

An Investigation of How Firm Size Affects Firm Value through Corporate Reputation

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Abstract

This study proves that firm size is an antecedent of corporate reputation in increasing firm value. Research model is constructed based on Resource-Based Theory. The populations used are manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2015-2018 period. The study uses purposive sampling method and documentary data from annual report and the Corporate Image Index score. Path analysis was used to analyze the data and the mediation hypothesis testing was carried out using Sobel test. The results show that the firm size has a significantly positive effect on corporate reputation, but insignificantly effect on firm value. Further testing shows that corporate reputation has a significantly positive effect on firm value. The Sobel test also proves that corporate reputation mediates the relationship between firm size and firm value. This research contributes to previous research studies related to corporate reputation, which tend to be examined partially what prompted the creation of corporate reputation and other parts of the partial ratings as well.

Keywords: Corporate Reputation; Firm Size; Firm Value

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INTRODUCTION

A series of research related to the corporate reputation in the last three-decade has seen a dramatic improvement as reviewed by some literature and empirical studies (Fombrun & Shanley, 1990; Walker, 2010; Fombrun, 2012; Baumgartner *et al.*, 2020). The themes discussed were analyzed from various disciplines such as broad economics, accounting, strategy, marketing, and organizational behavior.

As explained that the company has grasped the importance of corporate reputation as a must. Corporate reputation has been a factor influencing firm value. This is as, when corporate reputation is good, it will certainly facilitate the company's steps. Companies with a good reputation will be easier to acquire employees. A good reputation will greatly facilitate the company in gaining cooperation.

How reputation affects the value of the firm is reflected in several phenomenon nationally and internationally. Nationally, for example, how do 10 reputable national companies have maximum value in the eyes of investors and even have a value for 5 times higher than previous years (<https://www.goodnewsfromindonesia.id/2018/06/12/10-perusahaan-paling-bernilai-di-indonesia-tahun-2018>). Internationally it is shown that in 2019, Netflix moved up 15 places to the top 10 of RepTrak Global Ranking as quoted from Baumgartner *et al.*, (2020). The impact is that there is an increase in the number of

subscribers worldwide (from 93 million in 2016 to 148 million in 2019) which shows how increasing customer interest is to buy streaming services from Netflix.

People prefer to do business with reputable companies (Herwin and Abadi, 2018). However, it is not easy for companies to gain a good reputation (Kaur and Singh, 2019b). In general, companies will pay attention to factors outside the company. Kaur and Singh (2019b) state that company size is the best indicator in determining a company's reputation.

Kaur and Singh, (2019b) explain that firm size is a proxy for explaining the quality and corporate reputation. The size of large companies builds on the public assumption that companies will have better growth opportunities. Better growth will have an impact on the company's rising reputation. Iswajuni *et al.*, (2018) revealed that the larger the total assets and sales, the larger the size of the company. Total assets described by the size of a firm (Kaur and Singh, 2019a). Based on this, the size can be seen from how large the number of assets owned.

Several literature reviews show that corporate reputation is a process that is built on a comprehensive concept, namely the determinants and consequences (Fomrun, 2012; Ali, et al, (2015). Several empirical evidences related to this have partially substantiated the findings, including the effect of firm size on reputation (Kaur and Singh, 2019b); and a theoretical study of the consequences of corporate reputation on firm value (Misani, 2017). Based on the theoretical arguments and empirical findings above, this study was conducted to comprehensively test the model, namely by testing firm size as a predictor of firm reputation and its impact on firm value. The size of the company which is proxied by the amount of assets is a reflection of the achievement in utilizing all the resources owned by the company in the managerial process will create corporate reputation, which in turn will have an impact on firm value. Thus, corporate reputation will be tested against the value of the company either directly or through the company's reputation.

The research model is built on the perspective of Resource-Based Theory (Barney & Hesterly, 2019) namely that the formation of a company is an effort to accumulate good managerial processes by utilizing the resources and abilities of good managers, and this process will build a good reputation and provide a positive signal for stakeholders, especially potential investors who will see from the stock price that reflects the value of the firm.

The use of RBV theory in building this research model is based on the argument that reputation is built in a managerial process by utilizing managerial capabilities to maximize the utilization of all resources owned by the company. In the same process that firm value will be formed in the eyes of investors, namely how the process is carried out by managers to maximize their resources within a certain period in order to generate value for the firm.

