



TECHNIUM
SOCIAL SCIENCES JOURNAL

Vol. 37, 2022

**A new decade
for social changes**

www.techniumscience.com

ISSN 2668-7798



9 772668 779000

Culture and bank reputation

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Abstract. The study examines and analyzes the relationship between culture and reputation in the banking industry in Indonesia. To attain this destination, we utilize the employees working in the banks as the sample by snowball sampling. As a result, this research can get 435 responses based on the survey conducted in November 2021. Furthermore, these obtained responses are analyzed by a structural equation model based on variance or partial least squares to examine the proposed hypothesis. Based on this model, this study demonstrates that indicators of bank reputation and all dimensions of culture: mission, adaptability, clan, and bureaucracy, and their items are accurate and reliable based on confirmatory factor analysis and reliability detection. Based on the hypothesis testing, this study reveals a positive tendency of bank culture on reputation.

Keywords. adaptability, bureaucracy, clan, culture, mission, reputation, banking industry

Introduction

Reputation is a precious [1] and intangible asset for a company [2]. With this asset, the company becomes more difficult to imitate and superior in the industry [1]. Building this reputation needs a long time [3]. Furthermore, to realize this situation, customers must trust the company [4]. Trust cannot be separated from banks because of their primary foundation in collecting money. Hence, they must keep it in front of the public [5], especially for the liquidity matter [6].

Besides attracting depositors, a bank needs to focus on lending activity because of its intermediary function [7]. Moreover, to face market competition, a bank with a respectable reputation can provide loans to borrowers with a lower interest rate and commitment fee. Of course, these ways may be costly because of reducing profit. On the other side, by lowering them, this bank will not lose numerous borrowers to be served [8]. Broadly, a reputation bank combines competency, integrity, and dependability to assist the stakeholders [9]. Consequently, a bank with a reputation becomes the focus for employee candidates working and the competitors for benchmarking the ability to result in profits [10].

By mentioning previous studies, the reputation used is measured based on the rating from the Fortune most admired companies in the power, transportation, shopping, raw materials, pharmaceutical, electronic, printing/publisher industries [11], the perception of the employees from hospitals [12], dairy unions [13], manufacturing companies [14]. Although bank

reputation-related studies exist, culture as the determinant is infrequently investigated: Only Gabbi, Pianorsi, and Soana [15] detect this association. Another investigation proves that the bank's reputation is affected by leadership, satisfaction, and trust [16]. Others verify that it is influenced by customer care, special offer, integrity [17], reliability, and financial strength [16], [17]. Therefore, this research aims to enrich the relationship between culture and reputation based on the perception of employees working in commercial banks in Indonesia.

Literature review and hypothesis development

According to Hofstede [18], culture is the collective thinking that can create differences among the members of one group from others. Meanwhile, Shahzad, Luqman, Khan, and Shabbir [19] explain that culture has a meaning, explanation, value, trust, communication, and behavior in enormous groups that can be transferred through people at the same time and place. According to Weigelt and Camerer [20], culture can reinforce the unspoken contract system in a firm. Moreover, the firm's owners set this contract with the employees to realize the strategies and targeted performance; therefore, the firm reputation can be attained.

In this study, we adopt the culture based on four dimensions by referring to Chang and Lee [21], i.e., mission, adaptability, clan, and bureaucracy. Through the mission, the company is equipped with well-defined objectives and goals, where the employees can quickly complete the tasks by following the procedures. If they already achieve it well, the company rewards them. Adaptive culture is related to how the company strategically focuses on filling the customers' needs. The company can involve its employees in clan culture to work efficiently, responsibly, and committedly. With bureaucratic culture, the company must provide the procedure to be obeyed by its employees to work efficiently.

