ABSTRACT

In the bustling corridors of corporate Malaysia, the boardroom emerges as a symphony of strategic decision-making, where its members’ expertise, educational backgrounds, and gender intricately weave the narrative of a company’s reputation. This study delves into the nuanced connection between boardroom expertise, educational backgrounds, and board gender, exploring their symbiotic role in shaping the reputational tapestry of Malaysian publicly listed companies using the new proxy for reputation. Earlier research indicated that the composition of boards can reliably predict a company’s strong reputation. However, there is a notable scarcity of evidence regarding how these variables influence the novel approach to measuring reputation. This becomes especially pertinent when considering the transparency of corporate reputations in developing countries such as Malaysia. The present investigation gathered secondary data from company annual reports spanning 2017 to 2020, employing content analysis over this four-year period. A self-designed checklist for corporate reputation was utilized for measurement. The findings have shown that board expertise, board education, and board gender significantly influence a company’s reputation. The results furnish valuable support and evidence for companies in Malaysia and other developing nations, emphasizing the importance of incorporating more educated, experienced, and female directors into their strategies for effective reputation management.

Keywords: Board expertise, board education, board gender, corporate reputation disclosure, Malaysian public listed companies
INTRODUCTION

The concept of reputation has substantially influenced the corporate sector in recent decades, as noted by Eberl and Schwaiger (2005). The issue of reputation has attracted considerable attention from both researchers and non-researchers. According to Bronn and Buhmann (2018), there was an eightfold increase in media stories addressing reputation issues in 2009, surging from just over 1,000 to more than 8,000. The ongoing focus of examination and research remains on various components of this intangible asset that organizations leverage to attain strategic competitive advantages. Furthermore, management and boards of directors have long recognized the significance of reputation for companies. Traditionally, reputation is viewed as a valuable asset requiring protection or restoration in the face of challenges, reputation is transforming the perspective of boards. There is a noticeable shift from an implicit understanding to a more explicit approach to valuing reputation. Consequently, reputation is acknowledged as a potent driver of competitive advantage and commercial success.

Several factors have been identified as contributors to a positive reputation, with potential positive impacts on financial performance, financial market access, institutional investment, and share prices (Beatty & Ritter, 1986). Empirical evidence indicates that board composition can enhance a company’s reputation (e.g., Brammer et al., 2009; Delgado-García et al., 2010; Garcia-Meca & Palacio, 2018). The interest in matters related to board composition has intensified since the financial turmoil, with concerns arising about the potential contribution of directors’ lack of qualifications, skills, and expertise to the collapse of corporate governance in numerous companies. Despite the acknowledged importance of board composition, the significance of disclosing and being transparent about corporate governance to stakeholders is equally noteworthy. This approach can contribute to enhancing and safeguarding the company’s reputation. A survey by Mercer Investment Consulting revealed that 46% of stakeholders consider reporting on corporate governance, environmental, and social aspects as valuable information when making investment decisions (Bear et al., 2010). The impact of internal and external communication on corporate reputation is substantial. This involves accumulating messages from formal and informal channels across various platforms through which the organization presents its identity to consumers and stakeholders (Gray & Balmer, 1998).
Disclosure and transparency emerge as the pivotal methods that corporations employ to communicate and gather information. Disclosure involves the company disseminating pertinent information about its financial status and monitoring activities to various users.

Even though corporate reputation holds paramount importance for organizational success, assessing a company’s reputation proves to be a complex task for corporate audiences. Previous research indicates that companies should adopt enhanced transparency to facilitate effective communication with diverse stakeholders (Kuzey & Uyar, 2017; Loh et al., 2017). Additionally, Kaur and Singh (2018a) explicitly note the inefficacy of qualitative measurements for reputation based on earlier studies. There is also an argument that stakeholders encounter challenges in evaluating a company’s reputation information due to reliability and consistency issues (Baumgartner et al., 2020). Therefore, disclosing a company’s reputation emerges as a solution to these challenges, addressing stakeholders’ growing demand for non-financial information amidst the diminishing relevance and utility of financial disclosures (Lev, 2018; Lev, 2019; Lev & Gu, 2016).

Furthermore, despite the central role of the board of directors in policy discourse, research exploring the impact of board composition on a firm’s reputation remains scarce and constrained. Musteen et al. (2010) asserted that global corporate governance codes encourage firms to adhere to their recommendations on good governance, particularly concerning board composition and diversity.

There is a prevailing lack of awareness and comprehension regarding the advantages of transparency among many publicly listed companies (PLCs) in Malaysia, as highlighted in studies by Ahamed et al. (2014), Amran et al. (2013), and Tanggamani et al. (2020). Addressing this knowledge gap stands as a crucial area for future research. Consequently, this study explored the correlation between board composition and the disclosure of corporate reputation in Malaysian PLCs. The structure of the paper is as follows: Section 2 delves into prior research on corporate reputation, theoretical frameworks, and the development of hypotheses. The subsequent section details the research methods employed in the study. Finally, Sections 4 and 5 unveil the principal findings, initiate discussion, and draw conclusions.
LITERATURE REVIEW

Theoretical Considerations

The theoretical consideration of this study was based on the signaling theory and the agency theory to meet the research objectives. By incorporating the signaling and agency theories into the research framework, the study aimed to provide a nuanced understanding of how the structure and actions of a company, particularly its board composition, contribute to the development and maintenance of a good corporate reputation.

