# Corporate Reputation on Financial Performance (Study on Member of The Indonesian Chamber of Commerce for West Java)

**Budi Rustandi Kartawinata**
Faculty of Communication and Business
Telkom University
Indonesia
budikartawinata@telkomuniversity.ac.id

**Dyah Maharani**
Public Administration Program
STIA Maulana Yusuf Banten
Indonesia
dyah.maharani82@gmail.com

## Abstract

This study was conducted to find the relationship between a company's reputation with its financial performance. Many companies are competing to improve their reputation by budgeting funds to carry out activities that will ultimately improve the company's reputation, so that by increasing the reputation, the level of sales of the company's products will increase and generate large profits. This research is a descriptive quantitative research method that suggests the influence of company reputation and financial performance. The research determines that the population of this study is all stakeholders of companies that are members of the Indonesian Chamber of Commerce (KADIN) in West Java Province, with a sample of medium-sized companies. Data analysis used regression analysis with the help of SPSS Ver.25 software. The results of this study indicate the influence of the company's reputation on its financial performance, which can be seen from the loyal indicators on the company's reputation variable that are interconnected and affect each indicator on financial performance.

## Keywords
Reputation, Financial Performance, Profits, Company.

## 1. Introduction
The business world today is a world full of dynamics. Starting from various kinds of events that occur in the world, starting with the volatility of exchange rates, extraordinary competition between superpower countries such as the United States and China, so it is known as the trade war between the two countries. The trade trade between the two countries not only affects the business world between the two countries, but also affects other countries that have trade relations with the United States and China. The issue of the trade war has not yet been resolved, suddenly the world is shocked by the Covid-19 Pandemic which is still an issue in developing countries, and this pandemic has of course greatly affected business activities in a country. Many companies are not able to adapt to the new normal so that the company must be declared bankrupt or the owner of the company closes the company. The Covid-19 pandemic has begun to show better developments and will turn into endemic, not making challenges in the business world easier, because suddenly there is a change in world politics where there is a tension in European countries marked by chaotic relations between Russia. and the Ukranian State which caused rising inflation that occurred in several countries due to the high prices of energy and mining goods as energy sources.

There are so many challenges that exist in the business world, making a company must have very strong fundamentals in order to survive and have a stable and always growing sustainability. According to Wirawati (2003) states that company fundamentals are related to the survival of a company, while according to Arini (2014) states that a high profitability value indicates good management performance because it affects how quickly or slowly management reports its performance. The process of auditing financial statements will take longer if the company suffers a loss. This shows that the fundamentals of a company are very important for the sustainability of the business carried out by the company. The increasingly competitive business competition between companies causes the company to have a competitive advantage to maintain the company's performance. The Company's reputation is perceived as one of the competitive advantages that can be considered by the Company's shareholders. The better the company's reputation in the eyes of the market, the more popular the company's products/services are to use. The greater the level of market interest in the product/service, the greater the opportunity for the company to increase sales. And in the end, the bigger the company, the more consistent it is to make a profit.

In addition to the company's fundamentals, another thing that can maintain the sustainability of a company in its business is the company's reputation. According to Landion (2019), the company's market value requires companies to be more aware, because the company's market value is an important part of maximizing shareholder wealth, considering that the goal of a company is not only to generate profits but also to increase the welfare of shareholders. Meanwhile, according to Wulandari (2011), a company's reputation can be damaged due to something unexpected called a crisis. The company's reputation must be protected from various threats, and to overcome this crisis managers need to choose a reputation protection response strategy. Reputation is attached to every name and is owned by anyone who has an identity. Reputation always exists and is owned by every organization, regardless of the form and scope of its business. The strategy to build a company's reputation, the challenge for entrepreneurs in building a business is how to build a strong business reputation in the minds of their consumers or stakeholders. reputation relates to how entrepreneurs are able to improve a positive image of their company and business in the minds of stakeholders and the marketing context is important because this is where the true essence of marketing is how to win the competition in the minds of consumers. Currently what is happening is a war of perception and entrepreneurs must be able to win the war of perception in the minds of consumers, while the product is only a tool to win that perception. Reputation is the result of information processing that is influenced by various cues shown by the organization itself, the work environment and peers, the media, and most importantly from personal experience with the organization.

## 2. Literature Review

### 2.1 Corporate Reputation

Corporate reputation can be defined as a general attribute of an organization that reflects the extent to which internal and external stakeholders view the company as good and bad as a company. Reputation is also an evaluation of all stakeholders of the company over time which is carried out based on the experience gained by the parties associated with the company. A good company reputation has a beneficial impact on various groups. The result of all this is that companies tend to experience increased profitability, market performance and strengthen the company's finances.

According to Tkalac and Vercic (2007), company reputation is a function of image and identity. Identity is built from within the company based on the company culture. While the image is formed from thoughts or perceptions outside the company. So reputation can be considered as a global perception or evaluation of a company's performance. Corporate reputation can be defined as the opinion that the public has about a particular company. This opinion is generated from everyone's experience and also from hearing from other people's experiences (through print media, social media or simply word of mouth). Information intermediaries such as media and financial analysts also play an important role as information is processed and distributed to external stakeholders. Fombrun and Shanley (1990) found that if a company's brand name is known to the public, the company will become more competitive than its competitors. Roberts and Dowling (2002) present empirical findings that companies that have better financial performance are more likely to sustain growth as long as they also have a good corporate reputation. Finally, Cao et al. (2014) shows that the better the company's reputation, the lower the cost of equity for the company.

