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Does shareholder's reputation matter to firms?

An analysis of reputation reverse spillover

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PhD Program in Business Administration

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BUSINESS SCHOOL

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Resumo

Esta tese explora o conceito de transferência de reputação dos acionistas para as organizações - especificamente, se o comportamento irresponsável ou exemplar dos acionistas pode ter um impacto negativo ou positivo no valor da empresa. A transferência de reputação das organizações para os acionistas encontra-se bem estudada. Porém, não é claro se estas teorias se aplicam no sentido inverso.

A investigação foi efetuada em duas fases. Primeiramente, um estudo qualitativo com recurso a entrevistas em profundidade identificou os constructos que explicam a transferência inversa da reputação e as variáveis que captam os principais processos envolvidos. Seguidamente, um estudo quase-experimental utilizando a técnica da vinheta testou a existência da transferência inversa, analisou as relações causais e examinou como certas variáveis estruturais e contextuais - tais como a valência do evento, a estrutura acionista, a dependência financeira da empresa e a exposição aos media - podem influenciar este efeito.

A investigação confirma que a transferência de reputação é bidirecional e que alterações na reputação dos acionistas podem impactar o valor da empresa. Esta conclusão demonstra a complexidade da gestão deste fenómeno e explica por que razão as empresas não são igualmente vulneráveis. A estrutura acionista tem uma influência imediata e contínua na avaliação de curto e longo prazo, enquanto a dependência financeira afeta a avaliação a longo prazo. A exposição aos media medeia a relação entre os eventos que afetam os acionistas e a reputação empresarial, bem como a relação entre os eventos e a avaliação a longo prazo, através do seu impacto na reputação empresarial e no valor a curto prazo.

Palavras-chave: efeito de spillover, reputação empresarial, teoria da sinalização, teoria da transferibilidade, reputação dos acionistas

Código de classificação JEL:

- G32 - Financing Policy; Financial Risk and Risk Management; Capital and Ownership Structure; Value of Firms; Goodwill.
- G34 - Mergers; Acquisitions; Restructuring; Corporate Governance.
- L14 - Transactional Relationships; Contracts and Reputation; Networks.

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# Abstract

This thesis explores the concept of reputation transferability from shareholders to organizations - specifically, whether shareholders' irresponsible or exemplary behavior can negatively or positively impact a company's value. While reputation transfer from organizations to shareholders is well-studied, it remains unclear whether these theories apply in reverse and how this might influence corporate management.

The research was conducted in two sequential phases. First, a qualitative study using in-depth interviews identified the key constructs that play a significant role in reverse reputation transferability and pinpointed variables that capture the main processes involved in this phenomenon. Next, a quasi-experimental study employing the vignette technique tested the existence of reverse reputation spillover, draw conclusions about causal relationships, and examined how certain structural and contextual variables identified in the initial study - such as the valence of the reputation event, ownership structure, financial dependence, and media exposure - may influence this effect.

Our research confirms that reputation transfer is bidirectional between companies and shareholders, and that changes in shareholders' reputation can impact firm valuation under specific circumstances. This finding underscores the complexity of managing such spillovers and explains why firms vary in their vulnerability to these effects. Ownership structure has an immediate and ongoing influence on both short- and long-term valuation, while financial dependence affects long-term valuation. Media exposure, meanwhile, mediates the relationship between shareholder events and corporate reputation, as well as the link between shareholder events and long-term valuation, through its impact on corporate reputation and short-term value.

Keywords: spillover effect, corporate reputation, signaling theory, transferability theory, shareholder reputation

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Introduction

In the 21st century, it is widely recognized by C-level executives that corporate reputation is a critical asset, with no company ignoring reputation risk within their corporate risk management framework. However, corporate reputation risk remains a complex and multidimensional concept, lacking a unified definition in the literature, much like corporate reputation itself. This complexity makes it challenging to integrate reputation risk effectively into corporate risk architecture.

Managing reputation risk is notably more difficult than handling other types of risks for several reasons: (i) reputation is a socially constructed concept (Ferris et al., 2003; Rindova & Martins, 2012; Tischer & Hildebrandt, 2014), meaning it evolves with societal changes and varies according to different stakeholder perceptions; (ii) the mechanisms that generate corporate reputation risk are often difficult to understand and anticipate (Eckert, 2017; Walter, 2013); and (iii) quantifying the effects and impacts of reputation risk is particularly challenging (Eckert, 2017; Wartick, 2002).

Despite these difficulties, corporate reputation risk is perceived as the “risk of risks” (Fiordelisi et al., 2014; Eckert, 2017), an amplifying risk that can exacerbate other risks, influencing their materialization, duration, or expansion (Bonime-Blanc, 2014). Corporate reputation risk can be understood as the current or prospective risk arising from a deterioration in how stakeholders - such as customers, suppliers, partners, shareholders, or government entities, among others - perceive the company. This deterioration can magnify existing value losses or expose the company to additional losses and opportunity costs. The intangible nature of corporate reputation risk, combined with the tangible consequences it can produce, especially in today's “era of hyper-transparency” (Bonime-Blanc & Cachinero, 2014), has made reputation risk a top concern for C-level executives, particularly in large corporations.

Numerous high-profile incidents have severely impacted the reputation of some of the world's largest companies, including the BP Horizon oil spill (2010), Apple's labor rights controversies with Foxconn (2012), HSBC's involvement in interest rate fixing (2013), Sony's data breach (2014), Volkswagen's emissions scandal (2015), UBS and Deutsche Bank's tax evasion case (2016), Uber's sexual harassment and gender inequality allegations (2017), Nissan-Renault's financial misconduct (2018), Boeing's product misdesign issues (2019), Theranos' clinical information manipulation (2019), Wirecard's accounting fraud (2020), and FTX's misuse of customer funds (2022), among others.

These examples share a common thread: the damage to corporate reputation arose from operational failures and the companies' own actions. In each case, the companies failed to meet the expectations of their stakeholders, leading to a loss of trust and social legitimacy (Price & Sun, 2017).

However, the 2020 Luanda Leaks incident introduced a new dimension of corporate reputation risk: the reputation of shareholders. Within days, several companies took steps - ranging from issuing statements distancing themselves from their shareholder's actions to announcing asset sales - to mitigate the fallout from revelations that implicated a shareholder in a massive corruption and immoral scheme. This incident, amplified by digital media, exposed the companies connected by the shareholder to sudden reactions from customers, suppliers, partners, and the financial system.

The Luanda Leaks episode highlighted several key aspects of corporate reputation risk that companies had previously overlooked:

i. Reputation damage can originate not only from the organization itself but also from any of its stakeholders, particularly shareholders (third-party effect).
ii. The media and social networks can significantly amplify or minimize corporate reputation risk (digital media effect).
iii. The consequences of reputation damage can be profound, regardless of whether the underlying facts are proven, and can spillover to affect the perceived governance effectiveness of all entities connected to the source of the damage (spillover effect).
iv. Corporate reputation risk is often classified as a ‘material adverse effect’, providing legal grounds for contract or relationship termination (spillover effect mitigation strategy).

Empirical evidence from the Luanda Leaks episode suggests that a relationship between corporate reputation and ownership structure may exist, but this connection has been relatively underexplored. While the transfer of reputation from organizations to shareholders has been extensively studied (e.g., Coffee 2006; Eckert, 2020; Zhang & Schweitzer, 2019), it remains unclear whether these theories of reputation transferability apply in reverse - from shareholders to organizations - and how this might affect corporate management.

Additionally, despite the significant focus on corporate ownership structures in comparative corporate governance studies, the shareholders as a potential source of corporate reputation risk seems to have raised little attention so far. Both in practice and in academic research, the relationship between corporate ownership structures and corporate reputation has not been deeply investigated. As far as we are aware, the reverse reputation transferability, or reverse reputation spillover, and its impact on corporate governance remains largely unexplored.

This gap presents a substantial challenge for corporate management. Managing reputation risk is difficult due to its inherent complexities, but also because companies often lack a clear mitigation strategy akin to those in place for operational risks. C-level executives may not fully grasp the multidimensional nature of reputation risk or believe in the possibility of preventing reputation damage and its repercussions. Furthermore, shareholders represent a critical source of 'third-party reputation risk', yet organizations often overlook how their ownership structure could either mitigate or exacerbate this risk. Without a solid understanding of how reverse reputation transferability occurs, companies are constrained in managing the reverse spillover effect, thereby missing opportunities to create value and/or mitigate associated risks.

Constructs Entailed by the Literature Review

Our literature review focuses on two primary areas: (i) corporate reputation and (ii) reputation risk. The literature review chapter is structured to progress from broader, foundational concepts - such as definitions and methods of measurement - toward more specific discussions, including, for example, the relationship between corporate reputation and organizational performance, or between corporate reputation and ownership structure. It provides a comprehensive overview of the existing body of work on corporate reputation, tracing developments from the seminal contributions of Fombrun (1986) to contemporary studies.

Through this review, a critical gap in the literature was identified: while existing studies primarily explore the spillover effect from companies to shareholders, there is limited research on the reverse spillover effect - where a shareholder’s reputation impacts the company. Studies addressing this reverse spillover effect are sparse, highlighting the novelty and importance of the current research focus.

In addition to summarizing the relevant research, the literature review identifies the key constructs that form the foundation of the research problem. These constructs include: (1) reputation, with subcategories (1.1) corporate reputation and (1.2) personal reputation, (2) reputational risk, (3) ownership structure, (4) reputation spillover effect, (5) moral capital, (6) the insurance-like effect, (7) corporate scandals, and (8) media exposure. Each of these topics is elaborated in detail in the literature review chapter.

The relationship between the referred constructs is established by building on two theories: signaling theory (Spence, 1973) and transferability theory (Connelly et al., 2011). Signaling theory addresses information asymmetry between stakeholders in business interactions, where one party (the more informed) uses signals to credibly communicate its true characteristics to the less informed party, thus reducing uncertainty. Transferability theory examines how events occurring in one context can impact other contexts or settings.

These theories, though distinct, offer complementary perspectives on the research problem, suggesting that ownership structure may significantly influence corporate reputation. Reputation acts as a signal of an entity's (whether an individual or organization) underlying quality, reliability, and trustworthiness, thus reducing information asymmetry towards stakeholders (Connelly et al., 2011). It also signals potential behavioral intentions (Elitzur & Gavious, 2003).

Existing literature demonstrates that corporate reputation can, under certain circumstances, spillover to shareholders (Zhang & Schweitzer, 2019) or even across organizations (Coffee, 2006; Eckert, 2020). If reputation can spillover from companies to their shareholders, it is reasonable to hypothesize that a reverse spillover effect might also exist - where shareholders' reputation and moral capital influence the reputation of the company.

Research Objectives and Questions

The primary objective of this thesis is to investigate the concept of reputation transferability from shareholders to organizations - specifically, examining whether shareholders' irresponsible or exemplary behavior can negatively or positively impact the value of a company.

This thesis seeks to fill a gap in the existing literature by exploring (i) the existence of reverse reputation spillover, where shareholders actions influence corporate reputation, and (ii) the material consequences of this spillover on the firm value, both directly (e.g., market value) and indirectly (e.g., cost of capital).

Should our findings confirm the existence of reverse reputation spillover, this study will further explore whether certain attributes of the company (such as the concentration of ownership among a few shareholders or the dependency from the financial system) or certain characteristics of the shareholder (such as the level of media exposure) influence this phenomenon.

Moreover, this research seeks to offer new insights into the management of corporate reputation risk. It aims to assess whether C-level executives recognize shareholders' reputation as a potential source of corporate reputation risk and how this recognition is evolving in today's era of hyper-transparency and media disinformation. The study will also explore how companies prepare for and respond to potential misconduct by their shareholders, comparing strategies for minimizing loss after a shareholder reputation scandal versus treating shareholder reputation risk as a strategic, long-term concern. Additionally, the research will examine the role of agency theory in guiding organizational responses to shareholder reputation issues.

To explore the complexities of the reverse spillover effect and achieve these research objectives, the following research questions have been formulated:

1) Do organizations and C-level executives perceive shareholders' reputation as a critical issue?
2) Does shareholders' reputation influence corporate reputation?
3) Does shareholders' reputation impact firm value, and if so, how - directly (e.g., performance, market value) or indirectly (e.g., cost of capital, selling price)?
4) Are there structural or contextual factors that influence the reverse reputation transferability process?
5) How do organizations treat shareholder-based corporate reputation risk compared to other reputational risks?
    a) Do organizations and C-level executives prepare for and anticipate potential negative reputation events from shareholders?
    b) How do organizations and C-level executives respond to corporate reputation damage arising from shareholders?
    c) What role does the principal-agent problem play in how C-level executives anticipate and react to shareholder reputation issues?
6) How does the current environment of hyper-transparency and information dissemination affect C-level executives' perception and reaction to shareholder reputation situations?

By addressing the referred research questions, this thesis aims to contribute to a deeper understanding of the relationship between corporate reputation and ownership structure, providing insights for both academic research and practical corporate governance and management.

Methodological Approach

The multidimensionality surrounding the concepts of corporate reputation and reputation risk and the discretion constraints faced by C-level executives when addressing shareholders as a potential source of such risk, highlights the necessity of employing a mixed methods research approach. The integration of both qualitative and quantitative methodos enables the application of inductive and deductive reasoning (e.g., Krathwohl, 2004) to the study of phenomena such as reverse spillover.

Although concerns have been raised that mixed methods research might subordinate qualitative approaches to a secondary role behind quantitative ones (e.g., Howe, 2004), and that it may promote a superficial and unworkable form of methodological bilingualism (e.g., Denzin, 2008), the approach has gained increasing acceptance. Researchers have invested considerable effort in establishing convergence around its defining characteristics and guiding principles (e.g., Johnson & Onwuegbuzie, 2004; Taherdoost, 2022, Teddlie & Tashakkori, 2012).

Scholars such as Teddlie and Tashakkori (2012) reject the notion that epistemological differences render qualitative and quantitative methods incompatible. They advocate for methodological eclecticism, wherein the researcher acts as a ‘connoisseur of methods’ - selecting, often intuitively, the most appropriate techniques to address evolving research questions.

In response to critics who argue that no single researcher can be fully proficient in both methodological traditions (e.g., Denzin, 2008), others contend that training in both paradigms should begin at the undergraduate level (e.g., Onwuegbuzie & Leech, 2005a). Furthermore, the full potential of mixed methods research is often realized through collaborative research teams (e.g., Teddlie & Tashakkori, 2012), where diverse methodological expertise can be integrated effectively.

The use of mixed method research enables the reconciliation of two distinct research paradigms that the author of this thesis considers particularly relevant: pragmatism and constructivism. Both paradigms are grounded in a relativist ontology (Hugly & Sayward, 1987), which views reality as subjective and shaped by experience, context, and interpretation (Rassokha, 2022) - contrasting with the positivist epistemology that treats knowledge as objective and measurable (Park et al., 2020).

Constructivism aligns with a subjectivist epistemology, which posits that knowledge is actively constructed by individuals through their experiences and interactions (e.g., Bada, 2015; Packer & Goicoechea, 2000). Pragmatism, on the other hand, aligns with an instrumentalist epistemology, viewing knowledge and theories as tools for understanding and predicting phenomena, rather than as literal representations of reality (e.g., Johnson & Onwuegbuzie, 2004; Morgan, 2006).

Despite this thesis author's personal stance on how foundational philosophical assumptions should guide research design and execution, several scholars argue that mixed methods research is above 'paradigm wars' (Johnson & Onwuegbuzie, 2004) and that its defining feature is paradigm pluralism - the belief that multiple paradigms can underpin mixed methods, rejecting the notion of a one-to-one correspondence between methods and paradigms (Onwuegbuzie & Leech, 2005b; Teddlie & Tashakkori, 2012).

Bryman (2007) criticizes that most mixed methods studies fail to integrate the analyses of quantitative and qualitative data, thereby undermining the rationale for employing a mixed methods approach. To mitigate this risk in our thesis, we took into account during the analysis and interpretation of our results the various barriers to integration identified by Bryman (2007).

Corporate reputation is a socially constructed concept (Ferris et al., 2003; Rindova & Martins, 2012; Soleimani et al., 2014; Tisher & Hildebrandt, 2014) that evolves over time in response to societal changes and trends. Multiple interpretations of the reverse spillover phenomenon are possible, and our research seeks to explore these diverse perspectives. A qualitative methodology - specifically through in-depth interviews - will enable us to examine perceptions and beliefs surrounding reverse reputation transferability, a topic that remains somehow a taboo among C-level executives.

Additionally, qualitative methods will help identify key constructs and variables that may explain the mechanisms behind reputation transferability. This qualitative phase will serve as a predecessor to quantitative research. If findings confirm that C-level executives acknowledge the existence of reverse reputation spillover, we will formulate propositions to be tested through predefined hypotheses using quantitative methodologies.

While the methods will be discussed in detail later in the thesis, it is anticipated that a quasi-experimental study may be employed to test the existence of reverse reputation spillover. This approach will allow for the analysis of cause-and-effect relationships and the influence of different variables on one another. The use of quasi-experimental designs in social sciences has gained popularity over the past decades due to its practical feasibility (Gopalan et al., 2020).

Research Strategy, Conceptual Model and Hypotheses

The primary motivation behind this research is to explore whether reputation transferability theories apply from shareholders to organizations and to understand the implications for corporate management - a field that, as far as revealed by the literature review, remains largely unexplored. The research strategy is informed by the conceptual model, while also shaping its development.

The proposed research method is structured in two sequential studies:

1) Qualitative Study Using In-Depth Interviews: this inductive study aims to determine whether top management executives perceive shareholders as a potential source of corporate reputation risk and to identify the dimensions and variables they consider most relevant in this context. The primary goal of this phase is to pinpoint the key constructs that will form the foundation for an explanatory approach to the phenomenon of reverse reputation transferability. Additionally, it seeks to establish the theoretical relationships between the dimensions cited by top management executives, which can be proposed and tested in the subsequent research phase.
2) Quasi-Experimental Study Using the Vignette Technique: building on the findings from the first study, this second study aims to test the existence of reverse reputation spillover and examine how certain structural and contextual variables identified by the C-level executives may influence this effect. The objective is to draw conclusions about causal relationships and to either validate or refute the original propositions.

The first study will provide insights into the key constructs involved in the reverse reputation transfer process, which we expect will help identify the variables that succinctly capture the main dynamics of this phenomenon. During the initial study, there is no definitive expectation regarding the conceptual model that may emerge, except for a strong likelihood that it will involve interactions and a configurational approach due to the complexity of the topic.

The results from the qualitative study should offer insights into how C-level executives perceive shareholder reputation as a potential source of corporate reputation risk, while the quasi-experimental study tests the hypotheses related to reverse reputation spillover. These findings will be then interpreted to provide a deeper understanding of the complex relationship between corporate reputation and ownership structure, offering valuable implications for both academic research and corporate management practices.

I. Literature Review

1.1. Corporate Reputation

The relationship between corporate reputation and organizational performance has been a topic of study for several decades (e.g., Beatty & Ritter, 1986; Caves & Porter, 1977; Fombrun, 1986; Milgrom & Roberts, 1986a; Milgrom & Roberts, 1986b; Wilson, 1985). Interest in this area surged in the 1990s, especially following Fombrun's (1986) seminal work, prompting researchers from various fields to explore the concept, identify its sources, and devise methods to measure corporate reputation.

Today, corporate reputation is widely regarded as one of a company's most critical intangible resources. Unlike physical assets like patents or trademarks, reputation is intangible but is still considered one of a company's most valuable assets. According to the resource-based view, corporate reputation plays a key role in driving organizational performance and sustaining competitive advantage, largely because it is difficult for competitors to replicate (Brahim & Arab, 2011; Barney, 1991; Deephouse, 2000; Sarstedt et al., 2013; Walker, 2010). Fombrun (1996) coined the term "reputational capital" to describe the difference between a company's market value and the liquidation value of its assets.

However, perceptions of what constitutes a good or bad reputation are not fixed. They are socially constructed and evolve over time in response to changes in society and within the organization itself (Ferris et al., 2003; Rindova & Martins, 2012; Tischer & Hildebrandt, 2014). The evolution of these perceptions is shaped by the economic and non-economic criteria applied by different stakeholders (Fombrun & Shanley, 1990), and practices once deemed acceptable may eventually be considered unethical or inadequate. This poses a significant challenge for C-level executives, who must stay ahead of shifting stakeholder expectations and societal norms, ensuring that the organization adapts accordingly.

1.1.1. Definition and Measurement

Scholars continue to struggle with defining corporate reputation. At the close of the 20th century, Bennett and Kottasz (2000) reviewed academic definitions of corporate reputation and identified 16 distinct interpretations, reflecting various disciplinary perspectives. Since then, further research has consistently found that there is no single agreed-upon accepted definition (Barnett et al., 2006; Gaultier-Gaillard & Louisot, 2006; Veh et al., 2019; Wartick, 2002).

Veh et al. (2019), drawing from bibliographic data from 5,885 publications, identified the most widely accepted definition as the overall estimation in which an organization is held by its internal and external stakeholders, based on its past actions and likelihood of future behavior (Fombrun & Shanley, 1990). This aligns with Fombrun's (1996) foundational definition, which has influenced various operational approaches to understanding corporate reputation.

However, this one-dimensional view of reputation as a 'collective representation' of images and perceptions - based on relationships with all stakeholders and evolving over time - has been challenged. Some scholars argue that reputation is better understood as an attitudinal construct. Llewellyn (2002) and Schwaiger (2004) propose a two-dimensional model, where corporate reputation consists of a cognitive component (stakeholders' perceptions of a company's attributes, its competence) and an affective component (the stakeholders' emotional dispositions toward these attributes, its likability).

In another significant contribution, Barnett et al. (2006), based on the analysis of peer-reviewed scholarly articles, identified three key clusters of meaning for corporate reputation. The first cluster defines reputation as a state of awareness, where stakeholders hold perceptions about the company without forming explicit judgments. The second cluster views reputation as an assessment, where stakeholders evaluate and make judgments about the company. The third cluster frames reputation as an asset, meaning stakeholders perceive it as valuable to the company. Barnett et al. (2006) suggest that these clusters represent an increasing level of significance, with the first and second clusters not attributing tangible value to corporate reputation. For the authors, corporate reputation is the collective judgment of a company, based on evaluations of its financial, social, and environmental impact over time. Although their definition has not unified the concept of corporate reputation, it emphasizes the role of triggering events, which may result from the company's actions and mistakes, or from external factors. Over time, the accumulation of these judgments leads to the formation of "reputation capital" (Barnett et al., 2006).

Aula and Mantere (2008) also associate corporate reputation with organizational actions, arguing that a positive reputation is built through both "good deeds" and effective communication. They emphasize the role of communication strategies in today's networked society. Similarly, Watson (2007) argues that stakeholder behavior is influenced by the organization's predictability and communication, defining corporate reputation as the sum of predictable behaviors, relationships, and ongoing two-way communication.

Fombrun and Van Riel (2004) briefly mention predictability, noting that reputation involves stakeholders' judgments about an organization's ability to meet their expectations.

However, Watson's emphasis on predictability contrasts with the traditional perspective that views reputation as a reflection of past performance and ability to deliver future results (Argenti & Druckenmiller, 2004; Dowling, 1994; Fombrun & Rindova, 2005; Rayner, 2003). Watson (2007) highlights that predictability becomes essential for stakeholders to assess corporate reputation, as it enables them to anticipate an organization's actions during critical moments (Watson, 2007).

Other scholars (e.g., Fombrun & Van Riel, 2004; Jones et al., 2000; Rayner, 2003) argue that corporate reputation is tied to competitive context, often shaped by comparisons with industry rivals. Ljubojević and Ljubojević (2008) suggest that market efficiency determines the role of reputation, which can act as a strategic asset to mitigate the impact of negative events (Dhir & Vinen, 2015).

