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ABSTRACT

Fitri (0904100188), *The Effect of Corporate Reputation on Corporate Performance: Empirical Studies on LQ 45 Indices in 2007,* xiii + 112 pages + 19 tables + 5 pictures + 62 bibliographies (1986 – 2007) + 4 attachments

It has long been recognized that *intangible resources* represent a significant portion of company value. Recently, interest has begun to focus on managing these value base. The value of corporate reputation, papers by Srivastava, et. al. (1997) found proof that there is a positive relationship between corporate reputation and corporate performance, especially a financial performance on the stock market. Jones, Jones and Little (2000) noticed that, in the event of a sudden and unexpected decline, firms with good reputation suffer a lower decrease in their shares' value. In contrast, Roberts and Dowling (1997) points out that at the time *t,* the firm enters (or leaves) a higher financial performance position (or lower) that it takes less time for companies with good reputation to gain competitive advantages (*the lead indicator effect)* to keep a higher financial performance for a longer time period *(the carry over effect).*

The purpose of this paper is to identify how the corporate reputation that is constructed by four latent variables based on paper of Suta (2006), that is *social responsibility, corporate governance, Chief Executive Officer reputation,* and *accounting measurements* affects the corporate performance in Indonesia by examining of each latent variables to the *stock return* as a proxy of corporate performance. By using the most recent data, also with a purposive sampling of the LQ 45 Indices over period of 2007, this paper using a multiple regression analysis to differentiate the hypothesis.

Result of this study found that significantly *accounting measurements* has been the only one of latent variables of corporate reputation effected *stock return* as a proxy of corporate performance in Indonesia. However, when *Enter method* is used for examine each proxy of those latent variables, only *return on equity* (ROE) that was positive and significant do effect *stock return* as a proxy of corporate performance. It indicates that some investors and companies in Indonesia still do not realize how important a corporate reputation in a public's view. Besides, the whole of variables that is constructing a corporate reputation should be a guide for investors and companies to get a superior performance, not only *accounting measurements.*