Furthermore, Fombrum (2012) asks reflective questions. Where does corporate reputation come from and where does it impact? Corporate reputation comes from the experiences, attitudes and perceptions of previous ontological stakeholders about the company. Corporate reputation is an inherent feature or property of an organization. This is in line with the concept of the organization as a social actor with social and legal status whose identity is reflected in the contracts made by the organization. Its reputation is reflected in the experiences, attitudes, and perceptions of stakeholders towards organization (Ravasi, *et al.*, (2018).

Resource-Based Theory also indicates that a company's reputation generates economic value by creating stakeholder support, loyalty, and advocacy: Potential employees are more interested in working for respected companies, consumers are more likely to buy their products, bankers are more likely to give them credit at a higher cost, and investors are more likely to buy their shares and shape firm value.

The value of the company describes the price to be paid by prospective buyers or commonly called investors (Iswajuni et al., 2018; Widiastari and Yasa, 2018). In order to

obtain this value, the company must maximize its resources in order to achieve and maintain its competitive advantage. A large company size reflects a lot of company resources. The number of company resources makes the company's operations more secure. A large company size makes the company have better performance. Good performance will make the company more trusted by creditors. These indicators will boost the reputation of a company. The processes and indicators above will in turn drive the company's value in the eyes of investors.

A good reputation makes the company more visible. This causes many consumers to recognize the company's products on the market. A good reputation, not only popularizes the company, but also makes consumers more interested in buying company products. According to the Frontier Group, a reputable company will have good quality, good performance, pay attention to social responsibility, and have an appeal to prospective workers.

Firm size is one of the predictors in determining firm value (Pratama and Wiksuana, 2018). When an investor buys a stock, it will certainly see whether the stock is overvalued or undervalued from its book value. Firm size is a reflection of total assets of a firm. Big companies will have more and better resources (Zuhroh, 2019). With the availability of superior resources, it will make the company look more reliable for long-term investment so that many investors are looking to the company. Firm size shows that the company is experiencing development so that investors will respond positively and the firm value will increase.

Firm size also has a differentiating effect when the company wants to obtain funding. A large firm size will make creditors more confident in the company. An easier source of funding makes it easier for companies to develop their business from a financial perspective.

However, large companies tend to have greater profits. According to Indriyani (2017), companies generating higher profits tend to have greater retained earnings so that they can meet their funding needs to expand their business or create new products from internal funding sources. This makes the firm value decrease due to the risk of large debt to be resolved later.

Firm value will of course increase with the increase in the size of the company. This is in line with the findings of Gill and Obradovich (2012) who found that firm size is positively related to firm value. Therefore,

H1: Firm size has a positive and significant effect on firm value.

Corporate reputation is obtained by integrating several blends considerations between finance, management, advertising, and public relations (Widanaputra *et al.*, 2018). However, this is difficult for investors to judge and will actually confuse investors in determining corporate reputation in the eyes of investors. In such dilemmas, D'Amato & Falivena, (2020) stated that the stakeholders assess the quality of the company based on the size and age of the company. On the other hand, Kaur and Singh (2019a) reveal the reputation of the company which is shown in the large size which reflects a signal of better performance and growth.

The larger firm size makes it more recognizable and will build a positive response from investors. With a large firm size, company performance will be more guaranteed. In addition, large companies will also find it easier to develop their business. According to Pratama and Wiksuana (2018) large companies will find it easier to obtain funds in the capital market. Both will form a good corporate reputation. In addition, according to Kaur and Singh (2019a), the size of a large company can rationally be related to the 3Rs: more access to resources, a high level of remembrance and better reputation. However, there is still a negative and significant effect of firm size on corporate reputation. The results of research from Newburry and Soleimani (2011) found that firm size does not have a significant effect

on corporate reputation. However, the results of research from Kaur and Singh (2019a) found that firm size has a positive and significant effect on corporate reputation. Based on the description above, the following research hypothesis is proposed:

H2: Firm size has a positive and significant effect on corporate reputation.

