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THE IMPACT OF CORPORATE REPUTATION ON
CUSTOMERS' BEHAVIOR IN ROMANIAN SERVICE
INDUSTRY

SUMMARY

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Corporate reputation has turned into an important topic on business agenda of the international management community. In a broad approach, reputation can be viewed as an intangible asset that contributes to a high extent to the success of any organization, whether commercial or non-profit. In a competitive market landscape, the ability of a company to be recognized and held in high regards by stakeholders represents an essential condition for its sustainable economic development.

Although the positive influence of holding a good corporate reputation is widely appreciated and discussed in the existing body of literature, there is currently no consensus on what is the best approach to manage it. Moreover, the challenges faced by both academic and business community to fully capture the complex significance of this concept in such a way to truly guide the decision-making process led to a fragmentation of the research efforts carried out over time. As a consequence, various theoretical approaches have been developed with the purpose of evaluating the corporate reputation, however, most of the time, these measuring instruments lack the practical applicability in interpreting the results.

The increasing attention oriented towards this concept is also reflected by the growing concern shown by practitioners in ranking the companies based on their perceived corporate reputation. An overview of the main directions of research in this area of interest has highlighted the fact that many measuring instruments have focused, in particular, on studying the reputation from a general perspective of all stakeholders. This approach is in line with the theoretical perspective that corporate reputation reflects a situational construct that needs to be interpreted by taking into consideration cultural-specific contexts and different expectations of stakeholders regarding the future behavior of the organization in the market environment. Thus, the perceived corporate reputation can vary depending on a series of factors, such as the needs and personal interests of the person making the assessment, his social or economic situation, and also the nature of the business relationship established with the firm. All these elements influence the way the overall evaluation process is taking place, based on a distinct set of criteria.

More recently, companies' attention has been gradually moved towards a distinct investigation of each stakeholder group. This shift signals a fundamental change in the company strategy by choosing to evaluate how they are perceived in the market context taking into consideration various stakeholders, leading to the development of customer-based corporate reputation scales. Given the pivotal role of customers in ensuring the long-term economic and financial success of any company, more and more organizations seem to be no longer interested in obtaining an overall assessment, but to explore these perceptions from customers' exclusive point of view.

The challenge of this research is to develop an in-depth understanding of how customers describe the perceived reputation of a given company. Thus, it becomes important to identify the dimensions that underpin the development of corporate reputation in Romania's market context, as well as to evaluate the relationship established between them.

Under these considerations, the purpose of present paper is to determine the impact that corporate reputation has on customer's behavior in the service sector in Romania. The approach formulated in this research work answers the call for a change in paradigm and to differentiate corporate reputation based on various stakeholders and industry-specific contexts.

In order to seize the complex nature of the concept of corporate reputation and provide a better understanding of the service industry in Romania, two major research directions have been designed. The first one aimed to build a corporate reputation measurement scale, adapted to local service market, while the second one aimed to assess the impact that reputation has on altering the normal customer behavior.

Taking into consideration the fact that the purpose of the research was also to provide a practical interpretation to the findings obtained, the customer behavior was deconstructed into four major dimensions that captured both behavioral loyalty and attitudinal loyalty towards the company. Thus, the linkage between the corporate reputation and customer behavior has been

studied in terms of loyalty, namely the intention of customers to continue to purchase the products and services offered by a company, in terms of their availability to recommend it to friends and other people, in terms of their intention to pay a premium price or to extend the business relations by adopting the new products and/ or services brought by the company to the market.

Taking into consideration these academic evidences, the following research objectives were developed:

- Identify the dimensions that customers of a given company in the service industry take into considerations when they evaluate the corporate reputation;
- Evaluate the connection between the identified dimensions of corporate reputation;
- Determine the extent to which corporate reputation influences customer loyalty towards the company;
- Determine the extent to which corporate reputation influences customer availability to recommend a company;
- Determine the extent to which corporate reputation influences the availability of customers to purchase the new products and services offered by the company;
- Determine the extent to which corporate reputation influences customers' willingness to pay a higher price for the products and services provided by the company.

