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Corporate reputation in Brazil: do board characteristics matter?

Alan Bandeira Pinheiro

*Department of Administration, Federal University of Parana, Curitiba, Brazil
and Department of Innovation and Entrepreneurship, NEOMA Business School,
Rouen, France*

Nágela Bianca do Prado and

Gustavo Hermínio Salati Marcondes de Moraes

School of Applied Sciences, State University of Campinas, Limeira, Brazil

Wendy Beatriz Witt Haddad Carraro

*Accounting Department, Federal University of Rio Grande do Sul,
Porto Alegre, Brazil*

Abstract

Purpose – This paper aims to analyse the influence of board characteristics on corporate reputation.

Design/methodology/approach – In total, 128 Brazilian publicly traded companies from Refinitiv Eikon were analysed between 2016 and 2020. The dependent variable was corporate reputation, whereas the independent variables were board size, gender diversity, board independence and audit committee presence. Multivariate analysis was used.

Findings – The results presented empirical evidence that board members can impact corporate reputation. Findings showed that board size, gender diversity and independence positively influence Brazilian companies' corporate reputation. Conversely, an audit committee had no significant impact on corporate reputation.

Research limitations/implications – The paper presents a contribution to the significance of board members in shaping a company's corporate reputation, using the signalling theory and the resource-based view (RBV) theory.

Practical implications – Regarding practical implications, this work provides subsidies for managers to value board characteristics because they directly reflect on corporate reputation and competitive advantage, leading to more sustainable performance.

Social implications – The research findings highlight that a diverse board encourages the organisation to improve its workforce, human rights, relations with the community and responsibility for manufactured products.

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Originality/value – The relationship between board characteristics and corporate cooperation is poorly established in the literature. Furthermore, the results prove the RBV theory in an emerging context. Similarly, the signalling theory proved helpful in improving Brazilian firms' corporate reputation.

Keywords Corporate reputation, Board characteristics, Corporate governance, Signalling theory, Resourced-based view theory, Corporate social responsibility

Paper type Research paper

1. Introduction

Corporate reputation refers to a collective judgment held by an organisation's stakeholders (Navarro-García, Ramón-Llorens, & García-Meca, 2022). This notion pertains to a valuable intangible resource that can be a potent competitive advantage driver, impacting both customers and the firms themselves (Raj & Subramani, 2022), including profitability (Amirkhani, Brown, & Gramlich, 2024). It embodies the sentiments held by stakeholders and mirrors their perceptions and attitudes towards a company (Musteen, Datta, & Kemmerer, 2009).

Topics related to reputation issues have increased worldwide, greatly influencing the corporate sphere. Previous scholars have formulated different definitions regarding the concept of reputation. They have commonly defined it as *image*, "how others see us"; *identity*, "how we see ourselves"; and *desired identity*, "how we want others to see ourselves" (Chun, 2005).

Past studies have also demonstrated a massive variety of benefits associated with a corporate reputation (Amirkhani et al., 2024; Detthamrong, Chancharat, & Vithessonthi, 2017; Pérez-Cornejo, de Quevedo-Puente, & Delgado-García, 2019), which include, among others, firm performance, marketing value, corporate branding, employee retention (García-Meca & Palacio, 2018), customer satisfaction and customer loyalty (Chun, 2005).

The signalling theory, first proposed by Spence (1973), is commonly used in studies based on reputation disclosure (Mardini & Elleuch Lahyani, 2023). This theory suggests that information asymmetry between two parties can be reduced (Spence, 1973) and that firms can emit signals to convey positive organisational attributes (Connelly, Certo, Ireland, & Reutzel, 2011).

To establish and consistently maintain the desired positioning, companies need effective management of corporate reputation. In this vein, the board of directors guarantees economic and financial success, governs stakeholder expectations and certifies that organisations are socially accountable (Hartmann & Carmenate, 2021). The influence of board directors on corporate reputation has been studied through the resource-based view (RBV) theory of the firm (Barney, 1991) due to the pivotal board's role in improving competitive advantage and firm performance (Marquez-Cardenas, Gonzalez-Ruiz, & Duque-Grisales, 2022), and in managing the appropriate and effective operations of the firm (Detthamrong et al., 2017).