Corporate reputation has become interesting information for investors. Reputation rating is an important measure of a company's organizational effectiveness, giving signals to the public about the company's products, jobs, strategies, and prospects compared to competing companies (Delgado-García, *et al.*, (2013). A high reputation will make investors more confident that the company's performance is more secure. Reputable companies are more in demand by prospective workers. A company with a good reputation will maintain its reputation, so that the company can provide better benefits to its employees. This makes it easier for companies to recruit qualified employees.

In addition to the quality of workers, according to Barney & Hesterly (2019), a company with a good reputation will excel because it has scarce resources. With the combination of these two factors, it will help companies produce higher quality products. Quality products make the company have consumers who want to consume the resulting products continuously. Thus, the company will get a separate place in the market.

Corporate reputation can be seen as an indispensable tool for organizations to survive in the competition (Barney & Hesterly, 2019). This encourages the company to always maintain its reputation in order to stay ahead in market competition. The company's superiority in competing in the market will make the profits generated by the company more secure and reliable. This is what makes investors more interested in the company which in the end, the firm value will increase.

According to Kaur and Singh (2019a), reputation is important but difficult for stakeholders to judge. This causes stakeholders not to be fixated on the results of measuring corporate reputation to assess the company. However, Tischer and Hildebrandt (2014) found that corporate reputation has a positive and significant effect on firm value. Corporate reputation is an important quality signal, and affects the decision-making process (Wei *et al.*, 2017). Therefore, the following research hypothesis is proposed:

H3: Corporate reputation has a positive and significant effect on firm value

To describe the size of the company the researchers projected it from the total assets owned by the company. In addition, firm size can also be inferred from the size and uniqueness of the company's resources. Resources owned by the company can build a reputation in the eyes of investors and creditors. It can be assumed that a large company will find it easy to obtain resources, both in the form of supplies, funding, and quality employees so that the company's performance is more secure.

However, even though the company has many assets, but does not have a good reputation, it will have a negative impact on firm value. Fombrun (2012); Harymawan and Nurillah, (2017) stated that the corporate reputation is a picture of the past and future prospects related to the company's performance. In other words, a large firm size but not accompanied by a good reputation can reflect poor company performance. Conversely, with a good corporate reputation can be interesting information that the company has performed well, which in turn will increase firm value. This is in line with the statement of Harymawan and Nurillah (2017), namely that investors and creditors are more interested in investing in large companies that have a good reputation.

Kaur and Singh (2019b) found that firm size has a positive and significant effect on corporate reputation. Then, negotiating with a reputable company instills a sense of trust among stakeholders. Trust in this company has an impact on increasing of firm value in the

eyes of investors. However, there is no research that examines the mediating role of corporate reputation on the effect of firm size on firm value. Hence, the following research hypothesis is proposed:

H4: Firm size has a positive and significant effect on firm value mediated by corporate reputation.

RESEARCH METHOD

Population is the total number of groups of individual events that attract the attention of the researcher to be studied. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2015-2018 period.

The sample is part of the population that you want to research and are judged to be representative of the population. The sample used in this study was selected by purposive sampling method. This method selects research samples that meet certain criteria in accordance with the research objectives. The criteria used to determine the sample are as follows:

1. Manufacturing companies listed continuously on the IDX during the 2015-2018 period.
2. Companies having a Corporate Image Index score.

Variable Measurement

Firm size (X_1)

Firm size is measured using the natural logarithm of total assets. This measurement has been used by Kaur and Singh (2019a)

Corporate reputation (Y_1)

A good reputation describes a good company performance. Corporate reputation is measured using the Corporate Image Index (CII). This measurement has been used by Daromes and Gunawan (2020).

Firm Value (Y_2)

Firm value is the investor's perception of the company's success rate which is often associated with the stock price (Giao and Raposo, 2011; Daromes, Ng, & Wijaya, 2020). Firm value is measured using the Tobin's Q method. Tobin's Q is able to show how the fundamental aspects of the company are and can provide an overview of how the market values the company.

$$Q = \frac{BVA_{i,t} + MVE_{i,t} - BVE_{i,t}}{BVA_{i,t}}$$

In which:

Q = firm value

BVA = book value of total asset

MVE = market value of common equity/ market closing price of common stock x number of shares outstanding

BVE = book value of equity

RESULTS AND DISCUSSION

Descriptive statistics provide an overview or description of data that makes information clearer and easier to reach, which is seen from the average (mean), minimum, maximum, and standard deviation values.