Rindova and Martins (2012) explore the complexity of corporate reputation, viewing it as a combination of diverse stakeholder perceptions that go beyond products and economic performance, including subjective and emotional judgments (Almeida & Coelho, 2019; Einwiller, 2013). Since reputation is largely based on perceptions rather than objective facts, the terms identity, image, and reputation are often used interchangeably (Clardy, 2012; Gioia et al., 2000; Wartick, 2002), which can lead to confusion.

Fombrun and Van Riel (1997) argue that reputation is made up of two core elements: identity, reflecting how internal stakeholders view the company, and image, representing the perceptions of external stakeholders. Building on Bromley's (2000) work, Whetten and Mackey (2002) further clarify these distinctions. They define identity as the internal understanding of what the organization stands for, image as both the deliberate and unintended messages the organization conveys to its external stakeholders, and reputation as the perception that stakeholders ultimately form based on these communications.

Barnett et al. (2006) challenge this integrative approach that combines identity, image, and reputation. They conceptualize identity as a collection of symbols reflecting a company's values and beliefs, while image refers to stakeholders' impressions of these symbols, shaped by communication and organizational processes. Reputation results from stakeholders' judgements about the company.

On his turn, Llewellyn (2002) argues that the static, behavioral, and predictive elements embedded in the constructs of identity (who the organization is and what it does), image (the message the organization sends outward about who it is and what it does), and reputation (what others think about who the organization is and what it does) are complex and highly interrelated, and that an effective measurement of reputation must capture all these dimensions to be truly valuable for managers.

Since corporate reputation is not a universal concept, various approaches to measuring it have proliferated (Clardy, 2012; Derun & Mysaka, 2018). Among these, brand ratings, often inspired by Fortune Magazine's "Most Admired Companies" or the Reputation Institute's "Reputation Quotient", have become one of the most common sources for assessing corporate reputation across various countries. Fombrun (2007) identified and analyzed 183 public reputation lists from 38 countries that rank companies based on attributes like as overall reputation, workplace quality, citizenship, performance, leadership, innovation, governance, and product quality - attributes considered vital by scholars from various disciplines (e.g., Soleimani et al., 2014).

However, many scholars criticize these rankings for their lack of a consistent theoretical basis, noting their results’ correlation with financial performance, as respondents typically include executives, employees, and market analysts (Barnett et al., 2006; Davies et al., 2001; Wiedmann & Buxel, 2005). Considering reputation as the “collective representation” of images and perceptions about an organization from both internal and external stakeholders, it is easy to see how certain perspectives might be overlooked.

Wartick (2002) is one of the authors who argue that reputation rankings are heavily influenced by who is surveyed and their stakes in the matter. He suggests that biases within distinct stakeholder groups are always present - such as a “financial halo” effect among executives and analysts, and a “work-life halo” effect among employees, for example. Chun (2005) explores this issue by comparing the views of multiple stakeholders to identify perceptual gaps stemming from information asymmetry. Similarly, Walker (2010) found evidence that different stakeholder groups hold varying perceptions of corporate reputations. However, Tischer and Hildebrandt (2014) contend that a corporate reputation within one stakeholder group generally reflects that of others, supporting Eberl and Schwaiger's (2005) thesis that reputation can be comparable across different groups.

Despite criticisms, reputation lists have a tangible impact on the real world. They highlight companies' activities, shaping stakeholder perceptions and potentially influencing expert evaluations (Fombrun, 2007). These lists have the power to elevate organizations as “celebrities” or cast them as “villains” (Rindova et al., 2006). Tischer and Hildebrandt (2014) found that significant changes in a company’s ranking on reputation lists are quickly mirrored in stock prices, suggesting that reputation rating agencies act as trusted third parties, revealing non-public corporate information to the market.

Soleimani et al. (2014) support the social-constructionist view of reputation, arguing that perceptions of corporate reputation are influenced by the social and institutional context. They critique the traditional approach to corporate reputation and its rankings, particularly the tendency to treat reputation determinants as fixed and universal across countries, without considering the impact of country-specific factors and contextual differences on reputation formation. The authors advocate for more research on comparative corporate reputation, especially regarding how reputation-building elements vary across societies. Although Fombrun and Shanley (1990) emphasized the importance of institutional contexts in shaping reputations, they did not explore this topic in depth. Blajer-Gołębiewska (2021), on the other hand, suggests that stakeholders may revise or even alter their perceptions of corporate reputation based on the behaviors they observe from others, highlighting a social influence.

Establishing a consistent theoretical foundation for the reputation construct has proven challenging, and relatively few scholars have focused on this task. Fombrun and Shanley (1990) identified profitability, market value, and media visibility as the primary drivers of a company's reputation. They found that dividend yield and institutional ownership positively influence reputation when other factors are controlled, while media exposure, regardless of being positive or negative, tends to have a negative impact. Identifying these reputational drivers is crucial for business management, as it allows companies to capitalize on opportunities for reputation enhancement, performance improvement, and competitive advantage, ultimately adding value to the organization (Rayner, 2003).

1.1.2. Relationship with Corporate Performance

The relationship between corporate reputation and performance has been a significant area of research. Some scholars argue that corporate reputation has an independent causal influence on organizational performance (e.g., Black et al., 2000), while others suggest it is a consequence of performance (e.g., Dowling, 2006a). A third view posits that the relationship is bidirectional: past performance builds a strong corporate reputation, which in turn increases the likelihood of future success (e.g., Lange et al., 2011).

Among those who argue for the independent impact of corporate reputation on performance, there is no consensus on whether reputation directly affects share value or influences it indirectly through factors like customer acquisition, customer loyalty, price premiums, or capital costs, among others.

Historical data compiled by Fombrun and Van Riel (2004) show that companies with stronger reputations consistently outperform their peers in all financial metrics over a five-year period. Similarly, Black et al. (2000) and Raithel and Schwaiger (2015) demonstrated that the market values corporate reputation independently of the halo effect of financial performance. They found that companies with superior nonfinancial reputations, as perceived by the general public, achieve higher future stock returns compared to those with strong financial reputations. This finding underscores the role of corporate reputation in a firm's market valuation and supports the importance of investing in reputation-building efforts, particularly focused on its nonfinancial components.

Carmeli and Tishler (2005) state that reputation is linked to growth and customer acquisition, though they do not establish a direct connection to market share, profitability, or financial strength. Similarly, Davies et al. (2004) estimate that reputation contributes between 3 and 7.5 percent to annual revenues. Rose and Thomsen (2004) suggest that reputation affects stock market performance through profitability and growth rather than directly influencing share prices. Larkin (2003) concludes that firms with strong reputations tend to have higher price-to-earnings ratios, increasing their relative stock value.

Complementary, Eberl and Schwaiger (2005), building on Schwaiger’s (2004) distinction between the “competence” and “sympathy” components of corporate reputation, argue that while “competence” has a significantly positive impact on future performance, “sympathy” tends to have a negative effect on future outcomes.

Numerous studies across various contexts, and over the years, have consistently reinforced the connection between corporate reputation, financial performance, and market value (e.g., Deephouse, 1997; Eberl & Schwaiger, 2005; Fombrun & Shanley, 1990; Gotsi & Wilson, 2001; Roberts & Dowling, 2002; Srivastava et al., 1997). Other researchers have analyzed the impact of changes, both positive and negative, in reputation rankings on stock prices (e.g., Anderson & Smith, 2006; Roberts & Dowling, 2002; Rose & Thomsen, 2004; Sanchez & Satorrio, 2007). However, Tischer and Hildebrandt (2011) argue that these studies failed to demonstrate a clear causal relationship, merely attributing the absence of an announcement effect to market efficiency.

Tischer and Hildebrandt (2011) posit that corporate reputation needs to be publicly disclosed to impact stock prices and their research demonstrated a causal announcement effect in the days following the publication of reputation rankings, with share prices rising or falling based on a company's position in the rankings. However, the authors confirm that this information is rapidly absorbed into stock prices, aligning with the efficient market hypothesis (Fama, 1970; Fama, 1991), which suggests that markets quickly incorporate available information, preventing long-term excess returns.

Despite the large body of research on the relationship between corporate reputation and organizational performance, the literature addressing the influence of contingent factors remains limited. A few authors have explored this topic, like Sánchez and Sotorrío (2007), who identify a positive nonlinear relationship between corporate reputation and performance, moderated by the company's differentiation strategy, competitive intensity, and stakeholder power. Similarly, Stuebs and Sun (2010) indicate that improved labor efficiency and productivity also serve as moderating factors in this relationship. More recently, Blajer-Gołębiewska and Nowak (2024) investigated whether sector-specific factors and market maturity mediate the relationship between improvements in corporate reputation and company valuation. They determine that in emerging markets, the reaction to inclusion in a reputation ranking is significant, even after accounting for sectoral influences. However, in mature markets, the positive effect of inclusion diminishes in the sectoral context, suggesting that significant returns may be driven by broader sectoral events rather than the mere inclusion in a reputation ranking.

Reputational effects can extend further than performance only. For example, Nicolo (2015) identifies a correlation between corporate reputation and a company's age, suggesting that a lack of reputation increases the risk of failure for younger companies in their early stages. Without an established track record to demonstrate reliability and the ability to meet stakeholder expectations, these companies struggle to build trust and confidence. This is because corporate reputation serves as both an informative signal (Akerlof, 1970; Blajer-Gołębiewska, 2021; Dowling, 2004; Zinko et al., 2007) and a contract guarantor (Ali et al., 2015; Bartikowski & Walsh, 2011; Cornell & Shapiro, 1987), helping to mitigate problems related to information asymmetry (Eccles et al., 2007) and positively influencing stakeholder behavior (Gatzert, 2015).

The positive effects of corporate reputation on stakeholder behavior translate into indirect financial benefits for organizations, such as:

- Reducing the mobility of industry rivals (e.g., Basdeo at al., 2006).
- Enhancing perceived product quality (e.g., Carmeli & Tishler, 2005) and enabling premium pricing (e.g., Deephouse, 2000; Homburg et al., 2005; Rindova et al., 2005; Walsh et al., 2012).
- Increasing post-purchase satisfaction and customer retention (e.g., Bartikowski et al., 2011; Nguyen & Leblanc, 2001; Walsh et al., 2009).

- Improving access to capital markets (e.g., Dhir & Vinen, 2005; Himme & Fischer, 2014; Little & Little, 2000; Orlitzky & Benjamin, 2001).
- Reducing financing costs (e.g., Demiroglu & James, 2010; Himme & Fischer, 2014; Van den Bogaerd & Aerts, 2015).
- Attracting better suppliers (e.g., Groenland, 2002) with lower transaction and monitoring costs (e.g., Bromley, 2002; Kotha et al., 2001; Roberts & Dowling, 2002).
- Facilitating partnerships, joint ventures, and mergers or acquisitions (e.g., Raithel & Schwaiger, 2014; Stevens & Makarius, 2015).

Beyond direct and indirect financial benefits, a strong reputation brings positive effects across the spectrum of organizational performance. Several scholars have studied its strategic value as a source of potential competitive advantage. It reduces stakeholders' uncertainty about the quality of an organization's offerings and its future performance, thereby fostering trust and support (Aqueveque, 2005; Domen, 2003; Dowling, 2004; Fombrun & Shanley, 1990; Gök & Özkaya, 2011; Roberts & Dowling, 2002; Vidaver-Cohen, 2007). A positive reputation also helps attract and retain high-quality employees (Ali et al., 2020; Almeida & Coelho, 2019; Cravens & Oliver, 2006; Turban & Cable, 2003), which is essential for innovation, effective internal processes and productivity (Stuebs & Sun, 2010). Recent studies by Chen et al. (2022) show that corporate reputation significantly influences the ability to recruit talented executives. Companies with poor reputations often need to offer a "reputation premium" to compensate executives for limited future career prospects and the mismatch between their personal identity and the company's social identity.

Studies exploring the relationship between corporate reputation and the cost of capital are limited, but evidence suggests that companies with higher reputation scores tend to experience a lower cost of equity. Helm (2007) argues that a strong corporate reputation enhances investor loyalty and satisfaction, which in turn reduces stock price volatility and investor relations costs. Cao et al. (2012) contend that companies with robust reputations produce higher-quality financial reports and are less likely to misstate their financial statements, thereby reducing information asymmetry and, consequently, the cost of equity. Furthermore, being highly ranked in reputation lists helps companies broaden their investor base, facilitating more efficient risk-sharing (Cao et al., 2014).

Despite the general consensus on the positive impact of corporate reputation on financial performance, some scholars question the validity of these findings and the theoretical framework behind them. They also critique empirical studies in this area for using overly aggregated, biased, and ambiguous measures of reputation, and for arbitrarily selecting single indicators of financial performance.

However, several authors have examined specific reputation-damaging events and demonstrated that they affect stakeholder behavior and subsequently impact financial performance (e.g., Bachmann et al., 2023; Deng et al., 2014; Flanagan & O'Shaughnessy, 2005; Harjoto et al., 2021; Johnson et al., 2014; Love & Kraatz, 2009). These studies show that such events can severely damage a company's reputation, often resulting in a loss of stakeholder loyalty and negatively affecting the firm's financial health and even its viability. Several authors found that reputation-damaging events can lead to short-term declines in corporate stock performance (e.g., Eisenegger & Künstle, 2011; Janney & Gove, 2011). Jory et al. (2015) confirm that stock price volatility typically increases in the days following a scandal, usually lasting around 30 days. Gundogdu (2015) posits that this volatile relationship between reputation changes and share prices has been intensified by the rise of digital media coverage.

Nevertheless, Gatzert (2015) argues that the impact of reputation-damaging events on corporate financial performance heavily depends on the nature of the event. Fraudulent or criminal incidents, in particular, are often associated with the most severe financial reputational losses. She also emphasizes that factors such as industry type, firm characteristics, and the country can influence the extent of the damage. Conversely, Love and Kraatz (2009) point out that some events can send mixed signals to stakeholders. For example, they specifically examined the effects of downsizing on a firm's reputation and found that while it might be viewed positively by the shareholders, it generally has a negative impact on employees.

When analyzing reputation-damaging events, authors have found that the impact of such events is less severe for firms with strong reputations, and that determinants and antecedents of reputation, such as past performance (Love & Kraatz, 2009) and time in the market (Flanagan & O'Shaughnessy, 2005), can provide some level of protection for companies. However, if these factors are not properly managed, they may also pose risks and even attract additional damage (Coombs & Holladay, 2006; Gatzert, 2015; Love & Kraatz, 2009; Rhee & Valdez, 2009).

Hoffman et al. (2016) also noted that a positive reputation can shield corporations from shareholder activism. A strong reputation may help mitigate agency problems and reduce the likelihood of shareholder proposals (proxy fights) being accepted. As shareholder activism increases, the reputational damage from public criticism by shareholders can lead to negative reactions in financial markets, thereby impacting the company's financial performance (Hoffman et al., 2016).

1.1.3. Relationship with Ownership Structure

If the positive relationship between corporate reputation and revenue, contribution margin, and cost of capital results in long-term positive abnormal stock returns, then a superior corporate reputation enhances shareholder value. Raithel and Schwaiger (2014) argue that reputation perceptions driven by nonfinancial factors create significantly more shareholder value than those based solely on past financial performance. Harjoto et al. (2021) further supports this link by analyzing 7,368 non-financial companies across 42 countries, demonstrating that buying portfolios with no reputation risk and selling high reputation risk portfolios earn positive abnormal returns. Similarly to Blajer-Gołębiewska and Nowak (2024), the authors found that market maturity mediates the relationship between corporate reputation and company valuation, with returns being more pronounced in emerging markets than in developed markets.

On the other hand, reputation-damaging events negatively affect shareholder returns by reducing organizational financial performance (e.g., Bachmann et al., 2023; Deng et al., 2014; Flanagan & O'Shaughnessy, 2005; Johnson et al., 2014; Love & Kraatz, 2009). Harjoto et al. (2021) also found that stocks associated with high reputation risk underperform compared to those with no reputation risk. While academia has explored how changes in corporate reputation influence shareholder value (e.g., Black et al, 2000; Harjoto et al., 2021; Jiao, 2010; Raithel & Schwaiger, 2014), there is still a question of how ownership structure impacts corporate reputation.

Debates in comparative corporate governance have focused on the strategic implications of different ownership structures. It is argued that while high ownership concentration can mitigate agency problems and enhance firm value (La Porta et al., 2000; Russino, 2023), it also raises the risk of minority shareholder exploitation by controlling shareholders (Denis & McConnell, 2003; Johnson et al., 2000; Shleifer & Vishny, 1997). This exploitation can lead to increased monitoring costs, higher capital costs, and reduced market activity and growth (La Porta et al., 2000). Several studies have also found evidence of a positive relationship between increased ownership control and the cost of capital (e.g., Guedhami & Mishra, 2009; Lin et al., 2011).

On the other hand, stronger formal protections for minority shareholders encourage dispersed ownership, which supports well-functioning and deep capital markets (La Porta et al., 2000).

Despite the strategic importance of ownership structure, its relationship with corporate reputation has received limited scholarly attention. This may be due to ownership structure not being identified as a primary factor influencing corporate reputation in the few studies conducted so far. For example, in Fombrun and Shanley's (1990) study on the determinants of corporate reputation, ownership structure was not among the top five drivers (Bromley, 1993). About a decade later, Kitchen and Laurence (2003) found in an exploratory study involving executives from eight countries that ownership structure was ranked as the fifth most important factor affecting corporate reputation, following customers, employees, CEO reputation, and media.

Ownership plays a crucial role in shaping corporate strategy, organizational structure, and governance, ultimately influencing the company’s value (e.g., Connelly et al., 2010; Russino, 2023). Foss et al. (2021) argue that ownership is a powerful tool for creating corporate value, as it provides “irrevocable control over resources,” which can be strategically leveraged to reconfigure asset use, particularly during uncertain times.

Thomsen and Pedersen (2000) examined the relationship between economic performance and ownership structure in large European companies, finding that both ownership structure and shareholder identity are critical due to their implications for corporate strategy. They assert that while ownership structure indicates the degree of influence shareholders may have over management, the identity of the shareholders reveals their ultimate goals and how they plan to use their influence (Thomsen & Pedersen, 2000). This information is vital for stakeholders and significantly contributes to the formation of corporate reputation. Some scholars also argue that, beyond shareholder identity, the interaction among shareholders based on their relative ownership percentages is also crucial for firm value (Lozano et al., 2016; Russino, 2023).

Gomes (2000) explored the willingness of individuals and organizations to become minority shareholders in the context of the agency problem between controlling and minority shareholders, a central issue in the new comparative corporate governance debate. Gomes found that in markets with weak legal protections for minority shareholders, controlling shareholders might strategically opt to extract private benefits while maintaining a reputation for not expropriating minority shareholders. This approach can lower the cost of capital and increase the value of their own stock holdings. According to Gomes (2000), this strategy is credible because investors recognize that if a controlling shareholder begins to extract excessive private benefits, the costs associated with such actions would be high.

Delgado-García et al. (2010) examined the impact of ownership structure on corporate reputation in Spain and concluded that ownership structure serves not only as a corporate governance mechanism to prevent expropriation but also as a signal that shapes expectations about potential expropriation. This signal can either enhance or damage corporate reputation.

Consistent with the new comparative corporate governance thesis (La Porta et al., 2000), their findings suggest that (i) high levels of ownership concentration in the hands of the largest shareholder can erode corporate reputation, and (ii) a smaller gap between the first and second-largest shareholders strengthens the perception of monitoring, generating expectations of lower expropriation and thereby enhancing corporate reputation. They also found that ownership concentration among institutional investors correlates positively with corporate reputation, reinforcing the earlier findings of Fombrun and Shanley (1990).

Additionally, Ljubojević and Ljubojević (2008) provided empirical evidence that ownership structure influences perceptions of organizational transparency, which is essential for building a good reputation. According to Fombrun (1996), corporate reputation comprises four key characteristics: (1) credibility, (2) reliability, (3) responsibility, and (4) trustworthiness.

While much of the existing literature suggests a negative relationship between ownership concentration and corporate reputation, Zouari and Dhifi (2022) identified a positive and significant link between ownership concentration and the disclosure of financial and non-financial information in integrated reporting among European companies. Although Cao et al. (2012) argue that companies with higher-quality reporting enjoy stronger reputations compared to their peers, this relationship remains relatively unexplored.

The studies mentioned above generally assume a static ownership structure throughout an organization's lifetime, often overlooking how corporate reputation might respond to changes in ownership. Hung et al. (2020) explored the relationship between ownership structure and reputation management strategies in the product market, concluding that (i) the voluntary turnover of controlling-share blocks can help restore a company's damaged reputation and enhance long-term shareholder value, and (ii) the optimal ownership structure strikes a balance between managing the controlling shareholder's moral hazard and mitigating market punishment. Their findings suggest that controlling shareholders bear market punishment following negative reputation events (e.g., product quality failures), while non-controlling shareholders do not. This implies that controlling shareholders might incur higher costs if corporate reputation declines.

Garvey (1995) examined why reputation might favor joint ventures over vertical and horizontal integration, arguing that joint ventures are more advantageous when reputation is a key concern. According to the author, asset ownership and reputation function as substitutes, with agents structuring their transactions to maximize joint welfare, thereby enhancing the positive effects of reputation through economic organization.

More recently, Zhang and Schweitzer (2019; 2021) sought to understand the link between ownership and reputation from a theoretical perspective. They identified a significant overlap between ownership-based reputation rankings and those based on a firm's reputation as perceived by customers and employees. The authors argue that ownership and reputation are interdependent, with ownership serving as a proxy for corporate reputation, aiding in identifying the most reputable firms. This relationship exists because corporate ownership mediates reputation across organizations.

On the other hand, Bammens and Hünermun (2020) assert that family-owned firms place greater emphasis on company reputation compared to firms with other ownership structures, leading them to engage more actively in reputation-building activities. According to the authors, social legitimacy and a favorable reputation are crucial for the long-term survival of family-owned firms, especially when there are intentions to pass the business on to future generations.

1.1.4. Corporate Reputation and Signaling Theory

Scholars in business and economics have sought to understand the role of signaling theory (Spence, 1973) in reducing information asymmetry between organizations and their stakeholders. This involves examining which signals are employed and how they convey an organization's underlying quality to various stakeholders (Connelly et al., 2011). Initially, signaling theory was grounded in game theory and reaction function approaches. However, research has increasingly focused on the relationship between the signals sent by the sender and the responses of the receivers, recognizing that signaling is process-oriented rather than purely outcome-driven (Prabhu & Stewart, 2001).

Signaling theory consists of six key elements: signals, the sender, signal credibility, the receiver, information asymmetry, and feedback (Connelly et al., 2011; Taj, 2016). Although not traditionally considered an element, the context in which a signal is interpreted has gained significant attention in academia. Prabhu and Stewart (2001) argue that the context in which a signal is sent heavily influences its meaning to the receiver, with the timing playing a crucial role in the interpretation of the signal. Other researchers (Bartikowski et al., 2011; Dau et al., 2020; Heinberg et al., 2018; Souiden et al., 2006; Walsh & Bartikowski, 2013) suggest that a country's setting and culture significantly impact the effectiveness of corporate signals, though the specific factors contributing to this influence remain unclear.

Although Moore's (1992) early studies on the role of signals in belief formation about companies laid the groundwork, research on the specific signaling strategies employed to develop corporate reputation remains relatively limited. Several authors (e.g., Carroll & Einwiller, 2014; Kim & Ferguson, 2016; Rim et al., 2019) have analyzed the role of reporting in "transparency signaling" and its impact on corporate reputation. They argue that transparent communication should aim to mitigate, moderate, or eliminate negative signals while simultaneously enhancing positive ones.

In previous pages, the term ‘reputation’ has frequently been linked with ‘signal’. Reputation can indeed be viewed as a signal because it represents observable and modifiable characteristics that shape perceptions (Zinko et al., 2007). Scholars have long recognized corporate image and corporate reputation as tools companies use to convey information (Akerlof, 1970; Dowling, 2004) and to mitigate stakeholder uncertainty (Ali et al., 2015; Bartikowski & Walsh, 2011; Cornell & Shapiro, 1987), thereby addressing information asymmetry (Eccles et al., 2007).