Board composition reflects a mix of board members' diversity, size, skill and independence. Therefore, it can be deduced that firms try to signal their salient characteristics to expand their reputation. Explicitly, companies with effective corporate governance, that is, having members of boards with determined aspects, possibly strengthen stakeholders' confidence and, ultimately, the company's reputation (Ghuslan, Jaffar, Saleh, & Yaacob, 2021). At this point, Navarro-García et al. (2022) state that the role of boards is crucial because of their capacity to monitor activities, manage strategies and provide resources.

Nevertheless, empirical research regarding board characteristics and their impact on corporate reputation is still scarce. Despite being considered one of the most widely accepted strategic management theories, the RBV has faced criticism for its limited empirical

evidence (Arbelo, Arbelo-Pérez, & Pérez-Gómez, 2020). Furthermore, Damberg, Liu, & Ringle (2024) emphasise the importance of the Signalling Theory in future research on corporate reputation. Similarly, García-Meca & Palacio (2018) affirm that, although the board is an important governance mechanism, the literature on board resources' effects on reputation is uncommon. Recent reputation rankings also demonstrate the importance of corporate reputation (Musteen et al., 2009).

This paper examines the influence of board characteristics on corporate reputation. Several steps are involved in our analysis. Our tests were conducted using regression of panel data with fixed effects and regression using the generalised method of moments (GMM). We studied Brazilian companies to analyse the phenomenon because Brazil is a developing country, where this kind of national reputation can be used as a strategic resource by reducing risks, improving diversification and engaging firms in philanthropy (Pérez-Cornejo et al., 2019). Our results provide significant contributions and implications.

2. Theoretical framework

2.1 Signalling theory

To achieve our research objectives, we will first adopt the signalling theory. This theory can be conceptually described as a means of communication between two parties in an economic transaction situation (Spence, 1973).

Signals are a tool of communication that makes it possible for firms to inform stakeholders about business actions (Pinheiro, Batistella, Sampaio, & Carraro, 2022). However, signalling theory primarily focuses on deliberating communication of positive information to convey positive organisational attributes (Connelly et al., 2011), and the receiver decides how to interpret the signals. For this reason, various stakeholders with different value orientations create different impressions of organisations (Raj & Subramani, 2022).

In general, firms try to use visible signals to disclose themselves among stakeholders (del Mar Fuentes-Fuentes, Quintana-García, Marchante-Lara, & Benavides-Chicón, 2023). It can be accomplished by voluntary disclosure through reports, for example (Mardini & Elleuch Lahyani, 2023), in which private information can become public, enabling a better relationship between parties interested in the firm's operations (Pinheiro et al., 2022).

By using the signalling theory, we focus on the signals that the characteristics of the board of directors emit for the construction of corporate reputation. Also, we believe that firms can call attention, or be "signalled" by corporate reputation, to attract market opportunities and more investors and stakeholders interested in ventures less involved in social and environmental problems.

2.2 Resource-based view theory

According to the RBV theory, firms can enhance their performance by efficiently using their resources (Sancha, Gutierrez-Gutierrez, Tamayo-Torres, & Gimenez Thomsen, 2022). To Barney (1991), RBV is based on one main assumption. Companies in a sector have heterogeneous resources, and these resources are not ideally mobile, and heterogeneity will progressively persist. Thus, through the lens of the RBV, by developing resources and capabilities, firms obtain a sustained competitive advantage described as being rare, valuable, non-substitutable and inimitable (Barney, 1991; Sancha et al., 2022).

Once the four indicators related to competitiveness refer to the internal characteristics of an organisation, the RBV theory emphasises the relationship between internal and external characteristics, that is, the social and environmental circumstances aligned to internal resources can lead to sustainable competitive advantages (Khan, Khan, & Afridi, 2021).

RBV anticipates the correlation between a company's resources and its performance (Arbelo et al., 2020). The theory suggests that effectively managing a company's resources is crucial in establishing a sustainable competitive advantage (Abu Bakar, Khan, Mather, & Tanewski, 2020).

Directors play an important role in improving a firm reputation and reinforcing strategic relationships and external contacts. For García-Meca & Palacio (2018), this position pertains to the directors' duty to safeguard shareholder interests against management's self-serving interests. This can affect corporate reputation if reputation perceptions are influenced by the combination of stakeholders' preferences and corporate behaviour (Ghuslan et al., 2021). García-Sánchez (2010) affirms that the board of directors is considered the “backbone” of corporate governance. Thus, good governance unarguably enhances corporate reputation (Abu Bakar et al., 2020; Kaur & Singh, 2021).

