The Impact of Identity on Loyalty with Reputation as Mediating Variable

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The identity of an organisation is an interrelated system that triggers the processes of identification and differentiation of an organisation. Identity and reputation are related. The reputation of the organisation is the interpretation and evaluation of its identity. Because of a positive reputation, people are proud to be part of that organisation, returning to the organisation’s actions, speaking favourably of the organisation, and urging people to be close to the organisation. This research, conducted at St. Anthony School operated by the SCJ Congregation, will uncover the impact of identity on reputation and the impact of reputation on loyalty. The hypotheses were examined by using Structural Equation Modeling. The analysis shows that there is a positive impact of organisational identity on the reputation of an organisation and a positive impact of the reputation of the organisation on customer loyalty. The contribution of this study is to suggest that the organisation pays attention to develop its identity.

Key words: Identity, Reputation, Loyalty.

Introduction

The congregation of the Priests of the Sacred Heart of Jesus (SCJ) is a religious congregation established in 1878. The SCJ congregation has its basic spirituality that is found in the slogan of love, readiness and sacrifice (loresa). Services of the members of the congregation are based in a spirituality that becomes the identity of the congregation (Dehonian, 2014).

One of the services provided by the congregation is education. The schools operated by this congregation adopt the spirituality “loresa” as their identity. St. Antony School in Jakarta is one of the schools operated by this congregation. In an annual survey directed by the administration of St. Anthony School, it was determined that most students of St. Anthony Elementary School tend to not continue their study at the St. Anthony Middle High School,
which is operated by the same organisation, the SCJ Congregation. Only a small percentage (22%) of St. Anthony Elementary School students want to go to St. Anthony Middle High School.

Commonly people choose schools by looking at the identity of those who operate it. People think that quality is part of identity, so they choose first of all identity and not quality (Bondhan, 2018). It is supposed that loyalty is a reaction to the positive reputation of the institution's identity, not so much the quality of service provided by the institution. Although loyalty is more often associated with customer satisfaction as the effect of the quality of service one receives. What has happened at St. Anthony Schools leads research to uncover: the impact of organisational identity on the reputation of an organisation; the impact of the reputation of an organisation on customer loyalty; and the impact of organisational identity on customer loyalty with the organisation’s reputation as a mediating variable. This research examines the impact of identity on reputation, the impact of reputation on loyalty, the impact of identity on loyalty with a reputation as a mediating variable.

**Literature Review**

**Identity and Reputation**

The identity of an organisation is the selfness of the organisation in relation to the wider social system within which it is situated. Organisational identity is a system of the connectedness of visually and verbally expressed values that trigger the process of identification and differentiation within and outside the organisation (Huang-Horowitz & Freberg, 2016; Ravasi & Schultz, 2006). Gioia et al., (2000) found that identity and reputation are reciprocally related, so identity is a fluid and unstable concept. Experts have previously said that identity is the core, which determines the character of the organisation (Barnett, Jermier & Lafferty, 2006). Organisational identity affects strategic choices, organisational formation and activities undertaken by the organisation. Constituents observe activities and build an impression and evaluation of the organisation (Balmer & Greyser, 2002).

The identity of an organisation can be measured by using these indicators: sincerity, transparency, clarity, consistency and commitment that allows the organisation to express its core identity (Huang-Horowitz & Freberg, 2016). Sincerity lets the organisation be honest in communication about itself. Clarity lets the organisation be clear in stating its values, vision and mission. Transparency lets the organisation provide a clear self-explanation. Consistency and commitment allow the organisation to express its enduring identity. Consistency talks about the clearness of the actual identity. Commitment talks about the organisation’s ability to stay focused and dedicated to its values, constituents and community (Huang-Horowitz & Freberg, 2016).
The reputation of an organisation refers to external stakeholders’ perceptions of an organisation (Balmer & Greyser, 2002). Identity influences reputation and subsequently, reputation influences competitiveness. Organisational identity and company brand are the keys to the organisation's reputation. Identity is the formulation of an organisation's self-expression that is a decision about visible identity, the personality of the organisation that is communicated to all stakeholders. Reputation is a very important source for creating organisational competitiveness (Abratt & Kleyn, 2011).

