The Impact of Corporate Reputation on Organizational Performance

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Abstract

The empirical study is carried out in Enterprises. The data was collected using a questionnaire distributed among 100 of the employees. The questionnaire is intended to measure the bank's perceived credibility on building and developing the business correlations with the clientele. Regarding the hypothesis’s validation, Multiple Regression Linear statistics were performed using the SPSS software. The research findings revealed a direct interrelation between the independent variables (reputation, image, and culture) and the dependent variable. The higher the organization's importance is, the better its performance.

Keywords: Reputation; Intellectual Capital; Corporate Image; Culture; and Performance.

Introduction

The idea that rivals cannot readily compete with certain firms that have won is one of the most debatable issues [1]. A good reputation can be developed if decisions are well determined, and by that, it is considered to be a piece of particularly competitive advice and a very important asset. Although unsuccessful firms cannot gain anything from those who have received it, they are nevertheless entitled to be engaged in strict ads and other efforts to affect a client's reputation over time. So, the company should work on protecting its image and reputation to maintain
sustainability in the long run [2]. The integrity of corporations and the standard of earnings, "was founded by Basdeo [18] in his report. The scientific proof that a corporate image is positively linked to higher income performance was reported. The findings also demonstrate that the company image promotes superior earnings efficiency and tends to produce greater total profits [3]. The findings were evaluated using the SPSS statistical method. The results suggested that a direct connection existed between the business's credibility and valuation: the greater its reputation, the higher its value will be [4].

Companies with a stronger image have higher pricing labels than firms with a lower image. The image should be used as a measure of consistency. A reward for maintaining the company's good image results from a monetary reward from higher prices [5]. However, administering financial resources to an image is empirically challenging. By taking over 55,000 "Gmail Invitations" listings on eBay, Barbaro [15] aimed to explore the potential prediction of a higher likelihood of a sale and an increased price for good images. Barney [16] major empirical impediment is that it is difficult to evaluate; it is also difficult to distinguish between a company's image and the other indicators that also form transactions. Therefore, Leis was able to disintegrate the deal's price into items that have been linked to the consequences of the photo and those that are irrelevant to the illustration in the following work, "Financial Cost of Reputation: Proof from eBay Aucts of Gmail Invitations [6]."

The study found that companies that increase their reputation have a 5.5% higher probability of sales and a 6.0% increase in the buyer evaluation involved after adjustment to truncation distortions from failing auctions [7]. The study shows that the image cannot be passed globally through various items. Lei concludes that compliance with evidence confirms the theory that the image positively affects both the sales and price of goods. Conversely, highly reputable companies are more likely to sell their goods more quickly than those with less reputation. They can also sell them at a higher price than their less reputable competitors [17].

In this relation with human beings, it is suggested that people with credibility be more desirable than those with a poorer reputation. Benson [19] explores the different dimensions of how a brand's credibility affects its price performance on online markets and concludes that a poor reputation harms a company's image rather than a favorable one [8]. It is recorded that a bad reputation is increasingly growing the market value of companies and, through cooking unearned income and account records, transform good practice from nice to unfavorable in commercial governance in Nigeria; these findings illustrate a big truth. The authors demonstrate a good reputation as a company in their study "Dimensions of reputation in electronic markets" to significantly improve its performance [9].

**Problem Statement**

Recently, many Small Medium Enterprises faced many problems in their financial performance [10]. Thus, this research aims to study the impact of corporate reputation on organizational
performance as a whole [11]. However, the research questions will be addressed: What is the impact of Corporate Reputation on the Organizational Performance of Small Medium Enterprises?