We propose that RBV theory postulates some key resources that can increase a firm's competitive advantage. Board members are critical actors in improving reputation. In this sense, the RBV of a firm is part of governance strategies. Thus, we suggest that the board is a resource to improve corporate reputation (Ghuslan et al., 2021).

2.3 Research hypotheses

The size of the board of directors is a feature intensely examined (Liu, 2023; Mardini & Elleuch Lahyani, 2023; Mukherjee & Sen, 2022). Following the literature, a larger board of directors provides more external links, knowledge and experience (Kaur & Singh, 2021). Larger boards, with the presence of directors from different stakeholder groups, bargain for greater disclosure of social responsibility to satisfy their interests and improve corporate reputation. Indeed, previous studies have found size-driven differences in firms' motivation to engage in corporate social responsibility (CSR) practices and disclosure (Amirkhani et al., 2024; del Mar Fuentes-Fuentes et al., 2023). The study by Sekarlangit & Wardhani (2021) states that boards of directors with many members can be inefficient and require more time for decisions and additional meetings. Despite this, we believe that larger boards can better address the agendas of different stakeholders and increase the firm's reputation.

According to Pucheta-Martínez & Gallego-Álvarez (2019), in larger boards, the directors represent the interests of the shareholders and the other stakeholders. The study by Guest (2009) identified that boards with few members could have an excessive workload, reducing the discussion of additional agendas, such as environmental and social issues. Therefore, we posit that:

H1. Board size positively influences corporate reputation.

Amidst the heightened focus on systemic racism, many stakeholders acknowledge the lack of racial diversity on corporate boards (Pajuste, Dzabarovs, & Madesovs, 2022). Similarly, boards with greater gender diversity can signal the company's working conditions to the market, indicating that it includes diversity in its values (Issa & Zaid, 2021). According to Zhang (2012), women have psychological characteristics, such as empathy, that make them attentive to other people's needs.

A better understanding of environmental issues and, subsequently, sustainability reporting, has been demonstrated to be associated with gender diversity in the literature (Kenney, Patton, & Terjesen, 2024; Mardini & Elleuch Lahyani, 2023). According to a study conducted by Yarram & Adapa (2021), a significant number of female directors have a beneficial impact on CSR; besides, García-Meca & Palacio (2018) suggest that a board with more female participation improves the ability to understand and manage environmental problems, as companies bring more diversity of thoughts and skills. Female executives also

offer contrasting opinions, including more innovative and creative solutions to complex problems and more effective supervision, coordination and control (Mukherjee & Sen, 2022). Thus:

H2. Gender diversity positively influences corporate reputation.

An influential factor in safeguarding investors' interests is board independence, which is identified as a monitoring tool (Elmashtawy, Che Haat, Ismail, & Almaqtari, 2024). According to Wan Mohammad & Wasiuzzaman (2019), independent directors are appointed to compose boards due to their financial expertise, professional training and reputation in the market. Internal directors tend to align themselves more closely with management's interests than those of shareholders and other stakeholders (Zhang, 2012). Independent members can also be named "professional judges" by playing an essential role in protecting shareholders' interests through effective decision-making (Elmashtawy et al., 2024). A higher proportion of independent directors reduces the opportunistic behaviour of top management and brings the company closer to the interests of shareholders (Fama & Jensen, 1983), employees and the community.

According to Fahad & Rahman (2020), greater board independence improves company engagement with social and environmental issues. Increasing the number of independent directors also increases managers' chances of being inspired by higher levels of transparency, which affects the company's reputation. Similarly, Mardini & Elleuch Lahyani (2023) found board independence and diversity to impact carbon disclosure positively. Thus:

H3. Board independence positively influences corporate reputation.

An audit committee can be considered a mechanism of governance that minimises asymmetric information (Pérez-Cornejo et al., 2019) and focuses on making the organisation's actions more transparent by applying pressures and monitoring the company's internal and external environment (Javeed, Ong, Latief, Muhamad, & Soh, 2021). When independent, audit committee members are free to perform their monitoring duty better (Elmashtawy et al., 2024). Indeed, there is a consensus in the literature that independent audit committees increase the quality and reliability of corporate reports associated with shareholders (Arif, Sajjad, Farooq, Abrar, & Joyo, 2021).

