



# Enhancing Corporate Reputation in Saudi Banking Sector

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# Agenda

- Introduction
- The rise of corporate reputation
- Corporate Reputation from a customer perspective
- The Research Study (**Adapting and validating a corporate reputation measurement scale for Saudi banks**)
- Q&A

# The Rise of Corporate Reputation: introduction

- 24/7 mass and social media
  - Code of conduct of financial services institutions
  - Decisions, moves, events are scrutinized
  - It is getting tougher to control
  - Intense climate of surveillance
- Etc.,

# The Rise of corporate reputation: Academic perspectives on reputation

Discipline	Definition
<b>Economics</b>	Reputations are traits or signals that describe a company's probable behavior in a particular situation
<b>Strategy</b>	Reputations are intangible assets that are difficult for rivals to imitate, acquire or substitute and so create mobility barriers that provide their owners with a sustained competitive advantage
<b>Accounting</b>	Reputation is one of many types of intangible assets that are difficult to measure but that create value for companies
<b>Marketing</b>	Reputation describes the corporate associations that individuals establish with the company name
<b>Communication</b>	Reputations are corporate traits that develop from relationships and communications companies establish with their multiple constituents
<b>Organizational theory</b>	Reputations are cognitive representations of companies that develop as stakeholders make sense of corporate activities

# The Rise of Corporate Reputation: Definitions

Reference	Definition
1	“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”
2	“ 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”
3	“It is a reflection of stakeholder’s views about an organizations over time”
4	“A stakeholder’s overall evaluation of a company over time”

# The Rise of Corporate Reputation Dimensions

**Fombrun and Rindova (1996)** usefully define corporate reputation along five dimensions and conclude that reputations are:

(1) historically rooted;

(2) of saliency to external and internal publics;

(3) based on former (corporate) activities and achievements;

(4) evaluated in terms of the benefits derived by a stakeholder group; and

(5) enable the organization to stand out from others in its sector or sectors.

# The rise of Corporate Reputation levels of analysis

- Individual level
- Firm level
- Industry level
- Country Level

# Why does reputation matter according to Literature review?

## Expected outcomes

- Encourages to invest in a company
- Encourages good talents to join a company
- Enhanced price premium
- Increases employee loyalty
- Increases Customer acquisition and Customer retention
- Communication program earns enhanced credibility
- and correlates with superior overall returns: sales volume, market share, profitability, and return on investment
- Word-of-mouth intentions; intention to purchase



## Importance of Corporate Reputation in Financial Services (Banking)

- The way people (consumers) make decisions
- Perception of risk (characteristics of services)
- A source of competitive advantage
- A strategic tool of great value, helping to achieve long-term objectives
- CEOs' perception of Corporate Reputation (Institute of directors, 1999)
- Signaling theory, from information economics perspective (Spence 1973)

# Reputation Paradigm: the three schools of thoughts and measurement (Chun, 2005)

Approaches	Key audience	Key focus	Measurement scales (Surveys)
The Evaluative school:	Single stakeholder (Investor or managers)	Ranking based on CEO's peer opinion Investors and investment advisors Financial performance is the key	<i>Fortune's</i> Annual America's Most Admired Company (AMAC) survey (Fortune 500 and Fortune 1000 ranking) The Financial Times Most Respected Companies' ranking
The Impressional School	Mainly a single stakeholder view	Marketing-customers  Organizational behavior-employee identification	Customer-based corporate reputation scale
The Relational School	Comparison of multiple stakeholder view	Multiple stakeholders in general	Reputation Quotient (RQ model) RepTrak scale (Reputation Institute) RepTrak Pulse scale (Reputation Institute)