### 2.3 Financial Performance

According to Orniatin (2009), the leadership of the company or management is very interested in the financial statements that have been analyzed, because these results can be used as a tool in making further decisions for the future. The financial performance of a company can be interpreted as a good prospect or future, growth and development potential for the company. Financial performance information is needed to assess potential changes in economic resources, which may be controlled in the future and to predict the production capacity of existing

resources. Faisal et al (2018) stated that profit orientation also encourages companies to always think of strategies and ways to earn large profits for the survival and progress of the company. Therefore the company must be able to anticipate all the risks that occur, the company must master the information by using the right methods to analyze the company's condition. However, the company's performance aspect is also important apart from profit.
Mega Namara (2012) states that the more demand for the shares of an issuer, the higher the share price. If the high stock price can be maintained, the confidence of investors or potential investors in the issuer will also be higher and this can increase the value of the issuer. On the other hand, if the stock price continues to decline, it means that it can reduce the value of the issuer in the eyes of investors or potential investors. Putra et al. (2021) suggests that the more demand for the shares of an issuer, the higher the share price. If the high stock price can be maintained, the confidence of investors or potential investors in the issuer will also be higher and this can increase the value of the issuer. On the other hand, if the stock price continues to decline, it means that it can reduce the value of the issuer in the eyes of investors or potential investors.

### 2.4 Framework
Corporate reputation can be defined as a general attribute of an organization that reflects the extent to which internal and external stakeholders view the company as good or bad. The financial performance of a company can be interpreted as a good prospect or future, growth and development potential for the company. Financial performance information is needed to assess potential changes in economic resources, which may be controlled in the future and to predict the production capacity of existing resources. consumer purchases of generation Z (dependent/Y).

Based on this description, schematically the framework of thought in this research can be illustrated in the following chart, where the company reputation variable will be seen its influence in improving the company's financial performance decisions based on the following model (Figure1):

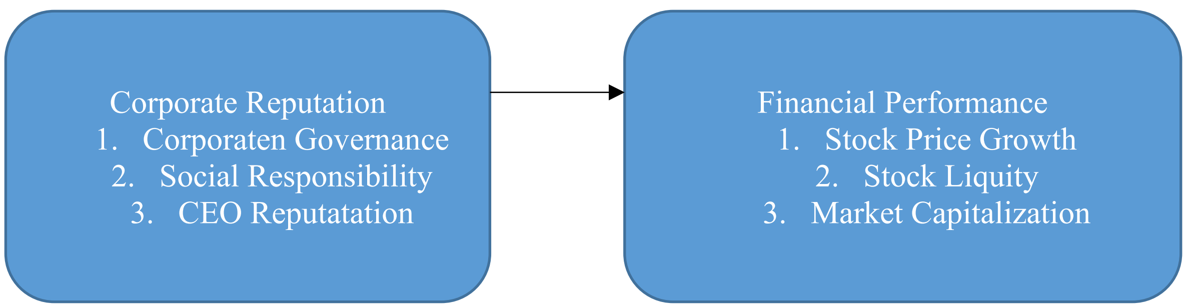


Figure 1. Framework Corporate Reputation and Financial Performance

The hypothesis in this study are:
H1: There is an effect of corporate reputation on financial performance

## 3. Research Methods
This research is a quantitative descriptive research to determine the effect of the company's reputation on the company's financial performance. Sources of data in this study obtained from primary data sources and secondary data. Primary data was obtained from distributing questionnaires directly to respondents, while secondary data came from mass media, previous research publications or journals, and reference books. The population in this study is known, namely the company's stakeholders. The number of respondents who were taken to be used as research samples by the Slovin formula obtained as many as 98.5 using an error rate of 10% or i = 0.1. To answer the results of the hypothesis, the author uses a simple linear regression analysis using the SPSS 25 application program for windows in its calculations.

## 4. Research Results And Discussion

### 4.1 Validity and Reliability Tes

Validity and reliability are used to measure the strength of the research questionnaire distributed to the respondents to get the respondents' perceptions of answers and cause the secondary data obtained to be valid and unbiased. Validity and reliability tests can be seen from table 1. below:

Table 1. Validity Test

| Variable | Indicator | No Item | R Value | R Table | |
|---|---|---|---|---|---|
| *Corporate Reputation* | *Corporate Governance* | 1 | 0,537 | 0,1654 | Valid |
| | | 2 | 0,722 | 0,1654 | Valid |
| | *Social Responsibility* | 3 | 0,537 | 0,1654 | Valid |
| | | 4 | 0,490 | 0,1654 | Valid |
| | *CEO Reputation* | 5 | 0,684 | 0,1654 | Valid |
| | | 6 | 0,722 | 0,1654 | Valid |
| *Financial Performance* | *Stock Price Growth* | 7 | 0,422 | 0,1654 | Valid |
| | | 8 | 0,656 | 0,1654 | Valid |
| | *Stock Liquidity* | 9 | 0,682 | 0,1654 | Valid |
| | | 10 | 0,683 | 0,1654 | Valid |
| | *Marketing Capitalization* | 11 | 0,586 | 0,1654 | Valid |
| | | 12 | 0,686 | 0,1654 | Valid |

