

EMPLOYER BRANDING AND INVESTOR ATTRACTION: THE MODERATING ROLE OF TRUST FROM A SIGNALLING THEORY PERSPECTIVE

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Abstract: In capital markets characterised by information asymmetry, investors increasingly rely on non-financial signals to assess firms' long-term value and risk profiles. Employer branding, which represents an organisation's reputation and value proposition as an employer, has been widely studied in the context of talent attraction and retention. However, its relevance for investor decision-making remains conceptually underdeveloped. Drawing exclusively on Signalling Theory, this conceptual paper argues that employer branding functions as a strategic signal through which firms communicate unobservable organisational attributes, such as human capital quality, managerial competence, and organisational stability, to investors. Furthermore, the paper proposes that investor trust plays a crucial moderating role in determining the effectiveness of employer branding signals. Specifically, the positive relationship between employer branding and investor attraction is stronger when investor trust is high. By integrating employer branding and investment literature through a signalling-based framework, this study contributes to theory by extending the scope of employer branding beyond labour markets and identifying trust as a critical boundary condition. Implications for theory, practice, and future research are discussed.

Keywords : Employer Branding, Investor Attraction, Trust, Signalling Theory, Information Asymmetry, Intangible Assets

1.0 Introduction

Investment decision-making has traditionally emphasised financial indicators such as profitability, earnings growth, and market ratios. However, scholars increasingly argue that these indicators alone are insufficient to capture firms' long-term value creation potential, particularly in knowledge-intensive and service-based economies (Lev, 2001; Eccles et al., 2014; Hitt et al., 2020). As a result, investors are paying growing attention to intangible assets and non-financial signals that provide insights into organisational quality, sustainability, and risk (Akerlof, 1970; Healy & Palepu, 2001).

Employer branding, defined as an organisation's image and value proposition as an employer (Ambler & Barrow, 1996), represents one such intangible asset. While employer branding has received substantial scholarly attention in relation to job seekers and employees (Backhaus & Tikoo, 2004; Lievens & Slaughter, 2016), its implications for external stakeholders, particularly investors, remain underexplored. This gap is notable given that employer branding information is increasingly communicated through sustainability reports, ESG disclosures, employer rankings, and corporate websites, channels actively monitored by investors and analysts (Eccles et al., 2014; Christensen et al., 2021).

From a signalling perspective, employer branding may serve as an important mechanism through which firms reduce information asymmetry by conveying credible information about internal organisational attributes. However, signalling theory also emphasises that signals influence receivers only when they are perceived as credible. In this regard, **trust** plays a critical role in determining whether investors accept or discount employer branding signals (Spence, 1973; Connelly et al., 2011). Accordingly, this conceptual paper develops a signalling-theory-based framework to explain the relationship between employer branding and investor attraction, with trust as a key moderating variable.

2.0 Literature Review

2.1 Theoretical Foundation: Signalling Theory: Signalling Theory explains how parties with superior information send signals to reduce information asymmetry in markets (Spence, 1973). In capital markets, firms act as signal senders, while investors act as signal receivers. Signals are effective when they are observable, costly to imitate, and perceived as credible (Connelly et al., 2011; Bergh et al., 2014).

Employer branding satisfies these criteria. Developing a strong employer brand requires sustained investments in HR practices, leadership development, and employee well-being, making it difficult to imitate superficially (Fulmer et al., 2003; Edmans, 2011). Moreover, employer branding signals are often validated through third-party endorsements, such as employer rankings and certifications, which enhance the credibility of the signals (Cable & Turban, 2003). From a signalling perspective, employer branding communicates information about:

- Human capital quality
- Managerial competence
- Organisational stability
- Long-term sustainability

These inferred attributes are crucial to investor evaluations of a firm's attractiveness.

2.2 Employer Branding: Concept and Strategic Relevance: Employer branding refers to the set of functional, economic, and psychological benefits associated with employment in an organisation (Ambler & Barrow, 1996). It reflects how organisations position themselves as attractive employers by communicating workplace culture, employee well-being, career development opportunities, ethical HR practices, and organisational values (Mosley, 2007; Lievens & Slaughter, 2016).

Prior research demonstrates that strong employer branding enhances organisational attractiveness among job seekers (Cable & Turban, 2003; Highhouse et al., 2009), improves employee engagement and commitment (Schlager et al., 2011; Tanwar & Prasad, 2017), and reduces turnover intentions (Backhaus & Tikoo, 2004). At the firm level, employer branding and positive employee treatment have been associated with superior financial performance and market valuation (Fulmer et al., 2003; Edmans, 2011; Bapna et al., 2013).

Importantly, employer branding signals extend beyond labour markets. Publicly visible indicators such as “Best Employer” rankings, diversity and inclusion disclosures, and employee satisfaction scores are increasingly accessible to investors, suggesting that employer branding may influence investment-related judgments (Eccles et al., 2014; Flammer, 2015).

2.3 Investor Attraction : Investor attraction refers to the degree to which a firm is perceived by investors as appealing, credible, and worthy of capital allocation. It reflects investors' willingness or intention to invest based on their assessment of firm quality, risk, and future prospects (Baker & Wurgler, 2007; Barberis et al., 2018).