# SAMA Newsfeed (The first quarter of 2018)

الرقم	محتوى الخبر	البعء
1	مؤسسة النقد تلزم شركات التمويل بإنشاء إدارة للعناية بالعملاء	العمل
2	إعلان مؤسسة النقد بشأن رفع الإيقاف عن شركة المتوسط والخليج للتأمين التعاوني وإعادة التأمين (ميدغلف)	العمل
3	مؤسسة النقد تعلن إيقاف 3 شركات عن مزاولتها نشاطها في مجال التأمين	العمل
4	مؤسسة النقد تصدر ضوابط تحصيل جهات التمويل من عملائها الأفراد	العمل
5	مؤسسة النقد تنظم محاضرة توعوية حول اضطراب طيف التوحد	المجتمع
6	إعلان مؤسسة النقد بشأن إلغاء نشاط الوساطة في التأمين لشركة اراف أي بي العربية السعودية المحدودة لوساطة التأمين وإعادة التأمين	العمل
7	مؤسسة النقد العربي السعودي تعتمد نظام إصدار سندات جديد باستخدام بلومبرغ	استثمار
8	المملكة سباقة في تطويع تطبيق التفتيش الحديثة وتطويرها وتقديمها للعالم	تكنولوجيا
9	مؤسسة النقد تتيح "الشراء عبر الإنترنت" لحاملي بطاقات "مدى" مطلع أبريل	العمل
10	إعلان مؤسسة النقد بشأن رفع إيقاف شركة وتد الوطنية لوكالة التأمين عن بيع أي وثائق تأمين	العمل
11	إعلان مؤسسة النقد بشأن رفع إيقاف شركة ساب للتكاثل عن إصدار وتجديد أي وثائق تأمين في نشاط تأمين الحماية و/أو الإخلال	العمل
12	قرار مؤسسة النقد العربي السعودي بشأن معدل اتفاقيات إعادة الشراء وإعادة الشراء المعكس	سياسة نقدية
13	"في يوم الوفاء" .. مؤسسة النقد تحتفي ببناء منسوبيها المتوفين وتكرم 128 متقاعدا	المجتمع
14	يعلن من مؤسسة النقد العربي السعودي بشأن اتفاقيات إعادة الشراء الأجل	سياسة نقدية
15	مؤسسة النقد: 1.43 مليون ريال قيمة عمليات استبدال العملة بالجنادرية	العمل

16	مؤسسة النقد تشدد بعدم الحجز على مبالغ بدل غلاء المعيشة والمكافأة	العمل
17	إعلان مؤسسة النقد بشأن رفع إيقاف الشركة الأولى لخدمات التأمين عن بيع أي وثائق تأمين	العمل
18	مؤسسة النقد العربي السعودي تستضيف الاجتماع الدولي لمعرفة الكيانات القانونية	استقرار مالي
19	منع شركة المتوسط والخليج للتأمين التعاوني وإعادة التأمين (ميدغلف) من إصدار أو تجديد أي وثائق تأمين وإلزامها بزيادة رأس مالها	العمل
20	منع شركة أليانز السعودي الفرنسي للتأمين التعاوني من إصدار أو تجديد أي وثائق تأمين إلزامي على المركبات	العمل
21	مؤسسة النقد تخرج الدفعة الأولى في مجال الأمن السيبراني للقطاع المالي والمصرفي	الموظف
22	المعهد المالي ينظم الحفل الختامي للبرنامج التدريبي المقدم لمنسوبي البنك المركزي اليمني	المجتمع
23	عدم المسلس ببدلات غلاء المعيشة والمكافأة	العمل
24	بيان إلحاق من مؤسسة النقد العربي السعودي بخصوص الخلل التقني لأنظمة مجموعة سامبا المالية في شهر مارس 2017م	استقرار مالي
25	مؤسسة النقد العربي السعودي تنظم حملة داخلية للتبرع بالدم بالتعاون مع وزارة الحرس الوطني	المجتمع
26	إعلان مؤسسة النقد بشأن رفع إيقاف الشركة المتحدة للتأمين التعاوني من إصدار وتجديد أي وثيقة تأمين إلزامي على مركبات جديدة	العمل
27	إعلان مؤسسة النقد رفع الحد الأعلى لنسبة مبلغ التمويل إلى قيمة المسكن للتمويل العقاري	استقرار مالي
28	خادم الحرمين الشريفين يصدر توجيهاته الكريمة بعدم المساس ببدلات غلاء المعيشة والمكافآت	العمل
29	إعلان مؤسسة النقد بشأن رفع إيقاف شركة التكاثل السعودي وكلاء تأمين من إصدار وتجديد أي وثيقة تأمين	العمل
30	إعلان من مؤسسة النقد العربي السعودي حول حساب المواطن	العمل
31	بيان من مؤسسة النقد العربي السعودي حول العملة المعدنية	العمل