After checking the data of 104 companies from seven industries in the United States: power, transportation, shopping, raw materials, pharmaceutical, electronic, printing/publisher, Through their correlational research on employees working in 168 private hospitals in Istanbul, Isci et al. [12] utilize three cultural dimensions: (1) transparency, (2) participation and vision, and (3) innovation to be associated with hospital reputation. They successfully prove that each of them positively correlates with this reputation. When researching the effect of cultural risk on the banking reputation, Gabbi et al. [15] verify that the reputational loss is due to poor culture. Besides, the investigation of Almeida and Coelho [13], with 473 employees in the most prominent dairy union in Iberia, demonstrates a positive relationship between culture and company reputation. Also, this sign is confirmed by Choiriah et al. [14], after investigating 178 employees of manufacturing companies in Jakarta, Bogor, Bekasi, Tangerang, and Kerawang. Supported by this evidence, this study formulates the first hypothesis as follows.

H₁: Bank culture positively affects bank reputation.

Additionally, by denoting the first hypothesis in this section, the research model can be seen in the first figure.

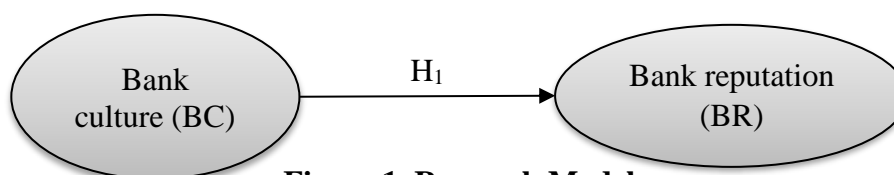


Figure 1. Research Model

Research Method

This study has two variables. The first is bank culture, which the measurement denotes the organizational culture in the study of Chang and Lee [21]. According to them, it has four dimensions: clan, mission, adaptability, and bureaucracy (see Table 1 for their indicators). In this study, bank culture becomes an independent variable.

Table 1. Four dimensions for bank culture and their indicators

Dimension	Total indicators	The description of the indicator
Mission	2	The bank I work for has highly comprehensible power to enhance operating performance based on planned activities (M1). My co-workers in the bank and I focus on how to improve their performance (M2).
Adaptability	2	My bank co-workers and I have a spirit to innovate and like the challenges (A1). The bank I work for focuses on research and development to create something new in the market (A2).
Clan	3	The bank I work highlights humanity and respect for every member, as a large family does (CL1). The bank I work emphasizes people development, shares kindness with employees, and encourages teamwork (CL2). The coherent power of the bank I work with lies in employee loyalty and devotion, and teamwork (CL3).
Bureaucracy	2	The bank I work for is well-regulated, and my co-worker and I follow the established rules for daily responsibility (B1). The bank I work at has the power to elevate the working unity based on codes, policies, and preservation of right managerial actions (B2).

The second is bank reputation. This measurement refers to Keh and Xi [22] and Ruiz et al. [16] with three indicators (see Table 2), and this reputation becomes the dependent variable.

Table 2. The indicators of bank reputation

Code	Indicators
BR1	The competitors highly respect the bank I work.
BR2	The bank I work for is more successful than the competitor.
BR3	The bank I work for is more developed than the competitor.

The population is employees working in the banks in Jakarta. Because of its unidentified number, this study employs the rule of theory testing required by the structural equation model based on covariance. At least 200 employees exist as the sample [23]. Moreover, to get them, this study employs the qualitative sampling method: snowball sampling based on the excellent relationship, as Pandjaitan, MS, & Hadianto [24] utilize.

This research utilizes the survey to take the data from employees. According to Hartono [25], with this method, the researcher distributed the questionnaire with closed questions on the attitude Likert scale from one to five to implement it. Fortunately, the response size can exceed

200, i.e., 435 employees. Furthermore, they become the samples. By denoting Sholihin and Ratmono [26], because this number is higher than 250, it can upsurge the accuracy and consistency of the estimation of the variance-based structural equation model. Thus, this model is used to analyze the data. Moreover, this model can be seen in the first equation.

$$BR = \gamma_1 BC + \zeta_1 \text{ (Equation 1)}$$

Because of the item used, the validity and reliability need to be checked. The confirmatory factor analysis is employed to examine validity based on the loading factor and average variance extracted (AVE). For the loading factor and AVE, the suggested value for the valid answer is higher than 0.7 and 0.5, respectively [23]. Meanwhile, Cronbach alpha and the composite reliability coefficients are utilized to check the reliability of the respondent's answer. If these values are higher than 0.7, respondents' answers are valid and reliable, respectively [26].