The study by Appuhami & Tashakor (2017) showed that an independent audit committee increased Australian companies' disclosure of financial and non-financial information. The findings of this study showed that the presence of the audit committee safeguards stakeholders' interests from opportunistic managers' behaviour. The audit committee members guarantee social responsibility measures and unite the interests of the organisation and the stakeholders', increasing the company's legitimacy in society and credibility in the eyes of shareholders (Elmaghrabi, 2021). In this vein, we posit that:

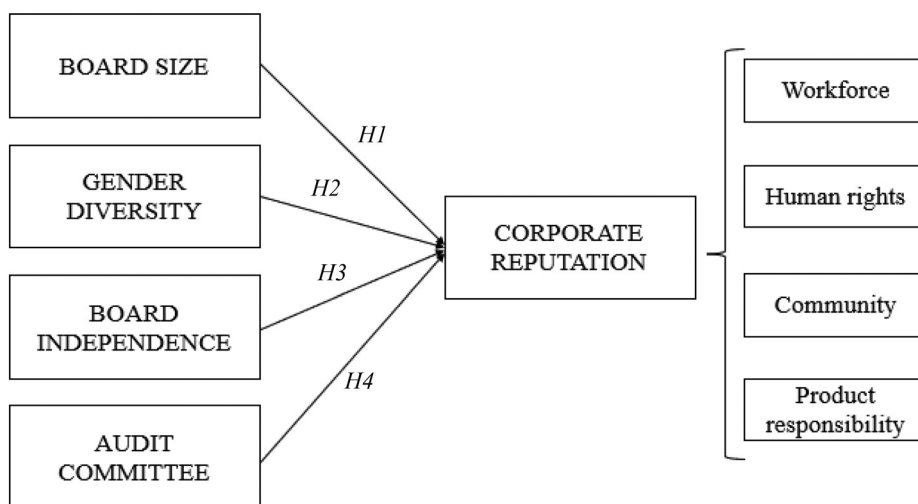
H4. The presence of the audit committee positively influences corporate reputation.

Therefore, the link between board characteristics and corporate reputation establishes the theoretical foundation of this study, as illustrated in Figure 1.

3. Methods

3.1 Sample and variables

The study's sample consisted of Brazilian companies listed on the stock exchange and whose information was accessible through the Thomson Reuters Eikon database, referred to as *Refinitiv Eikon*. Of all 297 Brazilian companies in the Refinitiv Eikon database, we excluded 169 companies as they had no reputation information or financial data. We analysed the



Source: Authors own creation

Figure 1. Research model

sample of 128 companies from 2016 to 2020 – analysis started in 2016 because that was when Brazil signed the United Nations (UN) Global Compact.

Regarding the sample distribution, the sectors with the most significant representation are financial, industrial and utilities, all with 17 companies. Together, these sectors represent almost 40% of the sample. On the other hand, educational services (six companies), health care (six companies) and technology (four companies) are the sectors with less participation in our sample. Together, they represent less than 13% of the sample.

The dependent variable is *corporate reputation* (CORPREP). This variable was measured using previous studies (Quintana-García et al., 2022) as support. Quintana-García et al. (2022) used the social pillar of Refinitiv Eikon’s environmental, social and governance (ESG) database because it represents the ability of a company to generate trust and loyalty for its employees, customers and society, besides corporate reputation. Corporate reputation comprises four pillars: workforce, human rights, community and product responsibility.

Regarding the independent variables, our study selected four variables that represent the internal composition of the board, according to previous studies (Kang, Cheng, & Gray, 2007), namely, board size, gender diversity, board independence and audit committee presence. The description of the variables can be found in Supplementary Table A.

3.2 Empirical method

We controlled several factors that influence corporate reputation. Initially, we adjusted for *return on assets* (ROA), computed by dividing net income by total assets. ROA was incorporated as a control variable because companies with greater profitability generally have more resources to enhance their corporate reputation (García-Meca & Palacio, 2018). *Leverage* is considered an essential incentive for solid investments in corporate reputation and social performance (Ren et al., 2020). Finally, *company size* is related to the company's

exposure to the media; therefore, larger companies are expected to have a better reputation with their stakeholders.

The presence of the CSR committee and the adoption of the UN Global Compact can also affect the corporate reputation since this committee means a greater social commitment of the company to the community and society, which affects its reputation. Finally, industry areas influence corporate reputation. Industries that deal directly with natural resources, such as energy, industrial, utilities and basic materials, are expected to have a more significant social role, which increases their corporate reputation (Arif et al., 2021).