In order to reach the objectives set up in this study, the research design was structured around three major sections. The aim of the first part was to clarify and define the theoretical framework that surrounds the concept of corporate reputation. In the past years, the development of an in-depth understanding of the notion of reputation has been a key point of the research efforts of many practitioners. The interest towards this corporate concept has become increasingly important and has led to a fragmentation of the meaning of the term. Thus, corporate reputation has been approached from a multidisciplinary perspective, representing a wide range of academic disciplines such as economics, strategic management, sociology, organizational behavior, accountancy or marketing.

Another important action undertaken in this research was to clarify what corporate reputation truly means and to close the confusion gap generated by using the same concept, with various interpretation, depending on a particular discipline of study. Although it may be noted that increased attention is moved to fully capturing the meaning of corporate reputation as distinct concept from image or identity, a number of divergent approaches and theoretical perspectives continued to be presented in the literature. The lack of agreement in defining the elements that describe the reputation has been considered as a source of ambiguity or confusion that makes it difficult to articulate a coherent management strategy. The conclusion we arrived at was that the various corporate-level concepts should not be considered as synonym or equal terms with corporate reputation, yet it is acknowledged the interdependence relationship established between them. In this sense, an ample discussion has been developed about the key differences between corporate reputation, image and identity. To further support the discussion, an analysis framework was proposed. The building blocks of this framework consisted of five arguments explaining the relationship between these concepts. These elements have been identified as being the temporal nature, the defining attributes, the multiple stakeholders, the formation process, and the perceived level of control over time.

Another line of analysis considered was to review the various scales or instruments built to measure the corporate reputation from a general perspective or from a customer exclusively point of view. A series of major theoretical approaches relevant to the purpose of the scientific approach were evaluated.

The first approach, which was also the most frequently used by practitioners, is based on the social expectations of stakeholders regarding the various aspects that define the behavior of firms in the competitive market landscape. Measurement scales based on social expectations are used to compare the performance of a company to the results achieved by its peers.

According to this theoretical perspective, companies that are able to meet the expectations of different stakeholder groups they interact with are better positioned to develop solid business relations.

The second group of measurement instruments describe companies by making use of corporate personality attributes. The use of corporate personality attributes to refer to companies corresponds to the hypothesis that people tend to personify objects around them, assigning human traits. This theoretical view allows the researchers to evaluate the corporate reputation from both an internal (identity-based perception) and external (image-based perception) perspective.

The third approach is based on the concept of trust and corresponds to the theoretical view that reputation is often associated with the company's perceived level of credibility in the competitive environment. According to this perspective, trust reflects the probability assigned by individuals that a company will voluntarily adopt an explicit market behavior that will bring benefits to both sides.

The fourth group of measuring instruments which is relevant for the purpose of this paper consisted of evaluating the reputation based on its antecedents and consequences. The idea formulated by this line of thinking is that the mechanism by which reputation influences the way the company is perceived in the marketplace relies based on the overall relationship developed with various stakeholders.

Another method to measure corporate reputation was to integrate different conceptual approaches, already existing in the literature, in a new theoretical view. Such a perspective combines the theory of corporate personality attributes with specific elements based on social expectations in the development of the reputation measurement scale.

An interesting approach that aims to evaluate corporate reputation is represented by those instruments which are built from the perspective of one stakeholder group only, which is distinct from investors or financial analysts, but equally relevant to the success of any company, namely, the customers.

In our opinion, the process of developing a measurement scale should be based on a correct assessment of the main issues faced by practitioners in their attempt to evaluate the corporate reputation. Thus, a set of six key issues were discussed in order to theoretically and practically ground the measurement scale development.

In the evaluation process, a particular attention must be given to each category of issues identified. Taking into consideration that a correct approach to the development of the measurement instrument is based on a clear definition of the conceptual background, the definition of corporate reputation adopted in this paper stresses that it represents a stakeholder specific set of subjective evaluations, built over time, whether favorable or not, of a firm's ability to create value relative to competitors. Thus, corporate reputation has been conceptualized as a key intangible asset through which enable companies to create value and can differentiate themselves from other players. At the same time, this definition addresses the concept of corporate reputation by taking into account the existence of distinct expectations of various stakeholders regarding the future behavior of the company in the marketplace. The argument used to justify the need to recognize the role of different stakeholders that gravitate around any company is that a research approach that does not consider different criteria in evaluating the reputation can only partially seize the complex meaning of the concept.