The signaling theory may provide an explanatory framework for corporate reputation as signals (images) firms send and subsequent stakeholder impressions. The Theory is useful for describing behaviour when two parties (individuals or organizations) have access to different information (Conelly et al., 2011). This theory emphasizes building, maintaining, and defending a reputation based on projected organizational images (Walker, 2010). It is applied to corporate reputation to explain how firms’ strategic choices represent signals, which stakeholders then use to form impressions of the firms (Basdeo et al., 2006; Fombrun & Shanley, 1990; Turban & Greening, 1997). The Theory focuses on how firms communicate information to external stakeholders to convey their quality and intentions. In corporate reputation, the signaling theory suggests that companies engage in specific actions or behaviors to signal positive attributes and build stakeholder trust. This study used the signaling theory to examine how certain actions or attributes of a company, possibly related to the composition of its board, serve as signals for a positive corporate reputation. For example, having expertise or experienced and knowledgeable directors on the board could signal the company’s commitment to good governance and competence. The study also explored whether such signals correlated with the company’s perceived reputation.

The agency theory, concerned with the relationship between a principal (the owner) and an agent (the manager), provides a framework to explain voluntary disclosure in the context of separation of ownership and control. This Theory is a framework that examines the relationship between principals and agents to mitigate conflicts of interest. It assumes that these parties may have a divergence of interests and aims to align their interests to
ensure effective corporate governance. Jensen and Meckling (1976) argued that the potential for agency conflicts is higher in a widely held company due to the divergence of interests between contracting parties. Following this argument, a widely held company may be expected to provide additional information to signal that the managers are acting in the interests of the principals. Alternatively, the principals may impose additional disclosure on the managers as a monitoring mechanism to ensure that managers will not act opportunistically. The Theory suggests that the composition of a company’s board of directors plays a crucial role. Boards are often seen as agents who act on behalf of shareholders. The theory implies that a board with diverse characteristics is better positioned to act in the best interests of shareholders, which can contribute to building and maintaining a positive corporate reputation. The study investigated whether the characteristics of the board, as predicted by the agency theory, have a discernible impact on corporate reputation.

Figure 1: Conceptual Framework

Figure 1 represents the hypothesized relationships and interactions between the signaling theory, the agency theory, board composition, control variables, and corporate reputation disclosure. It served as a conceptual framework for understanding how these factors influence a company’s willingness to disclose information about its corporate reputation. The board composition, variable captured the characteristics of the board of directors, such as the expertise, diversity, and experience of its members. It
is a key focal point in both the signaling theory and the agency theory, as it reflects the governance structure and potential signals about the company’s commitment to effective management and ethical practices. On the other hand, for the control variables, there were additional factors that might influence corporate reputation disclosure but were not the primary focus of the study. The control variables in this study included company size, leverage, and profitability which were controlled to isolate the specific effects of board composition.

The Corporate Reputation Disclosure Index Approach

Corporate reputation is the outcome of a competitive process where organizations convey their key attributes to stakeholders for evaluating strengths, strategic qualities, and value provision (Fombrun & Shanley, 1990; Basdeo et al., 2006). Two main reputation measurement categories are survey-based and derivational-based methods (Esa et al., 2020; Baruah & Panda, 2020). While survey-based methods have traditionally been favored for reputation measurement, concerns about financial bias, limited applicability, and subjectivity have prompted a reevaluation (Fombrun, 1996; Fryxell & Wang, 1994). Criticisms of survey-based methods, commonly employed in other countries through tools like Fortune Magazine’s Most Admired Companies, Reputation Quotient, RepuTex, Merco Index, and RepTrakTM, include inefficiencies in measuring reputation (Fryxell & Wang, 1994; Tomak, 2014; Kaur & Singh, 2018a; Kaur & Singh, 2019; Baumgartner et al., 2020). Consequently, scholars like Kaur and Singh (2019), Baruah and Panda (2020), and Kaur and Singh (2018a) advocate for the development of a new measurement framework.

An alternative method for gauging corporate reputation is the derivational-based approach, which extracts information from sources like annual reports and advertising or uses accounting tools to calculate reputation. This method is highly reliable as it focuses solely on the company’s objective disclosures from business records. However, it has limitations, capturing only a specific aspect of reputation and being indirect, market-driven, and responsive to stakeholder reactions (Baruah & Panda, 2020). Despite these drawbacks, disclosing information in annual reports is crucial for stakeholders to comprehend a company’s reputation-building efforts, prevent misinterpretations of financial disclosures, and make
unbiased decisions. To enhance transparency and trust, companies should augment annual reports with comprehensive non-financial information about their corporate reputation (Raithel & Schwaiger, 2015). Transparency through disclosure serves as a means for companies to communicate and synthesize messages from various channels, fostering trust and expressing identity to diverse stakeholders and customers.