Reputation, Governance and company’ value

One of the major values of a good reputation is that it is not easy for competitors to imitate those enterprises that have acquired it [12]. A good reputation is considered a specific competitive advantage and a very important asset but is also destructible if decisions are not well taken to strengthen it. While competitors cannot obtain it from the ones that have acquired it, they can nevertheless be hired in strict de-marketing activities and other unfavorable attempts to drown the reputation of a company that has acquired for itself over time. So, companies that have this valuable intangible asset should enviously preserve it [13]. Corporate Reputation and Financial Performance” was studied by Bernston [20], which stated that a corporate image is linked in a positive way to higher earnings quality. His results also indicate that corporate reputation helps to organize superior earnings quality and generate higher total sales in Chinese public firms. However, his research was based on the quantitative methodology throughout addressing a sample of 150 respondents in different firms [14]. The results were analyzed using the SPSS statistical tool. The outcomes proposed a direct relationship between reputation and the company; the higher the reputation is, the higher the value of the company will be.

The price label that companies put on their products has been stated to be related to their image. Therefore, companies with a stronger image put higher price labels on their items than those with a lower image. The image is suggested to work as a quality indicator. A reward for keeping a company's good reputation results from a monetary reward derived from higher prices. It is nevertheless empirically challenging to administer financial worth to image. By taking more than 55,000 auctions of “Gmail Invitations” on eBay, Firer [22]'s objective was to examine the hypothetical forecast that sellers with a good image have a higher probability of selling as well as getting a higher transaction price. The major empirical obstacle to which Lei was confronted in his duty is that a company's image is difficult to evaluate and hard to put apart from other indicators that also form transaction results. Therefore, in the following research, “Financial Value of Reputation: Evidence from eBay Auctions of Gmail Invitations,” an authentic benchmark price series was armed by Lei, who was capable of disintegrating the settlement price into elements that are attributed to the impacts of image and those that are not associated to the image. A shred of evidence was found by the study that sellers who enhance their image from the lowest to the next quintile have a 5.5% higher probability of sales and a 6.0% hike in the involved buyer valuation after adjusting for truncation bias from failed auctions [23].

Lei conclude that the image is stated by the study to not be internationally transferable across different items. Lei finds that enforcing evidence affirming the theory that image positively influences both the sale and the price of items. Speaking differently, there is a higher probability that highly reputable enterprises will not only sell their items more quickly than the ones who
enjoy less reputation but can also do so at a higher price than their less reputable competitors. If this is related to human beings, famous persons are more favorable in doing a lot of tasks than those who have less reputation. According to Gotsi [24], another research studies the way various dimensions of the way a company’s reputation impacts its pricing power in electronic markets. It is found that a negative reputation damages the image of a company more than a positive one helps it. It is stated that the way a bad reputation quickly decreases the market value of companies that change the best practice from a friend to an unfriendly one in commercial governance in Nigeria, especially by the mean of cooking of unearned income and accounting books; these outcomes underscore a major truth. In their study “The Dimensions of Reputation in Electronic Markets,” the authors demonstrated a good corporate reputation to considerably enhance a company's performance.

**Corporate Reputation and Investment Performance of companies**

A lot of experimental evidence to which a positive link relates a company public perception and its financial to equity market performance do exist. Paradoxically, the relationship between a company’s reputation and the price of its products and the value of the enterprise, Guthrie (2004) in their study concentrate on the way a firm’s reputation impacts its value stock in the market. In their study entitled Corporate Reputation and Investment Performance: The UK and US Experience”, it is found by the authors that companies that possess a high rank in reputation have a better performance “on a total equity return basis” than the ones that have a low rank on reputation. The study was implemented based on a mixed approach based on a sample of 200 respondents in the UK. The results proposed that the relationship between the company's reputation and its price tends to be positive. The higher the reputation is, the higher the product's price will be, reflecting a higher value of the firm.