Moreover, drawing on the resource-base theory, the reputation measurement scale was developed using a reflective approach. The rationale behind this decision was that the mere intention to consider the possibility of being able to completely observe an intangible asset erodes its ability to set an imitation barrier for all other players operating in the market place.

In addition, corporate reputation has been operationalized as higher-order construct that exerts an influence on all dimensions through which it is described. The rationale of building the measurement scale in a multi-dimensional approach was based on the fact that when individual scores are summed to obtain a total score, the measurement error tends to

decrease. Taking into account that the exploration of psychological and perceptual features (such as corporate reputation) can not be achieved by using a one-dimensional scale because it does not completely capture their complexity, multi-dimensional measurements contribute to reducing these difficulties and simplifying the research efforts.

Apart from clarifying the methodological aspects on which the development of the measurement scale was based, another key aspect was to consider the stages through which corporate reputation was conceptualized and operationalized. In this regard, three of the most frequently cited procedures in the field of development of a multi-dimensional measurement scale have been reviewed. A close examination of the steps outlined in each of these approaches highlighted the fact that there is a relatively limited number of differences regarding the process of developing a measuring scale. Therefore, it is necessary to underline the fact that these differences mainly consist in using slightly different labels for the proposed stages, however the overall approach can be considered as being similar.

Thus, in order to ensure an ease in interpretation and practical application of the three procedures identified in the existing body of literature, these were summarized in a simplified approach. The development process followed in the building the measuring process consisted of three major phases and several specific steps in which different techniques and / or statistical methods were used to meet the objectives set.

The first phase involved a preliminary step in the preparation of the research, but with a salient importance to the overall measurement efforts. This stage consisted of the following specific steps: providing a clear and complete definition of the investigated phenomenon, identifying the nature of the manifest variables and the dimensionality of the reputation construct, generating the final list of attributes and obtaining the content validity by confirming the list through discussions with experts in field of corporate reputation management.

The scope of the second and third phases was to develop, purify and determine the final structure of the measuring instrument. An important element considered in these stages was the quantitative exploratory analysis used to validate the dimensional structure of the reputation construct and the quantitative confirmatory analysis through which the psychometric properties of the measuring instrument were tested. In other words, the objectives set for the quantitative research aimed at assessing the reliability and validity level of the outer measurement model, as well as testing the intensity of structural relationship between corporate reputation and its various dimensions, on one hand, and the impact of reputation on customer behavior, on the other hand.

The research methodology designed to investigate the impact of corporate reputation on customer behavior was therefore developed around the three phases outlined above. The first step involved was to establish the theoretical framework of the research by defining the concept of corporate reputation. At this stage, various measurement instruments proposed in the literature were reviewed with the purpose of generating an extensive and complete list of attributes through which the corporate reputation has been described over time.

The second stage of the research plan consisted in conducting a qualitative study in the form of 10 in-depth discussions with individuals who are currently owning a banking and a mobile phone service. The main goal of the qualitative exploration was to supplement the list of attributes by identifying specific aspects that could describe the Romanian service industry. Other objectives taken into consideration were to purify and reduce the number of attributes, to adapt the reputation statements in terms of the significance perceived by participants, respectively to validate, from a qualitative perspective, the dimensions describing the abstract notion of corporate reputation. To achieve the objectives proposed in this exploratory stage of the research, a series of projective techniques, such as word association and third person method, were employed.

As far as the quantitative stage is concerned, it was conducted in the form of a study projected in two research waves. The first wave of research aimed to identify the reputation dimensions adapted to the Romanian service context. This objective was achieved by running

both an exploratory factor analysis in SPSS (version 20) and a confirmatory factor analysis in SmartPLS (version 3).

Following the purification, calibration and improvement of the measurement scale, a second wave of the quantitative research was carried out. The objective proposed for the final phase of the study was to confirm the dimensional stability of the measurement scale. Once the results confirmed the validation of the measurement model, the impact of corporate reputation on customer behavior was tested as well. This objective was achieved by applying a new confirmatory factor analysis by modeling the structural equations in SmartPLS.

An important methodological aspect of the quantitative research was that participants to the study were invited to assess the main banking and mobile phone provider. Thus, each participant to the survey rated one supplier in the banking industry and one supplier of mobile phone services.

