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EARNINGS QUALITY WITH REPUTATION AND PERFORMANCE

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ABSTRACT

The quality of earnings is a potential driver of profit growth. However, it is regarded as a consequence of corporate reputation. Earnings quality is also suggested as a mediator intervening in the association between corporate reputation and corporate performance. This research employs the quantile regression to investigate the linkage between earnings quality and corporate performance. Then, it uses an indirect technique to analyze the mediating effect of earnings quality on the relationship between corporate reputation and corporate performance. The results provide statistical evidence on the comprehensive relationships among earnings quality, corporate reputation and corporate performance. The relationship between earnings quality and corporate performance is statistically supported in a more overall picture at different levels of corporate performance. Furthermore, this research offers statistical evidence on the mediating role of earnings quality in the impact of corporate reputation on corporate performance. The findings are expected to provide business managers with an insight into the complex links among earnings quality, corporate reputation and corporate performance, which will facilitate their decisions on the delivery level of good financial reports as well as on the maintenance of their corporate reputation to the extent that their company can obtain superior improved performance.

Contribution/ Originality: This study contributes to the existing literature by providing statistical evidence on the mediating role of earnings quality in the effect of corporate reputation on corporate performance and it is the first to use the quantile regression to investigate the different effects of earnings quality on corporate performance.

1. RESEARCH BACKGROUND AND PURPOSE

Several financial scandals, such as the major scandals of Enron and WorldCom, direct the attention of investors, researchers and also those concerned to the quality of financial information as well as the quality of reported earnings. Studies have begun to investigate the factors related to earnings quality released by publicly listed companies. Earnings quality is reported by previous researchers as being greatly essential to financial information users, practitioners and regulators as well as accounting researchers, because the earnings of companies are generally supposed to be an important information component offered in financial statements (Lev, 1989; Boonlert-U-Thai *et al.*, 2006). If earnings quality is too low, users of financial statements can suffer negative effects, since poor earnings quality may enable investors to misallocate their money; therefore, they can obtain improper outcomes from their investments (Schipper and Vincent, 2003). Some attributes of earnings quality are assumed by previous research (Francis *et al.*, 2004; Boonlert-U-Thai *et al.*, 2006; Laksmana and Yang, 2009) to be favorable to the extent that they decrease information risk and bring about an apparent capital market advantage. Boonlert-U-Thai *et al.* (2006) contend that high earnings quality is beneficial to investors. They found out countries whose institutional characteristics offer stronger investor protection normally enjoy more desirable attributes of earnings quality (higher reported earning quality) than those with weaker investor protection. Furthermore, higher earnings quality is assumed to result in more improved performance for companies. Companies with poor performance are supposed to engage in unusual earnings reports more often than those with high success, largely because managers are regularly under pressure to meet the expectations from their stakeholders and keep their company's stock price up. However in the long term, companies whose earnings quality is higher will enjoy more improved performance. Lee *et al.* (2006) discover that earnings quality has a positive association with corporate performance; while Gaio and Raposo (2011) provide statistical evidence on a positive relationship between earnings quality and corporate market valuation. These arguments lead to the suggestion that earnings quality plays an essential role in determining firms' life cycle and improving corporate performance.