Panel data regression with fixed effects was used to analyse the data. This technique was appropriate because it allowed us to analyse the dynamic nature of the dependent variable over the years (Hair, Black, Babin, & Anderson, 2019). We used the variance inflation factor (VIF) to detect multicollinearity between variables and ran robustness tests using the GMM technique to avoid endogeneity in our models.

4. Results

The descriptive analysis of the results can be found in Supplementary Table B. Regarding the descriptive statistics of the variables in our study, the average corporate reputation is 52.26 from a minimum of 0.45 to a maximum of 96.36. On average, the companies in the sample have 8.84 directors. Brazilian firms with smaller boards have one director, and companies with larger boards have 22 directors. Companies have, on average, 10.80% of women on boards, and the company with the highest female representation has 50% of women directors. On average, 41.51% of the boards are made up of external directors, and 71% of the boards have an independent audit committee.

Regarding the control variables, results indicate that the analysed organisations are heterogeneous in terms of financial performance. Most of the analysed Brazilian firms (59%) have a social responsibility committee. However, only 36% of them signed the UN Global Compact. Moreover, 44% of our sample is made up of companies from environmentally sensitive sectors.

Table 1 presents the correlation matrix for the variables used in the econometric models. The explanatory variables have moderate or low correlation coefficients, indicating that the data do not suffer from multicollinearity.

Table 2 provides the estimates by panel data regression with fixed effects. Model 5 presents the effect of board composition on corporate reputation, while the previous models (Models 1 to 4) show the effects of board composition on the pillars of corporate reputation: workforce, human rights, community and respect for the product.

Board size positively affects the workforce, community and corporate reputation. In other words, a board with more directors is an antecedent for a better corporate reputation. Gender diversity on the board has a positive and significant effect across all models, indicating that more women increase a company's engagement with issues such as workforce, human rights, community and product responsibility. Moreover, board independence positively affects the workforce and corporate reputation.

Our findings show that firm size positively impacts all predictor variables regarding control variables. This means that larger companies have a greater corporate reputation with their stakeholders. The presence of the social responsibility committee and the adoption of the UN Global Compact positively influence the corporate reputation and its pillars of the workforce, human rights, community and product responsibility. In addition, Brazilian companies that deal directly with the environment tend to have greater engagement with human rights and product responsibility, which results in a more significant corporate reputation.

Table 1. Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) CORPREP	1.00									
(2) BOARDSIZ	0.33***	1.00								
(3) BOARDGEN	0.13***	0.01	1.00							
(4) INDEBOARD	0.13***	-0.02	0.24***	1.00						
(5) AUDITBOARD	0.21***	0.20***	0.07*	0.36***	1.00					
(6) ROA	0.07*	0.04	-0.04	-0.08*	-0.04	1.00				
(7) LEVERAGE	-0.17***	-0.10***	0.08*	-0.09**	-0.10***	-0.52***	1.00			
(8) FIRMSIZE	0.53***	0.34***	-0.03	-0.03	0.22***	0.07	-0.23	1.00		
(9) CSRCOMM	0.52***	0.12***	0.09**	0.11**	0.17***	0.05	-0.10**	0.36***	1.00	
(10) GLOBALCOM	0.47***	0.28***	0.05	0.09*	0.24***	0.00	-0.03	0.37***	0.31***	1.00
(11) INDUSTRY	0.17***	0.26***	-0.04	-0.03	0.04	0.01	0.07*	0.06	0.04	0.12***

Notes: ***<0.01; **<0.05; *<0.10
Source: Authors' own creation

Table 2. Results of the multivariate analysis

Model Variable	1 WORKFORCE	2 HUMRIGHTS	3 COMMUNITY	4 PRODUCTRESP	5 CORPREP
BOARDSIZ	1.69***	0.66	1.73***	-0.12	0.99***
BOARDGEN	0.19**	0.28**	0.15*	0.21**	0.21***
INDEBOARD	0.10**	0.09	-0.01	0.07	0.06*
AUDITBOARD	-0.43	-2.38	2.23	-3.37	-0.99
ROA	3.66	-0.82	7.06	-1.97	1.98
LEVERAGE	-1.84	-2.35	-0.75	-3.44	-2.09
FIRMSIZE	10.30***	14.75***	9.11***	7.94***	10.52***
CSRCOMM	24.92***	13.74***	10.07***	16.86***	16.40***
GLOBALCOM	11.16***	16.78***	6.85***	6.46***	10.31***
INDUSTRY	2.75	4.58*	-1.03	10.40***	4.17***
Observations	507	507	507	507	507
R ² within	0.5215	0.3471	0.2434	0.2762	0.5079
VIF	1.31	1.31	1.31	1.31	1.31
Root MSE	21.11	28.17	25.03	24.06	17.17
AIC	4,542.51	4,834.78	4,714.89	4,675.11	4,332.83