# SAMA Communications

Dimension	Number	Percentage
Customer	19	61%
Others	12	39%

# Research on Reputation from a customer point of view

- According to Deloitte 2014 global survey on reputation risk, customers were found to be the most important stakeholders (Customers stakeholders were given the highest in importance versus other groups)
- Frank Taussig, a former President of the American Economic Association stated once that, “We must accept the consumer as the final judge” (The Economist, 2006)
- In a world of pervasive social media, managing customer expectations and perceptions is key

# Research problem statement

- As the need to measure reputation of corporates and specifically of banks everywhere arise, we decided that **we need to adapt and validate (Walsh et al, 2009) measurement scale for banks in Saudi Arabia**
- The measurement scale of corporate reputation (Walsh et al, 2009) has been tested in different settings and service sectors and was found to be valid and reliable but **needs to be adapted and validated with Saudi banks.**
- So far, no multidimensional corporate reputation measurement scale exists in the literature to measure corporate reputation of banks in Saudi Arabia

# Definition of Customer-based Corporate Reputation

CBR defined as:

“ 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** and/or known **corporate activities**”. (Walsh et al, 2009)

# Corporate Reputation scale (Walsh et al, 2009)

## Factor 1: Customer Orientation

1. The bank has employees who are concerned about customer needs
2. The bank has employees who treat customers courteously
3. The bank is concerned about its customers

## Factor 2: Good Employer

4. The bank looks like a good institution to work for
5. The bank seems to treat its people well
6. The bank seems to have excellent leadership

## Factor 3: Reliable and Financially Strong Company

7. The bank tends to outperform competitors
8. The bank seems to recognize and take advantage of market opportunities
9. The bank looks like it has strong prospects for future growth

## Factor 4: Product and Service Quality

10. The bank offers high quality products and Services
11. The bank is a strong, reliable institution
12. The bank develops innovative services

## Factor 5: Social and Environmental Responsibility

13. The bank seems to make an effort to create new jobs
14. The bank would reduce its profits to ensure a clean environment
15. The bank seems to be environmentally responsible



# Methodology (1/2)

Steps	Description	Outcomes
<p><b>Step 1</b> <b>Developing a precise conception of construct</b> Selecting the original scale of Walsh et al., (2009) for adaptation and validation.</p>	<p>We used a well-defined customer-based corporate reputation construct with valid and reliable scale according to Walsh et al., (2009).</p>	<p>- An original 15-item scale was the starting point.</p>
<p><b>Step 2</b> <b>Developing item pool</b> Adaptation of Walsh et al.'s (2009) CBR scale and item generation.</p>	<p>Walsh et al.'s (2009) short form of CBR was the baseline and initial phase of new items generation.</p>	<p>- Generated 8 new items and partly adapted 8 original items from Walsh et al. (2009), which leads to a 23-item scale.</p>
<p><b>Step 3</b> <b>Developing an item pool and measure purification</b>  Item generation (1) Item judgment (1)</p>	<p>First batch of (20) interviews with a customers sample</p> <p>Assessment of the generated 58 items through the guidance of two expert judges who evaluated the items and the related dimensionality.</p>	<p>- The interview session led to the generation of 58 new items.</p> <p>- The 58 items generated in Step 3 were reduced to 9 items for lack of clarity, redundancy, and incomplete wording. The updated number of items amounts to 32 items .</p>

# Methodology (2/2)

Steps	Description	Outcomes
<p><b>Step 4</b> <b>Developing an item pool and measure purification</b> Item generation (2) and item judgment (2)</p>	<p>8 executives level workshop was conducted from Saudi financial services sector.</p>	<ul style="list-style-type: none"> <li>- Adding one new item.</li> <li>- Rewording 4 existing items.</li> <li>- Elimination of 2 items.</li> <li>- New total number of items amounts to 31</li> </ul>
<p><b>Step 5</b> <b>Pre-testing</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>- Few items has been slightly reworded</li> <li>- The survey's introduction has been refined.</li> </ul>
<p><b>Step 6</b> <b>Assessing scale reliability and validity</b> Final data collection and statistical testing</p>	<p>The final reached 31-item scale for CBR was distributed to a much bigger sample of banks' customers using graduate students from Saudi universities.</p> <p>Collected data was then put to statistical test to examine validity and reliability. Exploratory Factor Analysis and Confirmatory Factor Analysis were conducted.</p>	<p>Using a convenience sample and surveys administered using Survey Monkey to facilitate data collection and data analysis. Initially, 491 filled questionnaires, the final accepted surveys were 476</p> <p><b>A final 18-item scale was found to be valid and reliable to measure reputation of banks in Saudi Arabia</b></p>