Although, earnings quality is suggested as a causality of corporate performance; it is explained by corporate reputation. Corporate reputation is referred to as an intangible asset which distinguishes a company from others. It helps the company to attract customers being willing to repurchase or to pay a premium price for their products or services (Graham and Bansal, 2007). It is also recognized as critical corporate assets directly related to competitive achievement. On the other hand, Schwaiger (2004) contends that corporate reputation may be the consequence of various activities from the company. In accounting, corporate reputation is mentioned as a type of goodwill; whereas in marketing it is regarded as the outcome of corporate branding. In addition, corporate reputation and financial reporting quality are suggested by Cao *et al.* (2012) to have a relation to each other. Companies that are highly reputed are less likely to restate their financial reports. They also conclude that corporate reputation has an importance to financial reporting quality. In addition to being a driving force of financial reporting quality or earnings quality (Tan, 2008; Luchs *et al.*, 2009; Cao *et al.*, 2012) corporate reputation also puts an effect on corporate performance. Corporate performance is not only determined by earnings quality (Lee *et al.*, 2006; Gaio and Raposo, 2011) but it is also driven by corporate reputation (Roberts and Dowling, 2002; Iwu-Egwuonwu, 2011; Lee and Roh, 2012). Corporate reputation is a crucial element of a company's value and a major factor leading to enhanced performance. It functions as a mechanism to reduce uncertainty for customers and boost marketing effectiveness as well as customer satisfaction. Prior research has provided evidence that corporate reputation has a positive relation to corporate performance. Nevertheless, they examine this relationship mainly relying on the generalized linear model, which estimates the effect of corporate reputation on the conditional mean of corporate performance. The generalized linear model may ignore the different affecting levels at different points of the conditional distribution of corporate performance levels. It is necessary to discover the relationship between corporate reputation and corporate performance with a more advanced method- the quantile regression, which analyzes different affecting levels at different points of the conditional distribution of corporate performance. As above argued, corporate reputation is a cause of improved corporate performance. However, it is also a driver of earnings quality, which in turn impacts on corporate performance. Grounded on Baron and Kenny (1986) it can suggest that earnings quality may mediate the effect of corporate reputation on corporate performance. Nonetheless, to the best of our knowledge, the mediating role of earnings quality offered by a company in the relationship between the reputation level enjoyed by that company and its performance has not been explored in prior studies. In addition, this research seeks to investigate the role of earnings quality in improving corporate performance with the quantile regression.

This research contributes some implications to both literature and practical aspects. To the existing literature, it is the first one to examine and provide statistical evidence on the mediating role of earnings quality in the effect of corporate reputation on corporate performance. It is also the first to use the quantile regression and to offer statistical evidence the different effects of earnings quality on corporate performance conditional on different levels of corporate performance. To business practice, this research offers business managers better understanding of the comprehensive relationships among earnings quality, corporate reputation and corporate performance. This will assist them on how to control corporate reputation more efficiently and how reliably to deliver financial reports. Hence, their companies can gain more improved performance.

2. LITERATURE REVIEW

On the one hand, the quality of earnings reports is a driving force of corporate performance; on the other hand it also is a consequence of corporate reputation, which in turn leads to improved corporate performance. The linkages among earnings quality, corporate reputation and corporate performance are not only causal relationships, but they are also more complicated ones. The quality of earnings reports is suggested by prior research (Lee *et al.*, 2006; Mahmud *et al.*, 2009; Gaio and Raposo, 2011; Madhumathi and Ranganatham, 2011) as an important factor bringing about improved corporate performance. Lee *et al.* (2006) suggest that a company managers manipulate earnings will often enable their companies to bear a higher business cost and so companies with higher earnings quality tend to gain higher performance. Likewise, Mahmud *et al.* (2009) try to address the question whether earnings quality is related to corporate performance. Their findings indicate that the quality of earnings puts positive effect on corporate performance. Furthermore, Gaio and Raposo (2011) explore the influence of earnings quality on company valuation and find out a positive relationship between earnings quality and company valuation. The results reveal that companies with the higher quality of earnings gain more highly improved performance in stock markets. Meantime, the relationship between the quality of earnings and corporate performance is also suggested by Madhumathi and Ranganatham (2011). Furthermore, the influence of earnings quality on organizational performance of firms publicly listed in Tehran Stock Exchange is examined in Hejazi *et al.* (2014) revealing that organizational performance is not statistically affected by earnings quality. In contrast, a study on the moderating effect of information asymmetry on the relationship between earnings quality and firm performance by Machdar *et al.* (2017) provides statistical evidence that earnings quality positively influences corporate performance. These above mentioned studies all offer the suggestion that the quality of earnings reports improves corporate performance. Nonetheless, the proxy for "earnings quality" in these studies are often measured with only one dimension such as "Persistence" in the research by Tan (2008) or "Accrual Quality" in the study by Luchs *et al.* (2009). Grounded on the above arguments, it can posit and try to examine the effect of corporate reputation on earnings quality, but instead of measuring the variable "earnings quality" with one item, this research project measures it with seven dimensions as suggested by Francis *et al.* (2004) and Gaio and Raposo (2014) namely (1) Accrual quality, (2) Persistence, (3) Predictability and (4) Smoothness as well as (5) Value relevance, (6) Timeliness and (7) Conservatism in order to offer the more general results. Following these studies, this research seeks to investigate the important role of earnings quality in enhancing corporate performance.