Identity is inherently related to reputation. Reputation is the interpretation and evaluation of identity. Identity relates to perceptions from inside the organisation, whereas reputation is based on perceptions existing outside the organisation. Reputation refers to external constituent perceptions of the organisation (Balmer & Greyser, 2002).

Organisational identity and reputation of the organisation have a synergistic relationship (Huang-Horowitz & Freberg, 2016). Organisational identity is the key to organisational reputation (Abratt & Kleyn, 2011). Reputation and identity become a basis for management to develop organisational strategies (Gray & Balmer, 1998).

**Reputation and Loyalty**

The term reputation is complicated because of its interdisciplinary nature. Traditionally, reputation was known as the perception of the actual situation of an organisation based on past activities and future situations that are shown to all constituents of that organisation (Yuncu & Koparal, 2016).

The reputation of an organisation is an impression that reflects the perception of stakeholders of an organisation, including customers, employees and investors (Fombrun & Van Riel, 1997). Reputation is the way through which outside stakeholders externalise their expectations by giving a signal of satisfaction or dissatisfaction with organisational actions. Reputation is an assessment of organisational quality and trust, built over time. The reputation of an organisation combines valuations about different elements of corporate behavior interacting with various stakeholders (Fombrun & Van Riel, 1997).

In short, reputation is a global impression reflecting the perception and assessment of stakeholders about the quality of an organisation and the services provided by the organisation. A good reputation creates an expectation from stakeholders that they will receive higher quality products and services in the future. Based on the findings of Huang-Horowitz & Freberg (2016), there are some elements to measure reputation: trust, integrity, engagement, innovation and credibility.
Customer loyalty is a tendency of attitudes and behaviors that show a preference for one service over other services because of the satisfaction of the service and because of the performance and familiar feel and comfort with the service (Abd-El-Salam, Shawky & El-Nahas, 2013; Helm, Eggert & Garnefeld, 2010; Szwajca, 2016). Customer loyalty is a consistent attitude to repurchase a preferred service (Gonring, 2008; LaBarbera & Mazursky, 1986; Nguyen, Leclerc & LeBlanc, 2013).

Some researchers found that loyalty is related to other factors such as: customer satisfaction (Chang, 2013; Jones & Sasser, 1995; LaBarbera & Mazursky, 1986; Selnes, 1992); repeat purchase (Jones & Sasser, 1995; LaBarbera & Mazursky, 1986); favorable responses (Zeithaml, Berry & Parasuraman, 1996); positive word of mouth (Jones & Sasser, 1995); involvement (Jones & Sasser, 1995); and financial performance (Szwajca, 2016; Zeithaml & Parasuraman, 1996).

A strong and positive reputation provokes loyalty in all constituents of the organisation (Szwajca, 2016). Reputation can affect the satisfaction and loyalty of the customer (Loureiro & Kastenholz, 2011). The reputation of an organisation is an important intangible resource that shows the need to use reputation as an indicator of organisational position in long-term competition (Szwajca, 2016).

The reputation of an organisation may be the strongest driver of loyalty in the public sector (Andreassen, 1994). However, in some specific sectors, the impact of reputation on loyalty may be weak (Szwajca, 2016). Other research found that reputation provokes loyalty through trust and value (Chang, 2013).

Based on the findings of Jones & Sasser (1995), there are several factors by which one can measure loyalty: continuing involvement in the organisation's activities; talking about the organisation favorably; and even encouraging others to engage in or utilise the services provided by the organisation.

**Hypotheses**

Based on the literature review and phenomena found in educational service provider organisations, the following hypotheses are formulated. Then the description of hypotheses is followed by variable measurement and research model.

Organisational identity and reputation of the organisation have a synergistic relationship (Huang-Horowitz & Freberg, 2016; Kuenzel & Halliday, 2010). Organisational identity is the key to organisational reputation (Abratt & Kleyn, 2011). The concepts of reputation and identity are supplementary or complementary. Reputation and identity become a basis for management to develop organisational strategies (Gray & Balmer, 1998). Based on this
description, hypothesis 1 is: that organisational identity influences the reputation of the organisation. The stronger the identity, the stronger the reputation.