In what regards the data collection process, the respondents were selected on the basis of two criteria: availability and accessibility. The recruitment of the respondents was made from the author's personal and business network. While the participants to the qualitative study were selected using a recruitment guide, in the quantitative study, in both waves, the questionnaire was programmed online and distributed to the respondents using a link.

Starting from the hypothesis that the perceptions of corporate reputation may vary between different stakeholders, depending on their various interests and expectations with respect to an organization, the first issue addressed in qualitative research was to explore how customers defined this concept.

A first conclusion we arrived at was that the participants to the qualitative study could not provide a detailed definition of corporate reputation. However, they did not face any difficulty in describing the notion of reputation either by using the elements that determine it, or by referring to its contribution to the decision-making process. Another important observation that emerged from the content analysis of the qualitative statements was that reputation could be viewed as an indicator of the notoriety of a company in its field of activity.

At the same time, the results of the qualitative research have confirmed almost entirely the reputation model built upon the review of existing literature. Most of the spontaneous answers had been associated to one of the 9 reputation dimensions initially hypothesized, namely the Portfolio of products and services, Innovation, Social and environmental responsibility, Corporate governance and leadership, Economic and financial performance, Workplace, Corporate attractiveness, Customer orientation and Emotional bond. However, it is also important to note that some attributes captured in the original model could not be evaluated by the respondents either because they referred to more general organizational aspects that customers could have not properly evaluated or they had similar significance with other attributes. These attributes were removed from the model in order not to create further confusion and difficulty in assessing the concept in the later stages of the scientific research. An attribute that referred to the company's communication activities was rephrased in order to better reflect the meaning understood by the participants to the in-depth discussions.

While seven attributes have been removed from the model, three other elements emerged as suitable attributes to describe the concept of corporate reputation in the service industry in Romania. These newly added attributes to the reputation model described the idea of corporate empathy, namely Makes me feel respected, A company that is honest/ easy to approach and Makes me feel important when I interact with the firm's representatives. Given the fact that the significance of these statements was assessed as being distinct from that of the attributes captured in the Emotional bond dimension, a new dimension of reputation, labelled Corporate empathy was created. At the same time, the corporate reputation model was revised in order to capture this new facet of reputation. The influence of corporate reputation on altering the normal customer behavior was not an objective of the qualitative exploration, thus no changes were applied to the hypotheses already formulated in this area of interest.

Regarding the quantitative research stage, the purpose of the first wave was to purify and calibrate the measuring scale. At this stage, the research efforts were oriented towards building a reliable and valid measurement approach adapted to the service sector in Romania. The results of the exploratory factor analysis in principal components conducted in SPSS indicated that the notion of corporate reputation could be described by a model composed of 7 dimensions, evaluated using 27 attributes which explained about 66% of the variance. The 7 dimensions of the corporate reputation of a service provider, identified from the perspective of the Romanian banking and mobile phone customers, confirmed only partially the model developed in the hypothesis stage. Apart from the 4 dimensions initially formulated, namely the Portfolio of product and service, Social and environmental responsibility, Corporate attractiveness and Emotional bond, it can be appreciated that the structure of the concept of corporate reputation in Romanian service industry is interpreted in a distinct way compared to the one originally considered.

To better reflect the specific of the industry examined, the rest of the reputation dimensions were redefined. In this sense, the dimension of Corporate empathy and Customer orientation have been combined into a common factor, labelled Customer centricity and empathy. A similar approach was undertaken for the dimensions regarding the Economic and financial performance of the company and Workplace, which were merged within the Competence and expertise dimension. Following the same rationale, the Market leadership dimension corresponds to the original component named Corporate governance and leadership, to which a new attribute was added to describe the company's innovation capability. These three newly created dimensions, together with the previous four that proved to be stable after conducting all stages of the analysis, were validated and confirmed as having an important contribution in describing the concept of corporate reputation.

The revised reputation measurement model was tested for psychometric properties by performing a confirmatory factor analysis performed in SmartPLS (version 3.0). The development process of the measurement scale was an iterative one, in which three models of corporate reputation were successively developed. Each of these three models was carefully examined to assess the reliability level and the results obtained suggested the need to remove two attributes from the assessment. The final accepted solution indicated that corporate reputation can be interpreted as a second-order construct, described by 7 dimensions, which in turn are measured using a set of 25 attributes.