Furthermore, several previous researchers have recommended that the reputation of a company will trigger the quality of earnings reports that it delivers (Tan, 2008; Luchs *et al.*, 2009; Cao *et al.*, 2012). Because the company would like to maintain its reputation, it should produce financial statements, which are highly qualified. Tan (2008) confirms that, good corporate reputations can bring about strategic value for the companies which possess them. He discovers that corporate reputation is not only positively related to the quality of earnings, but it also puts influence on the quality of earnings. Following Tan (2008); Luchs *et al.* (2009) hypothesize that companies with good reputation tend to produce the higher quality of earnings. Their findings imply that in order to maintain a good reputation, the company should offer earnings reports with high quality. Moreover, when investigating the relationship between the reputation of a company and its likelihood to restate the financial reports, Cao *et al.* (2012) provide statistical evidence on the linkage between corporate reputation and the quality of financial statements. They propose that the effect of corporate reputation can be regarded as a supplement to corporate governance mechanisms in lessening agency problems and motivating companies to maintain the high quality of financial reports. The relationship between corporate reputation and earnings quality as a dimension of financial reporting quality is also highlighted by Martinez-Ferrero and Garcia-Sanchez (2016) in research on corporate reputation. Ferry *et al.* (2017) analyze the connection between corporate reputation and earnings quality, suggesting that corporate reputation plays an important role in generating earnings quality.

Moreover, corporate reputation is viewed as an important factor to better corporate performance. Kariuki (2014) agrees with previous researchers on a positive connection between corporate reputation and organizational performance. This scholar claims that strong corporate reputation indicates high quality of services or products, which will improve corporate performance. Corporate reputation plays a role as a key strategic asset, which contributes to a competitive advantage and so brings about superior performance for the company, compared to its competitors (Roberts and Dowling, 2002; Iwu-Egwuonwu, 2011; Lee and Roh, 2012). The findings from Roberts and Dowling (2002) reveal that companies gaining superior performance enjoy a greater chance of maintaining higher performance over time if these companies also maintain their good reputation. This implies that corporate reputation has a positive effect on corporate performance. Additionally, Iwu-Egwuonwu (2011) emphasizes the argument that corporate reputation imposes a positive influence on corporate performance has been statistically justified. He adds that corporate reputation is an intangible asset that is increasingly viewed as a causation of sustainable competitive advantages and so leads to superior performance. Moreover, Lee and Roh (2012) reckon that in spite of the perceptive relationship between corporate reputation and corporate performance, empirical research has reported inconclusive findings; hence they attempt to explore this association more comprehensively. They provide evidence that corporate reputation is positively associated with corporate performance. Gatzert (2015) offers a comprehensive study of empirical evidence concerning the link between corporate reputation and firm performance, while Li and Zhou (2015) explore the correlation between organizational reputation and enterprise development and document that, organizations with high reputation likely achieve superior performance. A year after, Li *et al.* (2016) hypothesize a positive effect from corporate reputation to corporate performance. The empirical findings offer statistical evidence on the positive link from all items of corporate reputation to corporate performance.

Although prior studies have examined the relationship between corporate reputation and corporate performance, they analyze the association mainly relying on the generalized linear model, which estimates the influence of corporate reputation on the conditional mean of corporate performance. Estimating how 'on average' corporate reputation enhances corporate performance offers straightforward interpretations, this standard method may ignore the different affecting levels at different points of the conditional distribution of corporate performance levels. Consequently, this research emphasizes and examines the linkage between corporate reputation and corporate performance with the quantile regression, which evaluates different affecting levels at different points of the conditional distribution.