Due to information asymmetry between managers and investors, many internal organisational characteristics, such as workforce capability, leadership quality, and organisational culture, remain difficult to observe directly (Akerlof, 1970; Healy & Palepu, 2001). Consequently, investors rely on observable signals and reputational cues to infer these hidden attributes. Employer branding may therefore play a crucial role in shaping investor attraction under conditions of uncertainty.

2.4 Trust as a Moderating Variable: Trust refers to the extent to which investors believe that a firm’s actions, disclosures, and communications are reliable, honest, and consistent over time (Mayer et al., 1995; Pirson & Malhotra, 2011). Trust plays a pivotal role in signalling processes because it determines whether receivers accept signals as credible or dismiss them as impression management (Bachmann & Inkpen, 2011).

In the context of employer branding, trust is particularly salient because employer branding signals are largely qualitative and forward-looking. When investor trust is high, employer branding signals are more likely to be interpreted as authentic reflections of organisational reality. Conversely, when trust is low, investors may view employer branding efforts with scepticism, reducing their influence on investment decisions (Kim et al., 2012; Stevens et al., 2018). Thus, trust functions as a boundary condition that shapes the effectiveness of employer branding signals rather than as an explanatory mechanism.

3.0 Conceptual Framework and Hypotheses

3.1 Employer Branding and Investor Attraction: Employer branding signals convey information about internal organisational quality that investors cannot directly observe. Positive employer branding reduces uncertainty and enhances firm desirability.

H1: Employer branding has a positive effect on investor attraction.

3.2 Moderating Role of Trust: signaling theory suggests that the effectiveness of a signal depends on its credibility. Trust enhances the credibility of employer branding signals, strengthening their impact on investor judgments.

H2: Trust has a positive moderating effect on the relationship between employer branding and investor attraction, such that the relationship is stronger when investor trust is high.

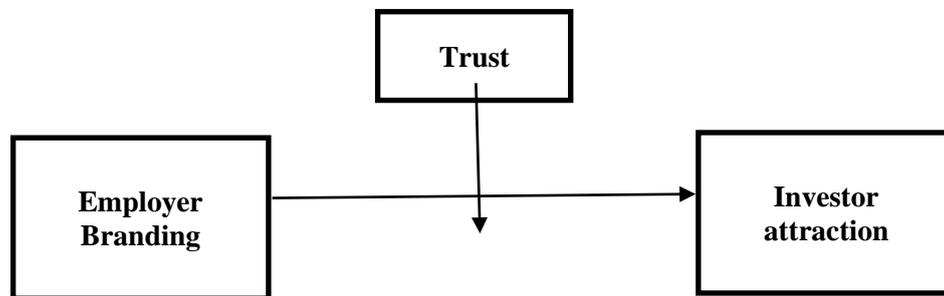


Figure 1: Proposed conceptual framework

4.0 Theoretical Contributions

This study contributes to the literature by extending employer branding research beyond traditional labour market outcomes and positioning investors as key signal receivers in capital markets. While prior research largely conceptualises employer branding as a mechanism for attracting and retaining employees, this study advances theory by demonstrating that employer branding also conveys meaningful information to financial stakeholders under conditions of information asymmetry. By framing employer branding as a strategic signal interpreted by investors, the study broadens the theoretical scope of employer branding and highlights its relevance as a multi-stakeholder intangible asset that informs investor evaluations of firm quality, human capital strength, and long-term value creation.

In addition, this study advances signalling theory by explaining the investment relevance of HR-related signals and identifying trust as a critical boundary condition in the signalling process. By theorising employer branding as a costly, observable, and difficult-to-imitate signal, the study extends signalling theory into the HRM–finance interface and emphasises the role of intangible human capital signals in shaping investor attraction. Further, by

explicitly incorporating investor trust as a moderating factor, the study refines signalling theory by demonstrating that the effectiveness of employer branding signals depends not only on signal characteristics but also on the degree of trust investors place in the firm as a signal sender, thereby offering a more nuanced explanation of investor responses to non-financial signals.

5.0 Practical Implications

For managers, the findings highlight the importance of aligning employer branding communications with actual organisational practices to build investor trust. For investors, employer branding can serve as a valuable qualitative indicator of firm quality and risk when interpreted through the lens of trust. For regulators, promoting transparent human-capital-related disclosures may enhance trust and improve capital market efficiency.

6.0 Conclusion and future directions

Grounded exclusively in Signalling Theory, this conceptual paper demonstrates that employer branding functions as a strategic signal influencing investor attraction. Crucially, the study highlights trust as a key moderating factor that determines the effectiveness of employer branding signals. By positioning employer branding as an investment-relevant intangible asset, the paper opens new avenues for interdisciplinary research at the intersection of human resource management and finance. Future studies may empirically test the proposed framework using survey-based designs, experiments, or archival data. Researchers may also explore cross-country differences in how employer branding signals are interpreted under varying institutional trust environments.

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