Taking into consideration that the ultimate goal of the measurement process was to generalize the results and demonstrate consistency in measurement over time, a new quantitative research (wave 2) was considered. Besides confirming the final structure of the evaluation scale, a key action conducted in this stage of the study was to determine the impact of corporate reputation on customers' behavior.

The last part of the research approach was build based on two major objectives. The first one involved examining the outer measurement model and was aimed at validating the scale. The second stage consisted of a thorough assessment of the inner structural model and in establishing the influence of corporate reputation on various forms under which the behavior of customers has been operationalized. Since the inspection of all statistical indicators confirmed the stability of corporate reputation model based on 7 dimensions, it was appreciated that the measurement model is valid and robust. This allowed us to further study the impact of reputation on customer behavior.

One of the most important reputation dimensions identified in this study is the ability of a company to adopt an empathic attitude and a customer-oriented behavior. Although this finding confirms that reputation, in a purchasing context, is highly determined by company's ability to formulate and promote a customer-oriented strategy, the novelty element of the research effort involves the introducing of the concept of corporate empathy among the criteria used to describe the company's reputation. Integrating the concept of empathy into the measurement model emphasizes on the idea that the concern or preoccupation of companies to

truly answer the needs of their customers can be interpreted as both a manifestation form of an organizational behavior and a character trait. Treating customers and serving them with courtesy, fairness and professionalism remain important and desirable corporate behaviors. This set of attributes describes, however, only partially the way in which the perception of the company is shaped in the context of the service sector in Romania. For this reason, the insight formulated in this paper offers a new angle of interpretation to the concept of corporate reputation by adding empathy as a new evaluation criteria. It also urges companies to integrate the emotional factor as a key function of corporate behavior and a required condition to achieve the long-term economic success.

Another emotional facet of corporate reputation captured in the measurement scale is represented by the emotional bond with the company, described by three attributes, namely the degree of identification of the clients with the organization and positive feelings towards it, such as trust, admiration or respect.

The next dimension in terms of the importance in describing the reputation is the portfolio of products and services. This component is operationalized by means of four attributes. While three of them illustrate products and services of superior quality, value for money offering that suits the needs of customers, the fourth attribute defines the degree of innovation brought by the company in the marketplace.

The company's competence and expertise, respectively the leading attitude in driving market trends has also an important contribution in shaping the corporate reputation. Defining the customer-based corporate reputation using these two dimensions could be considered, to some extent, as a doubtful finding. However, the argument that justifies the addition of these dimensions among the evaluating criteria is twofold: firstly, it relies on the nature of the interaction between customers and the service provider that is characterized by long term contractual agreement, secondly it draws on the passive interest of customers in finding more and more information regarding the commercial development of the companies that stand behind the products and services they usually purchase. As a result, a company that is perceived as being competent and experienced in its field of activity and that takes a leading position in influencing the business environment ultimately determines a stronger connection with its customers. At the same time, it becomes essential for any organization to adopt a consistent communication strategy and promote a coherent business vision, but also to provide clear and complete information in the marketplace regarding their skills and expertise, which, finally, turns into a signal of future performance.

An interesting debate can also be developed around the corporate attractiveness dimension. Operationalized by means of three attributes (attractive symbols and logos, indoor and outdoor appearance of buildings, and the credibility of communication messages), this factor represents a combination of visual elements that outline the corporate identity and the aspects that the firm chose to project outside the organization and through which it aims to be recognized and evoked. Thus, the interdependence of identity and image can be observed in the formation of corporate reputation. In this sense, it can be stated that the elements captured in this dimension enable the company to differentiate in a crowded marketplace, to be recognized and be remembered by its customers. The role of physical elements (symbols, logos, or building architecture) consists also in helping the company to build a strong, long lasting impression in the eyes of stakeholders. Achieving a distinct position in the minds of customers is even more important for the companies operating in the Romanian banking sector as most of the clients appreciate that they do not trust the financial institutions that do not hold physical branches.