This study explored corporate reputation and transparency using the new measurement of reputation namely reputation disclosure index. Emphasizing transparency and better disclosure are crucial to reduce information asymmetry as well as to build trust and a positive reputation. Disclosure from financial statements is deemed necessary for its relevance and faithful representation (IASB, 2018). Past performance highlighted in annual reports significantly enhances a company’s reputation (Rose & Thomson, 2004). Disclosure formats effectively communicate decision-useful information about the company’s past, present, and future resources, complementing financial statements (Harrison et al., 2018). Additionally, auditors assess qualitative characteristics like materiality and information consistency for comparability over time.

HYPOTHESIS DEVELOPMENT

Board Composition Variables

Interest in corporate reputation is growing worldwide among both managers and academicians. Some studies have explored the impact of corporate governance variables such as board gender (Brammer et al., 2009) and ownership concentration (Delgado-Garcia et al., 2010) on company reputation. Despite being a hotly debated topic, research on the relationship between board composition and firm reputation remains scarce and limited. Codes of corporate governance around the world are encouraging companies to comply with recommendations related to board composition and diversity (Musteen et al., 2010).

Stakeholders now widely believe that board diversity is important for effective oversight and decision-making. The definition of diversity is increasingly expanding to include a mix of skills, experience, independence,
and other attributes. Board diversity is essential to ensure that the board can provide informed opinions on all relevant topics and effectively advise management on strategic decisions. The lack of diversity in the boardroom, including gaps in skills and experience, poses a significant risk. Boards that lack diversity and essential skills have been linked to reduced oversight and increased group thinking, which have been identified as contributing factors to recent corporate scandals and have negative effect on company’s reputation. In addition to being a risk, a non-diverse board may also put a company at a competitive disadvantage.

Recently, boards have faced higher investor expectations to comply with legal requirements in most markets and they are expected to be more strategic, dynamic, and adaptable in the organization. This role is a departure from their conventional focus on oversight responsibilities. Investors also tend to have greater confidence that a company’s long-term interests will be well-served by a board with the necessary skills and expertise to understand the business, environment, and diverse experience to inform decision-making as well as give a better reputation to company. When businesses appoint experienced boards in the field of business, it can positively impact the company’s reputation. These individuals can signal to the market that the company possesses relevant attributes and has good intentions. Additionally, the prior industry experience of these business experts can enhance their ability to monitor operations, which, in turn, can influence how stakeholders assess the company’s reputation.

**Board Expertise**

Expertise within the boardroom is often considered the bedrock of effective decision-making. The Malaysian business sphere is witnessing a shift towards boards that boast diverse skills and experiences. Companies increasingly recognize the importance of directors with industry-specific knowledge, financial understanding, and a global perspective. This trend not only enhances the strategic capabilities of the board but also fosters adaptability in the face of a rapidly changing business environment.

Board members with expertise or experience provide valuable advice and specialized expertise to the management team in law, finance, insurance, and capital markets (Hillman et al., 2000). They possess functional expertise
that can help improve a firm’s financial, legal, and commercial transactions. These directors are known as decision supporters, while business experts are called decision controllers. Their extensive experience allows them to offer new perspectives that can benefit shareholders by improving resource utilization and strategy formulation. In addition, these directors maintain valuable networks with professional associations, which can enhance collaboration with key stakeholders (Bear et al., 2010). As decision supporters, they play an important role in monitoring and advising the management team.

Boards bring valuable knowledge and expertise to a company based on their prior experience as executives in other organizations. Stakeholders can highly value their experience in problem-solving and decision-making within the industry. Additionally, their reputation and prestige as former managers can help them secure the resources necessary for the company’s successful operation (Zahra & Pearce, 1989). Garcia-Meca and Palacio (2018) also added that the presence of experienced directors is positively related to company reputation. Therefore, accordingly the first hypothesis was formulated:

H1: There is a relationship between board expertise and corporate reputation.

Board Education

The educational background of board members have long been scrutinized as a potential indicator of board effectiveness. In Malaysia, the emphasis on education within the boardroom is growing. Directors with diverse educational backgrounds encompassing various disciplines bring a richness of perspectives that can prove invaluable. This inclusivity in educational qualifications contributes to a more holistic approach to problem-solving and strategy formulation at the board level.

Following the financial crisis, there has been an increased interest in issues related to the role that directors’ qualifications or educations, skills, and expertise played in corporate governance failures. Accurately assessing the qualifications or educations, skills and expertise of potential board members is important as it may impact stakeholder perceptions and
ultimately affect the company’s reputation. Board education refers to a board’s academic career and educational background and is highly valued in the labor market. Typically, individuals with higher degrees are qualified for more challenging roles with higher salaries. In corporate governance, having a well-educated board is particularly important (Sidki et al., 2023). With a high level of education, leaders can better comprehend complex situations and make more informed strategic decisions.