Table 1. Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Firm Size	108	11,6840	13,7089	12,680299	0,5784932
Corporate Reputation	108	0,1710	2,3200	0,993759	0,5288922
Firm Value	108	0,2554	5,7570	1,771567	1,2467202

Source: Results of SPSS Data Processing

Based on the results of descriptive statistics, the natural log of the smallest firm size produced by the company is 11.6840 and the largest is 13.7089. The average firm size is 12.680299 or about 49% of the maximum sample size, so it can be concluded that the size of the company in general has a medium size or around 10 trillion rupiah.

Corporate reputation in the sample has an average of 0.993759. Minimum value of corporate reputation is 0.1710, while the maximum value is 2.32. This shows that the companies from the sample studied have tried to establish their corporate reputation on the Corporate Image Index because they have an average score index that is close to number 1.

The firm value proxied using Tobin's Q obtained the highest value of 5.7570 and the lowest value of 0.2554. The average firm value is 1.771567. The value of the sample firms with an average of above number 1 concludes that the sample firms have a high value. The standard deviation of the sample companies is 0.6896691.

There are several outliers (extreme) data released in this study. This outlier data is detected by converting the data value into a standardized score (Z-Score). If a data has a Z-Score greater than 1.96 or less than -1.96 (Byrne, 2016) then the data is excluded from the data analysis in this research model.

Table 2. F Test Results

Dependent Variable	Independent Variable	F	Sig.
Firm Value	Firm Size Corporate Reputation	5,578	0,001

Source: Results of SPSS Data Processing

The equation that examines the effect of firm size and firm reputation on earnings on firm value has a significance value of 0.001 < 0.05. This shows that there is an effect of firm size and corporate reputation simultaneously on firm value.

Table 3. Determination Coefficient Test Results (R^2)

	R	R Square	Adjusted R Square
Substructures 1	0,427	0,183	0,175
Substructures 2	0,372	0,139	0,114

Source: Results of SPSS Data Processing

The coefficient of determination (R^2) for the substructure 1 shown in table 3 above is 0.183. This shows that 18.3% of the variability of firm reputation (Y_1) can be explained by the variability of firm size (X_1). The remaining 81.7% is explained by other variables outside the model in this study.

The coefficient of determination (R^2) for the 2nd substructure equation shown in table 3 above is 0.114. This indicates that 11.4% of firm value variability (Y_2) can be explained by

firm size variability (X_1), corporate reputation (Y_1) is explained by other variables outside the model in this study.

Table 4. Result of Path Equation Analysis

Model Structure	Standardized Coefficient	Significance	Confirmations
Firm Size and Corporate reputation	0,427	0,000	Significant
Firm Size and Firm Value	0,079	0,439	Not significant
Corporate reputation and Firm value	0,293	0,006	Significant

Source: Results of SPSS Data Processing

Hypothesis testing is done by using a regression model in path analysis to predict the relationship between exogenous and endogenous variables. The results of the analysis of the path model in table 4 show the results of data processing for the analysis model with the three path equations used in this study. First, The influence of the variable firm size (X_1) on corporate reputation (Y_1) obtained a positive path coefficient value of 0.427 at a significance probability of 0.000. Thus, statistically it can be concluded that firm size has a positive effect on corporate reputation, namely $0.427 \times 100\% = 42.7\%$. This shows that firm size tends to increase the corporate reputation. Second, the influence of the firm size variable (X_1) on firm value (Y_2) obtained a positive path coefficient value of 0.079 with a significance probability of 0.439. Thus, statistically it can be concluded that firm size has a positive effect on firm value, namely $0.079 \times 100\% = 7.9\%$. This shows that firm size tends to increase firm value. The last, the influence corporate reputation (Y_1) on firm value (Y_2) obtained a positive path coefficient value of 0.293 with a significance probability of 0.006. Thus, statistically it can be concluded that corporate reputation has a positive effect on firm value, namely $0.293 \times 100\% = 29.3\%$. This shows that corporate reputation tends to increase firm value.