The social and environmental responsibility activities underpins the last dimension of the proposed reputation measurement scale. This factor deconstructs the social corporate behavior by means of two attributes, namely supporting community causes and protecting the environment. In the current market landscape, the modern customer expects companies to actively engage in improving the common wellbeing through all their business actions. In this respect, a constant challenge faced by companies is to develop a better understanding of the

social environment in which they operate. As a consequence, a required condition for any company to be able to differentiate itself from its competitors is to develop business programs that promote social commitment, in addition to making profits. In the context of Romanian services, companies can create and strengthen their social identity by engaging in the above mentioned activities with societal impact.

Following the completion of the measuring development process, the next step of the research was to study the impact that corporate reputation has in altering the normal customer behavior. To validate the size of the influence, a structural equation model was built. The results obtained indicated a positive association between reputation and customers' behavior which was described by means of four dimensions, namely the customer loyalty, the availability to recommend the company to their friends and relatives, the willingness to pay a premium price and the intention to purchase the new products and services offered by the company.

The findings of the research analysis have indicated that corporate reputation is positively associated to all four dimensions of customer behavior. This observation is important because it tests the nomological validity of the measurement model. In particular, it confirms that there is no negative influence between corporate reputation and customer behavior. However, a close examination of the impact of corporate reputation shows that it explains between 16% and 49% of the variance and indicates a moderate to strong reputation effect on the normal behavior of customers. When the analysis is directed towards a separate examination of each dimension of customer behavior, a series of interesting findings could be extracted from assesment of the structural equation model.

A first conclusion draws on the link between the reputation of a company and the loyalty of its customers. In this study, the term of loyalty is described through the customers' intention to continue to purchase the company's products or services, respectively the preference shown for a given company, under similar price conditions for the products and / or services offered by the competition. A high score for the standardized coefficient of correlation ($\beta = 0.699$) has been identified between reputation and loyalty, which was considered to be significant at a confidence level of 95%. This result was also confirmed by the other indicators considered in the analysis, namely the effect size that underlined a strong influence of reputation on behavioral loyalty. At the same time, the model is considered as being valid as it demonstrates a high level of predictability in measurement. Based on these evidences, a strong connection can be identified between reputation and loyalty of customers in the Romanian banking and mobile phone industries.

Regarding the emotional loyalty, a strong association has been formulated between corporate reputation and the customers' availability to recommend the company to others. In this scenario, the standardized coefficient of correlation registered a high score ($\beta = 0.675$) and proved to be statistically significant. At the same time, the result obtained for effect size was appreciated as being large as well. Moreover, the predictability score is appreciated as moderate to large. Thus, the conclusion is that corporate reputation has a strong impact on customers' intention to recommend a company to friends, relatives or other people.

The third form under which customer behavior was described is represented by customers' willingness to purchase the new products and services offered by the company. The result obtained indicated a moderate level of correlation ($\beta = 0.514$). Moreover, corporate reputation explained a relatively low proportion (nearly 26%) of customers' decision to adopt the new products or services provided by the company. These findings are also confirmed by the effect size indicator which is considered to having a moderate value. Taking into account that the score obtained for the prediction relevance is moderate as well, the values registered for all these indicators suggested rather a moderate impact of corporate reputation in influencing the adoption level of new products and services.

The impact of corporate reputation has also been examined from the perspective of customers' availability to pay a premium price for the products and services provided by a company they consider as having a positive reputation. In this scenario of analysis, it can be

noted a low influencing role of corporate reputation. The standardized coefficient of correlation had relatively low value ($\beta = 0.401$), while the lack of association was also confirmed by the effect size which recorded a weak score. Although the prediction relevance indicator recorded a moderate value, the conclusion was that reputation takes a low effect on motivating customers to pay a higher price for a company's products and services than for those of other competitors.

The findings of this research paper indicated that corporate reputation exerts a moderate to strong influence in altering the normal customers' behavior in banking and mobile phone industries in Romania. These results come to confirm the previous research efforts that highlight a strong impact of corporate reputation on loyalty and customers' intention to recommend a company. On the other hand, the hypothesis that, in the context of the Romanian service sector, reputation has a strong impact on customers' willingness to adopt the new products and services launched by the company was partially validated. Moreover, the hypothesis testing customers' intention to pay a higher price for the company's products and services was fully rejected. In the case of these two hypotheses, it is necessary to explore into more details the motivational drivers that stand behind the overall decision-making process.