Prior studies have found mixed results on board education background and company performance. Jalbert et al. (2002) found a significant relationship between education background and company performance (i.e., ROA and Tobin Q). On the other hand, Hau and Thum (2009) found no relationship with company performance. While Jin and Mamatzakis (2018) in their study demonstrate partially negative effect between board educational background and company performance. From these considerations, the second hypothesis was:

H2: There is a relationship between board education and corporate reputation.

Gender Diversity

The issue of gender diversity in boardrooms has gained considerable traction globally, and Malaysia is no exception. Efforts to bridge the gender gap in corporate leadership have been visible, with a push for greater representation of women on boards. The Malaysian business landscape is gradually witnessing a transformation as companies recognize the positive correlation between gender-diverse boards and enhanced corporate performance. Initiatives promoting inclusivity and equal opportunities are making strides toward a more balanced and equitable representation at the upper echelons of corporate leadership.

The presence of women on boards can increase corporate reputation not only because of the benefits indicated above but also if the various stakeholders’ sense that it is a sign of the firm’s sensitivity to pressures from the general public for increasing participation of women on corporate boards (Daily et al., 1999; Kaur & Singh, 2017; Navarro-García et al., 2022). The presence of women directors can influence perceptions about corporate
effectiveness as well as affect the image and reputation of companies (Brammer et al., 2009). Bilimoria and Wheeler (2000) indicate how institutional investors and other shareholders’ associations exert pressure on corporate boards to increase the representation and use of women directors.

According to the agency theory, female boards may assist in lessening agency problems between managers and shareholders (Fama & Jensen, 1983; Jensen & Meckling, 1976). This theory also highlights the board of directors’ responsibility in monitoring and managing managers. Female directors are more likely than male directors to pose more questions and may also monitor more aggressively and sternly (Adams & Ferreira, 2009; Carter et al., 2003; Farrell & Hersch, 2005). The previous arguments suggest that the presence of women on boards may lead to important benefits for a company and improve the stakeholders’ judgements regarding the firm’s response to society’s claims for the increased presence of women corporate directors. Improved stakeholders’ perceptions will then lead to increased reputation. Therefore, based on the above arguments, the next hypothesis was proposed:

H3: There is a relationship between board gender and corporate reputation.

**Independent Non-Executive Directors**

Independent non-executive directors serve as guardians of integrity within the boardroom. Their independence from day-to-day operations provides a unique vantage point, enabling them to evaluate the company’s performance and practices objectively. This objectivity extends to reputation, where INEDs ensure the company’s actions align with its stated values. The latest Malaysian code on corporate governance (MCCG) guidelines (as of 28 April 2021) recommend that having independent directors in a company is a best practice in corporate governance because independent directors are responsible for overseeing and providing objective input to the board. They have the authority to question the top management team and other executive board members to protect the company’s and its shareholders’ interests, particularly minority shareholders.

Additionally, MCCG also requires that at least 50% of the board members be independent directors, and large companies are recommended
to have a board mostly consisting of independent directors. This requirement aims to create a substantial presence of independent voices in the boardroom, enabling them to stand up and collaborate in safeguarding the company’s value creation and long-term viability. Outside directors also have been claimed to have incentives in developing company reputations as experts in decision control (Fama & Jensen, 1983). Prior literature (see for e.g., Ho & Wong, 2001; Klapper & Love, 2004; La Porta et al., 2000) refer independent directors as a tool to monitor management and mitigate opportunistic behavior.

Independent or external directors are more inclined to protect shareholders’ interests, mitigate conflicts of interest, and adhere to ethical standards (Frias-Aceituno et al., 2014; Zhang, 2012). Haniffa and Cooke (2005) claimed that independent directors contribute their experience and networks to guide how a company should present its operations to the public. Consequently, they are expected to enhance the company’s reputation and image in society. Mixed results have been found in previous disclosure studies (e.g., Ekhmar et al., 2013; Esa & Mohd Ghazali, 2012; Esa & Zahari, 2016a; Esa & Zahari, 2016b). Considering the arguments, the next hypothesis was formulated.

H4: There is a relationship between independent non-executive directors and corporate reputation.