# 31- item scale for testing

## Factor 1: Customer Orientation

1. The Bank has employees who treat customers courteously
2. The Bank has employees who are concerned about customer needs
3. The bank is concerned about its customers
4. The bank caters to customers looking for shariah-compliant products and services
5. The bank has employees who are well-versed in shariah-compliant products and services
6. The bank provides excellent after-sales services

## Factor 2: Good Employer

7. The bank looks like a good bank to work for
8. The bank seems to treat its people well
9. The bank seems to have excellent leadership
10. The bank seems to provide distinctive talent development programs
11. The bank provides best work environment for its employees
12. The bank seems to provide top of notch employee knowledge

## Factor 3: Reliable and Financially Strong Company

13. The bank tends to outperform conventional banks
14. The bank seems to recognize and take advantage of untapped market opportunities
15. The bank looks like it has strong prospects for future growth in unexploited market niches

16. The bank seems to have an effective corporate governance structure
17. The bank seems to innovate continuously
18. The bank seems to have a trustworthy shari'ah Board

## Factor 4: Product and Service Quality

19. The bank is a strong, reliable bank
20. The bank develops innovative products and services
21. The bank offers high quality products and services
22. The bank offers products and services that reflect shariah's ethical values
23. The bank offers products and services that are genuinely designed according to shari'ah
24. Offers products and services that are genuinely designed according to shariah
25. The bank offers customized formats of shari'ah-compliant contracts that are fairer and more equitable
26. The bank offers transparent and clear shariah-compliant contracts

## Factor 5: Social and Environmental Responsibility

27. The bank seems to make an effort to create new jobs
28. The bank seems to be environmentally responsible
29. The bank would reduce its profits for social responsibility causes
30. The bank seems to provide financial solutions to less privileged individuals and business owners
31. The bank seems to contribute to reducing financial illiteracy in society

# Final (18-item) validated scale

## Factor 1: Customer Orientation

- 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

## Factor 2: Good Employer

- 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

## Factor 3: Reliable and Financially Strong Company

- 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

## Factor 4: Product and Service Quality

- 11 Bank offers products and services that reflect *shari'ah's* ethical values
- 12 Bank offers products and services that are genuinely designed according to *shari'ah*
- 13 Bank seems to have a trustworthy *shari'ah* board

## Factor 5: Social and Environmental Responsibility

- 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

# Findings

- 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 banks is multifaceted, but also present an evidence supporting the validity and reliability of Walsh et al. (2009) short scale.
- The 18-item adapted and validated CBR scale (as exhibited in the previous slide) shows that six new suggested items survived the confirmatory factor analysis. This testifies that these items are upheld when the CBR scale for banks is measured.

# General managerial implications and Recommendations (1/2)

- Banks may need to consistently identify their stakeholders well and specifically their customers and subsequently determining their expectations of the bank's performance
- Reputation is a multi-dimensional construct. And banks need to explore what are these dimensions
- Banks may need to design and redesign their best reputation measurement scale according to their customer multifaceted needs and expectations along five or six dimensions
- Customer satisfaction is only small part of managing reputation
- Investing in reputation management is a long term process
- Working on stakeholder engagement and communications programs

## General managerial implications and Recommendations (2/2)

- Reputation measurement and management should be a major component of the strategic management of the bank (in addition to traditional financial indicators)
- Board of directors and CEOs may need to give more emphasis to managing their corporate reputation more proactively from a customer's point of view
- Communications functions/departments may assume an expanded role where reputation management is included and systematically managed.

# Research specific managerial implications and recommendations

- Banks may need to understand what their customers expect their performance to look like in these five dimensions of corporate reputation: (1) **Customer Orientation**, (2) **Good Employer**, (3) **Reliable and Financially strong company**, (4) **Product and Service Quality**, and finally (5) **Social and environmental responsibility**
- The following item measures seem to be of special value in building and managing corporate reputation for Saudi banks:
  - ✓ **Work environment conditions**
  - ✓ **Financial inclusion & financial education**
  - ✓ **Ethical values**
  - ✓ ***Shari'ah* Board**
- Banks may need to periodically diagnose their reputation according to these measures benchmarked against themselves and their peers in the sector and subsequently work to improve it.