Before testing the hypothesis, the model must be assessed based on f-square, R-square, and Q-square by comparing them with the benchmarking value, as Ghozali [23] describes.

- If R-square is around 0.67, 0.33, and 0.19, the contribution of the explanatory variable is high, moderate, and low.
- If the f-square is around 0.35, 0.15, and 0.02, the predictor has a strong, medium, and weak effect.
- If the Q-square is above 0, the predictive relevance of the model exists.

Result and discussion

This survey happened in November 2021 and could get 435 employees from commercial banks in Jakarta. Moreover, they were grouped by gender and age, tenure, and book-based bank status, and their result is available in Table 3.

Table 3. The demographic and job feature of employees joining this survey

Feature	Sub-Feature	Description	Total	Percentage
Demographic Feature	Gender	Male	279	64.14
		Female	156	35.86
		Total	435	100
	Age	Under 30 years old	6	1.38
		Between 30 and 40 years old	199	45.75
		Between 40 and 50 years old	43	9.89
		Above 50 years old	187	42.99
Total	435	100		
Job Feature	Tenure	Above 5 to 10 years	27	6.21
		Above 10 to 15 years	207	47.59
		Above 15 years	201	46.21
		Total	435	100.
	Bank Status*)	Book 1 (Core capital less than IDR1 trillion).	6	1.38

Table 3. The demographic and job feature of employees joining this survey

Feature	Sub-Feature	Description	Total	Percentage
		Book 2 (Core capital between IDR1 and 5 trillion)	3	0.69
		Book 3 (Core capital between IDR5 and 30 trillion)	53	12.18
		Book 4 (Core capital above IDR30 trillion)	373	85.75
		Total	435	100

*) Bank Indonesia Regulation No. 14/26/PBI/2012

Table 4 presents the validity testing result, reflected by the loading factor and average variance extracted for research variables employed. For bank culture, the loading factor of M1, M2, A1, A2, C1, C2, C3, B1, B2, and B2 as the indicator is 0.932, 0.935, 0.997, 0.997, 0.821, 0.909, 0.881, 0.898, and 0.897. These values exceed 0.70; hence, the answer of respondents is accurate. Similarly, the loading factor for the dimension of mission, adaptability, clan, and bureaucracy is higher than 0.7: 0.853, 0.899, 0.946, and 0.928. Thus, the dimensions of bank reputation are valid. The AVE for bank culture for each dimension confirms the valid situation, shown by the higher value than 0.5: 0.872, 0.993, 0.759, 0.700, and 0.806. The respondents' answer is also reliable, as demonstrated by Cronbach Alpha for the dimensions and bank culture higher than 0.7: 0.853, 0.993, 0.840, 0.946, and 0.759. This situation is supported by composite reliability above 0.7: 0.932, 0.997, 0.904, 0.954, and 0.892.

For bank reputation, the loading factor of BR1, BR2, and BR3 as the indicator is 0.905, 0.928, and 0.903. These values exceed 0.70; hence, the answer of respondents is accurate. The AVE confirms the valid situation, shown by the higher value than 0.5: 0.832. The respondents' response is also reliable, as demonstrated by Cronbach Alpha for bank reputation higher than 0.7: 0.899. This situation is supported by composite reliability above 0.7: 0.937.