Moreover, Kandie [26] find in their study of the link between a company’s reputation and the returns on its shares that exceptional returns are made by investors who buy stocks of companies whose reputation has considerably increased. This results from a message for companies to invest in their reputation to generate a good image of themselves. This study shows that reputation plays a vital role in enhancing the performance of a company. A generated goodwill is a major asset of the company, resulting from prior reputation improved activities. Evidence that internally-generated intangibles such as reputation are added to the research by the findings is part of its stock market value. This evidence is provided on the relative worth of an augmentation in its reputation, which should not continue to be part of companies' financial statements as an intangible asset. This can lead to the following hypotheses:

H1: There is a direct relationship between corporate reputation and performance

**Methodology**

Collecting data throughout using different instruments can be defined as a research methodology.
Research design

Layer One – Philosophies

A theory of research relates to beliefs regarding the nature of the truth under review [29]. It is the meaning behind the essence of knowledge. Study ideologies may vary about the research aims and the appropriate way of achieving such objectives [30]. The choice of research philosophy is defined by the type of information being researched in the research project [31]. This is not necessarily different. In the research process, there are three main philosophies. Ontology—ontology is about truth analysis. This explains the essence of the truth. It discusses what it takes to perform the work and how it impacts culture and the climate. Ontology reveals the distinction between reality and the perception of reality. Throughout fact, it shows you how it impacts people's behavior. The ontological worldview primarily comprises three metaphysical perspectives [21]. These are objectivism, building, and pragmatism. The ontology includes; objectivism and constructivism.

- Objectivism makes you know about a social event and how different people relate to it. This differentiates the effects of different people's social experiences.
- Constructivism assumes that people create social processes; that it is the reverse of objectivism.
- Pragmatism: The ideas used for the treatment of a particular issue.

Compared with others, the latter is quite a new one, and it offers an alternative to epistemology. The most commonly used epistemology is in scientific research, and this is because it helps you find information that you can without doubt prove. Here, after rigorous testing, you must define acceptable knowledge about your research and give information about results. Philosophic perspectives within epistemology include positivism, logical realism, and interpretivism. Axiology–Axiology helps you understand how your work's compilation and interpretation reflect your values and opinions. The effect of people's opinions on data selection and insights was recognized by [32]. It helps you understand that the opinion of people matches a lot during a study.

The research will implement the ontology approach throughout practicing the quantitative methodology and through using the survey

Layer Two – Approaches

The two words used in the second layer of the analysis onion are deductive and inductive. It is important to understand the research aim and its limitations in the previous onion layer. The deductive approach builds on a theoretical assumption and then formulates a research approach for testing it [32].

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The deductive approach

The deductive method can be seen as especially appropriate to optimistic methods, which provide an acceptable level of likelihood to be developed hypothesis and statistically checked for expected results.

Inductive Approach

The inductive approach allows you to create rather than take a theory as an inductive approach. In both approaches, this clearly describes the difference. The inductive method is characterized as a step from one to the other. No structure first guides the collection of data, so the study's aim can be defined after the data is collected [33]. The deductive approach will be used in the research since it will rely on previous theories to validate the research hypotheses.

Layer Three: Research Strategy

The research strategy outlines how the scientist plans to do the job [25]. The technique may cover various strategies, including trial, intervention, case studies, interviews, surveys, or systematic literature reviews.

Experimental

Experimental research relates to the study technique to analyze the effects of an experiment against the expected findings. It can be used in all research fields and usually considers a relatively small number of factors [34].

Survey

Research onion survey strategy is frequently linked to a deductive approach. The study technique is one of the best and most competitive. This method allows you to collect rich and reliable data. The polls also include interviewing many of the population in quantitative research programs [34].

Case Study

The survey technique for onions analysis is often related to a deductive method. One of the best and efficient is the research technology. You can collect rich and reliable data with this tool. The surveys also include interviews in quantitative research programs with a large part of the population.
Action research

This type of research is popular in education or nursing, where practices may examine ways to improve their commitment to their specialty's discipline and knowledge. The main aim of this approach is to find a solution to a certain problem. However, the research will implement the survey since I will distribute the questionnaire over a defined number of respondents for data collection, and then the data will be analyzed using the SPSS statistical tool.