Notes: ***<0.01; **<0.05; *<0.10

Source: Authors' own creation

Additionally, we conducted estimations using the GMM technique. This method provides more robustness to the findings because it corrects problems associated with endogenous regressors. Results are shown in Supplementary Table C.

Our results remained the same by changing the multivariate regression method used to predict corporate reputation in Brazil. Board size, gender diversity and board independence positively influence corporate reputation. In this new method, board independence proved significant and positive for the companies' engagement with human rights. The findings confirm that the company's size, the presence of a social responsibility committee, the adoption of the UN Global Compact and environmentally sensitive industries have a higher corporate reputation.

We excluded 17 financial sector companies from our sample as a sensitivity analysis, as these firms may have different pressures and regulations than other companies, according to the study by [Cuadrado-Ballesteros, Martínez-Ferrero, & García-Sánchez \(2017\)](#). Results are given in Supplementary Table D.

Overall, we found that the results for corporate reputation indicate that board size, gender diversity and board independence are significant antecedents of reputation.

Board size positively affects the workforce, human rights, community and corporate reputation. Gender diversity only has a positive effect on corporate reputation. With the withdrawal of the financial sector companies, the percentage of women on the boards was reduced. This may mean fewer women on the board may not form a critical mass to influence issues such as workforce, human rights, community and product responsibility. Board independence positively influences the workforce, product responsibility and corporate reputation. The signals and significance of company size, social responsibility committee, UN Global Compact adoption and industry remained the same.

5. Discussions

Our study empirically found that board size positively influences the workforce, human rights, community and corporate reputation, supporting *H1*. Numerous studies have

contended that the board of directors determines a company's performance. Compared to small boards, a large board can provide better access to various resources (Detthamrong et al., 2017). Research conducted by Musteen et al. (2009) proved that larger boards are more advantageous because of their capacity to provide diversified ways of connecting with external constituencies. Similarly, Wang, Zhao, Shao, Fan, & Zhang (2022) suggested that board size balances the expenses and advantages of corporate oversight. A larger board of directors can elicit favourable interactions among shareholders and other stakeholders. Overall, members of larger boards typically oversee a company's corporate conduct to ensure it does not undermine the organisation's capacity to achieve its long-term objectives, as corporate reputation is how various stakeholders perceive the company.

Although the size of the board of directors is considered an essential motivation for firms engaging in CSR practices and disclosure (Amirkhani et al., 2024; del Mar Fuentes-Fuentes et al., 2023), the literature remains inconclusive regarding its optimal size. In other words, a larger board is associated with more effective management oversight as it increases the capacity to distribute supervisory responsibilities among a more significant number of observers (Guest, 2009). On the other hand, monitoring by the board may weaken as the number of directors increases, potentially raising the likelihood of the company engaging in actions that undermine its reputation in the market. Therefore, recent literature has debated the existence of an "optimal" size for the board of directors (Baumgartner, Ernst, & Fischer, 2022).

Prior research has demonstrated that board diversity affects corporate reputation, making diversity one of the most crucial elements of successful board composition (García-Meca & Palacio, 2018; Ghuslan et al., 2021; Musteen et al., 2009; Wan Mohammad & Wasiuzzaman, 2019). Hence, defenders of board diversity argue that firms' adherence to diverse boards might have more diverse perspectives on daily operational issues, positively altering firm performance (Hartmann & Carmenate, 2021). Additionally, board diversity might have a role in shaping a firm reputation as a consequence of its capacity to influence perceptions of company effectiveness (García-Meca & Palacio, 2018), understand and respond to its environment (Bear, Rahman, & Post, 2010), compete more effectively in global markets (García-Sánchez, 2010; Hartmann & Carmenate, 2021), offer, compared to non-diverse boards, greater depth and breadth in terms of competencies and skills (Ghuslan et al., 2021), increase creativity and innovation (García-Meca & Palacio, 2018) and lead to improvements in workforce motivation and loyalty.