There is a relationship between organisational reputation and customer loyalty. Organisational reputation and customer loyalty are two very valuable resources in an organisation. Theoretically, they both support one another (Szwajca, 2016: pp. 92–93). Organisational reputation is a more significant determinant of customer loyalty than customer satisfaction. Reputation also indirectly influences loyalty through customer satisfaction (Bontis, 2007; He & Harris, 2012; Loureiro & Kastenholz, 2011). Based on this description, hypothesis 2 is: that the reputation of the organisation influences customer loyalty. The stronger the reputation, the stronger of loyalty.

Hypothesis 3 is build to find if there is a direct impact of organisational identity on customer loyalty or if there is an indirect impact of organisational identity on customer loyalty with an organisational reputation as a mediating variable. This is hypothesis 3: the identity of the organisation influences customer loyalty, with reputation as a mediating variable.

These three hypotheses are described in the research model (Figure 1). The identity of the organisation influences the reputation of the organisation. The reputation of the organisation influences customer loyalty. The identity of the organisation influences customer loyalty, with reputation as a mediating variable. This research will find if there is a direct impact of organisational identity on customer loyalty or if there is an indirect impact of organisational identity on customer loyalty with organisational reputation as a mediating variable.

Figure 1: Research model

Methods

This causal study is directed at discovering the impact of identity on reputation, the impact of reputation on loyalty, and the impact of identity on loyalty with reputation as a mediating variable.
Measurements

These three variables (identity, reputation and loyalty) are outlined in the operational definition that is the benchmark for developing a questionnaire. The questionnaire is designed using the Likert Scale with five levels, i.e., 1 - Strongly Disagree, 2 - Disagree, 3 - Neutral, 4 - Agree, 5 - Strongly Agree.

The measures of identity can be defined as sincerity, transparency, clarity, consistency and commitment (Huang-Horowitz & Freberg, 2016). Sincerity lets the organisation be honest and genuine in its communication about who it is. Transparency lets the organisation provide clear self-explanation. Clarity lets the organisation be clear in its values, vision and mission. Consistency talks about the clearness of the actual identity. Commitment talks about the organisation’s ability to stay focused and dedicated to its values, people and community (Huang-Horowitz & Freberg, 2016).

The indicators of reputation can be defined as trust, integrity, engagement, innovation and credibility (Huang-Horowitz & Freberg, 2016). An organisation obtains trust if it can achieve its goals. Organisational integrity is known through fair treatment to employees, customers and members of the organisation. The involvement element seen from the organisation's efforts involves constituents to have organisational values that are carried out by communicating the basic values of the organisation that reflect the identity or personality of the organisation. The element of innovation is seen as the ability of organisations to become leaders in services that are appropriate for their constituents. The element of credibility is closely related to its role as a source of information from which constituents get information relating to the organisation and services provided by the organisation (Huang-Horowitz & Freberg, 2016).

The indicators of customer loyalty can be defined as returning to the organisation's actions, speaking favorably of the organisation to others and referring others to the organisation (Jones & Sasser, 1995).

Research Sample

The research sample to be targeted in this research is the parents of the students of St. Anthony Elementary School and St. Anthony Middle High School. The Law of the Republic of Indonesia number 20 of 2003 on National Education System Article 7 says that: (1) parents have the right to participate in selecting educational units and obtain information about the development of their children's education, and (2) parents of children of learning age are obliged to provide basic education to their children. According to Hadi (2003), parents are the father and mother who became the first and primary educators for their children. According to Diniarti F. Soe'oed, parents are the father and mother who are obliged to the process of socialisation and forming the personality of their children (Ihromi, 1999). The parent is the person who became the first
and principal educator for the development of their children and the determinants of the orientation of the child's education. The parents' decision in determining education becomes a consideration for the children in carrying out their educational process. Based on this consideration, the parents of students are chosen as respondents, because they are the ones who make decisions for the children at the Elementary and Middle High School levels.