Other Control Variables

Multiple regression models were constructed to examine the primary hypotheses, integrating three control variables selected based on a comprehensive review of prior literature focused on disclosure and transparency. These control variables encompassed company size, as scrutinized in previous research (Esa & Mohd Ghazali, 2012; Mohd Ghazali, 2007; Haniffa & Cooke, 2005; Abdul Hamid, 2004), leverage, as investigated by Ahmed Haji and Mohd Ghazali (2013), Esa and Mohd Ghazali (2012), Mohd Ghazali (2007), and Haniffa and Cooke (2005), and profitability, as explored in earlier studies (e.g., Esa & Mohd Ghazali, 2012; Abdul Hamid, 2004).
RESEARCH DESIGN

Data and Corporate Reputation Disclosure Instrument

This research focused on a sample comprising the top 100 companies listed on Bursa Malaysia, chosen based on their market capitalization. The assessment of corporate reputation disclosure practices involved the analysis of annual reports from 2017 to 2020 for these companies. Notably, financial institutions were excluded from the sample due to their distinct regulatory requirements under the Financial Services Act 2013 in Malaysia, aligning with the approach taken in previous studies (e.g., Zahari et al., 2020; Esa & Mohd Ghazali, 2012; Esa & Zahari, 2014; Esa & Zahari, 2016a; Haniffa & Cooke, 2005; Mohd Ghazali, 2007). Following this exclusion, 332 companies remained for the four-year study period.

The researchers anticipated that a sample size is sufficient for empirical testing, drawing guidance from Green (1991), Harris (1985), and VanVoorhis and Morgan (2007). According to VanVoorhis and Morgan (2007), a minimum of ten participants per predictor variable is recommended for regression equations with six or more predictor variables. This study focused on corporate reputation disclosure which involved evaluating seven key variables: profitability, company size, leverage, board expertise, board education, board gender and independent non-executive director. The final sample of 332 companies met the criteria outlined by VanVoorhis and Morgan (2007) for an ample sample size conducive to statistical analyses like regression and correlation. Additionally, the selection of larger companies, as highlighted by Mohd Ghazali (2010), reflected their active trading status in the market, adding to the robustness of the study.

In this research, an evaluation of reputation disclosure among the 100 largest publicly listed companies (PLCs) in Malaysia was carried out through an analysis of their annual reports. The chosen method for this assessment was content analysis, a systematic approach to scrutinizing recorded communication (Kassarjian, 1977). Content analysis serves the purpose of extracting accurate information about the content of the data (Krippendorff, 1980), and it was considered appropriate for gauging the extent of disclosures in this study. Previous research, including works by Geppert and Lawrence (2008), Mohd Ghazali (2007), Esa and Mohd Ghazali
Esa and Zahari (2016a), Esa and Zahari (2016b), and Zahari et al. (2020), has also utilized content analysis as a research approach.

Annual reports from 2017 to 2020, covering a four-year study period for the largest PLCs in Malaysia, were acquired from the Bursa Malaysia website. These reports were meticulously examined to identify references to reputation transparency. A reputation checklist was based on the RepTrak™ Model encompassing seven categories (governance, leadership, innovation, product or services, workplace, citizenship, and performance), was developed for this study. The construction of the checklist drew insights from the Reputation Institute and prior studies on reputation and intangible assets, such as Abeysekera (2011), Ahmed Haji and Mohd Ghazali (2012), and Othman et al. (2011).

Input from industry experts was sought to enhance and validate the comprehensiveness and validity of the disclosure checklist. The final reputation checklist comprised 22 items in total. The unweighted disclosure index was employed, assuming equal importance for all items. A dichotomous scoring method was applied, assigning a score of 1 for disclosed items and 0 for undisclosed ones. The cumulative score obtained by a company reflects its level of transparency. The reputation checklist is available in the study’s appendix for reference. Alongside the reputation checklist, several additional variables were integrated into the present study, encompassing company size, profitability, and leverage.

**FINDINGS AND DISCUSSION**

This research investigated the association between board compositions, company characteristics, and the reputation of the largest PLCs in Malaysia. In order to identify the factors influencing reputation, a multiple regression model incorporating eight independent variables was employed. The regression model is outlined as follows:

\[
CRD = \beta_0 + \beta_1 Bexp + \beta_2 Bedu + \beta_3 Ined + \beta_4 Bgen + \beta_5 CoSize + \beta_6 Profit + \beta_7 Lev
\]
Table 1 provides a summary of variables included in the regression model. Data for the previous variables were gathered from company annual reports.

**Table 1: Variables Used in Regression**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Operationalization</th>
<th>Acronym</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate reputation</td>
<td>Corporate reputation disclosure index</td>
<td>CRD</td>
</tr>
<tr>
<td></td>
<td>Proportion number of directors who have occupied one of the following functions on the board:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Chief financial controller</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Chief accounting officer</td>
<td></td>
</tr>
<tr>
<td>Board expertise</td>
<td>● Management controller</td>
<td></td>
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<tr>
<td></td>
<td>● External auditor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Banker</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Business lawyer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Other financial functions</td>
<td></td>
</tr>
<tr>
<td>Board education</td>
<td>Proportion of directors who have qualification at university level or business school degree in business and accounting on the board.</td>
<td>Bedu</td>
</tr>
<tr>
<td>Company size</td>
<td>Company size measured by total assets</td>
<td>CoSize</td>
</tr>
<tr>
<td>Leverage</td>
<td>Leverage measured by total liabilities over total assets</td>
<td>Lev</td>
</tr>
<tr>
<td>Profitability</td>
<td>Profitability measured by profit before tax over total assets</td>
<td>Prof</td>
</tr>
<tr>
<td>Independent non-executive director</td>
<td>Proportion of Independent non-executive directors on the board</td>
<td>Ined</td>
</tr>
<tr>
<td>Board gender</td>
<td>Total female directors on the board</td>
<td>Bgen</td>
</tr>
</tbody>
</table>