On the one hand, the reputation of a company is supposed by prior research (Roberts and Dowling, 2002; Iwu-Egwuonwu, 2011; Lee and Roh, 2012) as a vital driver leading to enhanced corporate performance; on the other hand, it is also proposed to affect the company's quality of earnings statements, which in turn also creates competitive advantages and so helps the company gain superior performance (Lee *et al.*, 2006; Tan, 2008; Luchs *et al.*, 2009; Mahmud *et al.*, 2009; Gaio and Raposo, 2011; Madhumathi and Ranganatham, 2011; Cao *et al.*, 2012). Along with the arguments of Baron and Kenny (1986); Mia (1988) and Spencer (2011) the above discussions come to the suggestion that the quality of earnings can mediate the impact of corporate reputation on corporate performance. Baron and Kenny (1986) establish the mediation model, where a variable may be regarded as an intermediary variable to the degree to which it carries the effect of a given explanatory variable to a given explained variable. Mediation can be deemed to exist when the following three conditions occur. First, the explanatory variable has statistically significant influence on the intermediary variable. Second, the explanatory variable significantly impacts on the explained variable in the absence of the intermediary variable. Third, the intermediary variable imposes a significant unique influence on the explained variable. The addition of the intermediary variable to the research model should reduce the impact of the explanatory variable on the explained variable. In addition, Mia (1988) and Spencer (2011) indicate that when there is an association between two variables at least partly through a third variable, the third variable can be deemed to mediate the relationship between the two variables. The above arguments enable us to suggest that the perceived usefulness of management accounting systems may mediate the relations of environmental uncertainty and corporate characteristics to the adoption of management accounting systems in business. In concurrence with Baron and Kenny (1986); Mia (1988) and Spencer (2011) the suggestion that corporate reputation is a causation of corporate performance and also a driver of earnings quality as well as the suggestion that the quality of earnings is an important driver leading to improved corporate performance allow us to arrive at the mediating hypothesis which posit that the quality of earnings may be a mediator in the relationship between corporate reputation and corporate performance. Having explained the research framework derived from the reviewed literature, this research can come to the following hypotheses:

H1: Companies with higher earnings quality likely obtain higher performance

H2: Companies with higher reputation likely receive higher earnings quality

H3: Companies with higher reputation likely achieve higher performance

H4: Earnings quality likely mediates the effect of corporate reputation on corporate performance.

3. RESEARCH DESIGN

Our sample consists of companies that appear on the list of the best Vietnamese 50 companies voted by Forbes through the three year period of 2010 – 2012, the latest list. In total, there are 150 company-year observations for analyses. The eligible companies on the list of the best Vietnamese 50 companies are evaluated on each characteristic by assigning a score from 1 (best) to 50 (worst). Firstly, this research employs the list of the best Vietnamese 50 companies to measure a proxy for corporate reputation (COR). Then, it utilizes the corresponding financial reports of the selected companies to calculate for the items of earnings quality and corporate performance.

Adapting from Francis *et al.* (2004); Gaio and Raposo (2014) and Latif *et al.* (2017) this research evaluates earnings quality (EAQ) on seven attributes: (1) Accrual quality, (2) Persistence, (3) Predictability and (4) Smoothness as well as (5) Value relevance, (6) Timeliness and (7) Conservatism. Accrual quality is assessed on the view that earnings that map more closely into cash are more favorable. Persistence is referred to as earnings sustainability. Predictability is mentioned as the ability of earnings to predict itself. Smoothness is measured as the ratio of income variability to cash flow variability. Value relevance is defined as the ability of earnings to explain variation in returns. Timeliness is estimated as the explanatory power of a reverse regression of earnings on returns. Conservatism is evaluated as the ratio of the slope coefficients on negative returns to the slope coefficients on positive returns in a reverse regression of earnings on returns. The calculation of these seven attributes is based on indicators (items) and financial formulas as employed in previous studies (Francis *et al.*, 2004; Gaio and Raposo, 2014; Latif *et al.*, 2017). Based on Lee and Roh (2012) and Wang and Huynh (2014) this research measures corporate performance (COP) as accounting-based performance, which is evaluated on ROA (after-tax rate of return on total assets) and ROE (after-tax rate of return on shareholders' equity).

After collecting the data and calculating for the variables used in the research model, this research project has to choose statistical techniques to investigate the research framework. Firstly, it calculates the correlations among the three main variables in the research model to test whether the problem of multicollinearity exists in our data. Multicollinearity is the unfavorable situation in that the correlations among the variables are too strong. It misleadingly inflates the standard errors of the estimates, which in turn results in the statistical insignificance of some variables while they should be otherwise statistically significant. The correlations between the variables should not be more than 0.8, the acceptable highest level suggested by Kennedy (1992). Then, this project applies the quantile model to investigate the relationship between earnings quality and corporate performance. Quantile regression is an advanced statistical technique that explains the relationship at different points in the conditional distribution of a dependent variable, which offers a comprehensive description on the causal relationships among variables. To the mediating role of earnings quality in the association between corporate reputation and corporate performance, the current research employs the Goodman method suggested by MacKinnon and Dwyer (1993) to test the statistical significance for the intermediary role of earnings quality.