Direct Effect and Indirect Effect Testing

Direct effect is the effect of one independent variable on endogenous variables that occurs without going through other dependent variables. The direct effect value can be obtained from the standardized beta coefficient, which is the variable coefficient value of each substructure equation generated through regression analysis. Indirect effect is the effect of one exogenous variable on endogenous variables that occurs through other endogenous variables contained in the model being analyzed. The value of the indirect effect is obtained from the multiplication of the coefficient between the exogenous variables, namely firm size and the coefficient of endogenous variable, namely corporate reputation. The total effect is obtained from the accumulation of direct effects and indirect effects. The results of statistical tests regarding testing the direct effect, indirect effect, and total effect can be explained in table 5

Table 5. Direct Effect, Indirect Effect, and Total Effect Testing

Influence of Variables	Direct Effect	Indirect Effect	Total Effect
Firm Size on Corporate Reputation	0,427	-	0,427
Firm Size on Firm Value (via Corporate Reputation)	0,079	0,125111	0,204111

Source: Data Processed

Table 6 shows that the effect of firm size (X_1) on firm value (Y_2) through corporate reputation (Y_1) is 0.125111. The value of this indirect effect is obtained from the multiplication of the direct effect between the variables X_1 to Y_1 and Y_1 to Y_2 . This means

that there is an indirect positive effect between firm size and firm value through corporate reputation.

Table 6. Sobel Test Calculation

Combination of Variables	Estimated Value	Standard Error	p Value of Sobel Test	Confirmation
Firm Size on Firm Value (via Corporate Reputation)	0,391; 0,382	0,080; 0,137	0,01543924	Significant

Source: Data Processed

The value of the indirect effect is determined to be significant or not (can mediate) tested with the Sobel test. Sobel test was used to calculate the t-statistic value of the effect of mediation. The Sobel test was carried out by testing the strength of the indirect influence of the independent variable (X) on the dependent variable (Y) through the mediating variable (M). The indirect effect of X to Y through M is calculated by multiplying the X→M (a) path with the M→Y (b) or ab path (Sobel, 1982). The indirect effect (ab) significance test is carried out based on the ratio between the ab coefficient and its standard error which will produce a t-statistic value. The standard error value of the ab coefficient can be calculated using the following formula:

$$S_{ab} = \sqrt{b^2 S_a^2 + a^2 S_b^2}$$

The t-statistical value of the ab coefficient can be calculated using the following formula:

$$t = \frac{ab}{S_{ab}}$$

The conclusion of the mediation variable test is determined by the criteria if the significance level is <0.05, it can be concluded that the M variable mediates the causal relationship between the independent variable (X) and the dependent variable (Y).

The results of the sobel test analysis in table 6 show that the effect of firm size (X₁) on firm value (Y₂) through company reputation (Y₁) has a p value of sobel test of 0.01543924. This shows that corporate reputation mediates the relationship between firm size and firm value due to the p value which is lower than 0.05. Thus, the hypothesis which states that corporate reputation mediates the effect of firm size on firm value is accepted.

Table 7. Hypothesis Summary

Hypothesis	Results		
	Sign	Significance	Confirmation
Firm size has a positive and significant effect on firm value	Positive	Not Significant	Rejected
Firm size has a positive and significant effect on corporate reputation	Positive	Significant	Accepted
Corporate reputation has a positive and significant effect on firm value	Positive	Significant	Accepted
Firm size has a positive and significant effect on firm value mediated by corporate reputation	Positive	Significant	Accepted

Source: Data Processed

Firm value is often associated with the company's stock price (Daromes, Ng, & Wijaya (2020) so that it can be concluded that the firm's value is determined by the market's response

to the company's success. In Tobin's Q method, firm value is the result of consideration of the company's market response to the company's fundamental aspects.

Large firm size makes it easier for companies to obtain external sources of funds. Management becomes easier to obtain funding in managing and developing company investments. This raises concerns for investors over management. The ease of obtaining a loan can significantly increase the company's debt. According to Oktaviani *et al.* (2019), there is a perception of investors who do not want to take risks to invest in companies that have excess debt.

The results show that the influence of the firm size variable as proxied by the natural log of total company assets has a positive but insignificant effect on firm value. The results are not in line with the research conducted by Gill and Obradovich (2012), namely: firm size does not have a significant effect on firm value. This research is in line with the research of Suwardika and Mustanda (2017) who found that firm size has no significant effect on firm value. Investors will look more at various aspects such as paying attention to company performance as seen in the company's financial statements, the company's good name, and dividend policy before deciding to invest their funds in the company.