The correlation coefficients among the variables are tabulated in Table 2. From this table, it can be observed that independent non-executive director, board education, board experience, and leverage were significantly correlated with the reputation disclosure at 0.01 and 0.05 percent levels, respectively. Nonetheless, none of the correlations exceeded 0.7, as Tabachnick and Fidell (2001) suggested for the degree of collinearity to be cut off at 0.7. Collinearity is not detrimental until the coefficient approaches 0.8 or 0.9, as suggested by Gujarati (1995). The degree of collinearity affects the problem of multicollinearity. Multiple regression results can be interpreted as no correlation exceeding 0.7.
Table 2: Correlation

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ined</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEd</td>
<td>-.076</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BExp</td>
<td>.221**</td>
<td>.194**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lev</td>
<td>.084</td>
<td>-.018</td>
<td>.328**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof</td>
<td>-.082</td>
<td>.039</td>
<td>-.105</td>
<td>-.159**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BGen</td>
<td>.042</td>
<td>.038</td>
<td>.243**</td>
<td>.000</td>
<td>-.071</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CoSize</td>
<td>-.037</td>
<td>.053</td>
<td>-.023</td>
<td>.187**</td>
<td>-.197**</td>
<td>-.090</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>CRD</td>
<td>.284**</td>
<td>.110’</td>
<td>.341**</td>
<td>.336**</td>
<td>-.012</td>
<td>-.030</td>
<td>.082</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

With regard the regression on the reputation disclosure, Table 3 shows the results of the model, which incorporated seven independent variables, namely the independent directors on the board (Ined), board education (BEd), board expertise (BExp), board gender (BGen), leverage (Lev), profitability (Prof), company size (CoSize) was significant at the 1 percent level (sig. 0.000) and was able to explain 24.0 percent of the variations in reputation disclosure in Malaysian PLCs ($R^2$ of 24.0 percent). The VIFs of all independent variables were below 2. Neter et al., (1983) and Gujarati (1995), suggested that collinearity is considered a problem only when VIF exceeds 10. These results further support the lack of presence of multicollinearity in the regression model. Independent non-executive directors, board experience and leverage were significant at the 1 percent level, while board education and board gender were significant at the 10 percent level.

These results might imply that the variable of board compositions such as independent director (H4), board expertise (H1), board education (H2) and board gender (H3) may explain why companies disclose more reputation information than other factors. The independent director variable was found to affect the transparency of reputation. This might be due to companies with more independent directors are more transparent and disclosing more reputation information. From the point of view of the agency theory, many scholars have stressed that the monitoring function of independent directors plays an important role in reducing the potential conflict of interest between directors and stakeholders to make sure that director’ interests align with those of stakeholders (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976; Westphal, 1999).
The positive and significant association between board expertise and the extent of reputation disclosure implied that PLCs board experience could offer more expertise and more knowledge on accountability and transparency to the company and may have the ability to monitor effectively, which could, in turn, lead to higher disclosure on company reputation. This finding supported H1 and H4. The finding is also consistent and provides some support to an earlier finding by disclosure studies (e.g., Esa & Mohd Ghazali, 2012; Said et al. 2009) and reputation study (e.g., Brammer et al., 2009; Fombrun & Shanley, 1990). On the basis of previous literature as well as the signaling theory, this study hypothesised that there was a positive relationship between board expertise and company reputation. Previous research has demonstrated that board expertise affects reputation (Garcia-Meca & Palacio, 2018), transparency level (Nahar & Mohamad, 2022), business performance (Dass et al., 2014; Drobetz et al., 2014). The appointment of expertise or experienced directors and specialists can positively affect a company’s reputation. These members can signal a relevant attribute to the market regarding the company’s abilities and intentions.

This study hypothesised that there was a positive relationship between board education and reputation disclosure at the 10 percent level. The results revealed a positive and significant effect of board education and reputation disclosure among Malaysian PLCs. The finding was also found to be in line with the signaling theory as this study utilised the signaling theory to predict how board diversity (age, nationality, gender, religious background, educational background, and industry experience) affected a company’s reputation. As predicted, the significant and positive relationship indicated that firms with higher educated boards mitigate the problem of bounded rationality (Barroso-Castro et al., 2017) which will help them gain a competitive advantage and enjoy a greater reputation. The finding indicated that how board ability and knowledge derived from different educational backgrounds can expedite strategic decision-making. Hence, education is important because it shapes an individual’s values, cognitive abilities and enhances knowledge and expertise (Hartmann & Carmenate, 2020).