# Conclusion

## Limitations

- Convenience sampling technique
- Time constraint prevented expanding samples for qualitative research
- Access to banks' customers for sharing their views on reputation has been a challenge

## Further research suggestions

- Random sampling technique
- Examining the scale in different setting sectors
- Examining the scale in other sectors
- Including different stakeholders
- Exploring the extent of reciprocal relationship between banks and other levels of reputation

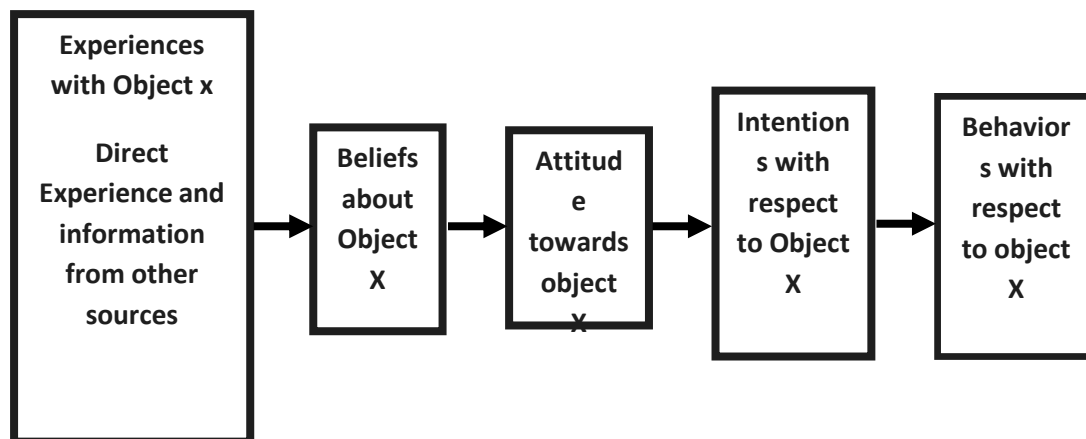
Thank you for your attentiveness

# QUESTIONS & ANSWERS

# Appendices

# Theory of Reasoned Action

Source: Adapted from Fishbein and Ajzen, 1997



Fishbein and Ajzen (1975), in Theory of Reasoned Action, point out that **beliefs** are the backbone of their theory proposed. They indicate that **beliefs** are shaped based on **one of two ways**: one based on **experience** and **observation** and the second one based on information received from other external sources. As per their theory, **beliefs lead to attitude formation toward an object**. Then, **Attitudes formed toward an object, lead to certain intention to behavior** in certain way with relation to that object, and eventually **intention to behavior leads to actual behavior**.

# Corporate Reputation- Cognitive scale items (Walsh et al 2009)

## Factor 1: Customer Orientation

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## RepTrak Pulse Scale items of corporate reputation (affective)

by Ponzi, et al, (2011)

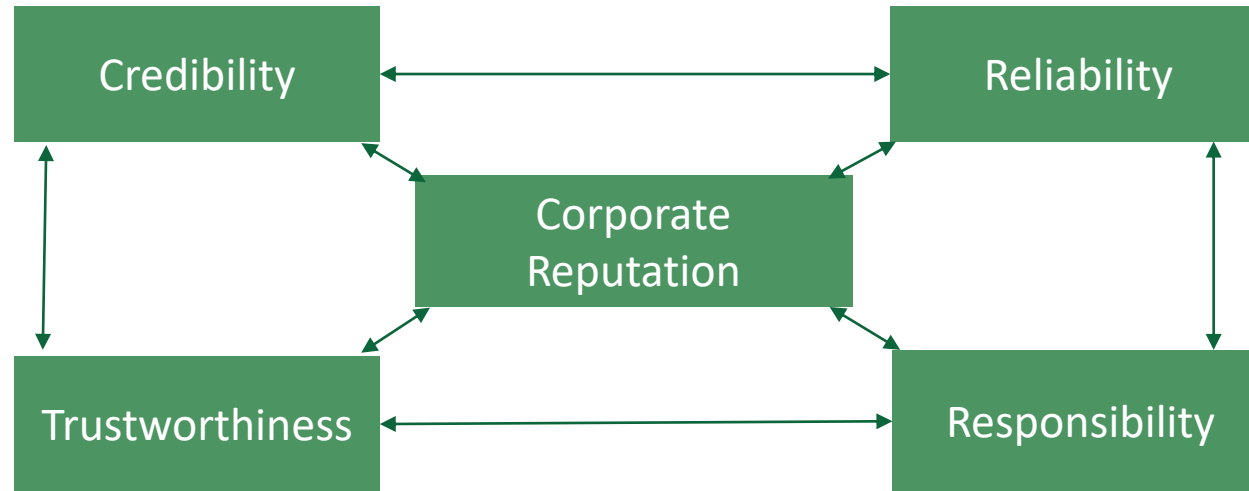
1. Bank x is a bank I have a good feeling about
2. Bank x is a bank that I trust
3. Bank x is a bank that I admire and respect
4. Bank x has a good overall reputation

