

AperTO - Archivio Istituzionale Open Access dell'Università di Torino

Reputational Risk: A Systematic Literature Review And Research Agenda

This is the author's manuscript

Original Citation:

Availability:

This version is available <http://hdl.handle.net/2318/1938971> since 2023-10-23T13:53:00Z

Publisher:

Demetris Vrontis, Yaakov Weber, Evangelos Tsoukatos

Terms of use:

Open Access

Anyone can freely access the full text of works made available as "Open Access". Works made available under a Creative Commons license can be used according to the terms and conditions of said license. Use of all other works requires consent of the right holder (author or publisher) if not exempted from copyright protection by the applicable law.

(Article begins on next page)

REPUTATIONAL RISK: A SYSTEMATIC LITERATURE REVIEW AND RESEARCH AGENDA

Broccardo, Laura¹; Culasso, Francesca²; Ballesio, Elisa³; Crocco, Edoardo⁴

¹Department of Management, University of Turin, UniTo, Turin, Italy

²Department of Management, University of Turin, UniTo, Turin, Italy

³Department of Management, University of Turin, UniTo, Turin, Italy

⁴Department of Management, University of Turin, UniTo, Turin, Italy

Keywords: Reputational risk, reputational risk management, systematic literature review, digitalisation, sustainability, financial institutions, stakeholder engagement, corporate reputation, corporate reputation management

Track No: 1

REPUTATIONAL RISK: A SYSTEMATIC LITERATURE REVIEW AND RESEARCH AGENDA

Reputation is a company's most crucial asset, as it is vital for its survival within the market, and, therefore, it is the most challenging resource to gain back once it has been lost (Zhu et al., 2022). Reputational risk represents the potential damage or loss which can occur to an organisation's reputation due to the actions or decisions implemented by its managers. It is a kind of risk that can have a relevant impact on a company's success, as there is a positive correlation between reputation and financial (Zhu et al., 2022; Tăchiciu et al., 2020; Kunitsyna et al., 2018) and non-financial performance and market value (Szwajca, 2018). Reputational risk can arise from numerous factors, for instance, those linked to illegal behaviours (Tica et al., 2022), namely fraud and corruption (Hirsch, 2018), cyber and physical security (Ruffini, 2019), media coverage (Rivera-Arrubla et al., 2016) and ability to meet customers and investors' expectations (Saeudy et al., 2022; Azrak et al., 2016).

Given the growing relevance of this topic from both the market sides, the organisations, and the stakeholders, this study aims to thoroughly analyse and examine reputational risk from multiple perspectives to provide a comprehensive overview. The purpose of this study is to review the literature to summarise the state of knowledge on reputational risk, provide some managerial implications and suggest multiple directions for future research based on existing knowledge gaps.

This SLR research was carried out in three main phases. In the first stage, keywords were chosen, and inclusion and exclusion criteria were established. We decided to select articles containing, in their title or abstract, or as keywords, the following terms: "*reputation* risk**". Truncation allowed us not to exclude articles featuring variations of the keywords we established. Then, in order to identify a broad range of articles on reputational risk, database searches (Scopus) were conducted. Scopus was searched as it is broadly used in SLR studies because it provides scholars with a great deal of peer-reviewed papers. The original literature search was conducted in December 2022. After that, we applied the following inclusion and exclusion criteria: first, we removed duplicates, and then, we decided to exclude conference proceedings and book chapters in order to analyse only articles published in peer-reviewed journals. Then, we identified 64 articles whose findings were discussed in the third step of the process.

We used a sample of 64 articles to conduct a content analysis with the aim of identifying thematic foci and research gaps. We were able to group our sample of articles under five broad themes, namely "*reputational risk in banks*", "*reputational risk and sustainability and/or corporate social responsibility (CSR)*", "*reputational risk in the supply chain*", "*reputational risk and digitalisation (in terms of social media and artificial intelligence)*" and "*reputational risk linked to crisis and/or scandals*".