Based on the data in table 1. The validity test above can be seen that the calculated r value for each indicator is higher or greater than the value in the r table. Therefore, it can be said that the indicators used in this study have met the requirements. Based on the validity test above, it can be concluded that the 16 statement items can be used as research instruments

Table 2. Reliability Test

| Variable | Cronbach Alpha | Total Item | Conclusion |
|---|---|---|---|
| ***Corporate Reputation*** | 0,680 | 6 | Reliabel |
| ***Financial Performance*** | 0,859 | 10 | Reliabel |

From the results of the calculations in table 2. the reliability test above using the IBM SPSS 25 application program on each statement of all the dimensions of the variables studied can be concluded to be reliable because the Cronbach alpha value has a value of 0.680 each for the influencer variable (X), then for the variable purchase decision (Y) has a value of 0.859. The value of each of these variables has met the requirements where the data is considered reliable when the Cronbach alpha value must be greater than or equal to 0.60.

### 4.2 Descriptive Analysis Result

Based on the results of descriptive analysis on the corporate reputation variable (X), the results of the calculation of respondents' responses to the amount of 88% and on the continuum line can be seen that the score is included in the very high category. This shows that the selection of KADIN member companies as corporate reputations is correct. Meanwhile for the financial performance variable (Y), the results of the calculation of respondents' responses are 58% and on the continuum line it can be seen that the score is included in the sufficient category

### .4.3 Research Result

Table 3. Simple Regression

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 21.628 | 2.600 | | 8.319 | .000 |
| | *Corporate Reputation* | 0.346 | 0.093 | 0.352 | 3.718 | .000 |
| a. Dependent Variable: Keputusan Pembelian | | | | | | |

The results (Table 3) of the simple linear regression equation are obtained as follows:

$$Y = a + bX$$

$$Y = 21.628 + 0{,}346X$$

Based on the above equation, the conclusions obtained in the simple linear regression equation are as follows:Nilai konstanta merupakan besarnya pengaruh reputasi perusahaan terhadap kinerja keuangan, tanpa koefisien b maupun x yang memempengaruhi yaitu sebesar 21.628.

a. The value of the regression coefficient (b) is 0.346. This means that the addition of 1% of the variable X company reputation is predicted to increase the variable Y (financial performance) by 0.346 or by 34.6%. The sign (+) in the regression equation above shows that the direction of the influence of the company's reputation variable and financial performance has a positive relationship.

b. From the table above, it can be concluded that the company's reputation (X) has a significant effect on financial performance (Y) because it has a significance value smaller than 0.05 or (0.000 <0.05).Berdasarkan pada pada gambar diatas, didapatkan nilai t hitung sebesar 3,718 atau lebih besar dari nilai t tabel (1,984). Untuk t tabel dapat dilihat df (100 – 2 ) adalah 98, dengn tingkat sngnfikan 0,05 dengan hasil t tabel sebesar 1,984. Berdasarkan perhitungan uji t pada gambar diatas, pengaruh *reputasi perusahaan (X)* terhadap kinerja keuangan (Y) yang dapat dilihat bahwa t hitung sebesar 3,718 > t tabel sebesar 1,984. Maka dapat dinyatakan bahwa $H_1$ diterima. Dengan demikian terdapat pengaruh *reputasi perusahaan* terhadap kinerja keuangan perusahaan

## 5. Conclusions

Based on the results of research that has been done regarding the influence of company reputation on financial performance, several conclusions are obtained in this study. Several conclusions can be drawn which are expected to provide answers to the problems formulated in this study, namely as follows:Berdasarkan analisis deskriptif yang telah dilakukan peneliti terhadap tanggapan responden pada variabel reputasi perusahaan, diperoleh hasil perhitungan sebesar 88%, dan pada garis kontinum dapat diketahui bahwa skor tersebut termasuk dalam kategori sangat tinggi. Hal tersebut menunjukkan bahwa tanggung jawab sosial sudah tepat.

1. Based on the descriptive analysis that has been done by the researcher on the respondents' responses to the dependent variable, namely financial performance, the calculation results are 58% and on the continuum line it can be seen that the score is included in the sufficient category.

2. Based on the results of the coefficient of determination of the influence of the use of the company's reputation on financial performance, it can be seen that the value of the coefficient of determination R square in this study is 0.352 or 35.2%, which means that the variable use of influencers influences purchasing decisions by 35.2%. While the remaining 64.8% is influenced by other variables or factors not examined in this study.

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## Biographies

**Budi Rustandi Kartawinata** is an Lecture at Faculty of Communication and Business, Telkom University Bandung, Indonesia.

**Dyah Maharani** is an Lecture at Public Administration, STIA MYB , Indonesia.