## References

Albassami, F., Alqahtani, S., and Saleh, M. (2015). "Proposing a Conceptual Model of Corporate Reputation Associated with Relationship Marketing and Customer Loyalty." *International Journal of Marketing Studies*, Vol. 7, No. 6, pp. 102-106

Albassami, F.A., Al-Meshal, S.A. and Bailey, A.A. (2015), "An investigation of internal marketing and its effects on employees in the banking sector in Saudi Arabia." *Journal of Financial Services Marketing*, Vol. 20 No. 3, pp. 176-190.

Alkoholifey, A. (2017). "Honorary Speech by H.E. Governor of Saudi Arabian Monetary Authority." 12<sup>th</sup> AAOIFI-World Bank Conference, November 5-6, 2017, Bahrain

Argenti, P., and Druckenmiller, B. (2004). "Reputation and the corporate brand." *Corporate Reputation Review* Vol. 6, No. 4, pp. 368-374

Bailey, A.A., Albassami, F. and Al-Meshal, S. (2016), "The roles of employee job satisfaction and organizational commitment in the internal marketing-employee bank identification relationship", *International Journal of Bank Marketing*, Vol. 34 No. 6, pp. 821-840.

Balmer, J. M. T. (2001). Corporate Identity, Corporate Branding and Corporate Marketing: Seeing Through the Fog. *European Journal of Marketing*, Vol. 35, No. 3/4, pp. 248-291

Bedoui, H. and Mansour, W. (2015). "Performance and Maqasid al-Shari'ah's Pentagon-Shaped Ethical Measurement." *Science and Engineering Ethics* Vol. 21, No. 3, pp. 555-576

Churchill, G. A. J. (1979). A paradigm for developing better measures of marketing constructs. *Journal of Marketing Research* Vol. 16, pp. 64-73

Doney, Patricia M., and Joseph P. Cannon. (1997). "An Examination of the Nature of Trust in Buyer-Seller Relationships." *Journal of Marketing* Vol. 61, No.2, pp. 35-51

Devine, I and Halpern, P (2001). "Implicit claims: the role of corporate reputation in value creation." *Corporate Reputation Review*, Vol. 4, No. 1, pp. 42-49

(The) Economist. (2006). 14 January, p. 80.

Fornell, C., & Larcker, D. (1981). "Evaluating Structural Equation Models with Unobservable Variables and Measurement Error." *Journal of Marketing Research* Vol. 18, No. 1, pp. 50, 39.

Fombrun, C.J. (1996). *Reputation: Realizing Value from the Corporate Image*, Harvard Business School Press, Boston, MA, USA.

Fombrun, C.J., Gardberg, N.A. and Sever, J.M. (2000), "The reputation quotient SM: a multi-stakeholder measure of corporate reputation." *Journal of Brand Management*, Vol. 7 No. 4, pp. 241-255

Graham Page and Helen Fearn, (2005), "Corporate Reputation: What Do Consumers Really Care About?" *Journal of Advertising Research* Vol. 45, No. 3, pp. 305-313

Gerbing, D. W., and Anderson, J. C. (1988). "An Updated Paradigm for Scale Development Incorporating Unidimensionality and Its Assessment." *Journal of Marketing Research* Vol. 25, No. 2, pp. 186-192

James, G. (2012), "Kingdom overtakes UAE in Sukuk market." *Middle East Economic Digest*, Vol. 56, No. 18, pp. 38-39

Khediri, K.B., Charfeddine, L. and Youssef, S.B. (2015), "Islamic versus conventional banks in the GCC countries: a comparative study using classification techniques", *Research in International Business and Finance*, Vol. 33 No. 2015, pp. 75-98

Mansour, W. K. Ben Jedidia, and Majdoub, J. (2015). "How Ethical is Islamic Banking in the Light of Islamic Law?", *The Journal of Religious Ethics* Vol 43, No. 1, pp. 51-77

Marsha L. Richins. (2004). "The Material Values Scale: Measurement Properties and Development of a Short Form." *Journal of Consumer Research* Vol. 31, No. 1, pp. 209-219

Manto Gotsi, Alan M. Wilson, (2001). "Corporate reputation: seeking a definition." *Corporate Communications: An International Journal* Vol. 6, No. 1, pp. 24-30

Nunnally, J. C. (1978). *Psychometric Theory* (2nd ed.). New York: Mcgraw-Hill College.

Rindova, V.P. and C.J. Fombrun Eds. (1998). *The eye of the beholder: the role of corporate reputation in defining organisational identity* in D. Whetten and P. Godfrey (eds), *Identity in organisation: developig theory through conversation*, Sage, Thousand Oaks, CA, pp. 62-66.

Saxton, K. (1998). "Where do reputations come from?" *Corporate Reputation Review*, Vol. 1, No. 4, pp. 393-9

Shamma, H. M. (2012). "Toward a comprehensive understanding of corporate reputation: concept, measurement, and implications." *International Journal of Business and Management*, Vol.7, No. 16, pp. 151-169

SAMA. (2018). 54<sup>th</sup> Annual Report 1439 H-2018. Available online at: [www.sama.gov.sa](http://www.sama.gov.sa)

Tabash, M.I. and Dhankar, R.S. (2014), “The impact of global financial crisis on the stability of Islamic banks: an empirical evidence.” *Journal of Islamic Banking and Finance*, Vol. 2 No. 1, pp. 367-388

Terblanche, N. S. (2014). “A customer-based corporate reputation scale: A study of a clothing retailer’s customers.” *Management Dynamics*, Vol. 23, No. 4, pp. 19–30

Walsh, G., and Beatty, S. E. (2007). “Customer-based corporate reputation of a service firm: scale development and validation.” *Journal of the Academy of Marketing Science*, Vol. 35, No. 1, pp. 127–143

Walsh, G., Beatty, S. E., and Holloway, B. B. (2015). “Measuring client-based corporate reputation in B2B professional services: scale development and validation.” *Journal of Services Marketing*, Vol. 29, No. 3, pp. 173-187

Walsh, G., Beatty, S. E., and Shiu, E. M. K. (2009). “The customer-based corporate reputation scale: Replication and short form.” *Journal of Business Research*, Vol. 62, No. 10, pp. 924-930