The impact of the presence of women directors on board reputation disclosure among Malaysian PLCs was significant at the 10 percent level. The results indicated that the board gender had relationship with
reputation. The finding was also consistent with the agency theory as this study utilised the agency theory to predict how the presence of woman directors affected the reputation disclosure level. The agency theory was found to be a key in interpreting the results. The findings indicated how the presence of women in the boardroom increases the level of reputation disclosure provided by the company. The presence of women on boards can increase corporate reputation not only because of the benefits indicated above but also if the various stakeholders’ sense that it is a sign of the firm’s sensitivity to pressures from the general public for increasing participation of women on corporate boards (Daily et al., 1999; Kaur & Singh, 2017; Navarro-García et al., 2022). Leverage was also significant at 1 percent in determining the disclosure of reputation. This result seemed to suggest that PLCs would provide more disclosures to be accountable to the various stakeholders. The results supported the agency theory, which postulates that highly leveraged firms are expected to provide more information in order to reassure creditors that owners and management are less likely to breach contractual obligations.

However, two variables (i.e., company size and profitability) were found to be insignificant. The results also contradicted the previous findings on company size (Kaur & Singh, 2019) and profitability (Kaur & Singh, 2019; Haniffa & Cooke, 2005) on reputation and disclosure study. One possible reason might be that there are not enough variations in company size and profitability to explain reputation disclosure as the sample companies could be considered as large companies as they are all public listed companies.
Table 3: Multiple Regression Results

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
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<tbody>
<tr>
<td>(Constant)</td>
<td>9.468</td>
<td>4.637</td>
<td>.000</td>
<td>.882</td>
<td>1.134</td>
</tr>
<tr>
<td>Ined</td>
<td>.233</td>
<td>4.637</td>
<td>.000***</td>
<td>.882</td>
<td>1.134</td>
</tr>
<tr>
<td>Bedu</td>
<td>.087</td>
<td>1.734</td>
<td>.084*</td>
<td>.826</td>
<td>1.210</td>
</tr>
<tr>
<td>Bexp</td>
<td>.221</td>
<td>3.949</td>
<td>.000***</td>
<td>.592</td>
<td>1.690</td>
</tr>
<tr>
<td>Bgen</td>
<td>-.087</td>
<td>-1.726</td>
<td>.085*</td>
<td>.592</td>
<td>1.690</td>
</tr>
<tr>
<td>Lev</td>
<td>.248</td>
<td>4.675</td>
<td>.000***</td>
<td>.817</td>
<td>1.223</td>
</tr>
<tr>
<td>Prof</td>
<td>.070</td>
<td>1.398</td>
<td>.163</td>
<td>.890</td>
<td>1.124</td>
</tr>
<tr>
<td>CoSize</td>
<td>.050</td>
<td>0.995</td>
<td>.321</td>
<td>.895</td>
<td>1.118</td>
</tr>
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Notes: *, **, *** indicate statistically significant at the level of 10, 5, and 1 percent level.

CONCLUSION AND RECOMMENDATION

Does the composition of a board impact a company’s reputation? Is a company’s reputation enhanced by the inclusion of knowledgeable, well-educated, and diverse female members on its board? Research exploring the nexus between board compositions and corporate reputation has yielded compelling insights. Studies have indicated that companies with boards rich in expertise, education, gender diversity, and independence tend to enjoy a more favorable reputation. This positive reputation, in turn, correlates with increased stakeholder trust, enhanced brand value, and a competitive edge in the market. The primary objective behind disclosing a company’s reputation is to establish legitimacy and signal the credibility of its operations. By doing so, companies aim to justify their ongoing presence and foster greater levels of trust. The current study examined the determinants of the company’s reputation using a reputation disclosure checklist as a proxy. Corporate reputation is notably linked to five key variables, namely board expertise, board independence, leverage, board education, and board gender, with statistical significance observed at both the 1 and 10 percent levels.

A strong significant association at the 1 percent level was found between the extent of reputation disclosures and board expertise, independent directors, and leverage. This finding suggests that the presence
of an independent and experienced board has led companies to disclose and be more transparent, thus bringing a good reputation to the company. Having an experienced board of directors holds significant advantages, as these individuals understand the board’s responsibilities more deeply. This experience equips board members with valuable skills that enhance their effectiveness in overseeing managerial activities and contributes to building a positive reputation for the company. The significant relationship between board independent and reputation disclosures seems to imply that the presence of independent board in the boardroom disclosed significantly more reputation information than others. The finding suggests that boards that have more members with diverse experience, background and independence are more exposed to healthier and livelier discussion on enhancement of reputation and helps in taking quality decisions leading to better governance which ultimately enhances firm reputation (Brammer et al., 2009; Fombrun & Shanley, 1990; Ljubojevic & Ljubojevic, 2008).