Layer Four: Choices

This is the fourth layer of the research study and is also known as the choice of research. This layer will help you know whether quantitative and qualitative methodologies should be combined or if it is only possible to use one method. There are three described choices in the investigative onion, including the choice or approach of the research method mono, mixed and multi-method.

Mono method

You have to gather one type of information when using this method based on either quantitative or qualitative methods. You can't bring the two together.

Mixed method

This method allows one to combine quantitative and qualitative methodologies to create a precise dataset in research. The mixed-methods combine methods to create a single dataset, while multiple methods are used to divide the research into segments, each with its particular dataset. However, since the research will implement the survey, the research will rely on the mono method since only one methodology will be implemented.

Layer five: Time horizons

The time frame specifies the time needed for the project research to be done. Where time horizons in study onion are specified: cross-sectional horizons and longitudinal horizons.

Cross-Sectional

The timeline shows the period required to conduct the project study. Where horizons are specified in study onion: transverse horizons and longitudinal horizons.
**Longitudinal**

A longitudinal time frame is used for data collection, where a significant factor for analysis is the examination of changes over time. Data collection is regularly important over a long period. The longitudinal horizon will be practiced in the research since it will follow up with the respondents for data collection.

**Layer Six: Techniques and procedures**

This is the sixth and last stage of the study cycle. The process contributes substantially to the study's overall reliability and validity in this research [27]. Data are compiled and analyzed using an analytical methodology [28]. The framework explains how data used for analysis are obtained and analyzed. It also provides information on the data source, study structure, sample size, sample fairness, sample shortcomings, reliability, and validity. The data collected may be primary or secondary. The key information is pure data, which is obtained directly from the source. Secondary data is indirect information, as opposed to primary data. Primary data is classified as a source or hand-held data. You can do so through multiple questionnaires of instruments, oral or written interviews. Secondary evidence is extracted from the research or perspectives of the scientific literature of the others. Both types of data will be practiced through research [35]. The first is to distribute a questionnaire, and the second by addressing previous studies in the Literature Review [36].

**Variables and Hypotheses Development**

The following section will address the variables used in the research and the development of the hypotheses.

- **Dependent Variables: Performance**
- **Independent Variables: Culture, Corporate Reputation, Image**

H10: There is no relationship between culture and performance  
H11: There is a relationship between culture and performance  
H20: There is no relationship between corporate reputation and performance  
H21: There is a relationship between corporate reputation and performance  
H30: There is no relationship between image and performance  
H31: There is a relationship between image and performance

**Ethical Considerations**

The implementation of research ethics was commonly carried out to ensure the findings are valid and accurate since primary research engages in the research. The ethical research values used include informed consent, anonymity, and confidentiality. Knowledge demands that primary
research subjects be given consent that supports the research goals and encourages prospective participants to determine whether or not to engage in primary research. Regarding confidentiality, the primary research respondents' specifics are not included and are not related to primary research outcomes. Nevertheless, those who believe in the study do not share the analysis results with regards to secrecy.

**Sampling and Population**

To study the effect of culture and company reputation on the firm's performance, the quantitative approach was used, and 150 respondents from different accounting and auditing companies were sent a questionnaire, as shown in table 1.

**Inferential Statistics**

<table>
<thead>
<tr>
<th>Table 1. KMO and Bartlett's Test</th>
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<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
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<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
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<tr>
<td>Bartlett's Test of Sphericity</td>
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<td>.715</td>
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As indicated, the KMO coefficient is greater than 0.6. We can conclude that the sample size condition is validated. On the other hand, Bartlett’s test with a P value < 0.05 indicates that the different variables' correlation matrix is an identity matrix. From this perspective, we can conclude that the instrument is statistically dependable for further statistical analysis, as shown in table 2.