4. EMPIRICAL RESULTS

To statistically test the reliability of the constructs (earnings quality and corporate performance), the Cronbach's α method was conducted. The results are shown in Table 1. The item-total correlations of earnings quality and corporate performance range from 0.639 to 0.758, all greater than 0.5- the smallest acceptable levels stipulated by Hair *et al.* (2012). The Cronbach's αs of earnings quality and corporate performance obtain the values of 0.894 and 0.862 respectively, exceeding the lowest level of 0.7 suggested by Hair *et al.* (2012). Furthermore, all the Cronbachs' αs if item deleted (from 0.871 to 0.884) are less than the Cronbach's α of 0.894, satisfying the requirement of Hair *et al.* (2012). Those findings indicate that all the constructs are internally reliable.

Table-1. Indicators for reliability

Construct	Measured item	Item-total Correlation	Cronbach's α if Item Deleted	Cronbach's α
Earnings quality	EAQ1	0.756	0.871	0.894
	EAQ2	0.639	0.884	
	EAQ3	0.644	0.884	
	EAQ4	0.746	0.871	
	EAQ5	0.687	0.879	
	EAQ6	0.642	0.884	
	EAQ7	0.739	0.872	
Corporate performance	ROA	0.758	*	0.862
	ROE	0.758	*	

Source: Authors' Computation using SPSS18 to run the reliability analyses.

To statistically test the validity of the constructs (earnings quality and corporate performance), the exploratory factor analysis were carried out. This technique evaluates the convergent validity, discriminant validity and communality of constructs.

Table-2. Indicators for validity

Construct	Measured item	Factor loading	Communality	KMO	Sig.
Earnings quality (EAQ)	EAQ1	0.835	0.704	0.826	0.000
	EAQ2	0.728	0.552		
	EAQ3	0.700	0.548		
	EAQ4	0.810	0.685		
	EAQ5	0.774	0.618		
	EAQ6	0.684	0.546		
	EAQ7	0.805	0.671		
Corporate performance (COP)	ROA	0.932	0.889		
	ROE	0.898	0.862		

Source: Authors' Computation using SPSS18 to run the exploratory factor analysis.

The exploratory factor analysis produced the figures in Table 2. Factor-loadings obtain the values of greater than 0.4, the smallest limit suggested by Nunnally (1978) indicating the convergent validity for the constructs. All the cross-loadings, whose factor loadings values of smaller than 0.35 were suppressed are larger than 0.3, which exceed the lowest threshold stipulated by Nunnally (1978) showing the discriminant validity for constructs. Furthermore, the communality of the constructs and the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) are above the levels of 0.5 and 0.7, the smallest limits of Nunnally (1978). These findings support the validity of the constructs in the research model; so all the items are reasonably retained for following analytic steps.

To statistically test the problem of multicollinearity in the research data, the correlation between the two main independent constructs in the research model were computed. The results are shown in Table 3. The figures indicate that the correlation between earnings quality and corporate reputation is equal to 0.341 at the significance level of 1%, which is less than 0.8, the preferable peak proposed by Kennedy (1992). These findings show that the research data does not suffer the problem of multicollinearity.

Table-3. Correlations Matrix

		EAQ	COR
EAQ	Pearson Correlation	1.000	0.341***
	N	150	150
COR	Pearson Correlation	0.341***	1.000
	N	150	150

***Significance at the 1% level

To test the first hypothesis, this research employs the quantile regression on the causal relationship between earnings quality and corporate performance. The outcomes are demonstrated Table 4. As seen in Table 4, the effects of earnings quality on corporate performance are significant through the different quantiles from 5% to 95% with the positive estimates of 0.50 to 0.99 values. These numbers provide statistical support for hypothesis H1 that asserts "Companies with higher earnings quality likely obtain higher performance". Although, the findings statistically support hypothesis H1, they offer various outcomes through the different quantiles. The effects of earnings quality on corporate performance are changing conditional on the quantiles of corporate performance. The effect is the strongest at the 25% quantile with the 0.99 coefficient; in contrast, the magnitude is the weakest at the 5% or 95% quanties with the 0.50 coefficient. Overall, the strength of the relationship between earnings quality and corporate performance is greater in the quantiles of 10%, 25% to 50% with the magnitudes of 0.82, 0.99 and 0.87; whereas the other quantiles get smaller magnitudes from 0.5 through 0.58 values. In addition, Table 4 indicates that earnings quality explains from 33.4% to 43.3% of variance in the dependent variable corporate performance.