# Corporate Reputation and Related Theories

- There are some organizational strategy theories that had some impact on the formation of corporate reputation in the marketing literature, including:
  - The institutional theory
  - The signaling theory
  - The resource-based -view
  - The Stakeholder theory

# What makes a good reputation?

Source: Fombrun (1996) Harvard Business School Publishing





## Bromley (2000) describes three levels of information processing

Level	Definition
Primary level	Based upon our personal experience
Secondary level	Based upon what friends or colleagues say about an organization
Tertiary level	Based upon mass media information

## The Reputation Quotient scale (RQ ) Fombrun et al, 2000

- It consists of **six factors** and **twenty items**
- Most of the scale's factors question **the rational appeal of the measure** as opposed to one factor that questions **the emotional appeal** (17 items).
- The factors that revolve around **the rational appeal** evaluate the corporate reputation on **five factors: products and services, financial performance, vision and leadership, workplace environment** and **social and environmental responsibility**
- **The emotional appeal** factor includes the following items:
  - 1- Have a **good feeling** about the company;
  - 2- **Admire and respect** the company;
  - 3- **Trust the company a great deal** (Fombrun et al., 2000).

## 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			

## KMO and Bartlett's Test

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

- 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. we used exploratory factor analysis to examine the dimensionality of underlying latent measures.
- 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.

## Exploratory factor analysis Process

- 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 factor except on the items of Financially Strong Company (i.e., RFSC7). Maybe due to the working of the question it merged into Product and Service Quality component. Table (previous slide) summarizes the results of exploratory factor analysis with varimax rotation

# Rotated component matrix

Items	Component				
	1	2	3	4	5
SER2	0.837				
SER3	0.816				
SER4	0.736				
SER5	0.723				
SER1	0.629				
GE2		0.838			
GE5		0.775			
GE1		0.715			
GE3		0.688			
PSQ5			0.830		
RFSC6			0.818		
PSQ4			0.785		
RFSC2				0.813	
RFSC3				0.802	
RFSC5				0.681	
CO2					0.853
CO1					0.839
CO3					0.668
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Percentage of variance explained: 69.615%					

Test details		Results
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.888
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## Confirmatory factor analysis (Amos 23)

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)

- 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. A measurement model was developed by drawing covariance among each latent construct.
- 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 shows the obtained values and corresponding the recommended values for each of the fit index.

## 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 reliability (CR > 0.7) measures of the latent constructs have been observed to assess the reliability of each construct (Nunnally, 1978). (Table in next slide) shows that both the Cronbach's alpha coefficients and composite reliability values are well above 0.7 for each construct. In addition, the standardized path coefficients of each item are also reported.



# Scale reliability

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

Note: Alpha= Cronbach's alpha, CR= Composite reliability, AVE= Average variance extracted

## Convergent and Discriminant Validity

- In order to assess the convergent and discriminant validity of the scales we followed the criteria proposed by Fornell & Larcker (1981). According to Fornell & Larcker (1981) to achieve convergent validity the average variance extracted (AVE) for each scale should be greater than 0.5. The AVE values for each of the construct is greater than the 0.5, then convergent validity is established.
- For the discriminant validity, the AVE values for each construct should be greater than the shared variance of the other constructs (Fornell & Larcker, 1981). (Table in next slide) (shows that the square root of AVE for each construct is greater than the correlation among other constructs, this established the discriminant validity of the scale.

## Convergent and Discriminant Validity

Latent Constructs	GE	PSQ	RFSC	SER	CO
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>

Note: Diagonal elements are square root of AVE and off-diagonal elements are the correlations among latent constructs