The term ‘tools’ is appropriate because reputation can be seen as a deliberate effort by companies to send signals that influence stakeholders' perceptions and understanding (Zinko et al., 2007). Building these tools requires investment, which could be at risk of significant and unpredictable loss in the event of a reputational crisis. Therefore, corporate image and reputation play a crucial role in reducing stakeholders' uncertainty regarding a company’s credibility, reliability, responsibility, and trustworthiness (Fombrun, 1996).

Roberts (2020) emphasizes the importance of trustworthiness as a key component of corporate reputation, noting that it signals an intent to cooperate - a focus on future intentions rather than solely on existing qualities. On the other hand, Borzino et al. (2023) explore the role of trust in the effectiveness of corporate reputation signals, concluding that there is a positive relationship between the two, which strengthens with increased transparency.

Regarding corporate signals, there is an inverse relationship between their cost and durability. Fombrun (1996) referred to this as “transience”, a concept famously illustrated by Warren Buffett’s quote: “It takes 20 years to build a reputation and five minutes to ruin it.”

The distinction between corporate image and corporate reputation is often unclear, as previous debated. However, Markwick and Fill (1997) identified the primary difference as the time required to build each, which affects the duration of the signal. They argue that there is a negative correlation between the time needed to establish a signal and its longevity, with reputations being more enduring than images.

Corporate reputation is the result of consistent performance and the fulfillment of expectations, reinforced by effective communication (Gray & Balmer, 1998). In contrast, corporate image is shaped largely by marketing and advertising efforts (Balmer, 1998). While corporate image can influence corporate reputation (Alessandri, 2001), a strong corporate reputation can protect the company from the damaging effects of reputational events on its image, or at the very least, mitigate their impact (Kotha et al., 2001). In such cases, stakeholders may perceive the incident as a “one-time” occurrence (Vanhamme & Grobben, 2009), attributing it to “bad luck” rather than “bad management” (Minor & Morgan, 2011; Shiu & Yang, 2017).

Dentchev and Heene (2006) argue that not all signals sent by companies are fully understood, or even noticed, by stakeholders, leading to costs that provide no value to the organization. They advocate for a more targeted signaling strategy, suggesting that effective reputation management involves sending the right signal to the right stakeholder, with careful consideration of how those signals are likely to be interpreted.

Prabhu and Stewart (2001) argue that stakeholders with misguided prior beliefs about a company are more likely to rely on these beliefs rather than seek out costly new information when interpreting subsequent signals from the company. They suggest that firms can enhance their reputation by strategically leveraging the context in which they communicate these signals. Strong firms are perceived as more competitive when they focus their signals on internal factors, while weaker firms may benefit by timing their signals to align with external explanations that obscure their true intentions or capabilities.

1.2. Reputation Risk

If there is a positive correlation between a strong corporate reputation and organizational performance, and if the deterioration of corporate reputation leads to a loss in corporate value, as many scholars argue, then protecting corporate reputation is essential and should be integrated into the organization's risk management framework.

However, when examining the enterprise risk management framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2004), which is widely used by companies globally, reputational risk is not explicitly mentioned. This omission is also evident in the guidelines developed over the years by regulatory bodies and industry groups for assessing and managing risks. Until recently, international regulations on capital requirements for banking institutions, such as the Basel Accords, included reputational risk under the broader category of operational risk (Gillet et al., 2010). Only in 2007 and 2009, Solvency II (2007) and Basel II (2009) frameworks, respectively, were updated to explicitly address reputational damage and loss. These frameworks define reputational risk as the potential for a triggering event to generate adverse publicity - whether accurate or not -, emphasizing "being known" as an attribute for reputational risk (Gatzert et al., 2016).

This delay occurred because of the lack of consensus on defining and measuring corporate reputation risk, particularly from a management perspective (Eckert, 2017; Walter, 2013). Bonime-Blanc (2014) categorizes reputation risk as an amplifying risk that is connected to other risks, influencing their occurrence, duration, or escalation, either positively or negatively. This concept is supported by several other scholars who argue that reputation risk is the "risk of risks", meaning that an underlying risk event, such as operational losses, can lead to reputational damage, resulting in additional value losses (Eckert, 2017; Fiordelisi et al., 2014).

Fombrun (1996) asserts that reputation risk is both a standalone risk (though not having been able to materialize it) and a derivative one. In contrast, other authors, like Rayner (2003), suggest that reputation risk does not exist independently; rather, there is only a "risk to reputation", which arises from various identifiable sources of risk.

Analyzing the available literature, Eckert (2017) identified three distinct definitions of reputation risk, each representing different stages in the causal chain: from the deterioration of stakeholders' perceptions (Type 1) to changes in stakeholder behavior towards the organization (Type 2), which may eventually lead to financial loss (Type 3). According to Eckert, each definition has unique advantages and disadvantages in terms of its utility for managing corporate reputation risk:

- Type 1: this approach allows for assessing which stakeholder groups have developed negative perceptions and regarding which specific issues.
- Type 2: this definition establishes a link between a particular stakeholder group and a change in behavior, enabling the organization to implement targeted containment or corrective measures.
- Type 3: this perspective assigns a monetary value to reputational loss, enabling the organization to use risk measures such as value at risk (VaR) and to compare reputation risk with other types of risk.

Wartick (2002) and Eckert (2017), among other scholars, criticize the current methodologies for measuring corporate reputation, noting that existing rankings and lists often assess reputation only in relation to a specific issue from the viewpoint of a particular stakeholder group. To make these measures more relevant for corporate reputation risk management, Eckert (2017) proposes updating the current methods to correlate the perceptions of specific stakeholder groups with particular reputation issues and to identify dependencies between different "stakeholder group–issue" combinations. Positively correlated combinations should incentivize organizations to take actions that improve their reputation in one area, as it may also enhance their reputation in other related areas (Eckert, 2017).

Measuring reputational loss according to Eckert's Type 1 and Type 2 definitions is challenging and would require considerable effort. This difficulty has led the empirical literature to primarily assess reputation loss through market-value declines. However, different authors have employed various methods, which have been compiled by Gatzert et al. (2016) and Adeabah et al. (2023). Some measure the impact of reputation damage caused by operational loss events by examining market value reactions that exceed the announced operational loss. Others use Tobin's Q to measure firm reputation and then analyze the market-value effects of operational risk events attributed to reputational damage.

Over the past 30 years, nearly every corporate reputation scandal in the US and Europe has prompted an event study to assess reputational losses. According to Vogler and Eisenegger (2019), the reputation cases examined typically fall into one of four categories: (i) standardized practices within corporations, such as accounting (e.g., the accounting frauds of Enron and WorldCom), (ii) product design issues (e.g., Boeing's product misdesign), (iii) misconduct by management (e.g., Volkswagen's diesel emissions scandal), or (iv) violations of corporate social responsibility norms or governance practices (e.g., BP's Deepwater Horizon oil spill).

However, these four categories share a common aspect: reputational risk arises from operational issues and the actions of the organizations themselves. Vogler and Eisenegger (2019) refer to this as a "functional failure," indicating that the company's performance fell short of stakeholder expectations, leading to skepticism about its trustworthiness, credibility, and social legitimacy (Price and Sun, 2017).

In the last decades, several scholars (Fombrun, 1996; Rayner, 2003) have sought to summarize the primary sources of reputational risk. A shared insight among these authors is that (1) reputational risk does not occur in isolation and (2) it typically manifests as an amplification of operational risk. This includes factors such as financial performance and profitability, corporate governance and unethical behavior, employee relations and corporate culture, product liability issues, product recalls and litigation, adverse events or publications, and customer relations.

More recently, Scandizzo (2011) differentiate between sources of reputational risk that are internal to the company, over which it should exert some control, and external risk sources, which encompass counterparty, country, and sector risks. While emerging as a new area of study on reputational risk, the concept of risk by association was highlighted by Fombrun in his seminal works, where he noted that corporate reputation is also influenced by the relationships the company establishes (Fombrun, 1996).

The growing emphasis on reputation risk has led insurance companies to develop reputation-specific insurance policies. The first such policy was issued in 2011 by Zurich Financial Services (Gatzert et al., 2016) and subsequently extended across the industry. Gatzert et al. (2016) provide a systematic categorization and analysis of stand-alone reputation risk insurance policies, highlighting the significant variability in coverage terms and conditions.

Insuring reputational risk is challenging due to the difficulty in identifying and measuring loss triggers, as well as predicting the likelihood and magnitude of potential losses (Gatzert et al., 2016). While most policies align with the Solvency II definition of reputation risk, there is also a risk of accumulation arising from spillover effects related to association to third parties and risk concentrations when the insurer provides coverage for both reputation risk and the events that trigger it (Gatzert et al., 2016). Furthermore, insuring reputation risk may incentivize companies to take on greater risks, as they would not bear the full consequences (Gatzert et al., 2016) - an issue commonly referred to as moral hazard.

Personally, we believe that moral hazard is mitigated because the actual loss from a damaged reputation can extend over many periods (e.g., Harjoto et al., 2021) and may not be fully compensated by the insurance policy. However, this topic warrants further in-depth research.

1.2.1. The Insurance-Like Effect of Corporate Social Performance

According to the shareholder value maximization model, corporate social responsibility (CSR) is viewed as a cost and a misallocation of corporate resources that fails to provide any return for shareholders (e.g., Singh & Misra, 2021; Topic, 2023). However, over the past 30 years, driven by the influence of stakeholder theory, a significant body of literature has emerged examining the relationship between corporate social performance and financial performance. More recently, scholars have begun exploring the potential connection between CSR and corporate reputation.

Defining the construct of corporate social performance is challenging, as definitions of CSR vary widely in the literature, ranging from narrow, specific dimensions to broader interpretations. Aguinis (2011) defines CSR as actions and policies that consider stakeholders' expectations and the triple bottom line of economic, social, and environmental performance. McWilliams et al. (2006) assert that any situation in which an organization exceeds legal requirements and corporate interests to pursue a social good should be classified as CSR.

Carroll (2016) developed a CSR pyramid encompassing four layers that reflect the expectations of different stakeholders: economic, legal, ethical, and discretionary/philanthropic societal expectations. On the other hand, Agudelo et al. (2019) emphasize that the concept of CSR must consider the social expectations of each decade.

McWilliams et al. (2006) analyzed 12 empirical papers examining the relationship between corporate social performance and financial performance, concluding that the results vary from negative to neutral to positive correlations. In contrast, Margolis and Elfenbein (2009) conducted a meta-analysis of 167 studies and have found a positive, albeit small, overall correlation between corporate social performance and financial performance. Singh and Misra (2021) investigated the impact of managerial perceptions of CSR on organizational performance, considering corporate reputation as a moderator, and have discovered a negative and significant interaction between CSR and corporate reputation in their relationship with organizational performance. Conversely, other authors argue that corporate reputation serves as a channel that translates the benefits of CSR disclosure into improved firm performance (Lai et al., 2010; Pham & Hiền, 2021; Saeidi et al., 2015). Additionally, Singh and Misra (2021) have concluded that CSR initiatives aimed at communities and customers significantly predict organizational performance, while CSR directed toward employees does not show any significant direct relationship.

Despite some criticisms regarding inconsistencies in definitions, research design, temporal sequencing, control variables, and even endogeneity (e.g., Wilestari et al., 2021), authors generally agree that the rationale for CSR extends beyond mere financial performance (e.g., Abiola & Mmutle, 2020; Margolis & Elfenbein, 2009; McWilliams et al., 2006). These scholars argue that CSR has strategic implications and should be a fundamental component of an organization's corporate-level differentiation strategies. In particular, they support Fombrun and Shanley's (1990) thesis that corporate social performance is a form of reputation building or maintenance, and therefore a strategic investment.

Authors that defend the notion that corporate social performance serves as a strategic investment capable of influencing corporate reputation (e.g., Abiola & Mmutle, 2020; Dutta & Imeri, 2016) argue that CSR helps organizations communicate goodwill toward stakeholders and signals their underlying moral character (Gaultier-Gaillard et al., 2009b; Shiu & Yang, 2017). This, in turn, aids in building corporate identity (Herbig & Milewicz, 1995; Kitchen & Schultz, 2001) and fostering a "positive moral capital" (Godfrey, 2005). Since corporate reputation arises from the aggregation of stakeholders' perceptions of a company, and because

CSR initiatives can influence these perceptions and strengthen connections with stakeholders, CSR initiatives also contribute to the development of corporate reputation. Some authors have indeed found evidence that a more positive tone in news media coverage of CSR leads to an improved corporate reputation (Einwiller et al., 2010; Vogler & Eisenegger, 2020).

Sánchez-Torné et al. (2020) investigated which of the seven dimensions in Reptrak most significantly influence corporate reputation. They found that the dimensions of Citizenship (including environmental protection, support for social causes, and contributions to society), Workplace (such as equal opportunities, fair salaries, and care for workers), and Governance (including transparency, ethical management, and responsible power use) have the greatest impact and should be the primary focus for companies.

The "positive moral capital" underpins corporate reputation and acts as a form of insurance against reputation risk, helping to preserve the company's market value and protect the wealth of shareholders and bondholders (Godfrey, 2005; Godfrey et al., 2009; Minor & Morgan, 2011; Peloza, 2006; Shiu & Yang, 2017). In the face of a negative event, the "positive moral capital" an organization has accumulated enables stakeholders to extend the benefit of the doubt, viewing the incident as a rare, isolated case (Vanhamme & Grobben, 2009) caused by external factors or "bad luck" beyond the organization's control, rather than a result of poor management, which would suggest negligence or incompetence (Minor & Morgan, 2011; Shiu & Yang, 2017). Janney and Gove (2011) argue that companies with a reputation for CSR are somewhat shielded from corporate scandals.

From a different perspective, Harjoto et al. (2021) highlight that events of "corporate social irresponsibility" can erode the reputational capital a company has built over many years. They found evidence that the stock market views corporate social irresponsibility - risks that violate informal social rules, norms or expectations - as relevant to a firm's value.

For CSR initiatives to effectively influence corporate reputation, they must be communicated to various stakeholders and must be credible (Coombs & Holladay, 2013). Amaladoss et al. (2013) further emphasize that these initiatives should be communicated voluntarily by the company.

Some researchers suggest that firms with poor reputations are more likely to engage in CSR initiatives, believing that these efforts will improve stakeholders' perceptions of their reputation (Yoon et al., 2006). However, Shiu and Yang (2017) have found that short-term CSR activities are insignificant and do not provide any insurance-like effects; only sustained, long-term engagement in CSR provides such benefits for both stock and bond prices. Minor and Morgan (2011) have observed similar findings in their multi-year study of S&P 500 firms, noting that

CSR as reputation insurance only works when an organization consistently applies these principles. Janney and Gove (2011) also contend that companies with a strong reputation for CSR are subject to greater scrutiny and face harsher penalties for wrongdoing. Shiu and Yang (2017) further argue that the insurance-like effects diminish following repeated negative incidents, as the "moral capital" quickly reduces.

Coombs (2015) claims that a company's "crisis history" significantly affects how quickly its moral capital diminishes. According to the author, if a company experiences two or more similar incidents in succession, stakeholders perceive the firm's responsibility as greater, which intensifies the potential damage to its corporate reputation.

According to several authors (Lin-Hi & Blumberg, 2018; Minor & Morgan, 2011), for organizations to achieve this insurance-like effect, they must not only engage in CSR activities - "doing the right thing" - but also "avoid harm", which includes mitigating negative corporate social performance correlations (a risk that may arise from third parties). Minor and Morgan (2011) found that simultaneously doing good and causing harm results in reputational consequences that are worse than doing nothing.

Reputation risk is a business risk, and CSR activities can provide partial self-insurance against this risk. Therefore, engagement in CSR should be viewed as an insurance premium (Minor & Morgan, 2011). However, excluding regulatory factors, the implementation of CSR largely depends on whether shareholders perceive it as a beneficial activity for the company (Wilestari et al., 2021). While government and institutional investors tend to positively influence decision-making related to CSR (Li & Zhang, 2010; Oh et al., 2011; Sumarta, 2021), family ownership appears to have a negative impact on the disclosure of CSR activities (Ghazali, 2007; Wilestari et al., 2021). The findings of Wilestari et al. (2021) suggest that, at least for certain ownership structures, CSR is perceived as a cost that affects shareholder rights rather than an insurance premium.

Like corporate reputation, CSR is now under the scrutiny of governments, institutional investors, opinion leaders, best-practice organizations, customers, and other informed and discerning groups (Kitchen & Laurence, 2003). How long will it take for CSR activities, especially in this new era of hyper-transparency and digital connectivity, to shift from being a source of reputation insurance to a potential source of reputation risk?

Several authors have analyzed public reactions to corporate CSR communications and found that these initiatives often attract skepticism from stakeholders, who perceive them as self-serving attempts to cover internal inefficiencies (e.g., Coombs & Holladay, 2012; Morsing et al., 2008; Wagner et al., 2009). Furthermore, Kim (2014) suggests that when companies with negative reputations promote their CSR initiatives as purely altruistic, they may face hostile reactions from stakeholders. This skepticism may be partly fueled by the negative tone of CSR media coverage identified by several authors (Vogler & Eisenegger, 2020; Vogler & Gisler, 2016), which can influence public perception.

The phenomenon where companies with less negative CSR media coverage enjoy better corporate reputations, due to the generally negative tone of such coverage, is known as the CSR paradox (Morsing et al., 2008). This suggests that the public expects companies to engage in social responsibility activities, and those that fail to do so are penalized with more intense negative publicity (Vogler & Eisenegger, 2020).

Abiola and Mmutle (2020) examined effective strategies for communicating CSR initiatives to build a positive corporate reputation while mitigating the risks associated with misinterpretations of CSR motives by stakeholders. They argue that establishing trusting relationships with stakeholders is essential, and that acknowledging both self-serving and societal motives in CSR communications can reduce public skepticism and enhance corporate reputation. The authors also recommend being concise in communication efforts and utilizing controlled channels as preferred methods of outreach.

Conversely, Jeong and Chung (2023) argue that CSR initiatives are perceived as more credible when covered by news media rather than by the companies themselves, especially when public perception of the industry is generally negative.

1.2.2. Reputation Transferability Theories

As signaling theory has evolved, some scholars have focused on the relationship between corporate reputation and corporate ownership, as well as on reputation spillover effects - where a company's reputation serves as a signal of its underlying quality, reliability, and trustworthiness (Connelly et al., 2011), which can extend to its shareholders (Zhang & Schweitzer, 2019) and to other organizations (Coffee, 2006; Eckert, 2020).

The literature agrees that spillover effects are typically measured by market value losses or gains and can have both positive and negative impacts. Positive spillover occurs when firms benefit from a competitor's loss event, while negative spillover arises from contagion effects leading to financial losses for the company (Eckert, 2020). The spillover effect results from the interplay of the two offsetting forces: the “competitive effect” and the “contagion effect” (Eckert, 2020).

Nicolo (2015) and Zhang and Schweitzer (2019; 2021) explored reputation spillovers between organizations and their shareholders. According to these authors, when shareholders begin investing in a company, the spillover effect primarily flows from the shareholders to the invested companies. In some cases, the identification with a founding shareholder is so strong that their withdrawal can lead to the organization's sudden extinction (Nicolo, 2015). However, in mature companies, the reputation spillover predominantly flows from the company to its shareholders (Zhang & Schweitzer, 2019; 2021). This observation is consistent with the literature on the reputation insurance theory of CSR, where a company's “moral capital” is transferred to shareholders, providing them with insurance-like protection that contributes to their wealth (Godfrey, 2005; Minor & Morgan, 2011; Shiu & Yang, 2017).

Several authors have examined specific and general crisis events to understand the triggers of spillover effects and the factors that influence them (e.g., Barnett, 2007; Barth at al., 2021; Cummins et al., 2006; Eckert et al., 2019). Eckert (2020) offers an extensive review of the empirical literature on spillover effects.

For instance, the Volkswagen emissions scandal highlight how reputation spillovers can impact an industry's competitive environment: for a significant amount of time, consumers avoided all German automakers due to a perception of collective reputation, turning "Made in Germany" into a liability (Bachmann et al., 2023). This incident is a prime example of "information-based contagion," where the impact is limited to companies linked by a common factor, such as country of origin, unlike "pure contagion," which affects all competitors indiscriminately (Eckert, 2020). According to Eckert (2020), "information-based contagion" is influenced by the event's valence and specific firm characteristics.

The impact of third-party reputation damage on corporate reputation, or how a negative event affecting one organization can influence the reputation of others through inter-corporate relationships, has also drawn scholarly attention. Researchers have explored how factors such as industry structure and firm positioning within networks (e.g., Yu & Lester, 2008), the strength of cooperative relationships (e.g., Barnett, 2007), and close rivalry (e.g., Goins & Gruca, 2008) mediate these effects.

Coffee (2006) argues that several 'gatekeeping' professions - such as auditors, attorneys, securities analysts, and credit-rating agencies - exist to serve as loyal agents of investors, ensuring that the organizations they oversee are managed in the best interests of the different stakeholders. When the reputation of a gatekeeper is damaged, even if the issue arises from governance failures in just one organization, the negative impact is amplified and can undermine the perceived effectiveness of that gatekeeper across all organizations associated with them.

However, the mediating role of ownership structure in reputation management is a less developed area of research. Shareholders typically have limited public exposure, but the Luanda Leaks episode in early 2020 provided empirical evidence that a shareholder's reputation can indeed harm corporate reputation. In a matter of days, numerous companies acted rapidly to distance themselves from a shareholder depicted in the media as the orchestrator of a large-scale corruption and unethical operation. Their actions ranged, from issuing statements minimizing the shareholder's influence on the day-to-day management of the companies to announcing asset sales. These urgent responses were prompted by the need to mitigate negative reactions from customers, suppliers, business partners, and the financial community, all of which was exacerbated by the rapid global spread of information through digital channels, threatening the companies' long-term sustainability.

Although Zhang and Schweitzer (2019; 2021) support the idea that in the mature phase of a company, reputation tends to spill over from the firm to its shareholders, they also found evidence that ownership relations between companies can significantly influence reputation. According to the authors, a company's reputation is not solely dependent on its own actions but is also affected by the actions and reputations of other organizations linked by the same ownership structure. Negative reputation can transfer from one company to others through shared shareholders.

In contrast, Kang (2008) observe that institutional shareholders can reduce the likelihood of negative reputation spillover, as they are perceived to provide independent and stringent oversight.

The Luanda Leaks episode further highlighted the importance of the personal reputation of shareholders and the complex ways in which it develops. However, research on personal reputation and its impact on corporate reputation is still limited, primarily focusing on CEO reputation (e.g., Hayward et al., 2004; Kitchen & Laurence, 2003; Ranft et al., 2006; Pham & Hiền, 2021).

Literature indicates a positive correlation between a CEO's good reputation and corporate reputation (Kitchen & Laurence, 2003; Pham & Hiền, 2021). Leaders with a strong reputation tend to be trusted more and face less monitoring and scrutiny, which can also enhance the reputation of their organizations (Hall et al., 2004). However, Eccles et al. (2007) caution that a CEO can also pose a significant corporate reputation risk if the media fixates on their personality.

Studies examining the impact of shareholders' reputation on corporate reputation are relatively scarce and often focus on young companies. Such companies can speed up building a positive reputation by leveraging the founder's or co-founders' reputations from previous entrepreneurial experiences (Hoen, 2014). Conversely, if the founders have a negative reputation or lack entrepreneurial experience, it can adversely affect the new company's reputation (Nicolo, 2015).

These examples underscore the influence of third parties' reputations and moral capital on corporate reputation, as they can signal potential characteristics or behavioral intentions (Elitzur & Gavious, 2003). However, the effectiveness of these signals depends on various factors, including the reputation earned from previous actions (Connelly et al., 2011; Coombs, 2015).