The findings above indicate that the level of asset growth in manufacturing companies reflects the success of the managerial process in maximizing the resources owned by the company. This also contributes to both the reputation of the company and to potential investors which is reflected in the share price.

When an investor wants to value a company, the focus is not on the size of the company as reflected by its total assets. The size of the company for investors has not been able to guarantee the large profits that the company will receive. Although large company assets reflect resources that can be managed by the company, the source of funding from these large assets can come from the high liabilities of the company. This will cause the company to pay higher interest rates than other companies. Of course, higher interest will make the profit earned by the company smaller.

Large companies have a better reputation (Kaur and Singh, 2019b). Quality, Performance, Responsibility and Attractiveness are dimensions of a corporate reputation according to the Frontier Group. Large companies, it will be easier to meet these 4 dimensions. Companies with a large size have large resources as well. In addition, large firm size connects companies to easier access to resources (Kaur and Singh, 2019a).

Companies with a large size will have the advantage of having scarce resources so that the company can produce high quality products. Large firm size is a reflection of good past performance. Abundant resources for the company make it easy for the company to fulfill its responsibility. The size of the company reflects its sustainability. The larger the size, the less likely the company is to go bankrupt. This makes prospective workers see firm size as their better future prospects. Prospective workers will prefer to work in large companies, so it can be said that large companies have better attractiveness compared to small-sized companies.

In this study, the influence of the firm size variable as proxied by the natural log of the company's total assets has a positive and significant effect on the company's reputation. Positive results are obtained through the regression coefficient value, namely 0.427 and a significance value smaller than 0.050, namely 0.000. The bigger the firm size, the better the company's reputation.

Research by Kaur and Singh (2019b) suggests that a company with a large size can be related to 3 things, namely greater access to resources, reputation, and a good reputation. A good reputation can be built by a company more easily because the company is better known by the wider community. The public will respond more to large companies as companies that are still continuing. The size of the company is a reflection of the total assets owned by the

company. The larger the firm size, the more assets or resources it has. In line with Kaur and Singh (2019a), abundant resources company that enable organizations to build and maintain its reputation. This causes large companies to seek to build and maintain their reputation. The superiority of resources is a factor that determines the ease with which a company builds its reputation.

Firm value is influenced by market response to company shares. The share price of a company can be affected by the signals given by the company. Corporate reputation is an important measure of the company's effectiveness and provides a good signal to investors (Delgado-García, *et al.* (2013). Investors prefer companies with good reputations. Corporate reputation is also a company's advantage in competing (Barney & Hesterly, 2019).

Corporate reputation is an important quality signal, and affects the decision-making process (Wei *et al.*, 2017). A company with a good reputation will try to maintain its reputation, for example by conducting CSR. According to Marhamah (2013), companies that carry out CSR will get better treatment from the government, support from activist groups, the community and get good news from the media so that business sustainability and company operations will not be disrupted. This indicates that when the company has a good reputation, it is a signal for the company's value to increase.

The results in this study indicate that the influence of the corporate reputation variable as proxied by the score on the Corporate Image Index has a positive and significant effect on firm value which is proxied by using Tobin's Q. This is due to the positive results obtained through the regression coefficient value, namely 0.293 and the significance value which is smaller than 0.05, namely 0.006. The higher corporate reputation, the higher the company's value.

This results are consistent and in line with research from Tischer and Hildebrandt (2014), namely that corporate reputation has a positive and significant effect on firm value. According to Pham & Tran (2020), corporate reputation is the source of firm value creation. Corporate reputation is a company resource that cannot be imitated by competitors (Barney & Hesterly, 2019) so that the company will be superior to its competitors. The competitive advantage makes company profits more secure so that investors will respond positively and the firm value will increase.

A good reputation makes it easy for a company to obtain resources to support its performance. Prospective workers will prefer to work in companies that have a good reputation. This makes it easy for companies to gather prospective workers who are superior, the result is good company performance. A good company performance brings a more secure profit for the company. Besides that, with a good corporate reputation, it makes the company better known to the wider community, and the products produced by the company become goods that are in demand by the market. This makes the company's shares the target of investors which has an impact on increasing firm value. Corporate reputation makes the company superior in terms of resources so that the company's value will increase.