In this line, our results show that gender diversity affects corporate reputation positively, confirming the result of previous research and supporting *H2*. Accordingly, previous studies have found a positive relationship between female executives and greater awareness of environmental issues and, consequently, sustainability reporting (Kenney et al., 2024; Mardini & Elleuch Lahyani, 2023). However, in a recent study conducted by Kenney et al. (2024), aiming at examining changes regarding gender diversity in entrepreneurial firms in the USA between 1990 and 2020, the authors added a discussion affirming that evidence on the connection between gender diversity and firms outcomes is mixed. According to Kenney et al. (2024), higher proportions of women have a negative or insignificant influence on firms' performance. On the other hand, the contrary happens. Thus, the question varies differently according to sectors and regional contexts.

Our study reveals that board independence positively influences workforce and product responsibility and, consequently, corporate reputation, supporting *H3*. These results are in line with past research that argues independent directors are more likely to protect shareholders' interests (Ghuslan et al., 2021; Guerrero-Villegas, Pérez-Calero, Hurtado-González, & Giraldez-Puig, 2018; Mardini & Elleuch Lahyani, 2023; Pérez-Cornejo et al.,

2019; Wan Mohammad & Wasiuzzaman, 2019) and improve firm performance (Detthamrong et al., 2017; Elmashtawy et al., 2024).

Independent directors are known by members with no relationship with firm owners or managers (Pérez-Cornejo et al., 2019). Detthamrong et al. (2017) indicate that independent directors are not major shareholders, shareholder groups or executives. Consequently, past studies suggest that independent directors are more effective at monitoring management, and even regulatory bodies view them as a crucial aspect of corporate governance (Abu Bakar et al., 2020; Guerrero-Villegas et al., 2018). Also, the audit committee is widely considered critical to improving corporate reputation (Javeed et al., 2021; Mardini & Elleuch Lahyani, 2023; Pérez-Cornejo et al., 2019).

However, our results show that the presence of an audit committee does not positively influence the corporate reputation of Brazilian firms, thus not supporting *H4*. A possible explanation for this can be based on Javeed et al. (2021). According to the authors, although an audit committee is a valuable approach to minimise asymmetric information between owners and management through transparent actions, it may only affect the firm internal auditing by applying “pressure”, not directly impacting corporate reputation. Audit committees do not empirically appear to impact corporate reputation. Similar to the discussion around the “optimal” size for the board of directors, there is no consensus in the literature regarding the ideal number of members to compose an audit committee. However, Elmaghrabi’s (2021) study cites at least two independent members with technical and analytical skills.

5.1 Contributions and implications

From a theoretical standpoint, this study is supported by the signalling theory, in which Brazilian companies, and maybe others from Latin America and emerging countries, are interested in emitting signals to improve their corporate reputation, mainly regarding board characteristics. The presence of board gender diversity, for example, tends to call stakeholders’ attention regarding firms’ awareness of social inequalities, consequently improving the firm’s reputation.

Secondly, our results support the RBV theory by highlighting the essential role board characteristics play as a resource to improve and sustain competitive advantage and improve corporate reputation. Thirdly, it is significant to mention that our results were supported by a broad range of financial, industrial and utilities companies from a developing country. Especially in these sectors, our findings show that boards of directors that exhibit diversity can bring a more significant competitive advantage to the organisation in Brazil.

Our paper’s findings also have several practical implications. Firstly, from a signalling perspective, our study elucidates how stakeholders’ perceptions of corporate reputation are influenced by signals emanating from board characteristics, underscoring the critical role that board attributes play in shaping and sustaining a firm’s corporate reputation. Moreover, we highlight corporate reputation’s significance as a strategic communication tool that bolsters a firm’s market position. Managers leverage these signals to shape stakeholders’ beliefs and convey pertinent information. Stakeholders, in turn, interpret these signals to inform their decision-making processes.

Secondly, we emphasise the advantages of larger and more diverse boards encompassing a broad spectrum of skills, knowledge and experience. Enhancing board diversity, particularly in terms of gender representation, is essential. Accordingly, this study provides pertinent insights for policymakers interested in cultivating professionally diverse boards, incorporating various perspectives, values and competences. Furthermore, we stress the importance of managers and directors adeptly managing and communicating the ownership

structure and board characteristics in civil law jurisdictions, thereby augmenting corporate reputation.