1.2.3. The Role of the Media

In the previous pages, it has been repeatedly emphasized that communication is crucial in building and maintaining corporate reputation. However, communication is often confused with media activity. While they are not the same, the media's influence on corporate reputation cannot be overlooked, as it presents both risks and opportunities.

Vogler and Eisenegger (2019) describe corporate scandals as a "denial of reputation" and highlight the symbiotic relationship between corporate scandals and the media. Without media coverage, corporate misbehaviors would remain unknown to the public and would not escalate into scandals. The media enables people to engage with, evaluate, criticize, and discuss the actions of organizations (Vogler & Eisenegger, 2019), shaping public perception - or "public esteem" (Carroll, 2009) - which can either enhance or damage a firm's "moral capital" and, consequently, its reputation. However, scholars have yet to determine why certain corporate misbehaviors become scandals while others do not (e.g., Bayle & Rayner, 2018; Vogler & Eisenegger, 2019).

The agenda-setting theory (McCombs & Shaw, 1972) suggests that the way a topic is covered by the media determines its prominence in the public's mind and influences public perception. This theory underscores the media's power to make a topic salient - relevant on the public agenda - through the frequency and placement of coverage, thereby shaping public interpretation and opinions (Carroll & McCombs, 2003). The framing theory (Scheufele, 2000) further develops this concept, asserting that the way the media presents information - by emphasizing certain aspects and minimizing others - shapes public perception, opinions, and influences emotional responses (Scheufele & Tewksbury, 2007). Some scholars even highlight the media's ability to induce "herd-like" behavior (Davis, 2006; Thompson, 2013).

Vogler and Eisenegger (2020) emphasize that the agenda-setting assumption of mass media content reaching large, homogeneous audiences does not apply to social media as it does to traditional media. The algorithmic distribution based on user data determines how content reaches different individuals, meaning not all content has the same probability of finding an audience. The rules for content selection are not entirely clear, but not all social media users are presented with the same agenda (e.g., Feezell, 2018; Wallace, 2018). Empirical evidence on social media's ability to set the broader public agenda is still limited, and research so far shows that traditional news media continue to be the primary agenda setters in shaping corporate reputation (Vogler & Eisenegger, 2020). This suggests that while traditional media remains influential in the formation of corporate reputation, social media activities have yet to prove highly effective in this area, despite the increasingly blurred boundaries between legacy and social media.

Bayle and Rayner (2018) argue that a scandal can emerge even if the "scandalous facts" are unsubstantiated, and that many "scandalous facts" do not lead to scandals, indicating that a scandal is not synonymous with transgression. Bonime-Blanc and Cachinero (2014) assert that the "age of hyper-transparency" - termed the "age of digitization" by Vogler and Eisenegger (2019) - has transformed how scandals develop and spread, enabling reputations to change rapidly, whether justified or not.

The media's ability to continuously monitor and expose an organization's actions, significantly reduces the time available for a company to respond or correct a situation before adverse publicity arises, potentially damaging corporate reputation. This is particularly crucial as media influence on corporate reputation is asymmetrical, with negative coverage having a more substantial impact than positive coverage (Tetlock, 2007), and initial perceptions being difficult to change, due to an anchoring bias (Epley & Gilovich, 2010).

Vogler and Eisenegger (2019) note that not all industries and organizations face the same level of media scrutiny. The news values theory explains the criteria that make an event or subject newsworthy (Galtung & Ruge, 1965). The foundational principle of this theory is that not all events are treated equally by the media. Journalists are more likely to highlight events that are recent, geographically or culturally close to the audience, involve conflict, feature well-known individuals or institutions, or showcase personal triumphs or tragedies (Harcup & O'Neill, 2001; O'Neill & Harcup, 2009). Other factors influencing media coverage include company actions, peer behavior (Zavyalova et al., 2012), and the political orientation of the media (Benediktsson, 2010).

The media has historically played a crucial role in the formation, loss and restoration of corporate reputation (Eccles, 2007; Sims, 2009; Vogler et al., 2016; Westermann & Forthmann, 2020). However, the rise of the Internet and social networks has transformed this process, enabling the rapid circulation of vast amounts of information in real time (e.g., Bonime-Blanc & Cachinero, 2014; Harjoto et al., 2021) and allowing for the dissemination of opinions without traditional gatekeepers (Vogler & Eisenegger, 2019). Several authors argue that the media acts as a watchdog, rebroadcasting and disseminating information (Bednar, 2012; Vogler & Eisenegger, 2019). Through public scrutiny or humiliation - referred to as "public shaming" by Dalton and Dalton (2007) - the media can pressure social control agents to impose tangible sanctions (Lloyd et al., 2014).

Nonetheless, the need to compete for market share and audience attention has led to increasingly sensationalist media coverage (Al-Obaidi, 2024). When deciding which events or subjects are newsworthy, the media acts as a gatekeeper with the power to frame and shape public information and mindset (Lewis et al., 2008; Vettehen et al., 2010).

According to Westermann and Forthmann (2020), social media has contributed to a shift where individual perceptions of a company's reputation are giving way to more collective and unified assessments. This shift underscores the importance of social listening, which allows companies to monitor their reputation in real time and respond quickly to messages that do not align with their positioning - something that, while readily achievable through AI technology, is still rarely utilized (Lee et al., 2020; Zerfass et al., 2020).

Carroll and McCombs (2003) found that the more positive or negative the media coverage of a company, the more positive or negative the public's perception will be. This suggests that media representation significantly influences the public image of companies (Carroll, 2009), shaping expectations and opinions that can materially affect the companies, namely influencing stock market reactions (e.g., Strycharz et al., 2018; Tetlock, 2014). Conversely, Hoffman et al. (2016) argue that a positive reputation can mitigate the effects of public scrutiny. Furthermore, a strong reputation helps cultivate "social capital", providing a favorable social identity (Baron & Markman, 2000) that enables companies to leverage opportunities through social networks (Burt, 1997).

What, then, defines a scandal as a complete denial of reputation? According to Vogler and Eisenegger (2019), scandals can be categorized into three levels of intensity, each affecting different aspects of corporate reputation. The severity of a scandal increases as the perception of responsibility shifts toward the company:

– Functional reputation: this pertains to questioning the company's professional competence (e.g., Mattel toy recall).

- Social reputation: this involves scrutinizing whether the company acts responsibly and fairly while pursuing its primary goals (e.g., Uber sexual harassment events).
- Expressive reputation: this relates to questioning the company's trustworthiness or credibility due to a perceived misalignment between its professed identity and actual behavior (e.g., Theranos).

As the intensity of the scandal escalates, these various spheres of reputation are increasingly impacted.

Research indicates that scandals significantly impact corporate reputation, and the media coverage of these scandals is influenced by various factors beyond verified facts. Furthermore, the "age of hyper-transparency" or "age of digitization," coupled with an increasingly sensationalist media landscape, has led to more frequent and rapidly escalating scandals, making their consequences less manageable and predictable. This poses challenges for corporate reputation risk management.

Deephouse (2000) emphasizes that media reputation - the overall evaluation of a company by the media - is a strategic resource that can influence stakeholders' perceptions and behaviors, and it is positively correlated with a firm's market value. Media reputation serves as a competitive advantage because it aligns with the VRIN attributes (Valuable, Rare, Inimitable, and Non-substitutable) of the resource-based view (Barney, 1991). Consequently, Deephouse argues that companies should actively manage their media reputation as they would any other strategic asset. Regular engagement with the media and promoting favorable corporate narratives are essential for securing a positive media image (Deephouse, 2000).

However, Vogler and Eisenegger (2020) point out that, theoretically, corporations can use social media to communicate directly with their stakeholders, bypassing the gatekeeping function of traditional news media. Nevertheless, how users interpret and use the content available remains unclear.

The media plays a crucial role in helping C-level executives close the corporate reputation-reality gap, ensuring that stakeholders' perceptions of the company reflect the credit it truly deserves (Gaultier-Gaillard et al., 2009b). Moreover, a proactive approach to media engagement enhances effective media management during corporate crises and reputation restoration efforts (Singh et al., 2020).

1.2.4. Reputation Risk Management

Jordan and Rand (2020) suggest that the best approach to managing reputation risk is to operate under the assumption that corporate reputation is always at stake – i.e. that both individuals and organizations are constantly being observed and evaluated, shaping others' perceptions and future behaviors toward them. As a greater percentage of a company's market value becomes tied to intangible assets, companies are increasingly vulnerable to reputation damage, making this recommendation especially relevant.

A significant body of literature explores the rising influence of intangible assets on a company's market value (for a comprehensive review, see Dancaková et al., 2022) and how investors use information about these assets to assess higher valuations. Previous sections have highlighted the specific impact of a strong corporate reputation on firm value (e.g., Blajer-Gołębiewska & Nowak, 2024; Harjoto et al., 2021). But corporate reputation holds value not only as an intangible asset but also for its capacity to generate or erode future value. For these reasons, corporate reputation and reputation risk management should take a more prominent place on the C-level agenda.

As already previously discussed, reputation risk is notably difficult to manage due to the fundamental and cumulative characteristics of both corporate reputation and reputation risk. First, corporate reputation is a social construct (Soleimani et al., 2014) and inherently transient (Fombrun, 1996), meaning that even unintentional or careless actions can create a reputation-reality gap (Gaultier-Gaillard et al., 2009b). This occurs when stakeholders' experiences and expectations about the company become misaligned, potentially causing significant harm to corporate reputation. Besides, the impact of such actions is often unpredictable and can be disproportionately amplified by external factors beyond the company's control, such as media coverage.

Furthermore, reputation risk is an amplifying risk (Bonime-Blanc, 2014), making it challenging to define, and it is qualitative rather than quantitative, with no universally accepted measurement system.

These characteristics highlight why traditional risk management processes, which are often vertical and rely on quantitative mechanisms, are perceived by several scholars as ill-suited for handling reputation risk. But the same characteristics also underscore the importance of managing reputation risk as rigorously as it is with more tangible and measurable business risks.

In the absence of widely accepted processes and systems for managing reputation risk, management executives often overlook it, focusing instead on addressing threats to corporate reputation that have already materialized (Eccles et al., 2007; Eckert, 2017; Walter, 2013). According to Ljubojević and Ljubojević (2008), this behavior stems from a lack of understanding of corporate reputation's role in achieving sustainable competitive advantage. We believe the issue is more complex. Executives often struggle to identify the drivers of corporate reputation and feel that most risk sources are beyond their control. However, addressing threats that have already emerged is not risk management but crisis management (Eccles et al., 2007), although both corporate reputation risk management and crisis management are complementary strategies in which companies must invest.

Reputation risk management has increasingly benefited from the efforts of scholars to develop a more conceptual approach, designed to provide executives with structured frameworks to guide their decision-making processes. Gundogdu (2015) argues that reputation risk cannot be prevented. However, we contend that while reputation scandals may be unavoidable due to their symbiotic relationship with the media, the inherent "predictability" factor of reputation (Watson, 2007) makes it possible to prevent risks to reputation and develop effective mitigation and containment strategies. A robust reputation risk management system is the backbone for effective crisis management when needed.

As a decision-making system, effective reputation risk management begins with assessing the extent to which a company is exposed to reputational risks. Gaultier-Gaillard et al. (2009a) argue that these risks arise from dissonances among the three elements of the "triangle of reputation": reality (internal misalignments within the organization), message (discrepancies between the company's reality and its external communications), and partners' expectations (gaps between the company's message and what stakeholders expect).

Similarly, Eccles et al. (2007) emphasize that reputational risk stems from dissonance, particularly when a company's reputation exceeds its actual character. They introduce a social constructionist perspective, highlighting changes on external beliefs and expectations - shaped by social factors - can either widen or narrow this gap. Gatzert and Schmit (2016) summarized a list of corporate reputation risk drivers from the literature that could be taken into consideration in the assessment phase.

Schultz (2017) recommends that any corporate reputation risk management program should begin with a thorough organizational audit aimed at identifying the company's reputational vulnerabilities. This audit should involve confidential interviews across all organizational levels, alongside reviews targeting external stakeholders. Gaultier-Gaillard et al. (2009b) acknowledge that it is impossible to meet the expectations of all internal and external stakeholders. Therefore, in the initial phase, company executives should also reflect on who their most significant stakeholders are, what expectations they hold, and how they currently perceive the company, prioritizing them accordingly.

The results of the vulnerability audit should be used to develop a reputation risk radar (Larkin, 2003), or a reputation risk driver/stakeholder matrix, particularly when segmenting stakeholders (Gaultier-Gaillard et al., 2009a). The risks identified in the radar or matrix should then be prioritized, and response options should be identified to formulate strategies and action plans (Larkin, 2003). Although Jordan and Rand (2020) recommend always treating corporate reputation as being at stake for effective reputation risk management, the reality is that companies' reputations vary in resilience based on the amount of "reputational capital" they have accumulated. This, while difficult to quantify, provides an important information about the company's ability to withstand reputation threats and should be factored into the development of action plans (Gaultier-Gaillard et al., 2009b). Once the action plans are ongoing, an effective risk management system requires maintaining the radar or matrix as an early warning and monitoring system.

Despite concerns about the effectiveness of traditional risk management processes in addressing corporate reputation, the recommended steps from various authors align closely with the key elements of conventional enterprise risk management frameworks: defining goals and risk appetite, identifying risks, measuring risks, evaluating risks, and implementing risk treatments, followed by continuous monitoring. Indeed, Pérez-Cornejo et al. (2019) found a positive relationship between the quality of enterprise risk management systems and corporate reputation. Additionally, the authors concluded that audit committee independence enhances the quality of firms' risk management practices, which in turn supports the strengthening of corporate reputation.

This finding highlights the importance of effective governance in reputation risk management. As with other types of risks, someone within the company must be responsible for managing reputation risk (Eccles et al., 2007; Gaultier-Gaillard et al., 2009a; Larkin, 2003). According to the COSO framework, the board of directors is responsible for overseeing the enterprise risk management system (Branson, 2010). However, in practice, for operational reasons, boards often assign some of their responsibilities to specialized committees (e.g., Dowling, 2006b; Pérez-Cornejo et al., 2019), such as the audit committee. Additionally, just as financial risks are typically managed by finance departments on the day-to-day activity, some organizational department must take charge of managing reputation risk. Gaultier-Gaillard et al. (2009a) suggest that this responsibility can fall to several different organizational roles.

When the board of directors, either directly or through specialized committees, explicitly oversees corporate reputation, it sends a clear signal to stakeholders that building and maintaining a strong corporate reputation is a priority. Several authors argue that only when corporate reputation is established as a key performance indicator for the executive management team, particularly when it influences compensation, reputation risk management becomes a formal part of the corporate governance agenda (e.g., Dowling, 2006b; Pharoah, 2003).

Lastly, Gatzert and Schmit (2016) emphasize the importance of cultivating a strong risk culture, particularly in fostering reputation risk awareness. This involves making the organization familiar to shifting social norms and emerging risks. Developing a risk culture should be actively championed by top management and typically includes education, training, and regular internal communication practices. Establishing a cohesive risk culture not only helps the company align its internal language and awareness regarding reputation risk, but also provides valuable feedback on the investments and actions undertaken by the organization (Gatzert & Schmit, 2016).

While reputation risk management action plans can benefit from a company's accumulated "reputation capital," a strong corporate reputation risk management system is crucial in safeguarding this asset. Its value becomes especially evident during a crisis, where reputation acts as "defensive capital" (Alsop, 2004). Fombrun and Van Riel (2004) and Watson (2007) have identified reputation as the key factor that explains why some companies recover quickly from scandals or crises, while others suffer prolonged damage and struggle to regain their standing.

In conclusion, regardless of the challenges involved in managing reputation risk, executives have a fiduciary duty to develop and protect corporate reputation, as it is a driver of shareholder value (Dowling, 2006b). Additionally, effective reputation risk management can reveal business opportunities, which, if leveraged, can create competitive advantages and add value to the company (Gaultier-Gaillard et al., 2009a).

1.2.5. Reputation Crisis Management and Repair

A reputational crisis poses a threat to a company's image, typically arising from situations that lead stakeholders to reassess their opinions and beliefs about the organization negatively (e.g., Schermer, 2021; Sohn & Lariscy, 2014). During such crises, companies face a highly sensitive period where they must implement reactive strategies aimed at limiting reputational damage (Eccles et al., 2007).

Both Attribution Theory (Weiner, 1986) and Situational Crisis Communication Theory (Coombs, 2015) suggest that when a crisis occurs, people tend to seek explanations for the event. They speculate about its causes and responsibility (locus), whether it was intentional or accidental (control), and the likelihood of it recurring (stability). Scholars argue that if stakeholders perceive the event as having an internal cause, being controllable, and stable, they are more likely to assign greater responsibility to the company, which leads to a more severe negative impact on corporate reputation (Coombs, 2010; Eaddy & Jin, 2018; Kim & Cameron, 2011).

Several authors argue that the media plays a crucial role in shaping the attribution of responsibility during crises and influencing the severity of the reputational damage (e.g., An & Gower, 2009; Kim & Cameron, 2011; Mason, 2019; Xu, 2020). However, Jong (2020) points out that as investigation and crisis communication progresses, there is also a potential to reassign responsibility.

Reputation determinants and antecedents can either support or undermine a company during a crisis (Gatzert, 2015; Love & Kraatz, 2009; Rhee & Valdez, 2009). Several authors have noted that a previously favorable reputation can offer some protection during crises, as stakeholders often seek an alignment between the company attitudes and the perception they have about the firm's reputation (e.g., Coombs & Holladay, 2006; Sohn & Lariscy, 2012). On the other hand, Coombs and Holladay (2006) argues that a less favorable prior reputation can create a "velcro effect," attracting additional reputational damage.

Most of the existing literature on reputation crisis management and repair focuses on real-life corporate reputation-damaging events, such as the BP Horizon oil spill or Boeing 737 MAX crash, among others. Analyzing these cases reveals that managing reputation crises often requires diverse but equally effective managerial responses to mitigate the potentially catastrophic consequences of corporate reputation damage. Bundy and Pfarrer (2015) developed a crisis-response framework that considers situational attribution (low vs. high) and the firm's response strategy (more defensive vs. more accommodative), with the aim of reducing the negative impact on corporate reputation.

Conforming strategies involve the company accepting a certain level of responsibility, depending on the degree of attribution by stakeholders, with the goal of meeting their social expectations (Coombs, 2007; Dean, 2004). In contrast, nonconforming strategies entail the company either exceeding or under-accepting the level of responsibility attributed by stakeholders (Bundy & Pfarrer, 2015). According to the authors, nonconforming strategies carry risks, as stakeholders are likely to seek additional information to confirm their initial perceptions. This can lead to further reputational damage if the company is perceived as deceptive or manipulative (Coombs, 2006; 2007; Dean, 2004).

According to Coombs (2007), the choice of the best crisis response strategy to maximize reputational protection depends not only on the level of crisis responsibility but also on the company's crisis history and prior relational reputation - i.e., how well or poorly the organization has treated, or is perceived to have treated, stakeholders in other situations. Furthermore, Eckert (2020) emphasizes that any risk response plan should account for potential spillover effects, and argues that a company's approach should differ depending on whether there is a risk of contagion or a competitive impact. However, in both scenarios, the author considers the possibility of partnering with competitors or other third parties to collaboratively mitigate the shared risk.

Although it may seem counterintuitive, Jong (2020) advises companies not to respond immediately to accusations of crisis responsibility due to the risk of reassignment. Instead, Jong advocates for an "acknowledge and await" response tactic. The author argues that this reflection period is especially important when considering a full denial strategy, as it allows executives to assess the potential long-term impact on corporate reputation, particularly if similar events are likely to occur. Conversely, Banks et al. (2022) argue that timing is critical, and timely communication and engagement with stakeholders are essential to maintain trust in the information provided by organizations.

Watson (2007) argues that for a crisis management strategy to create rapid and effective recovery conditions, communication must be efficient, and companies need to convey a message of predictable and ethical leadership to stakeholders. Jordan and Rand (2019) examined the role of corporate outrage and punishment, concluding that these factors influence reputation signals. Conversely, Rhee and Valdez (2009) stress the importance of aligning words with actions, such as implementing a compensation system for error-related performance.

Raithel and Hock (2021) suggest that if a company's crisis response strategy meets or exceeds stakeholder expectations, it can lead to a neutral or even positive impact on corporate reputation. However, Murphy et al. (2009) warn that any reputation crisis or scandal, even if based only on allegations, is followed by a period of resolution marked by increased idiosyncratic risk, divergent beliefs, and asymmetric information.

To mitigate this information asymmetry and uncertainty, stakeholders will seek information through all channels available (Jurgens & Helsloot, 2018). Many scholars advocate for the use of social media by credible leaders during and after a crisis as a way to engage stakeholders and share reliable information, aiding better decision-making (e.g., Buck et al., 2022; Heavey et al., 2020). Xu (2020) compared the use of social and traditional media in crisis communication, concluding that overall, social media leads stakeholders to hold the company less responsible for the crisis, as it positively influences stakeholders' perceptions of immediacy and transparency. However, the author also found that the type of crisis affects reactions: in preventable crises, social media has a significantly more negative impact on the company's reputation than traditional media. Additionally, no significant difference was found in the persuasiveness of crisis communication between social media and traditional media (Xu, 2020).

From a different perspective, Yadav et al. (2024) analyzed CEOs' strategic orientations in social media communication during crises, identifying the promotion of sustainability practices as a key strategy for enhancing reputation. The authors also argue that a CEO's social media presence can be a valuable competitive asset for companies during times of crisis.

In conclusion, the rise of social media is reshaping the crisis communication landscape. On the one hand, it may play a vital role in crisis resolution; on the other, it presents challenges and potential vulnerabilities. The risk of misinformation, whether unintentional or malicious, is particularly high during crises (Silver, 2019), and can even exacerbate reputational damage. Silver (2019) suggests that effective management of misinformation can be enhanced through active engagement on social media by credible leaders.

II. Study Nr. 1: Qualitative Study, Using In-Depth Interviews

2.1. Research Method

Considering the limited knowledge on reverse reputation spillover (i.e., from shareholders to corporations), it was deemed appropriate to undertake an inductive study. The primary research gap concerns the extent to which top management executives are aware of and understand the potential impacts of this reversed transferability of reputation. This initial study, employing a qualitative approach and utilizing in-depth interviews, seeks to determine whether top management executives perceive shareholders as a potential source of corporate reputation risk. Additionally, it aims to identify the dimensions and variables they consider most relevant in this context.

While in-depth interviewing, as a standalone research method, has limitations in terms of generalizability (Longhurst, 2009), the primary objective of this research phase is to identify the key constructs that form the foundation for an explanatory approach to the phenomenon of reputation reversed transferability. Furthermore, it aims to establish the theoretical relationships between the dimensions cited by top management executives, which can be proposed and tested in a subsequent research step.

2.1.1. Participants

Purposive sampling was chosen as the method for this study. All the interviewees invited to participate are either executive or non-executive directors, specifically members of the board of directors of Portuguese companies with revenues exceeding 50 million EUR and having more than 250 employees. These thresholds were established to encompass (1) companies of a size (for the Portuguese corporate landscape) that usually include corporate governance topics in their management agenda, and (2) corporate roles that should be well-informed and concerned with risk management issues. To mitigate the potential for grouping biases, efforts were made to ensure gender, role, industry, and company-type diversity among the participants.

Nine interviews were conducted until informational saturation was achieved, which is the point in data collection when the interviewer determines that new data from the interviews no longer yield additional insights. With the exception of one, all the prospective interviewees invited agreed to participate in the study, though they requested confidentiality in terms of their identification or disclosing other information that could lead to their indirect nominal identification.

The one invited interviewee who declined to participate justified their decision based on the nature of the study and some of the questions in the interview script related to corporate risks stemming from shareholder reputation. Despite assurances of confidentiality and the clarification that no real-life examples were needed, and that only the interviewee's opinions were relevant, this prospective interviewee was concerned that their participation might cause discomfort within the shareholder structure of the company where they serve on the board.