Table-4. Quantile regression results

Predictor variable	**Predicted variable: COP**						
	Quantiles						
	0.05	**0.10**	**0.25**	**0.50**	**0.75**	**0.90**	**0.95**
EAQ	0.50***	0.82***	0.99***	0.87***	0.58***	0.55***	0.50***
Constant	0.49***	-1.24e-08	-0.07	0.63***	1.99***	1.99***	1.88***
(Pseudo) R^2	39.5%	33.4%	36.8%	34.9%	37.2%	43.3%	42.3%

***Significance at the 1% level

To test the second, third and fourth hypotheses (H2, H3 and H4), this research project undertook two models, as shown in Table 5. The results reveal that corporate reputation positively affects earnings quality at the 1% significance level with the 0.237 estimate in Model 2, in support of hypothesis H2 "Companies with higher reputation likely receive higher earnings quality". Corporate reputation also positively affects corporate performance at the 1% significance level with the estimates of 0.262 in Model 1 and 0.074 in Model 2, in support of hypothesis H3 "Companies with higher reputation likely achieve higher performance". As shown in Table 5, hypothesis H1 is also statistically supported at the 1% significance level with the 0.793 estimate (see in Model 2).

To test the indirect effect, a Goodman test was conducted. This analysis computes z-value, which is equal to a*b/SQRT(b2*sa2 + a2*sb2 - sa2*sb2); where, a is the unstandardized regression coefficient for the relationship between the predictor variable and the mediator; sa is the standard error of a; b is the unstandardized regression coefficient for the relationship between the mediator and the predicted variable (when the predictor variable is also a predictor of the predicted variable); sb is the standard error of b. The Goodman test results are displayed in Table 5. As the figures illustrate in Table 5, when entered in Model 2, earnings quality increases the explanatory power of the model from 11.7% to 57.7% ($\Delta R2 = 46\%$) at the significance level less than 1%. However, the inclusion of earnings quality in the research model, the effect of corporate reputation on corporate performance decreases in magnitude from 0.262 at the 1% significance level to 0.074 at the 10% significance level, suggesting that earnings quality mediates the effect of corporate reputation on corporate performance. Furthermore, the Goodman test produces the z-value of 4.156 at the significance level less than 1%, indicating the mediating effect of earnings quality occurs in the research model, in support of hypothesis H4 "Earnings quality likely mediates the effect of corporate reputation on corporate performance".

Table-5. Indicators for mediating test

Predictor variable	Model 1		Model 2	
	COP		**EAQ**	**COP**
Constant	2.112***		1.921***	0.589***
COR	0.262***		0.237***	0.074*
EAQ				0.793***
R-squared	11.7%		11.6%	57.7%
Test of increases in R^2:	$\Delta R^2 = 46\%; p \leq 1\%$			
Goodman test:	z-value = 4.156; $p \leq 1\%$			

***Significance at 1%; *Significance at 10%

5. CONCLUSIONS

The purpose of this research project was to investigate the complicated relationships among earnings quality, corporate performance and corporate reputation. In this work, earnings quality is measured on seven attributes. It employed the quantile model to investigate the effect of earnings quality on corporate performance. The mediating role of earnings quality in the relationship between corporate reputation and corporate performance was also discussed and statistically justified. The results offer statistical evidence on the linkage between earnings quality and corporate performance in the whole picture at different points of corporate performance's conditional distribution, which has been missed in previous research (Lee *et al.*, 2006; Mahmud *et al.*, 2009; Gaio and Raposo, 2011; Madhumathi and Ranganatham, 2011). The effect of earnings quality and corporate performance is contingent on corporate performance's conditional distribution. This research also provides statistical evidence on the mediating role of earnings quality in the association between corporate reputation and corporate performance. When entered into the research model with corporate reputation and corporate performance, earnings quality transmits a part of the influence of corporate reputation on corporate performance; so reduce this causal relationship. The results are expected to offers business managers with better understanding of the complex relationships among the quality of earnings, the reputation of a company and its performance. This will help them make better decisions on the quality of financial statements they report as well as the maintaining level of their corporate reputation at the extent to which they can achieve competitive advantages over their rivals and as a result they can gain the best possible performance.

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