Thirdly, firms should regularly monitor their reputation as part of a reputation management process since it plays a significant role in business success, risk reduction and stakeholder trust enhancement. It can be attractive to decide to disclose negative reputation information that inherently threatens the firm's interests to enhance stakeholders' perceptions of its integrity.

6. Conclusions

This paper aimed to analyse the influence of board characteristics on corporate reputation. To that end, we analysed the range of corporate reputation in 128 publicly traded Brazilian companies between 2016 and 2020 through multivariate analysis. Considering the signalling theory and the RBV theory, results show a positive relationship between board size, diversity and independence in terms of corporate reputation and its four dimensions: workforce, human rights, community and product responsibility. Only one of our hypotheses was not confirmed: the audit committee's presence influencing the corporate reputation.

Our results are not free from limitations. Firstly, our data covers a limited period between 2016 and 2020. New studies can update our data. Secondly, we use secondary data collected from the Refinitiv Eikon database. Therefore, other databases can be used in future analyses. Thirdly, we examine the particular context of Brazil. The board of directors' characteristics that drive higher levels of corporate reputation in organisations may vary depending on the geographic region. Consequently, we encourage future studies to validate our conceptual framework in other Latin American or emerging nations.

Fourthly, from a diversity perspective, we focused solely on gender. It is not the unique and the most relevant measure. We also focused on board characteristics available in the Refinitiv Eikon database. Thus, other complex measurable characteristics and perspectives can be addressed, such as ethnicity, that could yield interesting results in a similar analysis, alongside age, education, remuneration, nationality, narcissism, political connections, expertise, professional experiences and skills, among other factors. It would also be beneficial to consider in a more detailed way the influence of the audit committee on corporate reputation. Finally, given its inherent difficulties, our sample can also be considered limited in measuring intangible resources like reputation.

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Author contributions: Alan Bandeira Pinheiro, Conceptualization, Investigation, Writing – original draft, Writing – review and editing. Nágela Bianca do Prado, Conceptualization, Investigation, Writing – original draft, Writing – review and editing. Gustavo Hermínio Salati Marcondes de Moraes, Conceptualization, Investigation, Writing – original draft, Writing – review and editing. Wendy Beatriz Witt Haddad Carraro, Conceptualization, Investigation, Writing – original draft, Writing – review and editing.

Supplementary material

The supplementary material for this article can be found online.

About the authors

Alan Bandeira Pinheiro is a PhD candidate in Business Administration at the Federal University of Paraná (Brazil) and a visiting researcher at Neoma Business School (France). His current research interests are focused on corporate governance, ESG performance, carbon disclosure and corporate social responsibility. His academic work has been published in journals such as *Journal of Global Responsibility*, *International Journal of Energy Sector Management*, *Social Responsibility Journal*, *Employee Relations: The International Journal*, *Management of Environmental Quality: An International Journal* and *International Journal of Productivity and Performance Management*. Alan Bandeira Pinheiro is the corresponding author and can be contacted at: alanbpinheiro@hotmail.com

Nágela Bianca do Prado is a PhD candidate in Business Administration at the School of Applied Sciences (FCA) from the University of Campinas (UNICAMP), Brazil. She also has a master's degree in Business Administration at School of Applied Sciences (2021), and a specialisation in Strategic People Management at School of Applied Sciences (2019). She is interested in research involving the topic of sustainability, with an emphasis on entrepreneurship, business governance and social technologies.

Gustavo Hermínio Salati Marcondes de Moraes is a full Professor in the area of Business Administration at University of Campinas (UNICAMP). He has a doctorate (2013) and master's degree (2010) in Business Administration (Fundação Getúlio Vargas). He is an Associate Professor at the School of Applied Sciences (FCA) from UNICAMP since 2015. He has worked as Coordinator of the Postgraduate Program in Business Administration and as Associate Coordinator of the Postgraduate Course at FCA/UNICAMP since 2021. Furthermore, he works in research groups focused on: entrepreneurial ecosystem, green and sustainable entrepreneurship, information technology and analytical intelligence.

Wendy Beatriz Witt Haddad Carraro holds a post-doctorate degree in the area of entrepreneurship, strategy, planning and innovation in Business from the University of Porto (Portugal). Also holds a PhD in Development Economics and master's degree in business administration from the Federal University of Rio Grande do Sul (Brazil). Currently, working as an Associate Professor at the Federal University of Rio Grande do Sul in the Department of Accounting and Actuarial Sciences.

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