Table 1- *Study participants*

No.	Function on Board	Role	Industry	Company Shareholders' Structure	Gender	Age
I	Executive	CHRO	Paper and Paper Products Manufacture	Family owned[1]	F	40-50
II	Executive	CFO	Forestry and Logging	Investment manager[2]	F	40-50
III	Executive	CFO	Computer and Electronic Manufacture	Public[3]	M	< 40
IV	Executive	CSO	Electric Equipment Manufacture	Family owned	M	> 50
V	Executive	CFO	Financial Services	Family owned	M	< 40
VI	Executive	CEO	Wholesale Trade	Cooperative[4]	F	40-50
VII	Executive	CTO	Financial Services	Cooperative	M	> 50
VIII	Non-Executive	*n.a.*	Telecommunications	Public	F	40-50
IX	Non-Executive	*n.a.*	Financial Services	State-owned[5]	F	> 50

Table 1 summarizes the key professional and social attributes of the interviewees. In

[1] When an individual or a group of people connected by family ties, either directly or through a family-owned corporation, holds most voting rights compared to other shareholders, i.e., they are the controlling shareholder.

[2] Entity that pools investors' capital and collectively invests it.

[3] Company whose ownership is organized via shares of stock intended for free trading on stock exchanges or over-the-counter markets.

[4] Businesses owned by members-owners, each of whom has a voting right, independently of the size of the business they control, allowing a democratic member control of the organization. Cooperatives are not non-profit, and their earnings benefit the owner-members.

[5] Legal entity fully owned or controlled by the Portuguese State.

addition to the three serving as Chief Financial Officers (CFO), the author also sought interviewees in roles such as Chief Executive Officers (CEO), Chief Sales Officers (CSO), Chief Human Resources Officers (HRO), and Chief Technology Officers (CTO), as well as non-executive board members. This diverse selection aims to capture a wide range of perspectives on risk. Furthermore, the interviewees come from different Portuguese companies, classified according to ISIC (International Standard Industrial Classification of all Economic Activities, 2008) by the United Nations. To avoid bias related to professional experience, there was also a deliberate effort to include interviewees from companies with different ownership structures.

Most of the interviewees are female, and it is worth emphasizing that this gender representation does not align with the gender composition of Portuguese companies. According to Informa D&B (2023), only about 17% of the members of the Board of directors in Portuguese companies are women, with the majority in non-executive roles. The author aimed for a 50-50 gender representation among interviewees with executive functions on the board of directors to mitigate potential gender-related bias.

2.1.2. Data Collection

The data collection instrument for this study was, as already referred, in-depth semi-structured interviews. Interviews have been for long one of the most common methods of data collection in qualitative research, particularly to access exploratory domains where depth, insight and understanding of a particular phenomenon are required (Coombes et al., 2008; Gill et al., 2008). Given the limited knowledge about the transferability of reputation risk from shareholders to companies and the absence of literature translating the risk management and decision-making processes of C-level executives concerning reputation risk, this method is deemed as most suitable.

In addition, it is crucial to employ a predetermined set of questions to elicit comparable responses and explore constructs from the literature review used by various researchers to explain the extent of the reverse spillover effect. However, one must recognize the importance of allowing the discussion to flow naturally and to explore new topics that may emerge during the interviews.

For the purpose of this thesis, the perspectives and opinions of the interviewees about corporate reputation risk, particularly the potential impact of shareholders' reputation on a company's reputation, are highly valuable. The semi-structured format enabled interviewees to provide context to their thoughts and behaviors, offering a more comprehensive understanding of their reasoning and decision-making processes (Barriball & While, 1994; Gill et al., 2008).

Additionally, conducting one-on-one interviews allowed for a conversational approach, enabling interviewees to delve into details, provide highly personalized examples from their experiences on the boards of directors, and express complex emotions and perceptions, often related to publicly known cases. In a purely structured format, this level of personal insight would not have been attainable.

Shareholders' reputation risk is a sensitive topic, and while all interviewees spoke openly for most of the interview, they requested some examples not to be reproduced but only considered for better contextualizing specific opinions or beliefs. In-depth interviews may not reveal 'the truth', but they do offer valuable insights into the actions and thoughts of interviewees (Longhurst, 2009). The substantial control over the validity of the outcomes provided by in-depth interviews is advantageous, as the interviewer can guide and redirect the conversation to gain a deeper understanding of specific topics (Barriball & While, 1994; Longhurst, 2009).

The interviews followed a script (see Appendix A) structured into four blocks:

1) Social and professional attributes of the interviewees and characterization of the companies where they serve as executive or non-executive director.
2) Interviewee's interpretation and priorities in risk management.
3) Interviewee's views on corporate reputation and experience in handling reputation-threatening events.
4) Interviewee's beliefs about the importance of shareholders' reputation, its potential impact on the company's reputation, contingencies that may influence the probability of a reputation event, and non-market strategies to address the prospective risk.

Due to the sensitivity of the research topic, the script was designed to gradually introduce the question of shareholders' reputation as a potential source of corporate risk. It begins by asking participants to rank various types of risk to understand where reputation risk falls in their assessments. This is followed by a discussion on the importance of corporate reputation, its components, and the events that may threaten it. The script then addresses shareholders' reputation directly, aligning with the research's objectives. Additional questions emerged during the interviews to clarify certain points raised by the interviewees. The interviews concluded by inviting participants to share any additional insights or comments.

Prospective interviewees who agreed to participate were provided with the interview script in advance to reflect on the subject. After this prior script review, as stated, only one prospective participant cancelled their involvement. In total, nine interviews were conducted between November 2022 and April 2023. Although Guest et al. (2006) suggests a minimum of 12 interviews to achieve data saturation in homogeneous studies using purposeful sampling, the author of this thesis found that theoretical saturation was achieved after seven interviews. At this point, the same ideas, buzzwords, and concepts began to repeat. This expedited saturation may be attributed to the seniority and extensive experience of the interviewees, many of whom had hands-on experience with reverse reputation spillover effects.

All interviews were conducted in private settings to ensure confidentiality and minimize interruptions. The discussions were conducted in Portuguese to facilitate clear communication and eliminate language barriers when interviewees expressed their opinions and thoughts.

With the authorization and consent of each interviewee, the interviews were recorded for subsequent manual transcription and translation by the author of this thesis, ensuring that no details would be lost. To maintain anonymity, each interview transcription and translation is assigned an ID number. These ID numbers are associated with the interviewees' acronyms in an encrypted file.

For confidentiality reasons, the names of the interviewees and the companies they represent will not be disclosed. Interviewees are identified by their roles, and companies referred to by industry and shareholders' structure, which can apply to various corporations in the Portuguese business landscape. To ensure participants' anonymity, the full interview transcripts are not included in the Appendix. However, companies mentioned by interviewees as examples to illustrate their ideas may appear in quotations, unless interviewees specifically requested otherwise.

Interviews were scheduled for the late afternoon or early evening (usually after 6 pm) to ensure that interviewees had full availability and to minimize last-minute urgencies, which are common for C-level executives. Typically, during the evenings, as the workday had concluded, interviewees got engaged and interested in the research topic. As a result, interviews often extended in duration, ranging from 59 minutes (the shortest) to 1 hour and 35 minutes (the longest).

2.1.3. Data Analysis

To code and analyze the qualitative data for this study, MAXQDA software (Kuckartz & Rädiker, 2019), was employed. The choice of MAXQDA over other available qualitative software, like NVivo or Atlas.ti, was made after evaluating public comparison assessments available on the Internet.

While coding and qualitative analysis could be done manually, the use of specialized software offers several advantages, including improved data management, reduced risk of file corruption and human errors, and better retention of the link between summarized data and their context (McLellan-Lemal et al., 2003; Mattimoe et al., 2021; Neale, 2016). This software does not limit the highly personal intellectual process that underlies the criteria for identifying the significance of qualitative data (García-Horta & Guerra-Ramos, 2009; Stenius et al., 2008). However, García-Horta and Guerra-Ramos (2009) caution against the risk of excessive and non-reflexive coding, which they refer to as "data fetishism", as a potential pitfall of using qualitative software.

To organize the collected information and prepare it for coding, the author began by manually transcribing and translating the audio recordings. These transcriptions were then reviewed by listening to the recordings and carefully reading the text to identify any inaccuracies. The approach used was a "denaturalized transcription", which focused on capturing the informational content rather than transcribing every utterance in the discourse or conversation (McLellan-Lemal et al., 2003; Oliver et al., 2005).

Leech and Onwuegbuzie's frameworks (2009) suggest various qualitative analysis techniques in qualitative research and recommend the use of at least two of these data analysis tools to ensure the accuracy of results, a practice known as "data analysis triangulation" (Leech & Onwuegbuzie, 2011). Despite their differences in purpose and philosophical, ontological and epistemological orientations, these techniques commonly share processes such as data coding to organize and categorize data (Neale, 2016).

Coding, or theme identification, is a central activity in qualitative research, but it can be shadowy. Despite efforts by social scientists in the last decade to outline techniques, it remains a complex process (Blair, 2015; Ryan & Bernard, 2003; Stenius et al., 2008). All interviews were reviewed line-by-line to identify key constructs (codes). To ensure consistent coding, a preliminary coding tree, known as "a priori coding" (Stemler, 2001), was prepared based on existing literature. During the coding process, new themes, referred to as "in vivo" (Neale, 2016) or "emergent" codes (Stemler, 2001), emerged. This means that both a deductive and inductive approach to coding was used.

New constructs were derived from the analysis of words, including word repetitions, comparisons of large text blocks, and linguistic features like metaphors (Ryan & Bernard, 2003). Initial hierarchical codes from the interviews were then reviewed, merged, renamed, and condensed into broader code categories to align with the research objectives. Subsequently, a process of 'drilling down' involved re-coding text into the initial codes, reorganizing them into a coding framework, and breaking down themes into sub-codes to gain a deeper understanding of embedded meanings and facilitate the generation of analyzable results. A coding dictionary explaining the meaning of each code is available in Appendix B.

To ensure the consistency and validity of the initial codebook, an Intercoder Agreement test was conducted. This test measures the level of agreement between researchers when coding the same data set (O'Connor & Joffe, 2020). Two independent coders processed 22 entries randomly selected and coded them according to 17 mutually agreed code definitions. Cohen's Kappa, a commonly used measure in behavioral coding research (e.g. Montiel et al., 2018), was chosen to calculate intercoder reliability. A score of 0 indicates no difference between observers and chance alone, while values between 0.81 and 1.00 almost perfect agreement.

Table 2 - *Intercoder Agreement test summary*

Summary	Valid		Cases Missing		Total	
	N	%	N	%	N	%
VAR01 * VAR02	22	100.0	0	0.0	22	100.0

		VAR02													
		1.00	2.00	5.00	7.00	8.00	9.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	Total
VAR01	1.00	1	0	0	0	0	0	0	0	0	0	0	0	0	1
	2.00	0	2	0	0	0	0	0	0	0	0	0	0	0	2
	5.00	0	0	1	0	0	0	0	1	1	0	0	0	0	2
	7.00	0	0	0	1	0	0	0	0	0	0	0	0	0	1
	8.00	0	1	0	0	1	0	0	0	0	0	0	0	0	2
	9.00	0	0	0	0	0	1	0	0	0	0	0	0	0	1
	11.00	0	0	0	0	0	0	0	0	0	0	0	0	0	2
	12.00	0	0	0	0	0	0	0	0	1	0	0	0	0	1
	14.00	0	0	0	0	0	0	2	0	0	2	0	0	0	2
	15.00	0	0	0	0	0	0	0	0	0	0	4	1	0	5
	16.00	0	0	0	0	0	0	0	0	0	0	0	1	0	1
	17.00	0	0	0	0	0	0	0	0	0	0	0	0	2	2
	Total	1	3	1	1	1	1	2	1	1	2	4	2	2	22

	Value	Asymptotic SE[a]	Approximate T	Approximative Significance
Measure of Agreement - Kappa	.798	.090	11.753	<.001
N of Valid Cases	22			

[a] Not assuming the null hypothesis; [b] Using the asymptotic standard error assuming the null hypothesis

The Cohen's Kappa value obtained is 0.798 with $p<0.001$, signaling a high level of inter-rater agreement. This level of agreement is also statistically significant ($p < 0.001$), indicating that it is unlikely to have occurred by chance. In summary, the Intercoder Agreement test yielded a positive outcome, demonstrating that the two raters are consistent in their assessments. Table 2 presents the Intercoder Agreement test.

The results of the coding process were utilized to conduct a classical content analysis, which involves determining the frequency of code usage to identify the most cited concepts in the data. Additionally, a qualitative comparative analysis was performed to systematically analyze the similarities and differences across interviewees' responses. Keywords-in-context analysis was also employed to examine how words were used in the context of interviewees' answers. These analyzes serve as the foundation for the subsequent results section of the research.

2.2. Results

The in-depth interview script was designed to directly address each research question and validate some of the constructs identified in the literature review. In addition to this, the interview script aimed to provide context for understanding the perspectives of C-level executives on corporate reputation and the importance they attribute to it. The following section offers a summary of the responses obtained from the questions posed during the in-depth interviews.

2.2.1. What is and what influences corporate reputation?

The C-level executives do not offer a uniform definition of corporate reputation. However, their descriptions consistently highlight three key elements that are intrinsic to the concept of corporate reputation: identity ($F = 16$, $N = 7$), image ($F = 10$, $N = 8$) and perception ($F = 14$, $N = 8$). Table 3 summarizes the categories and subcategories underlying the corporate reputation dimension.

'Identity' reflects what the company stands for, encompassing its long-term purpose and the commitments it has undertaken toward various stakeholders.

- *"(...) values transmitted to the market and to the company stakeholders"* (Participant Nr. V).
- *"(...) [corporate] reputation (...) reflects the values, principles, guidelines and priorities by which the company is governed"* (Participant Nr. VI).

- *"This is at the heart of reputation: what can be expected from the company"* (Participant Nr. VII).
- *"(...) name of the company associated by the different stakeholders (...) to the values that define the purpose of the organization"* (Participant Nr. IX).

'Image' conveys the message projected outward by the company, about who it is and what it does.

- *"[Corporate] reputation is associated with the image that third parties build about the company (...) and which remains associated with the company"* (Participant Nr. III).
- *"[Corporate] reputation is associated with the management of [the company's] internal and external image. (...) how the company transmits what it is: it is not enough just to be, [the company] must also know how to communicate what it is"* (Participant Nr. IV).
- *"Corporate reputation is the company's image among its stakeholders"* (Participant Nr. VI).

'Perception' involves decoding what various stakeholders think about the company. Three interviewees emphasize the significant role of past behavior in shaping perception, particularly by serving as a signal for predictability (F = 3, N =3).

- *"Reputation derives from several aspects (...) that will make someone to have a certain perception about the company"* (Participant Nr. III).
- *"Today, companies build a reputation based on the perception that stakeholders have of them, rather than based on reality. It is not enough to be; companies must appear to be"* (Participant Nr. III).
- *"What is valued are (...) the principles and behaviors demonstrated over the years. The logic of perception is fundamental and must do, in my opinion, with [corporate] behavior"* (Participant Nr. V).
- *"D&B provides financial information, but this is also a reputational information. You can analyze past performance, the risk of default, litigation in court, (...)"* (Participant Nr. VII).
- *"(...) the impact that [company's] actions may have on how the stakeholders perceive the company"* (Participant Nr. VIII).

Table 3 - *Components intrinsic to corporate reputation concept*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Identity											
Purpose of the organization	2		2		2	2	1		1	10	6
Commitments w/ stakeholders			1	1	1	1	2			6	5
	2	**0**	**3**	**1**	**3**	**3**	**3**	**0**	**1**	**16**	**7**
Image		2	1	1	2	1	1	1	1	10	8
	0	**2**	**1**	**1**	**2**	**1**	**1**	**1**	**1**	**10**	**8**
Perception											
Perception	1	1	3	1	2			2	1	11	7
Behavior					1		1	1		3	3
	1	**1**	**3**	**1**	**3**	**0**	**1**	**3**	**1**	**14**	**8**
Total	**3**	**3**	**7**	**3**	**8**	**4**	**5**	**4**	**3**	**40**	**9**

The C-level executives also identify seven reputational drivers or reputation influencers. Among these drivers, ‘communication’ (F = 16, N = 7), ‘internal control systems’ (F = 13, N = 7), ‘past behavior’ (F = 10, N = 6), ‘counterparties’ (F = 11, N =7) and ‘social institutional context’ (F = 11, N = 4) were identified as the most relevant and impactful. Table 4 summarizes the categories and subcategories that constitute the drivers of corporate reputation.

‘Communication’ in the context of corporate reputation refers to how various aspects or events within the company are made known to stakeholders. The C-level executives interviewed emphasize the importance of three types of communication in shaping corporate reputation: media (F = 7, N = 6), institutional (F = 7, N = 4) and internal word-of-mouth (F = 2, N = 1).

- *“Everything is so constructed and constructed, even by the media, that, after a while, the repeated perception becomes a fact”* (Participant Nr. I).
- *“My company, for example, has someone who is responsible by the institutional communication: trying to convey a certain image and working on the reputation of our projects, of our business”* (Participant Nr. II).
- *“(...) small [reputation] stains, if not known [by the stakeholders], can be ignored”* (Participant Nr. III).
- *“(...) to make stakeholders aware of the good or bad deeds of an organization, there is a role to be played by communication channels (...). An organization is not passive in what concerns communication, as it controls its institutional communication and, in a certain way, it can influence the media communication”* (Participant Nr. IV).
- *“Communication [is among the top 3 factors that impact corporate reputation]: how the company communicates with the market and the different stakeholders”* (Participant Nr. V).
- *“It is absolutely crucial to have a well-structured communication policy: what the company communicates, how it communicates, in what format and when”* (Participant Nr. V).
- *“A key issue is how we communicate the company's values and ensure that the company's values are known, i.e. how we build the company's image for the different stakeholders”* (Participant Nr. VII).

‘Internal control systems’ refer to the company's ability to ensure compliance with regulations, laws, and industry standards, and no similar reputation influencer was identified on the existing literature.

Table 4 - *Corporate reputation drivers*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Communication											
Media	1	1	1	1	2	1				7	6
Institutional		2		1	3		1			7	4
Word-of-mouth	2									2	1
	3	**3**	**1**	**2**	**5**	**1**	**1**	**0**	**0**	**16**	**7**
Internal control system											
Control failures		2	1	3	1	2	1		3	13	7
	0	**2**	**1**	**3**	**1**	**2**	**1**	**0**	**3**	**13**	**7**
Past behavior											
Value proposition delivery	2		1	1	2	1		1		8	6
Profitability			2				1			3	2
	2	**0**	**3**	**1**	**2**	**1**	**1**	**1**	**0**	**11**	**7**
Counterparties	2		3	1	2	1	1	1		11	7
	2	**0**	**3**	**1**	**2**	**1**	**1**	**1**	**0**	**11**	**7**
Social & Institutional context											
Sector of activity		4			1		1			6	3
Culture	1						1		1	3	3
Historical time							1		1	2	2
	1	**4**	**0**	**0**	**1**	**0**	**3**	**0**	**2**	**11**	**5**
Total	**8**	**9**	**8**	**7**	**11**	**5**	**7**	**2**	**5**	**62**	**9**

- *“[Respecting] compliance, (...) labor [laws], working conditions (...) has an impact [on corporate reputation]”* (Participant Nr. II).
- *“The internal control system [is a key driver for corporate reputation]: ensuring that the (...) company’s operating model has no failures”* (Participant Nr. V).
- *“[In financial sector] a top factor that may impact corporate reputation is error in assessing conflicts of interest in transactions: people are continuously ensuring that [transactions] are evaluated and approved with impartiality, without any doubt concerning conflict of interest”* (Participant Nr. IX).

‘Past behavior‘, in the context of corporate reputation, serves as a signal to stakeholders about the company's ability to meet their expectations. This category encompasses various aspects of the company's history, including topics as value proposition delivery (F = 8, N = 6), which encompasses aspects such as product or service quality, or client satisfaction, and profitability (F = 3, N = 2).

- *“One main topic that impacts corporate reputation is product or service quality”* (Participant Nr. III).
- *“[Corporate] reputation derives from several aspects, as the ability to deliver results and return (...)”* (Participant Nr. III).
- *“One main topic that impacts corporate reputation is people/employees’ conduct”* (Participant Nr. VI).
- *“Poor customer service – deficient call center service, poor network quality, etc. – is the main factor that impacts our corporate reputation”* (Participant Nr. VIII).

The ‘counterparties’ driver encompasses the impact that any third party, including shareholders, may have on the reputation of the company. This driver recognizes that the actions and behavior of external parties can influence how the company is perceived by its stakeholders.

- *“(...) no company fully controls its employees, partners, subcontractors, among other third parties, but (...) the company can easily be perceived as accountable for their actions”* (Participant Nr. VII).
- *“Reputation of (...) shareholders (...), even if not directly involved in the [operational management] of the companies [may impact corporate reputation]”* (Participant Nr. VIII).

The ‘social and institutional context‘ refers to the beliefs, behaviors, and relationships that shape and organize social and corporate life at a given point in time. It recognizes that the broader social and institutional environment in which a company operates plays a significant role in influencing how the company is perceived and how its reputation is shaped.

- *"[The company which operates in the forestry sector] is vulnerable to being perceived as a company (...) that uses the land exhaustively, without concern for the protection of native fauna and flora, and that creates a negative environmental impact"* (Participant Nr. II).
- *"[Financial] sector has a serious credibility problem in the last 15 years: this context of bad reputation makes that any news, no matter how small, immediately create tension and distrust [among the stakeholders] and accentuate the idea that 'in banking, they are all rascals'"* (Participant Nr. V).
- *" Reputation is clearly a social concept, greatly influenced by the culture of each society and the times"* (Participant Nr. VII).
- *"Reputation is alive and it is socially dynamic. A [good] decision today may have a negative impact in the future"* (Participant Nr. IX).

2.2.2. To which extend do C-level executives perceive corporate reputation as an asset?

In the literature, corporate reputation is frequently described as an "invisible asset" (Edvinsson & Malone, 1997) or a "strategic property" (Dhir & Vinen, 2015). However, the C-level executives did not explicitly use the term asset when discussing corporate reputation, even though they acknowledged its influence on the firm's value.

- *"Reputation is worth a lot of money!"* (Participant Nr. III).
- *"Reputation has a very tangible value for organizations"* (Participant Nr. IV).
- *"Reputation is (...) a business continuity issue"* (Participant Nr. VI).
- *"Reputation is a key success factor and something that can change overnight and bring the company down in no time"* (Participant Nr. VII).

The interviewees acknowledge that a positive corporate reputation ultimately contributes to the company's overall value by creating and enhancing business opportunities (F = 14, N = 8), mainly through relevant partnerships (F = 6, N = 6) and clients' acquisition (F = 6, N = 6), but also because clients are more willing to pay a price-premium (F = 2, N = 2).

- *"[A positive/ good corporate reputation allows] to increase market share and prices (premium associated to good reputation)"* (Participant Nr. III).
- *"[Good reputation grants] access to top notch market/customers and commercial and operation partnerships"* (Participant Nr. IV).
- *"The best partners in the market will not accept the association to any company that*

doesn't have an excellent reputation" (Participant Nr. V).

- *"[Good reputation allows the company] to establish long lasting partnerships and develop businesses"* (Participant Nr. VII).
- *"What is said about the company is key to maintain business and acquire new clients"* (Participant Nr. VIII).

However, a positive corporate reputation seems to contribute to the firm value mainly indirectly. According to the respondents, a positive corporate reputation plays a critical role in attracting and retaining human capital.