Reputation is the most crucial asset of financial institutions, as their business is based on trust, which is based on reputation. Indeed, Saeudy et al. (2022) account reputational risk, along with operational and credit risk, among the top three risks that banks face. Sustainability and CSR can profoundly influence reputational risk, lowering or increasing it. Indeed, if a company is considered "sustainable" from the environmental, social, and economic points of view, stakeholders will trust it and so, reputational risk will be low. In the supply chain context, Blom et al. (2019) demonstrated that reputational risk guarantees that the Supply Chain Disruption Recovery (SCDR) process is executed more efficiently and effectively, and it also acts as an incentive for companies to achieve higher levels of service, leading to more favourable outcomes. Reputation threats have been amplified in the digital age due to the proliferation of the internet, social media (Szwajca, 2018; Aula, 2010), and advanced data technologies, such as those utilising artificial intelligence and machine learning (Stitzlein et al., 2021). Concerning the last theme we identified, Tica et al. (2020) highlight a direct correlation between corporate scandals and loss of reputation and, so, an increase in reputational risk.

This study builds upon important existing conceptual and empirical work and provides some implications: from a theoretical point of view, we mapped knowledge on reputational risk by reviewing the literature from multiple perspectives to deliver a comprehensive overview, and we suggested multiple directions for future research that will help scholars in the advancement of investigation on the topic of reputational risk; from a practical point of view, we believe that our study will aid in increasing awareness about reputational risk and will help managers by identifying risk drivers that can be useful in preventing crises and scandals in advance and maintaining the organisation's reputation and trust among its stakeholders.

References

Aula, P. (2010) "Social media, reputation risk and ambient publicity management," *Strategy & Leadership*, 38(6), pp. 43–49. Available at: <https://doi.org/10.1108/10878571011088069>.

- Azrak, T., Saiti, B. and Ali, E.R.A.E. (no date) An analysis of reputational risks in Islamic banks in Malaysia with a proposed conceptual framework, Al. Available at: <https://journals.iium.edu.my/shajarah/index.php/shaj/article/view/424>.
- Blom, T. and Niemann, W. (2022) “Managing reputational risk during supply chain disruption recovery: A Triadic Logistics Outsourcing Perspective,” *Journal of Transport and Supply Chain Management*, 16. Available at: <https://doi.org/10.4102/jtscm.v16i0.623>.
- Hirsch, P.B. (2018) “Tie me to the MAST: Artificial intelligence & reputation risk management,” *Journal of Business Strategy*, 39(1), pp. 61–64. Available at: <https://doi.org/10.1108/jbs-11-2017-0160>.
- Kunitsyna, N., Britchenko, I. and Kunitsyn, I. (2018) “Reputational risks, value of losses and financial sustainability of commercial banks,” *Entrepreneurship and Sustainability Issues*, 5(4), pp. 943–955. Available at: [https://doi.org/10.9770/jesi.2018.5.4\(17\)](https://doi.org/10.9770/jesi.2018.5.4(17)).
- Rivera-Arrubla, Y.A. and Zorio-Grima, A. (2016) “Integrated reporting, connectivity, and Social Media,” *Psychology & Marketing*, 33(12), pp. 1159–1165. Available at: <https://doi.org/10.1002/mar.20953>.
- Saeudy, M., Atkins, J. and Barone, E.A.V. (2021) “Interpreting banks’ sustainability initiatives as reputational risk management and mechanisms for coping, re-embedding and rebuilding Societal Trust,” *Qualitative Research in Financial Markets*, 14(1), pp. 169–188. Available at: <https://doi.org/10.1108/qrfm-02-2021-0024>.
- Szwajca, D. (2018) “Dilemmas of reputation risk management: Theoretical study,” *Corporate Reputation Review*, 21(4), pp. 165–178. Available at: <https://doi.org/10.1057/s41299-018-0052-9>.
- Tăchiciu, L. et al. (2020) “Non-financial reporting and reputational risk in the Romanian Financial Sector,” *www.amfiteatru economic.ro*, 22(55). Available at: <https://doi.org/10.24818/ea/2020/55/668>.
- Tica, A. and Weißenberger, B.E. (2021) “How regulatory changes are driven by a need for control in reputational scandals: A case study in the German insurance industry,” *Journal of Accounting & Organizational Change*, 18(1), pp. 57–76. Available at: <https://doi.org/10.1108/jaoc-11-2020-0196>.
- Zhu, X., Wang, Y. and Li, J. (2022) “What drives reputational risk? evidence from textual risk disclosures in financial statements,” *Humanities and Social Sciences Communications*, 9(1). Available at: <https://doi.org/10.1057/s41599-022-01341-y>.