The next discussion is related to the mediation role of corporate reputation on the effect of firm size on firm value. Firm value is a reflection of the company's success. The more successful a company is in managing its resources, the higher the value of the company. A large firm size is a reflection of large company resources. However, a large firm size is not a guarantee that the company can achieve success. Corporate reputation can bring significant value to the success of a company (Kaur and Singh, 2019b).

The company's competitors cannot replicate to make the same reputation, corporate reputation can be said to have economic value for the company. According to Herwin and Abadi (2018), the public will prefer to do business with companies that have a good reputation. The ease of doing cooperation in the end will make the company get a superior profit compared to its competitors. This advantage makes investors more interested in

entrusting their funds to reputable companies, so that the value of a company will increase along with the high reputation and firm size. The advantage of large company resources in the form of reputation makes the firm value increase.

Corporate reputations should be able to help mediate the influence of firm size on firm value. This is due to the positive and significant effect of firm size on corporate reputation as well as the positive and significant influence of corporate reputation on firm value. Sobel tests have been conducted to prove the mediating role of the corporate reputation. Based on table 4.8 regarding the Sobel test results, the p value is below 0.05, namely 0.01543924. H4 regarding firm size has a positive and significant effect on firm value mediated by corporate reputation is accepted.

There is no previous study that examines the mediating role of corporate reputation on the relationship between firm size and firm value. However, this study succeeded in obtaining results in accordance with the opinion of Kaur and Singh (2019b), negotiating with a reputable company instills a sense of trust among stakeholders. Large companies that have a good reputation will have more attractiveness in the eyes of investors (Harymawan and Nurillah, 2017). Investors 'trust and interest in reputable large companies will ultimately influence investors' assessment of these companies.

The large size of the company makes it easy for the company to fulfill the 4 main factors (Frontier Group) in building the company's reputation. The results showed that firm size has a positive and significant effect on company reputation. Abundant resources enable the company to make quality products, recruit quality employees, which makes the company have superior performance compared to small companies so that the company becomes the target of investors. This has been proven by corporate reputation has been successful in mediating the effect of firm size on firm value. It can be concluded that the increasing firm size accompanied by corporate reputation will significantly increase the firm value.

CONCLUSION

Firm size has a positive but not significant effect on firm value. This indicates that a large company size cannot ensure that the company can make a profit. Firm size has a positive and significant effect on corporate reputation. The higher the size of the company, the higher the corporate reputation. The advantages of the resources owned by the company, make the company can easily fulfill the 4 dimensions (Frontier Group) of the corporate reputation, namely quality, performance, responsibility and attractiveness.

Corporate reputation has a significantly positive effect on firm value. These results indicate that the company's reputation increases the value of the company and becomes the main consideration when investors want to invest. This is as corporate reputation can provide guarantees regarding profits to investors, so investors seriously consider the company's reputation in assessing the company.

Firm size has a positive and significant effect on firm value mediated by corporate reputation. Companies with a large size and have a good corporate reputation will increase firm value. This is as large companies with reputations can instill a sense of trust and have attractiveness to the investors.

Theoretically, the results of this study have implications for the role of RBV theory in explaining the relationship between variables. Large firm size reflects the advantages of company resources. Companies having abundant resources will find it easier to get corporate reputation as a scarce resource that competitors cannot imitate. Large firm size accompanied by a good company reputation is a signal for good earnings persistence and a significant increase in value. Implication of this research is an illustration to evaluate a company through

its reputation. Corporate reputation is a driver of firm value. This is as the size of the company is not sufficient to increase firm value significantly.

Some researchers criticize that the measurement of reputation as used in this study reveals inefficiency in measuring it qualitatively. It is important to understand that protecting reputation is a serious challenge for every business person, which is not only faced by the industry but also in the wider community with various dimensions (Baruah and Panda, 2020). Therefore, the recommendation for future research is that it is necessary to consider other measures that proxy various quantitative contemporary dimensions in measuring corporate reputation (Kaur and Sing, 2018), as well as consider other predictors of corporate reputation.

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