- *"Managing people and attracting talent is much easier for a company that has a good reputation"* (Participant Nr. II).
- *"I believe that, in scenarios of similar salary conditions and benefits, corporate reputation acts as a tiebreaker (...); also people think twice about joining a company that has a less favorable corporate reputation, because, in the long-term, it can reduce the value of their CV"* (Participant Nr. VI).

A good corporate reputation can also have a positive impact on a company's ability to access financial instruments (F = 5, N = 4), more diversified and at a more competitive price, and attract investors (F = 5, N = 4).

- *"It's the difference between the company being chasing the banks or being chased by the banks. When a company has a good corporate reputation, financial partners offer their services and want to work with the company, and this gives the company a (...) negotiation position"* (Participant Nr. II).
- *"[Good corporate reputation increases the] attractiveness of the capital from the point of view of investors or shareholders. For example, if a company wishes to become listed, or carry out certain operations, corporate reputation is fundamental"* (Participant Nr. II).
- *"[Good corporate reputation allows the company] to capture better shareholders"* (Participant Nr. VI).

Some C-level executives also introduce the concept 'moral credit' (F = 3, N = 3), which can be provided by a positive corporate reputation and acts as a form of protection for the company in the face of adverse events or challenges affecting the company's image.

- *"[Good corporate reputation gives] moral credit: protecting the organization from a scandal"* (Participant Nr. I).
- *"[Good corporate reputation supports the] company survival: helping the brand to*

last over time" (Participant Nr. VIII).

Table 5 summarizes the benefits of a positive corporate reputation, according to the interviewees.

As it could be expected, participants understand the consequences of a less positive corporate reputation as the opposite to the benefits of a good corporate reputation: negative impact on business (F = 15, N = 7), difficulties in attracting and retaining human capital (F = 7, N = 6), restrictions on access to financial instruments and loss of attractiveness to capital markets (F = 7, N = 4). Table 6 summarizes the categories and subcategories that decode the consequences of a less positive corporate reputation.

- *"If the company does not manage its reputation well, it risks losing access to market or not being able to work with large players"* (Participant Nr. II).
- *"In our business, the 'herd effect' is very strong; the slightest suspicion (...) is enough to make a significant number of associates [clients] to leave the network"* (Participant Nr. VI).
- *"Reduction in employees' market value: if a company's reputation is low, the market perception is that employees are not so good"* (Participant Nr. VI).
- *"If the company does not maintain a good reputation (...), it will have an effective funding problem"* (Participant Nr. II).
- *"[Bad corporate reputation] would impact our SREP assessment [Supervisory Review and Evaluation Process], directly associated with the financial cost of central debt"* (Participant Nr. IX).

The notion of 'context costs' associated with a less positive corporate reputation is an important consideration also brought up by the interviewees (F = 6, N = 4). It reflects the idea that when a company's reputation is damaged, it may incur additional expenses or face financial penalties to compensate for the negative perception among various stakeholders. It is noteworthy that while there may be some context cost advantages associated with a positive corporate reputation, they were not referred by the C-level executives. Probably, because the context costs of a poor reputation tend to be more severe and wide-ranging and exceed the benefit that comes with a good corporate reputation.

- *"(...) a company that does not have a good reputation (...) will pay more [to access finance instruments], because it will pay the reputational risk measured according to the parameters of the bank or investor. Indirectly, access to the financial market is more difficult, because it is more expensive"* (Participant Nr. II).

Table 5 - *Benefits from a good corporate reputation*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Business opportunities											
Better partnerships	1	1		1	1	1	1			6	6
More & better clients		1	1	1		1	1	1		6	6
Price premium		1	1							2	2
	1	**3**	**2**	**2**	**1**	**2**	**2**	**1**	**0**	**14**	**8**
Talent attraction											
Recruitment & retention	1	1	2		2	3	1		1	11	7
Market value of CV						1				1	1
Tiebreaker						1				1	1
	1	**1**	**2**	**0**	**2**	**5**	**1**	**0**	**1**	**13**	**7**
Financial instruments & capital market											
Competitive financial instruments	2	1		1				1		5	4
Capital attractiveness	2	1				1	1			5	4
	4	**2**	**0**	**1**	**0**	**1**	**1**	**1**	**0**	**10**	**6**
Moral credit	1						1	1		3	3
	1	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**0**	**3**	**3**
Productivity			**1**		**1**					**2**	**2**
	0	**0**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**2**	**2**
Total	**7**	**6**	**5**	**3**	**4**	**8**	**5**	**3**	**1**	**42**	**9**

Table 6 - *Consequences of a less positive corporate reputation*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Business impact	0	3	3	2	2	0	2	2	1	15	7
Partnerships' loss	0	1	0	1	1	0	1	1	0	5	5
Clients' loss	0	2	3	1	1	0	1	1	1	10	7
People attraction & retention	0	2	1	0	1	1	0	1	1	7	6
Access to financial instruments & capital market	0	2	2	2	0	0	0	1	0	7	4
Context costs	0	3	0	0	1	1	1	0	0	6	4
Scrutiny by regulatory & supervisory entities	0	0	1	2	0	1	1	0	0	5	4
Total	**0**	**10**	**7**	**6**	**4**	**3**	**4**	**4**	**2**	**40**	**8**

- *“A company with a bad reputation but that pays great wages is still able to attract people”* (Participant Nr. II).
- *“[Bad corporate reputation leads to] increased context costs (...): the company must work harder than competitors for the same output”* (Participant Nr. IV).

Furthermore, respondents indicate an uptick in regulatory and supervisory authorities' scrutiny (F = 5, N = 4) in the event of a negative corporate reputation, which stands in contrast to the 'moral credit' earned through a positive corporate reputation.

- *“Comments about the quality of the company as an employer is of interest to regulatory bodies when deciding which companies to audit”* (Participant Nr. VIII).
- *“[Bad corporate reputation leads to] greater scrutiny and less tolerance from regulatory and supervisory authorities”* (Participant Nr. IV).
- *“A negative reputational event (...) would immediately increase the level of scrutiny by regulators”* (Participant Nr. IX).

2.2.3. To which extent C-level executives give importance to corporate reputation risk management?

If C-level executives recognize that a positive corporate reputation enhances the firm's value, it becomes crucial for the company to prioritize managing corporate reputation risk. However, delving into the management of corporate reputation risk assumes that organizations have established a risk management system that explicitly incorporates corporate reputation, and that risk management is a paramount agenda item for the board of directors.

All interviewees acknowledge the presence of a risk management system within their respective organizations, albeit with varying degrees of importance attributed to it. When asked “From 1 to 10 (being 1 ‘none’ and 10 ‘of utmost importance’), how much importance is given in your organization to the management of ...”, among the nine respondents, six (N = 6) assert that both general risk management and corporate reputation risk management hold a high level of importance for their organizations, scoring 7 or higher on the 1-10 scale. Table 7 summarizes the importance ascribed by organization to risk.

This heightened emphasis can be attributed to (1) industry-specific characteristics, (2) unique aspects of their business, and (3) previous experiences with risk events.

1) Financial Services industry is not only highly regulated but also constructed on the foundation of risk and risk events.
   - *“If the company does not pay attention to risk management, it (...) is a question of*

time [to fail] – risk is part of financial services business" (Participant Nr. V).

- *"Reputational risk is embedded in all our activity"* (Participant Nr. V).
- *"Regulation has obviously helped this [risk management maturity] evolution in the financial sector, even if it's not the ideal regulation as it limits commercial and business action a lot"* (Participant Nr. VII).
- *"[Reputation risk] is an issue always, every time. Any business, operation or transaction assessment focus also, and explicitly, on reputational topics"* (Participant Nr. IX).
- *"In Financial Services, risk management is a topic 24/7. Risk management is our core business, and it is by design in everything we do"* (Participant Nr. IX).

2) Companies operating in business segments (for example, forestry exploration in developing countries) or employing business models (for example, third-party procurement or investment projects) that rise both conscious and unconscious suspicions:
   - *"We are an investment fund, with a robust corporate governance structure, that needs to respond to investors, for whom [risk management] is an important subject and that needs to exist [in Board of directors' agenda]"* (Participant Nr. II).
   - *"The company operates in a [questionable] business line [forestry]. [Our reputation] is important for the investors (...) and big industrial players [our clients], for whom reputation risk is a sensitive topic"* (Participant Nr. II).
   - *"(...) corporate reputation is the core of our business; it is for us a business continuity topic, in which we reflect every day. All our business is grounded on the perception that the company is a 'good person' [morally good] (...)"* (Participant Nr. VI).
3) Companies that have previously experienced risk events and consequently enhanced their risk management approaches:
   - *"We analyze every potential business through an exhaustive risk assessment process (...). If the risk level is perceived too high, we don't move forward with the deal. The company is still suffering today from commercial decisions made in the past without considering any risk perspective. The price paid, and being paid, is too high and asphyxiates the company development and even sustainability"* (Participant Nr. IV).

Table 7 - *Importance ascribed by the organization to risk*

Participants	**I**	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**	**Mean**
Industry	Mft	Frt	Mft	Mft	Fin	Whs	Fin	Telco	Fin	
Overall risk	5	8	5	8	8	7	10	6	10	8
Corporate reputation risk	4	7	5	8	10	7	9	5	10	7

Note 1: Scale from 1 'none' and 10 'of utmost importance'

Note 2: Mft – Manufacturing, Frt – Forestry, Fin – Financial Services; Whs – Wholesale; Telco - Telecom

However, when asked about how they perceive their organizations in comparison to others, these five C-level executives express viewpoints very much in line with the remaining three interviewees. They argue that the prevailing approach to risk management is highly reactive, lacks integration, and is not firmly ingrained in the forefront of the boards of directors' priorities.

- *"[There is] a super, super detailed risk assessment questionnaire, however, I feel that it is just a proforma. (...) I believe that we fulfil it just because. (...) Honestly, I do not feel that [corporate reputation risk management] is in the company DNA"* (Participant Nr. I).
- *"[Risk management] is not a global exercise thought top-down. I believe that most of the organizations spend very little time, if any, on risk management activities"* (Participant Nr. II).
- *"In my experience, the importance given to risk management is a 5 (neither inexistent, nor significative). (...) Unfortunately, I must confess that companies still worry more about financial results, than with corporate reputation management"* (Participant Nr. III).
- *"Overall Boards of Directors do not understand an integrated approach to risk management, and they do not feel the need, because they do believe they are already managing the risks [through vertical and single focus approaches]. There is a lack of sensibility for the intrinsic and tangible value of an integrated risk management approach"* (Participant Nr. V).
- *"(...) in my previous experience, in an industrial company, (...) risk management was more incipient, but the result and margin were also more incipient"* (Participant Nr. VII).
- *"There is a concern with risk management when something happens (...). Everything is very reactive and [risk management] is not at the heart of [the Board of directors] agenda"* (Participant Nr. VIII).

- *“In another company [outside Financial Services] where I serve, (...) the approach to risk, at executive and non-executive level, is much more high level”* (Participant Nr. IX).

When asked to prioritize different risk types based on their relative importance, most interviewees (N = 7) place corporate reputation in the top five most significant risk categories. The results suggest that the ranking of risk types differs among respondents, influenced by the specific industry within which their organization operates (for example, regulatory risk ranking higher in heavily regulated sectors) and the role of the respondent (for example, a Chief Human Resources Officer giving greater importance to people-related risks). Table 8 ranks the risk types according to the importance attributed by the interviewees.

However, corporate reputation risk is clearly one of the most significant risks for seven out of the eight interviewees (N = 7). The two remaining participants assign a lower ranking to corporate reputation not because they perceive it as less important, but rather because they believe that corporate reputation risk is inherent in each of the other risk types.

- *“Concerning corporate reputation (...), direct actions, in my opinion, have no place. Everything the organization does related to its operation or counterparty management (...), needs to include by default (...) corporate reputation concerns. (...) if the organization controls its operational risk, for example, it will necessarily control (...) corporate reputation risk also”* (Participant Nr. III).
- *“I ranked corporate reputation risk among the least important risks, not because I consider that it has lower importance or because I believe it cannot be managed, but because I believe we manage corporate reputation risk by managing each one of the other risk types. For me, 20% of corporate reputation risk cannot be managed (for example, reputation risk that derivates from counterparties’ risk) or it is addressed through a good and consistent communication strategy; the remaining 80% are by default related to how the company manages the remaining risks”* (Participant Nr. V).

Table 8 - *Risk type ranking*

Participants	**I**	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**
Industry	Mft	Frt	Mft	Mft	Fin	Whs	Fin	Telco	Fin
Risk ranking									
1	Strategic/ Competition								
2	People						**Reputation**		
3	Health & Safety			**Reputation**					**Reputation**
4	**Reputation**		**Reputation**						
5	Market/ Industry	**Reputation**						**Reputation**	
6	Operational								
7	Technological								
8	Environment								
9	Regulatory				**Reputation**				
10	Compliance								
11	Labor policies								
12	Finance					**Reputation**			
13	Political								

Note 1: Scale from 1 'the most important' to 13 'the least important'

Note 2: Mft – Manufacturing, Frt – Forestry, Fin – Financial Services; Whs – Wholesale; Telco - Telecom

2.2.4. What do C-level executives understand by corporate reputation risk? What are the distinctive characteristics of corporate reputation risk?

Defining corporate reputation risk proved to be a challenge for the respondents, but three primary concepts emerge from their responses: a deterioration in perception (F = 15, N = 9), changes in stakeholder behavior (F = 5, N = 5), and corporate losses (F = 6, N = 5). Table 9 summarizes the categories that characterize the corporate reputation risk.

As per the C-level executives interviewed, corporate reputation risk encompasses any event or action that could potentially compromise the corporate image and, in turn, the perception held by various stakeholders regarding the company.

- *"It's everything that will make someone to have a [negative] perception about the company"* (Participant Nr. III).
- *"[Corporate] reputational risk is associated with the management of the internal and external image of the company"* (Participant Nr. V).
- *"Everything that, in any way, could jeopardize the image [about the company] is a source of corporate risk"* (Participant Nr. VI).
- *"I perceive [corporate reputation risk] as the impact that company' actions may have on how the stakeholders perceive the company"* (Participant Nr. VIII).

This decline in perception is intrinsically linked to negative publicity, as mentioned by several respondents (F = 5, N = 3). It has the potential to influence how stakeholders interact with the company and may ultimately result in corporate losses.

- *"Reputational risk to me is any bad publicity"* (Participant Nr. II).
- *"[By corporate reputation risk] I understand (...) all the information that circulates and that may affect the relationship with the stakeholders, namely investors, bankers and suppliers"* (Participant Nr. II).
- *"A negative event that jeopardizes the reputation of a bank can lead to a mass outflow of deposits. A reputational event questions the credibility of the bank and customers immediately perceive it as unreliable and react accordingly"* (Participant Nr. IX).
- *"The reputational risk (...) condition the success of the company"* (Participant Nr. II).
- *"Corporate reputational risk is so important that it can destroy a company"* (Participant Nr. III).
- *"(...) a company that was perceived in the market as serious (...), overnight became connected with less clear activities and a significant amount its partners (...) to interrupt the relationship (or reviewed it under more interesting conditions for them)"*

(Participant Nr. VII).

Regarding what sets corporate reputation risk apart from other types of risks, the C-level executives emphasize two key characteristics: the 'amplifying effect' (F = 21, N = 8) and the 'counterparty link' (F = 9, N = 6). Table 10 summarizes the categories and subcategories underlying the corporate reputation risk dimension.

Although most of the respondents view corporate reputation risk as a "risk in its own right", they also acknowledge that it can arise from or add on to other risks, thereby demonstrating an "amplifying effect".

- *"Some of these risks have a direct impact on reputational risk, they cannot be dissociated"* (Participant Nr. I).
- *"Reputational risk can be attached to any of the others [risk types]* (Participant Nr. II).
- *"Ensuring an excellent reputation means controlling the reputational [risk] aspect that is in every small part of the business"* (Participant Nr. III).
- *"For me, the problem with reputational risk is that it does not exist in isolation: various events can trigger risks that, in turn, may have a reputational impact"* (Participant Nr. IV).
- *"Reputation [risk] is like the concept of risk in the broadest sense"* (Participant Nr. V).
- *"[Reputational risk] is so broad, so tentacular and so capillary that it's difficult to control completely. It can arise from any risk type event, such as an operational risk"* (Participant Nr. VII).
- *"[Corporate] reputational [risk] has the problem of being transversal to most of these [other] risks"* (Participant Nr. VIII).

The 'counterparty link,' on its turn, reveals a transfer or spillover effect among stakeholders.

- *"[A company] may have reputational issues derived from third parties"* (Participant Nr. V).
- *"[Reputational risk] also depends on the individual behavior of employees, subcontractors and third parties. Imagine that an employee commits a data privacy crime and as a result the company enters into a GPDR non-compliance spiral, which leads to damage to corporate image and reputation"* (Participant Nr. VII).
- *"Anything [on corporate reputation risk] that depends on supra-company and external entities [stakeholders] is very difficult to control"* (Participant Nr. VIII).

Table 9 - *Definition of corporate reputation risk*

	Participants									F	N
	I	II	III	IV	V	VI	VII	VIII	IX		
Deterioration in perception	1	3	1	2	3	1	1	1	2	15	9
Negative publicity	1	1	0	1	0	0	0	0	0	3	3
Change on stakeholders' behavior	0	1	1	0	1	0	1	0	1	5	5
Corporate losses	0	1	1	1	0	0	2	1	0	6	5
Total	**1**	**5**	**3**	**3**	**4**	**1**	**4**	**2**	**3**	**26**	**9**

Table 10 - *Corporate reputation risk characteristics*

	Participants									F	N
	I	II	III	IV	V	VI	VII	VIII	IX		
Amplifying effect	4	3	3	1	4	2	1	3	0	21	8
Counterparty risk	1	0	0	1	2	0	1	1	3	9	6
Invisibility	0	2	1	0	0	1	2	0	0	6	4
Emotion based	0	2	0	0	1	0	0	1	0	4	3
Time-scale effect	0	0	0	1	0	0	0	0	3	4	2
Total	**5**	**7**	**4**	**3**	**7**	**3**	**4**	**5**	**6**	**44**	**9**

- *"(...) the main discussion on the Board of directors is (...) the fit and proper of the counterparty to understand if there is any (...) stain on [their] reputation (...) that [may] infect our company (...)* (Participant Nr. IX).

The complexity of managing corporate reputation risk arises from the fact that it cannot be effectively managed in isolation and may originate from stakeholders external to the company. According to the respondents, this makes it more challenging to manage than vertical risks. Additionally, other factors contributing to the difficulty of managing corporate reputation risk include its 'invisibility' (F = 6, N = 4), being 'emotion-based' (F = 4, N = 3), and subject to a 'time-scale effect' (F = 4, N = 2).

The concept of corporate reputation risk being an "invisible" risk suggests that it is challenging to measure since it is a qualitative risk. Current risk management processes and systems are better suited for managing quantitative risks, which adds to the complexity of managing reputation-related risks.

- *"[There are topics] that present a huge reputational risk to the company, and to which no one is paying attention to. We are still focusing on more visible and traditional risk aspects, and not being able to recognize other factors that cumulatively can lead to a corporate catastrophe [in reputational terms]"* (Participant Nr. I).
- *"My perception is that corporate reputation risk is not deeply addressed in any company. (...) It is a kind of invisible risk (...). If managers think about it, they will realize that it exists. (...) However, as managers are not able to 'see it', it is far away from their hearts… If the company has not previously suffered from corporate reputation risk events, if it is not a company very exposed to the media or operating in a business segment under public opinion scrutiny (...), it gives zero, or very little attention [to corporate reputation risk management]"* (Participant Nr. II).
- *"(...) the big difficulty in managing corporate reputational risk stems from the fact that it is not visible and easily quantifiable. It is not easy for a company to quantify the reputational risk that may derives from another type of risk. Even more difficult is to estimate the probability of occurrence of any event that triggers corporate reputational risk per si and to quantify the impact that derives from the materialization of the reputational risk. Managers find it difficult to manage what they cannot measure or materialize"* (Participant Nr. VI).

According to the interviewees, corporate reputation is a collective representation of stakeholders' perceptions. These perceptions can be influenced and distorted by an 'emotion effect,' whereby the emotions experienced by stakeholders at a particular moment strongly shape how they perceive the environment.

- *"Corporate reputational risk has a lot of perceptions and emotions, and this is the hardest part to manage and control"* (Participant Nr. II).
- *"Reputational risk has a lot to do with (...) people's emotions"* (Participant Nr. V).
- *"People use emotions more when they are confronted with a situation/event that affects corporate reputation"* (Participant Nr. VIII).

Conversely, the 'time-scale effect' impacting corporate reputation risk represents a downside of the social and institutional context. It pertains to the time gap that can exist between a management decision made in the past and the potential reputational consequences of that decision in the present or future.

- *"(...) the lens by which reputation is evaluated change with time and a source of reputational risk may be an event considered very positive in the past"* (Participant Nr. IV).
- *"(...) when we analyze a counterparty for a transaction, we assess its corporate reputation at a given moment in time, based on sources that are not fully exhaustive (it is like a photography). But the counterparty evolves over time, and the company may be injured in the future, if the counterparty, for some reason, ends up associated with a fraudulent situation in the future, that is, after the referred transaction is accomplished"* (Participant Nr. IX).
- *"A decision today may have a negative impact [concerning corporate reputation] in the future"* (Participant Nr. IX).

2.2.5. To which extent is shareholders' reputation a critical component of corporate reputation?

'Counterparties' are recognized by the C-level executives as significant influencers of corporate reputation. The counterparty link is also identified as one of the fundamental intrinsic attributes of corporate reputation risk, explaining why it is more challenging to manage than many other types of risks. However, it is important to note that 'counterparties' is a broad term used to encompass any third party in a business context, which could include suppliers, financial intermediaries, shareholders, and various other examples.

Regarding the specific impact of shareholders on a company's reputation, respondents seem to have difficulty distinguishing between the identity of the shareholder (individual or institution that has invested money in the company in exchange for shares of the ownership) and the reputation of the shareholder. In their view, the shareholder's reputation cannot be separated from the shareholder themselves.

Eight out of the nine respondents (N = 8) assert that controlling or qualified shareholders have a significant impact on a company's reputation, rating their influence at 7 or higher on a scale ranging from 1 ('none') to 10 ('massive'). Respondents argue that only controlling or qualified shareholders have an impact on corporate reputation, while shareholders with small ownership stakes in the company do not affect corporate reputation. Table 11 summarizes the importance attributed by the participants to corporate reputation.

Table 11 - Importance ascribed to shareholder on corporate reputation

Participant	**I**	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**	**Mean**
Industry	Mft	Frt	Mft	Mft	Fin	Whs	Fin	Telco	Fin	
Impact on corporate reputation	10	8	8	10	7	7	10	6	9	8
Own reputation importance for corporate reputation	10	8	8	10	7	7	10	6	9	8

Note 1: Scale from 1 ('none') to 10 ('massive')

Note 2: Mft – Manufacturing, Frt – Forestry, Fin – Financial Services; Whs – Wholesale; Telco - Telecom

According to the interviewees, a controlling or qualified shareholder, whether an individual or an institution, serves as an informative signal to the market (F = 21, N = 9). They passively transfer some of their attributes to the company, thereby contributing to the perception that stakeholders develop about the organization.

- *"[Who the shareholder is] it's important, because it shapes people's perception about the organization itself. (...) It creates an expectation [about the organization]"* (Participant Nr. I).
- *"Shareholder's reputation can help leverage the company in terms of image"* (Participant Nr. II).
- *"A (...) perception associated with the shareholder is transferred in a certain way to the company"* (Participant Nr. III).
- *"In companies that have controlling shareholders (individuals or entities), knowing who the controlling shareholder is decisive for the [company's] reputation and the shareholder's reputation is also decisive for the controlled company's reputation. The shareholder automatically transmits a set of signals to the market and is one of the*

factors considered in building the perception about the company" (Participant Nr. V).