Table 4. Loading factor, average variance extracted, Cronbach Alpha, composite reliability results

Indicator/ Dimension	Loading factor					
	Mission	Adaptability	Clan	Bureaucracy	Bank Culture	Bank Reputation
M1	0.932					
M2	0.935					
A1		0.997				
A2		0.997				
C1			0.821			
C2			0.909			
C3			0.881			
B1				0.898		
B2				0.897		
Mission					0.853	
Adaptability					0.899	
Clan					0.946	

Table 4. Loading factor, average variance extracted, Cronbach Alpha, composite reliability results

Indicator/ Dimension	Loading factor					
	Mission	Adaptability	Clan	Bureaucracy	Bank Culture	Bank Reputation
Bureaucracy					0.928	
BR1						0.905
BR2						0.928
BR3						0.903
AVE	0.872	0.993	0.759	0.700	0.806	0.832
Cronbach Alpha	0.853	0.993	0.84	0.946	0.759	0.899
Composite reliability	0.932	0.997	0.904	0.954	0.892	0.937

Source: Modified Output of Smart PLS

The model assessment based on an R-squared, f-square, and Q-square can be seen in Table 5. This R-square is near 0.33; thus, bank culture's contribution to explaining the bank reputation variance is moderate. By denoting an f-square of 0.560, above 0.35, the bank culture strongly affects the bank's reputation. Meanwhile, the Q-square of 0.295, exceeding 0, proves the model has predictive relevancy. Besides, Table 6 presents the probability of the t-statistic of 0.000 for testing the hypothesis proposed. Because this value is below 5%, this proposed statement is accepted: a positive impact of bank culture on bank reputation exists.

Table 6. The result of the model estimation: The effect of bank culture on bank reputation

Causal Association	Original Sample (O)	Standard Deviation (STDEV)	t-statistic (O/STDEV)	Probability
BC → BR	0.599	0.035	17.239	0.000
R-square	0.359			
f-square	0.560			
Q-square	0.295			

Source: Modified Output of Smart PLS

This study reveals a positive effect of bank culture on bank reputation. It means the position in public will be achieved if the bank can socialize its mission to elevate the performance of the employees. Besides, the bank can create a culture motivating the employees to be creative in facing challenges through research and development through adaptive culture to meet the consumer demand and generate a family atmosphere and solid teamwork in the workplace via clan culture. Besides, the bank needs to build a system to organize the job in harmony and unity. Therefore, this study supports Isci et al. [12], Gabbi et al. [15], Almeida and Coelho [13], and Choiriah et al. [14], demonstrating the better the culture in the workplace, the better the organizational reputation.

Practically, to realize a mission-based culture, the bank needs to reward its employees having the achievement financially by giving bonuses, for example. Non-financially, it can promote employees with performance to a higher position. Furthermore, to implement the adaptive culture, the bank should meet the demand of its primary customers, i.e., depositors and

lenders, by offering deposit accounts and loans with particular interest to compete with its rivals in the marketplace. Moreover, to implement clan culture, the bank can create a friendly working atmosphere by growing unity in work by visiting tourist attractions. Additionally, to apply bureaucratic culture, the bank must make documented standard operating procedures and instructions to ease the employees' quick follow. Therefore, they can work efficiently and effectively. Following the management of quality-associated International Organization for Standardization (ISO) certification for the bank is the best choice to implement this culture.

Conclusion

Through the proposed hypothesis, this study intends to verify and analyze the association between culture and reputation in the banking industry. The responses to be analyzed come from 435 employees working in the banks in Jakarta, obtained by an online survey. Based on their valid and reliable perception and the variance-based structural equation model, we deduce that culture positively influences bank reputation.

As a restriction, this study only uses one determinant of bank reputation, i.e., culture. Meanwhile, affecting factors are numerous. Hence, the subsequent scholars can combine the culture with the others, such as leadership, satisfaction, trust, customer care, special offer, integrity, reliability, and financial strength, in their research model. Another constraint is the place where the research is executed: Jakarta. Based on this issue, this study recommends that the next scholars utilize the big five cities, including Jakarta, such as Surabaya, Medan, Bandung, and Semarang, to reach the respondents to be the samples through the online survey.

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