Moreover, a significant association between a company’s leverage and its reputation indicates that as a company’s leverage increases, there is a corresponding rise in the level of disclosure found in its annual reports. This finding is consistent with previous disclosure studies (e.g., Ahmed Haji & Mohd Ghazali, 2013; Boshnak, 2022; Esa & Mohd Ghazali, 2012). Companies with substantial leverage tend to provide more information in their yearly reports, primarily for monitoring purposes. This aligns with the notion that highly indebted firms are more likely to disclose additional information than companies with lower leverage. The significant relationship indicates that board education and board gender influence a company’s reputation by promoting higher levels of disclosure and transparency. Board education is more than a credential; it symbolizes a commitment to continuous learning and adaptation. A well-educated board reflects a culture that values staying abreast of industry trends, emerging technologies, and best practices. Such a commitment enhances the company’s resilience and communicates to stakeholders that the board is proactive and forward-thinking, contributing positively to the company’s reputation. The inclusion of diverse perspectives, including gender diversity, on a board has become a hallmark of progressive corporate governance. Beyond fulfilling diversity and inclusion goals, gender diversity on boards brings various insights. Companies with diverse boards are often perceived as more innovative, empathetic, and reflective of the broader societal landscape, contributing positively to their reputation.
This study contributes in several ways to the existing corporate reputation study. Firstly, it addressed a research gap by exploring the antecedents of corporate reputation using a new measurement of reputation namely corporate reputation disclosure index. Previous studies in this area have predominantly focused on developed countries and used traditional methods in measuring reputation, leaving limited research conducted in this context. Thus, the findings of the present study validate prior empirical findings in the context of a developing country. Second, the finding of this study provides a significant positive relation between board experience, independent director, leverage, and type of industry in the extent of disclosures seems to suggest that these variables are significant determinants of voluntary disclosures of reputation irrespective of whether the focus is the largest and non-largest size of companies.

However, it is important to acknowledge certain limitations of this study, which may guide future research endeavors. Firstly, the study only focused on the largest 100 companies in Malaysia, which may be deemed appropriate. However, including a more diverse sample comprising companies of different sizes could offer a more comprehensive understanding of the relationship between governance attributes and corporate reputation. Therefore, future researchers may consider using a larger sample size and incorporating companies of various sizes to investigate corporate reputation in a longitudinal context. Secondly, the timeframe examined in this study (2017-2020) was relatively close to the amendment of the Malaysian Code of Corporate Governance 2021. Consequently, future studies could explore extended periods, such as 2021-2022, to assess the influence of the revised corporate governance code on corporate reputation within the Malaysian context. This would further validate the impact of the revised code on the corporate reputation.

REFERENCES


Othman, S., Darus, F., & Arshad, R. (2011). The influence of coercive isomorphism on corporate social responsibility reporting and


APPENDIX

List of reputation item checklist.

<table>
<thead>
<tr>
<th>Governance (Company behaves ethically, open, and transparent, fair in the way it does business)</th>
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<tbody>
<tr>
<td>1 Adequate governance structure</td>
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<table>
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<tr>
<th>Leadership (Effectiveness of how a company is managed)</th>
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<tbody>
<tr>
<td>2 Appealing board of directors</td>
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<tr>
<td>3 Well organized and excellent management</td>
</tr>
<tr>
<td>4 Independent directors make up at least 50% of the board of directors</td>
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<table>
<thead>
<tr>
<th>Innovation (Innovative, first to market, adapts quickly to change)</th>
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</thead>
<tbody>
<tr>
<td>5 Innovative company</td>
</tr>
<tr>
<td>6 Research and development</td>
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<tr>
<td>7 Launch new product</td>
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<table>
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<tr>
<th>Products &amp; Services (Quality products and services can profoundly shape a company's reputation)</th>
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<tbody>
<tr>
<td>8 External verification or certifications</td>
</tr>
<tr>
<td>9 Brand recognition</td>
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<tr>
<td>10 Brand development</td>
</tr>
<tr>
<td>11 Recognition on outstanding products or services</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Workplace (Rewards employees fairly, employee wellbeing, offer equal opportunities)</th>
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<tbody>
<tr>
<td>13 Employee satisfaction with employer</td>
</tr>
<tr>
<td>14 Training and career development effort</td>
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<tr>
<td>15 Number of staff employed</td>
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<tr>
<td>16 Employee recognition and appreciation</td>
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<td>17 Employee welfare and benefit</td>
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<table>
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<tr>
<th>Citizenship (Social efforts, environmentally responsible and positive influence on society)</th>
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<tbody>
<tr>
<td>18 External certification for CSR initiatives</td>
</tr>
<tr>
<td>19 Any charitable endeavors</td>
</tr>
<tr>
<td>20 Certification and awards achievement relate to environmental practices</td>
</tr>
<tr>
<td>21 Environmental concern and commitment</td>
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<table>
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<tr>
<th>Performance (Overall good performance and strong growth prospects)</th>
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<tbody>
<tr>
<td>22 Company performance</td>
</tr>
</tbody>
</table>