- *"Two companies in the same sector of activity, with the same volume of business, the same customers, suppliers and employees, are not worth the same: qualified shareholders grant, or withdraw, value to the company"* (Participant Nr. VI).
- *"In the case of a controlling shareholder, the image we have of them necessarily transfers to the company. (...) What a company 'is' is not dissociated from what the shareholder is"* (Participant Nr. VII).

The C-level executives hold the belief that the identity of controlling or qualified shareholders conveys two distinct types of information that play a role in shaping corporate reputation perception. On one hand, it provides information about the deontological principles and behaviors demonstrated by the shareholder over the years (F = 7, N = 5), which will likely influence the company's operational model. Table 12 summarizes the signals that interviewees understand that the shareholder conveys to the market.

- *"What is valued is the [shareholder] reputation as businessperson, the principles and behaviors demonstrated over the years"* (Participant Nr. V).
- *"This image [about the shareholder] has a component related to the ethics demonstrated (...)"* (Participant Nr. VII).
- *"A shareholder (...) [who demonstrates] principles of professional deontology and understanding of what acceptable and ethical corporate behaviors are, usually does not have 'two faces'. What they apply in the personal sphere (...) is what they will require from the entities they invest in. (...) Of course, if this perception is valid in one direction, it is also valid in the other"* (Participant Nr. IX).

On the other hand, the shareholder's identity also encompasses information about the track record of other companies in which the shareholder invests and their likely medium- and long-term objectives for the investment (F = 8, N = 4). This can provide insights into the business potential and future trajectory of the company.

- *"Any company where Warren Buffet is participating is a company that will be sought after in the market"* (Participant Nr. II).
- *"If I want to establish a partnership with Jerónimo Martins, it is different if the shareholder is the Soares dos Santos family or a Capital Partners. I know that it is not the same to establish a partnership with an entity that has 30 years in the sector, knowledge of the business and that wishes to run the company in continuity or with a private equity, that just wants to increase value and sell the investment in 5/7 years.*

This information has an impact on how the company is perceived and derives exclusively from who the shareholder is" (Participant Nr. V).

- *"This image [about the shareholder] has a component related (...) also to the business results the shareholder has achieved throughout their life. And what's interesting is that if one of these components [ethics and business results] isn't positive, the reputation of the shareholder and the reputation of the company won't be either"* (Participant Nr. VII).

All interviewees concur that *"the market understands the influence that a controlling shareholder has on the company"*, as expressed by Participant Nr. IV. This influence is exerted through three primary levers: company vision and strategy (F = 10, N = 7), supervision and voting rights (F = 8, N = 6), and the selection of board members (F = 4, N = 4). Table 13 summarizes the influence that interviewees consider that the shareholder exerts over the company.

Shareholders are responsible for choosing the members of the board of directors, which includes both internal and outside board members, including non-executive directors (NEDs). This board functions as a group of fiduciaries and trusted advisors who guide the company on behalf of the shareholders.

- *"(...) the type of intervention that the market believes that the shareholder has in the company, through the directors he appoints (...)"* (Participant Nr. VIII).

Controlling and qualified shareholders also shape the vision and future direction of the company. They play a key role in defining the company's vision and, through the board of directors, contribute to the formulation of the strategy needed to realize that vision.

- *"Brisa is an excellent example: the Brisa today is not the Brisa that was owned by the Mello family. What is important for the company today is completely different [from the past], because the strategy, vision and mission for the company are different. But the company is the same. What changed? The controlling shareholder"* (Participant Nr. V).
- *"The definition of the vision and mission for the company, its purpose and value proposition, is shareholders' responsible. It is up to the Executive Directors to define an operational strategy in line with the defined vision and mission"* (Participant Nr. VII).

Table 12 - *Shareholder as an informative signal to the market*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Principles & behaviors	0	1	0	0	2	1	1	0	2	7	5
Track-record & business goals	0	3	1	0	3	0	1	0	0	8	4
Total	**2**	**4**	**4**	**1**	**2**	**3**	**3**	**1**	**1**	**21**	**9**

Table 13 - *Levers for shareholders' influence in the company*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Company vision & strategy	2	1	1	1	2	2	1	0	0	10	7
Supervision & voting rights	2	1	0	1	0	0	1	1	2	8	6
Board members' selection	1	0	0	0	0	1	0	1	1	4	4
Total	**5**	**2**	**1**	**2**	**2**	**3**	**2**	**2**	**3**	**22**	**9**

Furthermore, through the board of directors, shareholders oversee the implementation of the corporate strategy. They ensure that the company has adequate and well-managed resources at its disposal, set company policies, and provide support to the executive team.

- *"If the shareholder is strong (even not getting involved in operational management), they will be able to understand whether management is effective or not, and will apply pressure"* (Participant Nr. I).
- *"The shareholder (...) monitors [the corporate strategy] execution through the supervisory mechanisms in place"* (Participant Nr. II).
- *"(...) the shareholder is a figure present at the company's main decision-making moments, directly or indirectly through the directors with whom they have a closer relationship"* (Participant Nr. VII).

2.2.6. How does shareholders' reputation impact the firm value?

The C-level executives interviewed recognize that a positive corporate reputation influences the firm's value, and that shareholders play a significant role in shaping the reputation of a company. Additionally, according to the respondents, a positive reputation for shareholders holds intrinsic value. Table 14 summarizes the opinion of the interviewees concerning the impact of the shareholder on firm's value.

To begin, a shareholder with a positive reputation functions as a 'trust guarantor' for the company, as highlighted by the respondents (F = 16, N = 8). Effective trust management hinges on the degree of information asymmetry perceived by stakeholders regarding the company. According to the interviewees, the shareholder's reputation acts as a form of insurance on behalf of the company (the trustee): stakeholders can place greater trust in the company based on the reputation of the shareholder (the trustor).

- *"[A positive effect of a shareholders' with a good reputation is the] market recognition of good management practices in the companies where the shareholder invests in; this increases the confidence of the different stakeholders in the company's management practices"* (Participant Nr. IV).
- *" The same [financial] operation does not have the same cost for an Altice or a company from Grupo Melo. The price depends on the risk level, and risk is measured according to the quality of the client. And the client quality assessment includes the level of security that the ownership structure gives us. (...) The value of the shareholder's trustiness is passed on to their companies"* (Participant Nr. VII).

Table 14 - *Impact of shareholders' reputation in firm value*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Trust guarantor	4	1	1	1	0	3	3	2	2	17	8
Investment attraction	1	3	1	1	0	0	0	0	1	7	5
Business opportunities	1	0	2	1	1	0	0	0	1	6	5
Talent attraction	1	0	1	1	0	0	0	0	1	4	4
Lobby & networking	0	3	0	0	0	0	1	1	0	5	3
Total	**7**	**7**	**5**	**4**	**1**	**3**	**4**	**3**	**5**	**39**	**9**

- *"Market recognition of the shareholder [positively transfers to the company]: for example, Sonae transfers the idea of a solid company, with good governance, to its subsidiaries"* (Participant Nr. VIII).
- *"(...) there is a perception that there is no asymmetry between the posture of a controlling shareholder and the posture of the entities they control"* (Participant Nr. IX).

Moreover, according to the interviewees, a shareholder with a strong reputation also enhances the appeal of the company's capital and, consequently, attracts investments (F = 7, N = 5).

- *"(...) the more reputation a shareholder has, the easier it is to continue identifying other shareholders [investors, for the company]"* (Participant Nr. II).
- *"[A shareholder with positive reputation] increases the attractiveness of the company's capital and projects, allowing to access to more diverse and optimal sources of funding"* (Participant Nr. IV).
- *"(...) a shareholder [with good reputation] captures other investors/shareholders (...);* (Participant Nr. IX).

The positive reputation of the shareholder also fosters business opportunities (F = 6, N = 5) and attracts talent, especially at the leadership level (F = 4, N = 4), according to the interviewees.

- *"[A shareholder with good reputation] opens door to business opportunities and partnerships"* (Participant Nr. IV).
- *"The association [with a shareholder with good reputation] makes the clients consider the entity as a company with a future, (...) and fosters the development of client/supplier relationships"* (Participant Nr. IX).
- *"[A shareholder with good reputation gives the company] access to leadership talent: usually top managers wish to work in projects that increase the value of their professional experience; to whom they work adds, or detracts, value"* (Participant Nr. IV).
- *"Retention/capture of talent [is a benefit from a shareholder with good reputation]: the connection to a 'good' shareholder gives the company a perception of stability, financial solidity, capacity for growth, which allows capturing 1st-class talent, more interesting leadership"* (Participant Nr. IX).

Finally, a shareholder with a strong reputation also plays a role for the company in lobby and networking activities (F = 5, N = 3). They introduce the company to relevant third parties and advocate for the company's interests in high-level forums.

- *"(...) we closely monitor all movements related to regulation of land ownership by foreigners, because it is a risk that can immediately dictate the failure (...). Having a shareholder with the ability to lobby (...) is relevant. Shareholders, individuals or corporations, with the ability to influence decisions can mean a lot of money, keep a project alive or dictate its death"* (Participant Nr. II).
- *"A shareholder with a good reputation opens doors for contacts, business, etc."* (Participant Nr. VII).
- *"(...) the shareholder never has a direct role in the company but provides the Board of directors with (...) a network of contacts"* (Participant Nr. VIII).

2.2.7. What are the key factors that influence negatively the shareholders' reputation and may affect the corporate reputation?

Based on the insights provided by the C-level executives in the previous responses, it becomes evident that reputation is a multi-layered construct, a characteristic that may not be extensively discussed in existing literature but that impacts effective corporate reputation management.

- *"(...) the country has an associated reputation (ex.: public perception of the acceptance, or not, of certain practices [in the geography]), which transfers to the shareholder (...) and subsequently, to the company where they invest"* (Participant Nr. III).

This implies that there are certain factors, whether they are dependent on shareholders' actions ('internal') or not ('external'), which can have a negative impact on shareholders' reputation and, by extension, on a company's corporate reputation. According to the interviewees, there are three 'external' key factors: 'country of origin' (F = 9; N = 9), which refers to the shareholder's primary nationality, 'PEP – Politically Exposed Person status' (F = 6; N = 6), and 'family name' (F = 3; N = 3), which is associated with the shareholder's family through birth or marriage. Table 15 summarizes the key factors affecting negatively shareholder's reputation, according to interviewees.

The respondents unanimously agree that geographies associated with public opinion concerning money laundering and terrorism financing activities have a detrimental impact on reputation, even if they are not officially black or gray listed. In contrast, a shareholder's 'country of origin' would be considered neutral in terms of its impact on reputation.

- *"Country of origin can be a stigma, without the shareholder being at fault (for example, in a case of war, as now with Russia)"* (Participant Nr. I).
- *"Country of origin can tarnish the reputation of a shareholder. (…) If a company has a shareholder from North Korea or Iran, forget it... The company should close doors, because it will have a problem – it will not open bank accounts, and nobody will want to do business with them"* (Participant Nr. II).
- *"Abanca is 80% owned by an individual shareholder: if I tell you that he is Venezuelan, you have an interpretation; if I tell you that he is Spanish, you have another one. This information is captured by the market and incorporated into the company's reputation"* (Participant Nr. V).
- *"We are developing a solution (...) in which the application is from a Belgian company, but the shareholders are Russian. We stopped the process! The nationality of the shareholders, who can be highly ethical people, had an impact on our perception of their reputation and on the reputation of the company"* (Participant Nr. VII).

The interviewees concur that having PEP (Politically Exposed Person) status, which is obtained when an individual holds a significant public function and also extends to their relatives and close associates, has a detrimental impact on reputation. Due to the high-ranking position and influence that PEPs may hold, they are perceived by third parties as presenting a heightened risk of involvement in bribery, corruption, or money laundering. Consequently, both PEPs and the companies associated with them are subjected to a greater level of scrutiny.

- *"A Politically Exposed Person can make life difficult for a company. Either because the company must adopt stricter rules, to not be connoted with using the influence of its shareholder (…); or because the PEP shareholder has a set of reputational incidents that drags the company's reputation with it. (…) a PEP associated with a company significantly increases the risk of fraud, due to political influence and less clear business involving the company"* (Participant Nr. II).
- *"Having a PEP shareholder raises several reputational constraints for the company. Every business the company wins, is scrutinized by auditors, financial and business partners, sometimes even by the media, because it may have been won by shareholders' undue influence. Several third parties may refuse to work with the company by default (just because it has a PEP shareholder), to eliminate any risk of reputational cross-contamination"* (Participant Nr. IV).

Table 15 - *Key factors that impact negatively shareholder's reputation*

	Participants									F	N
	I	II	III	IV	V	VI	VII	VIII	IX		
External											
Country of origin	1	1	1	1	1	1	1	1	1	9	9
PEP status		1		1	1		1	1	1	6	6
Family of origin					1			1	1	3	3
Internal											
Moral turpitude suspicions	1	1	1	1	1	1	1		1	8	8
Illicit enrichment suspicions			1	1	1	1	1	1	1	7	7
Corruption & bribery suspicions			1	1	1	1	1	1	1		
Activism character		1							1	2	2
Non-payment of debts				1		1	1			2	2
Total	**2**	**4**	**4**	**6**	**6**	**5**	**6**	**5**	**7**	**8**	**8**

- *“Having a PEP shareholder obviously has an influence, since the company has to justify, and prove, that there are no conflicts of interest”* (Participant Nr. VII).

Some interviewees also find the impact of the 'family name' on reputation to be noteworthy. They perceive similarities between 'family name' and 'country of origin,' in that the association of a family name with a negative context or specific negative events can affect both the shareholder and the company. However, unlike 'country of origin,' the respondents assert that a 'good family name' does not have a neutral impact on reputation but instead a positive one.

- *“Shareholder's family name can also have a negative impact on the company's reputation, through association with improper dealings, corruption, or others. For example, today, having a shareholder with 'Espírito Santo’ surname is not positive. (...) even unconsciously, stakeholders will immediately associate the company with the scandal of Banco Espírito Santo and fear that identical practices exist in the company”* (Participant Nr. VI).
- *“(...) some [family] names, until recently, opened doors in our country; now, on the contrary, those same surnames close doors. But a shareholder with a 'good family name’ (connected with serious investments, positive performance over time, business ethics, etc.) improves a company's reputation”* (Participant Nr. VIII).

Among the 'internal' factors that have a negative impact on shareholders' reputation and, consequently, corporate reputation, respondents emphasize three key factors: moral turpitude suspicions (F = 8; N = 8), illicit enrichment suspicions (F = 7; N = 7) and corruption and bribery suspicions (F = 7; N = 7).

Moral turpitude suspicions involve behaviors that violate and deviate from societal norms, such as sexual harassment, child pornography, prostitution, or illegal gambling. Illicit enrichment suspicions refer to situations where personal wealth (that could be used to start a business, for example), which cannot be justified as coming from a legitimate source of income, may have been accumulated. Corruption suspicions involve dishonest or illegal behaviors, often by individuals in positions of power, to gain illicit benefits for personal gain. Bribery is a specific form of corruption, involving the offering, promising, giving, accepting, or soliciting of an advantage (such as money, gifts, loans, fees) to incentivize an action that is illegal, unethical, or a breach of trust.

- *“In recent years, there has been an increase in the attention given to issues associated with morality and, in a way, it is understood that, if a shareholder does not respect the precepts and rules defined by society in their personal conduct, they will not make* *any effort to ensure that these precepts and rules are respected in their companies"* (Participant Nr. III).

- *"Suspicions of illicit enrichment, corruption and bribery [from shareholder] always raise the question 'what is the company being used for?"* (Participant Nr. III).
- *"Illicit enrichment is a relevant issue, which is why financial institutions are so concerned with identifying the origin of the funds that are invested in each new investment. Understanding the origin of the 1€ used in setting up a business and understanding whether the evolution over time of that business and subsequent investments justifies the wealth of a shareholder is very important. If the origin of the initial funds cannot be explained, a company may find its operations blocked"* (Participant Nr. V).

Some respondents also mention an 'activism character' (F = 2; N = 2) as a factor negatively affecting shareholders' reputation. Shareholder activism, often motivated by financial or social concerns, is employed to influence corporate behavior and drive corporate change.

- *"An activist shareholder is a problem for the company, because the means and tactics they employ tend to destroy corporate value, at least in the short and medium term. Third parties do not like activist shareholders, because they do not like surprises that can impact their business and, consequently, tend to protect themselves from companies with activist shareholders*" (Participant Nr. II).
- *"(...) a shareholder with a reputation of activism automatically creates a perception of instability in a company; an opportunistic instability, which makes internal and external stakeholders nervous"* (Participant Nr. IX).

2.2.8. In which conditions a reputational event (scandal) affecting the shareholder spillovers to the company?

The C-level executives interviewed acknowledge the bidirectional nature of reputation transferability. All interviewees agree or strongly agree (N = 9) that corporate reputation can transfer to shareholders, impacting both the financial value that investors receive from owning shares of a company's stock (shareholder value) and the reputation of the shareholders themselves.

Likewise, all respondents agree or strongly agree (N = 9) that a reverse reputation spillover effect exists as well: shareholders' reputation can also impact companies, both in a positive (opportunity) and negative (risk) manner. This reverse spillover effect has been acknowledged previously by the interviewees when describing the impact of shareholders' reputation on firm value.

- *"A shareholder's reputation has always a spillover effect... which can be positive or negative"* (Participant Nr. II).
- *"If a scandal shakes the shareholder, public opinion will consider that the company may also have some 'glass ceilings'"* (Participant Nr. III).
- *"If a controlling shareholder is caught on a reputational event, there is a high probability that the reputational stain will fire back in the company, because the market understands the influence that a controlling shareholder has in the company"* (Participant Nr. IV).
- *"The market understands that a failure in the reputation of a controlling shareholder, who necessarily has strong involvement in (...) the subsidiary, spillovers"* (Participant Nr. IX).

Interviewees do not hold a unanimous opinion regarding the impact of a shareholder's misconduct on the company, i.e. a reputational event affecting the shareholder. Table 16 summarizes participants' opinions on spillover effects between the company and its shareholders, and vice-versa.

More than half of the respondents are undecided (N = 3) or do not agree (N = 3) that a shareholder's misconduct diminishes the organization's value (Mean = 3.00). They suggest that a shareholder's misconduct will only affect the company if it becomes publicly exposed (Mean = 4.33). In later sections of this thesis, it will be explored what factors lead to a reputation event becoming a scandal and the role of the shareholder's level of public exposure in this process.

- *"The shareholder being a public figure increases the spillover effect; if they are 'unknown people', who cares?"* (Participant Nr. II).
- *"Of course, that not all controlling shareholders are equal, and some other factors may increase or minimize the magnitude of the reputational event [on the company], as (...) the public exposure [level of the shareholder]"* (Participant Nr. IV).
- *"I believe that not all serious shareholder's misconducts have an impact on corporate reputation and that, depending on the shareholder and on the company, any minor misconduct will have a very significant impact on corporate reputation. It all depends on the level of media exposure"* (Participant Nr. VII).
- *"When the shareholder is a public figure, any event has an impact"* (Participant Nr. VIII).

Table 16 - *Shareholder's and company's reputation transferability*

	Participants									Mean
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**	
Spillover effect										
Spillover										
Corporate reputation impacts positively or negatively the shareholders	5	5	4	4	4	5	5	4	4	4.44
Shareholder value										
A positive corporate reputation increases value for the shareholders	5	4	5	5	4	5	5	4	4	4.67
Shareholder reputation										
A positive corporate reputation enhances shareholders' reputation	5	4	5	4	4	5	5	4	4	4.44
Reverse spillover effect										
Reverse spillover										
Shareholders' reputation impacts positively or negatively on companies	5	5	4	5	4	5	5	4	4	4.56
Shareholder may be a potential source of risk for the company	4	4	4	5	4	5	4	4	4	4.33
Shareholder may be a potential source of opportunities for the company	4	4	4	5	4	5	4	4	4	4.33
Firm value										
Shareholders' misconduct detracts organization value	4	2	4	3	4	3	3	2	2	3.00
Shareholders' misconduct only detract organization value if it is publicly known	5	4	5	4	4	5	4	4	5	4.33
Transferability through ownership structure										
A reputational scandal from one company transfers to other companies linked by the shareholders' structure	4	4	5	4	5	5	4	4	4	4.33
A scandal involving a shareholder impacts likewise all the companies where the shareholder invests in	3	2	4	3	2	2	2	2	4	2.67

Note: Scale from 1 'strongly disagree' to 5 'strongly agree', with 3 meaning 'undecided'

Regarding the transferability of the effects of a reputational event through the ownership structure, all C-level executives interviewed either agree (N = 6) or strongly agree (N = 3) that a reputational event affecting one company will impact other companies linked by the shareholders' structure (Mean = 4.33), i.e. when the same shareholder owns shares from several companies. This aligns with the deduction presented previously, emphasizing that shareholders act as a significant intermediary in a transitive trust relationship.

- *"Depending on the severity of the scandal, the reputational impact is transmitted across companies through the shareholder structure. Imagine a serious internal control failure in a bank that has a major shareholder, who at the same time is the major shareholder in an insurance company. Regulators will immediately scrutinize the insurance company as well, because they will fear that the internal control failure is a systemic problem"* (Participant Nr. VII).

However, while acknowledging the existence of the reverse spillover effect through the ownership structure, most of the respondents are undecided (N = 3) or do not agree (N = 4) that this reverse spillover effect will affect all companies linked by the same shareholders' structure in the same way (Mean = 2.67).

According to the interviewees, some companies are more susceptible than others to have their corporate reputation influenced by the reputation of shareholders. The respondents believe that certain triggers play a role in determining how shareholders' reputation and a reputational event impacting the shareholder will affect corporate reputation. Table 17 summarizes respondents' opinions regarding the triggers influencing shareholders' reputation.

The most significant triggers, as identified by the respondents, are 'shareholder exposure' level, whether as a 'public figure' or as a 'political figure' (Mean = 4.67), closely followed by 'company exposure' level (Mean = 4.22).

- *"If shareholders have public exposure (because they are controversial people, as Trump or Musk, or because they are part of the jet set, just to give two examples), everything they do is scrutinized, affects their reputation and consequently the reputation of the companies where they invest"* (Participant Nr. IV).
- *"If the company is known, and the shareholders are public figures, the impact is greater. The worst thing is having a shareholder who is both a public figure and a PEP: everything they do or say appears in the media and is available for consultation by banks and other partners (...)"* (Participant Nr. III).

Furthermore, the 'company's dependence on the financial system' is identified as one of the primary triggers (Mean = 4.67). However, interviewees believe that this factor is amplified by the 'public exposure level' of the shareholder. The higher the public exposure level, the more information is disseminated through media channels, which financial institutions can use as information sources. This, in turn, intensifies the impact of the company's dependence on the financial system as a trigger for reputation effects.

- *"The level of dependence on the financial sector makes financial partners to look more closely and deeply at everything that concerns the company, including what happens with the shareholder and related companies. The number of sources of information that institutions have for this analysis depends a lot on the media exposure of the shareholder, the type of companies in which they invest in, among others"* (Participant Nr. V).
- *"(...) banks (...) consciously and unconsciously (...) incorporate the [public] information [about the shareholder] into the decision-making [process]"* (Participant Nr. III).
- *"If a company needs the financial system, no suspicions about its operation or reputation can appear in any media channel or it will automatically be incorporated into the risk assessment processes"* (Participant Nr. VII).

'Shareholder's nationality,' or country of origin (Mean = 4.33), has already been identified by the respondents as one of the key factors that negatively impact shareholder's reputation and, by extension, corporate reputation. The 'sector of activity' is also regarded as having a significant influence (Mean = 4.00), and its impact can vary depending on the industry in which a company operates.

- *"The sector of activity is relevant. Consider a scandal involving the shareholders of a bank, for example. In sectors, where trust is an intangible asset, anything that could call this asset into question has an impact for the company"* (Participant Nr. III).
- *"Nowhere in the world, will a company in the arms business have a good corporate reputation"* (Participant Nr. VII).