A sample was taken by using the purposive sampling method. A purposive sample is a non-probability sample that is selected based on two aspects: characteristics of a population and the objective of the study (Sugiyono, 2017). Based on the purposive method specified in the research methodology, parents of students in the final years of each school level are selected for two reasons. First, students who are in the final years must decide to choose a school at the next level. Second, as final year students they have received a lot of information about the school's identity and experienced a longer appreciation of “loresa” spirituality in the teaching and learning activities. Because of that, this research puts its focus on the parents of students in the 3rd, 4th, 5th and 6th year of Elementary School and the parents of students in the 8th and 9th year of Middle High School.

In determining the number of samples, the sample table of Krejcie and Morgan was followed. The total population was 391. Based on this table, the minimum number of samples for this research is 191. Based on the research methodology, the research was done over two weeks during the academic year of 2018-2019. There were 220 respondents and the questionnaires were filled out completely. This number of respondents is more than the minimum samples indicated by the table of Krejcie and Morgan.

Data Analysis

Test of Validity and Reliability

The test for validity and reliability of the questionnaire is done using SPSS software. Testing is done with N = 30, standard error 5%; then based on the table, each question is expected to have a number that is greater than 0.361.

According to the results of this test, all items have a significance score of more than 0.361, therefore it can be concluded that the research questionnaire is valid. From the reliability test, it is found that the alpha Cronbach of every item is more than 0.361(r table). Therefore, it can be concluded that the research questionnaire is reliable.

Confirmatory Factor Analysis
Confirmatory Factor Analysis was carried out to examine whether the indicators, derived from the theory and described in the questionnaire to collect data, were indicators that manifested the variable in the questions.

The process is done by looking at the numbers that appear in each variable in the AMOS processing results. Indicators whose numbers are less than 0.5 are considered as indicators that do not manifest the relevant construct/variable (Sharma, 1996, p. 118). Based on the results of AMOS processing (Figure 2), all indicators got a number of more than 0.5. Therefore, it can be concluded that all indicators manifest variables/constructs.

The identity variable is described by five indicators that manifest this variable namely: sincerity, transparency, clarity, consistency and commitment. The indicators of the identity variable are formulated as: honest and open communication; clear vision and mission; openness to dialogue; consistency in conveying identity clearly; and attention to human dignity and emphasising fraternity. From the five indicators, indicator no. 4 and 5 (X4 and X5) have the highest score. Presumably, these indicators are the closest indicator to manifest the identity variable. Indicator no. 4 is consistency that talks about the clearness of the actual identity. Indicator no. 5 is commitment that talks about attention to human dignity and emphasising fraternity.

The reputation variable is broken down into five indicators namely: trust, integrity, engagement, innovation and credibility. The five indicators are broken down into eleven points. Concerning people and taking the opinion of people are the components of the trust indicator.
Fair treatment to all and using spirituality as a service guideline are the components of the integrity indicator. Invitations to respondents to adopt the same spirit, treat respondents as part of the organisation and recognition of the respondents’ involvement in the organisational life are descriptions of the engagement indicator. Recognition that the spirituality of the organisation, which is the basis of service, is a superior spirit and that spirituality gives them a distinctive way of doing things is the description of the innovation indicator. Recognition of the organisation as a trusted provider of information and having fairness in attitude in service are descriptions of the credibility indicator.

From the eleven points, point 3 (X8) and point 4 (X9), which are the description of the integrity indicator, and the eleventh point (X16), which is the description of the credibility indicator, have the highest score. Presumably, these two indicators namely integrity and credibility, are the strongest indicators that manifest the reputation variable. The third and fourth points are that the organisation treats people like me fairly and justly and sound principles seem to guide the behavior of this organisation. The eleventh point is that the degree to which information from an organisation is accurate, fair, unbiased and trustworthy.

The loyalty variable is broken down into three indicators namely: returning to the organisation's actions; speaking favorably of the organisation; and referring others. Of the three indicators, the second and third indicators have the highest score. Presumably, these two indicators are the strongest indicators that manifest the loyalty variable. The second indicator is speaking favorably of the organisation to others. The third indicator is referring others to the organisation.