<table>
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<tr>
<th>Table 2. Factor Analysis</th>
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<tbody>
<tr>
<td>Factors</td>
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<tr>
<td>Factor1: Corporate Image</td>
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<tr>
<td>Factor2: Corporate Culture</td>
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<tr>
<td>Factor3: Corporate Reputation</td>
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<tr>
<td>Factor 4: Company Financial Performance</td>
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The results are shown in the above table. For all the factors, the Cronbach’s alpha coefficients are greater than 0.6; accordingly, we can conclude that the scale reliability is validated.

**Hypotheses Validation**

After proving the validity and reliability of the questionnaire multi-attributes scale, we assessed each of the suggested hypotheses by relying on correlation and regressions analysis to draw correlations among the independent and dependent variables under consideration, as shown in
Discussion of the Findings

This section of the research will address the validation of the hypotheses and discuss the findings based on the respondents' data and based on the statistical analysis practiced. Concerning statistical testing and the analytical literature and hypotheses, the findings demonstrate that there is a strong correlation between reputation and corporate performance, that means the acceptance of the "reputation is positive for corporate performance" alternative hypothesis and the failure to accept the null hypothesis, "There are null hypotheses". The statistical analysis showed a P-value of less than 5%, with recent studies showing that companies with a good reputation tend to perform better than companies with a bad reputation.

On the other hand, the results showed the positive correlation between image and corporate performance, which means accepting the alternative hypothesis that "corporate image is positively interrelated with corporate performance" and that the null hypothesis is not acceptable. The higher the level of employee qualifications, the higher the productivity reflects better financial performance, the more important is intellectual capital to measure corporate performance. Finally, the research results show a positive correlation between the organization's culture and performance. Since the statistical results show a P-value lower than 5 percent, the research's above variables show a positive correlation. Thus, the better the culture, the greater the organization's financial performance. This section will address the conclusion by providing a general summary of the literature findings and the research findings.
Theoretical Contribution

The research addressed the phenomenon of reputation and its impact on the organization's performance, taking into consideration several variables. Previous research proved that corporate reputation impacts financial performance; the findings revealed a positive correlation among the mentioned variables. Companies that tend to have a good reputation tend to have higher performance than organizations that don’t. The research had been conducted in the MENA region, and the results had been tested using the descriptive analysis to validate the hypotheses. Other researches proved that there is a positive correlation between CSR activities and corporate performance. CSR activities had been defined as practices done by the organization to benefit the organization's community. At last, studies proved that there is a direct correlation between intellectual capital and corporate performance. The better the intellectual capital is managed, and the higher the organization's performance will be.

Practical Implication

The research findings proved that the hypothesis states a direct correlation between reputation, intellectual capital, corporate social responsibility, and financial performance. The higher these practices are implemented in the organization, the higher the performance will be and maintain financial sustainability in the long term. Furthermore, the research addressed two case studies and worldwide, and both studies proved a direct correlation between corporate reputation and corporate performance. It is highly recommended to implement a further study based on new research variables to study corporate reputation's impact on corporate performance considering new variables. It is also highly recommended to address many respondents to get accurate results and validate the research hypotheses. Finally, it is recommended to implement a specific case study on a bank or organization with many branches to address in brief the impact of corporate social responsibility practices and its impact on corporate performance. This will add value to the research.

Study Limitations and Future Research

- Some respondents refused to answer the questionnaires to maintain confidentiality in the workplace, and some respondents did not have the time to answer.
- The research addressed only one case study
- There are many variables which are not addressed briefly
- The number of respondents is considered low because of lack of time
- The research is considered very wide.
- Only one methodology was practiced in the research

Research Contribution
The research focused on the importance of reputation and its impact on the organization's financial performance.

The research showed that many variables impact reputation, including the corporate image and organizational culture, adding on them the corporate social responsibility practices implemented in society.

The research findings complied with the empirical literature findings reflecting a healthy correlation among variables of the research.

Address Several Variables
Take into consideration more case studies
Practice both methodologies to study the point of view of managers and experts.

References