**Hypothesis Testing**

![Figure 3: Hypothesis Testing](image)

The testing of hypothesis 1 is done by using Ho: There is no positive impact of identity on reputation and H1: There is a positive impact of identity on reputation. The impact of identity on reputation is statistically significant and positive because it has a p-value of 0.000 (Figure 3), less than 0.05 and has a positive variable coefficient of 0.89 (Figure 2). Therefore Ho is rejected, which means that there is a significant impact of identity on reputation. Moreover, based on the coefficient of the variable, every time there is a one-point increase from the identity variable, on average, it contributes to an increase of 0.89 points from the reputation.
variable. This result is consistent with findings from previous studies that organisational identity affects organisational reputation (Abratt & Kleyn, 2011; Balmer & Greyser, 2002).

The testing of hypothesis 2 is done by using Ho: There is no positive impact of reputation on loyalty and H1: There is a positive impact of reputation on loyalty. The impact of reputation on loyalty is statistically significant and positive because it has a p-value of 0.000 (Figure 3), less than 0.05 and has a positive variable coefficient of 1.25 (Figure 2). Therefore Ho is rejected, which means that there is a significant impact of reputation on loyalty. Besides, based on the coefficient of the variable, every time there is a one-point increase from the reputation variable, on average, it contributes to an increase of 1.25 points from the loyalty variable. The result of the study is consistent with the results of Szwajca’s research (2016), namely that the reputation of the organisation influences customer loyalty. The difference occurs in the strength of the influence of reputation on loyalty, which in the banking sector has a weak effect. In contrast, in the field of education, the effect is positive and significant.

![Figure 4: Standardised Total Effects](image)

The testing of hypothesis 3 is done using the analysis results from AMOS (Figure 4). The indirect impact of identity on loyalty is significant at 0.617. The direct impact between identity on loyalty is not significant (-0.489). There is a decrease in effect after mediation from 0.617 to -0.489 and it is not significant. This means that reputation fully mediates the impact of organisational identity on customer loyalty.

**Conclusion**

The impact of identity on reputation and the impact of reputation on loyalty is statistically significant and positive. It can be concluded that loyalty is obtained from reputation, which is the effect of factors that are elements of identity. In this study, identity refers to spirituality, which is the basis for educational services. Therefore, planning, communication and consistency in identity are an important part of reputation management that affects loyalty.

The five indicators that manifest identity namely: sincerity, transparency, clarity, consistency and commitment, describe the identity variable. Presumably, transparency and commitment are the closest indicators to manifest the identity variable.
The reputation variable is broken down into five indicators namely: trust, integrity, engagement, innovation and credibility. Presumably, these two indicators, namely integrity and credibility are the strongest indicators that manifest reputation variables.

The loyalty variable is broken down into three indicators namely: returning to the organisation's actions, speaking favorably of the organisation and referring others. Presumably, speaking favorably and referring others are the strongest indicators that manifest the loyalty variable.

**Contribution**

The influence of organisational identity on the reputation of the organisation and the impact of reputation on customer loyalty is significant and positive. It can be concluded that loyalty is obtained from reputation, which is the effect of identity. In this research, identity refers to spirituality, which is the basis for educational services. Therefore, planning, communication and consistency in identity are an important part of reputation management that affects loyalty.

Recognising the results of this study, namely that identity has a significant and positive influence on reputation and reputation significantly and positively affects loyalty, then educational institutions need to create a plan of concrete actions to build, show and introduce identity that contains a basic spirit or spirituality. Honesty in communicating identity, openness in defining itself, clarity in vision and mission, consistency in identity and commitment to spirituality values forms a strong identity that significantly and positively influences its reputation. Finally, this reputation has a significant and positive influence on loyalty.

From the data about the profile of respondents, information was obtained that identities referring to spirituality are easier to be understood by respondents with a Christian background. This is due to the formulation of spirituality that approaches Christian terminology. In addition, it was found that the majority of respondents were women. Presumably, women are easier to catch and adopt things related to spirituality. This was reinforced by previous research, which stated that women are more receptive to receiving spirituality (Marie & Jeffrey, 2007). For future research, it is recommended to continue this research by exploring the relationship between gender and religion with the acceptance of matters related to spirituality.
REFERENCES