The business model, whether selling directly to the end consumer (B2C) or selling to other companies (B2B), is seen as having a lesser influence on how a reputational event impacting the shareholder affects corporate reputation. This is because there is not a direct alignment between shareholders and the companies they invest in when the selling approach is considered.

- *"The impact of a shareholder scandal on companies depends a lot on whether consumers know in which companies the shareholder invests in and on whether the companies have market visibility or not"* (Participant Nr. II).

Table 17 - *Triggers for 'reverse spillover effect'*

	Participants									Mean
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**	
Shareholder										
Public figure	5	5	4	5	4	5	5	5	4	4.67
Politically Exposed Person	4	5	5	5	4	5	5	5	4	4.67
Nationality	4	4	4	4	4	5	5	5	4	4.33
Company										
Dependence on financial system	5	5	5	5	4	5	5	4	4	4.67
Brand awareness by the public	5	5	5	5	3	4	4	4	3	4.67
Sector of activity	5	3	4	4	4	5	4	4	3	4.00
Business model B2C	4	4	2	4	4	2	3	4	2	3.11
Headquarters' location	2	4	1	2	4	3	4	3	4	3.00
Business model B2B	2	2	4	4	3	2	3	4	1	2.78

Note: Scale from 1 'no influence' to 5 'high influence'

Finally, the 'company headquarters' location' is deemed to have low influence by all respondents, except for those with a finance background. These particular respondents take into account that the 'headquarters location' might be in a tax haven (such as the British Virgin Islands or the Cayman Islands) or a small intermediate country (like Hong Kong or Singapore), often referred to as offshore or mid-shore locations. These locations are perceived as being associated with less transparent financial activities, which can have a greater impact on corporate reputation, particularly for finance professionals.

- *"(...) offshore or other equivalents [locations] are seen as suspect"* (Participant Nr. II).

2.2.9. Is there any relationship between the ownership structure type and the corporate reputation risk level?

C-level executives recognize that the level of reputation risk a shareholder may introduce to the company is influenced by the corporate ownership structure. Table 18 summarizes the interviewees' perceptions regarding the ownership structures that heighten corporate reputation risk.

Respondents unanimously agree (N = 9) that single or concentrated ownership structures, where most of the shares are held by a few owners, present a higher reputation risk to companies than multiple ownership or dispersed ownership structures, where a company is owned by numerous small shareholders.

C-level executives argue that reputation risk is heightened in single or concentrated ownership structures due to the perceived elevated risk of misconduct by the controlling shareholder.

- *"The more shareholders there are, the lower the [reputation] risk. In a single ownership structure, the risk is greater, because there is only one [shareholder]. Everything is centered on that individual or institutional shareholder. If there are several shareholders, [the reputation risk] balances out"* (Participant Nr. I).
- *"If a company has a single shareholder, (...) and the shareholder has a reputational problem, the company goes with the flood"* (Participant Nr. II).
- *"If the ownership structure is concentrated, and the shareholder (...) suffers a negative reputation event, corporate risk increases exponentially. Concentration is associated with the impact that an event may have on the company"* (Participant Nr. III).

- *"[Corporate reputation risk comes from] the power [that the shareholder], an individual or institution, has. When a company has multiple shareholders, the [corporate reputation] risk dilutes"* (Participant Nr. VIII).

Among private companies, public companies, and investment funds, the opinions of the respondents differ. More than half of the respondents (N = 5) argue that shareholders pose a higher reputation risk to private companies, as companies listed on stock exchanges or investment funds are obligated to adhere to transparent and accountable disclosure regulations. Despite acknowledging that public companies tend to face more scrutiny from the media and other opinion influencers, interviewees believe they are better protected and less susceptible to shareholders' reputation risk.

- *"A listed company must abide by a set of rules that mitigate reputational risk. There is a compliance (...) structure that [guarantees] that certain things do not happen. From a reputation risk perspective, this structure mitigates more. But it's a more exposed company, more under public scrutiny, more under the media's gaze, (...) there's a big appetite to make a small thing into huge news. In other words, a [public] company (...) is more exposed (...), [but] more defended"* (Participant Nr. II).
- *"Listed companies are obliged to disclose all information about shareholders and, obviously, this mitigates any potential risk. A listed company is very similar to an investment fund"* (Participant Nr. III).

Conversely, the remaining respondents (N = 4) believe that shareholders pose a higher reputation risk to public companies compared to private companies or investment funds. They argue that the proximity of top management to the shareholders in private companies allows them to anticipate and mitigate risk dimensions more effectively. Additionally, in their opinion, the level of media and political scrutiny that public companies are subjected to makes them more vulnerable to shareholders' reputational risk.

- *"In a private company, it is easier to manage reputational risk. Directors are close to the shareholder, have the ability to better understand the risk variables, and in some way try to mitigate potential problems"* (Participant Nr. V).
- *"A public company is more vulnerable than a private company because it is under the spotlight of certain political wings and the media. Any aspect that respects to controlling or qualified shareholders and that can be capitalized on either by the media or political parties will be magnified. Companies have no way of controlling these reputation events"* (Participant Nr. VI).

Table 18 - *Ownership structures that increase corporate reputation risk*

	Participants								
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**
Concentrated vs. Dispersed ownership	C	C	C	C	C	C	C	C	C
Single vs. Multiple owners	S	S	S	S	S	S	S	S	S
Private vs. Public ownership	Pr	Pr	Pr	Pu	Pu	Pu	Pr	Pr	Pu
Private company vs. Investment Fund	Pr	Pr	Pr	F	F	F	Pr	Pr	F
Public company vs. Investment Fund	F	F	=	=	Pu	Pu	F	F	Pu
Individual vs. Institutional investor	Ind	Ind	Ind	Ind	Ind	Ind	Ind	Ind	Ind

Note: C – Concentrated; D – Dispersed; S – Single; M – Multiple; Pr - Private; Pu - Public; F – Investment Fund; Ind – Individual; Ins - Institutional

Finally, all respondents (N = 9) concur that individual investors pose a higher level of risk to companies than institutional shareholders, such as banks, hedge funds, pension funds, and private equity funds, among others.

- *"[If I could choose, I would] prefer instead of a shareholder that is an individual, an institutional shareholder (...). (...) reputation is no longer associated to an individual (...), but to an entity, which lasts over time (...) the longevity of the reputation and the attractiveness effect that the institutional shareholder brings is greater than that of an individual [shareholder]. (...) With an institutional shareholder, reputation is more associated with professionalism and track record, it has no face; whereas, with an individual shareholder, it ends up being very much associated with the person"* (Participant Nr. II).
- *"It depends on the institutional investor, but I would say that individual investors present higher risk. Institutional investors have strong and professional analysts' teams, they aim to generate long-term excess returns and usually boost the company value and reputation"* (Participant Nr. IX).

2.2.10. Do organizations prepare and anticipate a (bad) reputation situation from their shareholders? Are organizations and C-level executives prepared to react to corporate reputation risk events that arise from their shareholders?

All C-level executives share a common belief that the board of directors either lacks (N = 2) or possesses limited capability (N = 7) to anticipate or prevent reputation damage that may stem from shareholders. Table 19 summarizes interviewees' answers.

Respondents assert that there are no corporate governance mechanisms in place to aid them in the ongoing assessment of risks related to shareholder activities, and the topic of shareholder reputation is seldom openly discussed during Board of directors' meetings.

- *"In the day-to-day of the company, I don't think [it is possible to anticipate or even prevent reputation damage that may arise from the shareholder]. If it's someone controversial or an entity that has a bad reputation, I believe that there will be conversations in the 'hallway' about it, but a frank and open conversation in the boardroom, I believe is unthinkable"* (Participant Nr. I).
- *"In the Board of directors, we don't discuss shareholder's risk and I don't think we even have the mechanisms to do so, apart from the very reactive management of certain topics, such as being a PEP, for example. It's not routine, it's almost taboo.*

You have a shareholder, you have a shareholder" (Participant Nr. II).

- *"It's not impossible, although being something very difficult to achieve in most of the companies. It requires directors that are really "independent" from the shareholder and a very strict risk management approach to compliance issues in order to reduce reputation risk"* (Participant Nr. IV).
- *"Yes, you can minimize it. It's called risk management. However, the first step is to recognize/assume that there is a risk. But, in my opinion, most companies are not at all prepared (not here, not anywhere) to recognize that there is, or may be, a risk associated with the shareholder. Because to assume this would require enormous management independence or rationality on the part of the shareholder"* (Participant Nr. V).
- *"Most companies are not fortunate enough to be able to choose their shareholders and, in a proactive and obvious way, cannot discuss when the shareholders' reputation is negative (…). But I see some companies' [communication] actions (…) that, to me, are clearly a way of compensating for a less good reputation of their shareholders, which demonstrates an understanding of the strengths and weaknesses of shareholder's reputation, the identification of potential sources of risk for the company and the development of proactive mitigation measures. For example, companies that strive to reinforce the social character of their activities (however irrelevant) or the transparency with which the deals they have won have been awarded (although no one has yet questioned it)"* (Participant Nr. VI).
- *"From my past experience [in the company previously served], could we have done anything differently? I think so... The main sources of shareholder risk were identified: nationality, public and political exposure. The risk of a reputational event (…) was undeniable. Perhaps we could have proactively taken actions to mitigate the impact of a possible reputational event. (...) but how to communicate this (...)? (...) how to explain to a shareholder, without upsetting and potentially offending them"* (Participant Nr. VII).
- *"You must be aware of the potential risks, but it's your shareholder. It's [the person or entity] who pays your salary... You have to work on areas that mitigate the risk (e.g. strengthening the company's independence from the shareholder wherever possible), but you can't do much more: it's your shareholder"* (Participant Nr. VIII).
- *"In terms of monitoring the current shareholder's base, I believe that entities are less*

proactive. I believe that the subject would not be taboo if the shareholder was, from day one, referred to as high risk, but shareholders are not scrutinized on a recurring basis by default" (Participant Nr. IX).

Table 19 - Capacity of the board of directors to anticipate or prevent reputation damage that may arise from the shareholder

	Participants									N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**	
None	1*	1*	0	0	0	0	0	0	0	2
Limited	0	0	1	1	0	1*	1*	1	1*	6
Full	0	0	0	0	1	0	0	0	0	1
Total	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**9**

Note: * Excluding M&A situations

However, the financial sector appears to be an exception. Respondents who currently serve or have served in the Financial Services industry acknowledge that regulations empower the board of directors to openly address shareholder reputation and the associated risks it may pose to their institutions.

- *"I'll give you this example (...), where the liquidity risk policy was derived from the perceived reputational risk. With many discussions [in the boardroom], because 'we are not being efficient', the institution always had a huge excess of liquidity compared to peers to ensure the continuity and sustainability of the bank in the event of a reputational event [from the shareholders]. (...) Obviously, the Bank of Portugal's reservations regarding the Bank's shareholders helped in the discussion and implementation of these actions"* (Participant Nr. V).
- *" In the financial sector, there is always an ally, the Bank of Portugal, which can be used to pass on difficult messages [to the shareholders] through fit & proper. But in other sectors, it's not the same"* (Participant Nr. VII).
- *"Banking is a different sector, because the regulator analyzes the fit and proper of the shareholders and can demand certain measures (the most extreme being not allowing that person or institution to participate in the Bank's capital)"* (Participant Nr. IX).

Although interviewees believe that directors have limited capacity to anticipate or prevent reputation damage stemming from shareholders, they have identified two crucial factors for enhancing this capacity: (1) adherence to corporate governance principles and (2) the implementation of structured processes. Table 20 summarizes the levers referred by the interviewees.

Among corporate governance principles, the independence of the board of directors stands out as the most significant (F = 8, N = 5). Interviewees define 'independence' as a state of skeptical objectivity in the management and oversight of the company, distinct from any current or past relationship with the organization that might influence a director's decision-making process. Additionally, a few respondents highlight shareholders' self-awareness as a critical corporate governance lever (F = 2, N = 2). They emphasize that only when shareholders comprehend the risks, they might pose to the company, will they be able to promote the necessary level of independence and corporate governance mechanisms to effectively address this issue.

- *"On a day-to-day basis, I don't believe that any shareholder recognizes themselves as a source of risk (...). If they did, they would have truly independent executive management teams. I don't mean "independent" in the sense that Corporate Governance understands the concept of "independence", but independent in spirit, capable of defending positions that could upset shareholders without fear of reprisals, because the shareholder is aware that they are defending the company's best interests and, consequently, their own"* (Participant Nr. VII).

When it comes to the process stream, participants seem to be in theoretical agreement on the steps that should be followed to anticipate a reputational risk event stemming from a shareholder: (1) acquire knowledge about the shareholder, (2) identify various risks to the company that may arise from a reputational event involving the shareholder, and (3) initiate proactive measures to mitigate the impact of such an event on the company.

- *"Anticipating it is only possible by knowing the shareholder very well, mapping the risks and proactively triggering mitigation measures (e.g. strengthening management independence)"* (Participant Nr. III).
- *"Conceptually, the risk that may come from the shareholder should be treated like any other risk: through a structured process of risk identification, assessing their potential impacts and defining mitigation measures"* (Participant Nr. VII).

Table 20 - Levers to anticipate or prevent reputation damage that may arise from shareholders

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Corporate governance principles											
Board of directors’ independence			4	1	1		1	1		8	5
Shareholders’ self-awareness					1		1			2	2
Strict approach to compliance				1						1	1
Structured process											
Knowledge about the shareholder			1			1					
Risk identification			1		1	1	1	1		5	5
Mitigation measures			1			1	1	1		4	4
Total	**0**	**0**	**7**	**2**	**3**	**3**	**4**	**3**	**0**	**22**	**6**

Some interviewees (N = 5) acknowledge that due diligence conducted during merger and acquisition processes (M&A) represents an exception to the limitations in anticipating or preventing reputation risk from shareholders. This exception occurs when a fit and proper analysis of the candidates looking to buy or sell shares of the company's capital is performed. However, respondents also recognize that the process of considering the results of fit and proper analysis in the final buying or selling decision is not entirely clear.

- *"When we set up the [forestry] fund where I serve, a [candidate] due diligence was carried out: not everyone was accepted. Also, because the better reputation a shareholder has, the easier it is to continue identifying other investors"* (Participant Nr. II).
- *"In M&A processes, the suitability of the [future] shareholder is an issue that concerns companies. Maybe sometimes companies can't afford to choose the shareholder at the end, but at least they care about it and are aware of the associated risks"* (Participant Nr. VI).
- *"During M&A processes, (...) incorporating the reputation of the candidate to be a shareholder into the due diligence and the decision-making process is in the hands of the current shareholders"* (Participant Nr. VII).
- *"When deciding whether to bring in a new shareholder, I believe that companies try to anticipate whether there is a risk of a potential reputation problem in the future and that, if in doubt, companies prefer to be conservative and not go ahead with the process"* (Participant Nr. IX).
- *"In the banking sector, (...) acquisition or disposal decisions are made based on due diligence, where the reputational risk of candidates to shareholder is assessed. (...) the financial viability of the opportunity is not assessed if the candidate is not someone interesting to have as a partner"* (Participant Nr. IX).

Regarding the preparedness of organizations and C-level executives to respond to corporate reputation risk events stemming from shareholders, interviewees acknowledge that they are not prepared. In their view, companies and C-level executives are consistently reactive when it comes to reputational events. Table 21 summarizes participants' opinions.

One interviewee (Participant Nr. IV), drawing from prior real-life experiences, further emphasizes that a company's capacity to react depends on various factors beyond the type of reputation event, such as the customer base and the company's level of dependency on the financial sector.

Table 21 - *Preparation level of organizations and C-level executives to react to corporate reputation risk events that arise from shareholders*

	Participants									N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**	
None	1	1	1	1	1	1	1	1	1	9
Limited	0	0	0	0	0	0	0	0	0	0
Full	0	0	0	0	0	0	0	0	0	0

- *"I believe that most of the companies are not. However, the type and severity of reputational event, the company's sector of activity, target customers and markets, and financial and economic independence from financial instruments (...) has an important influence on the capability of a company to react to the potential misconduct of a shareholder"* (Participant Nr. IV).
- *"(...) I see actions from some companies that, for me, are clearly a way of compensating for a less good reputation of their shareholders. When something happens, companies can only react (...). However, (...) the actions that these companies have discreetly taken, help in these moments, because the public subconsciously remembers the good deeds or the company's suitability that were previously communicated"* (Participant Nr. VI).
- *"Companies are not prepared to react strategically, because they haven't planned for it. They will react, of course, but on the instinct of the moment and not on a defined strategy. And in my experience, what seems like a good solution in the heat of the moment can have unanticipated cascade of consequences in the days that follow"* (Participant Nr. VII).
- *"Companies are all reactive and, on [the case of a reputation event affecting the shareholder], even more so"* (Participant Nr. VIII).
- *"Generally speaking, no, because it is a taboo subject. Even though each director may be aware of the risks (...), these have never been openly discussed by the Board of directors and, consequently, (...) a contingency plan has never been drawn up"* (Participant Nr. IX).

2.2.11. Has principal-agent dynamic any saying in how C-level executives address to shareholders' reputation situations?

All nine interviewees unanimously acknowledge (N = 9) that, when it comes to the reputation of shareholders, directors (agents) do not possess the right incentives to act in the best interest of the company and, in principle, in the best interest of the shareholder (principal). However, respondents also contend that, in this specific scenario, shareholders lack the necessary self-awareness to monitor the behavior of the directors.

Table 22 - *Perception of bias on the board regarding shareholders' reputation*

	Participants									N
	I	II	III	IV	V	VI	VII	VIII	IX	
Yes	1	1	1	1	1	1	1	1	1	9
No	0	0	0	0	0	0	0	0	0	0

Most interviewees believe that executives prioritize self-preservation over the long-term sustainability of the company. They tend to avoid discussions about the less positive aspects of a shareholder's reputation to prevent uncomfortable and tense situations with shareholders unless it is necessary. According to respondents, executives always keep in mind that shareholders have a say in selecting board members and their future with the company, even in regulated sectors. Consequently, discussions about a shareholder's reputation are viewed as a potential source of conflict with adverse outcomes for the directors and are thus often avoided.

- *"More than a bias, there is an agency-principal problem. Executives avoid speaking about shareholders' reputation because, in 99% of the cases, shareholders will not take it well and will not perceive it as a discussion to protect the company. And executives will try to protect themselves and their job post"* (Participant Nr. IV).
- *"Directors don't seat on the boardroom to discuss shareholder's risk. Do you think that on Twitter or Tesla Board of directors 'Elon Musk risk' is discussed? Or 'Bill Gates' risk at Microsoft? Do you believe that any kind of governance exist? There is no executive independency (...) And this is what justifies cases as Madoff, who was able to do what he did based on his [unquestionable] reputation"* (Participant Nr. V).
- *"[Directors] cannot discuss this issue when the shareholders' reputation is negative. When it is positive, it is certainly a widely debated topic, because it pleases the shareholder"* (Participant Nr. VI).
- *"Of course there is a bias, not least because the executives themselves have a need*

for self-preservation and won't risk confronting their shareholder, who is, in practice, the individual or entity they work for" (Participant Nr. VII).

While acknowledging a clear bias regarding discussions of shareholders' reputation, some respondents also recognize an evolution in governance models concerning this specific topic. On one hand, fit and proper principles in regulated sectors, along with the inclusion of this topic on the agenda of the board of directors in regulated companies, are becoming a corporate governance standard across all sectors. On the other hand, the present hyper-transparent environment, coupled with the rising frequency of corporate cyberattacks, is increasing awareness among directors and shareholders about the reputation risk associated with companies.

Although there is still a long way to go before shareholder reputation is openly discussed in the boardroom, according to some interviewees, the first steps have already been taken, and non-executive directors (NEDs) will play a pivotal role in this evolution.

- *"There is a clear conflict of agency and, although governance models are evolving, with greater recognition of the importance of counterparties risk on corporate reputation, including shareholders, there is still a long way to go. (...) It is very important that NEDs are truly independent, and this is very much related to individual's character, because it is very difficult to establish mechanisms that ensure de facto independence"* (Participant Nr. V).
- *"[Shareholders' risk] is a topic that is clearly gaining prominence, because it's clear that it's not trivial. Many recent cases (some originated by cyber-attacks), with high visibility, have shown that that the risk of happening (...) is high. This has led the Executive and Non-Executive Directors to raise the issue on the Board of directors' agenda on a recurring basis"* (Participant Nr. IX).

2.2.12. Has the information hyper-transparency environment we live in any saying in how C-level executives perceive and react to shareholders' reputation situations?

All C-level executives interviewed recognize that the present hyper-transparent environment significantly amplifies the likelihood of an event affecting corporate reputation and its potential impact on the company.

- *"(...) a reputational event, associated with a real failure and enhanced by the media, can be a (company) killer"* (Participant Nr. V).

Furthermore, respondents emphasize that the management of corporate reputation risk in today's hyper-transparent environment has not yet been fully mastered.

- *"I personally believe that companies still don't know how to operate in this hyper-transparency world"* (Participant Nr. IV).
- *"I don't know if C-level executives know how to manage what they should be managing, because the digital world has more dimensions than managers can understand"* (Participant Nr. VII).

In less than a generation, the rapid technological development of connectivity platforms has transformed the communication media business, extending beyond traditional media channels and players. According to respondents, this evolution exhibits three key characteristics that not only affect companies but also significantly alter the dynamics of how corporate reputational situations evolve and propagate: (1) democratization of access to information (F = 18, N = 7), (2) proliferation of information sources (F = 7, N = 5), and (3) an increase in opinion-makers (F = 2, N = 2). Table 23 summarizes interviewees' opinions.

Regarding the democratization of access to information, interviewees emphasize that information on the Internet is readily available to anyone, regardless of their location worldwide (F = 6, N = 6), and it is nearly in real-time (F = 8, N = 5). This rapid dissemination reduces the time companies have to react to reputation events. According to respondents, digital platforms and channels also contribute to the proliferation of information sources, as sharing information today is simple, and virtually anyone can do it with limited accountability. Furthermore, traditional media channels are no longer the sole opinion-makers; nowadays, anyone with significant exposure on social networks can become an influencer.

- *"Nowadays, anyone goes to a site and posts what they want about organizations. It has a huge impact [to companies], not least because what's on the Internet is accessible to everyone and is (almost) impossible to delete..."* (Participant Nr. I).
- *"Nowadays, information gets out [of a company] very easily, by all means and channels, and spreads in seconds. And companies don't catch it anymore. 20/30 years ago, getting an event about a company into the newspapers was a difficult, time-consuming process (...). Nowadays, people inside the company themselves use cell phones and messaging to disseminate information. The information gets out in three minutes"* (Participant Nr. II).
- *"In a company I used to serve, there was a corporate reputation event (...). The story appeared in the media on the US at midday; within a few hours, it had spread around the world and had already impacted our operations in different parts of the globe, with customers asking us directly about the event"* (Participant Nr. III).

Table 23 - *How hyper-transparency environment change the rules of the game for companies*

	Participants									F	N
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Democratization of access to information											
Information globalization	1	1	1		1	1	1			6	6
Information in real time		3	1	2	1	1				8	5
Unlimited media space	1	1		1						3	3
Information lasts forever	1									1	1
	3	**5**	**2**	**3**	**2**	**2**	**1**	**0**	**0**	**18**	**7**
Multiplication of information sources											
Anyone, anywhere	1	3		1			1	1		7	5
	1	**3**	**0**	**1**	**0**	**0**	**1**	**1**	**0**	**7**	**5**
Multiplication of opinion-makers											
Beyond traditional media						1	1	1		3	3
	0	**0**	**0**	**0**	**0**	**1**	**1**	**1**	**0**	**3**	**2**
Total	**4**	**8**	**2**	**4**	**2**	**3**	**3**	**2**	**0**	**28**	**8**

- *"Companies haven't yet realized that they live in a fishbowl with curtains, and anyone can open the curtains. Companies must assume that internal and confidential information no longer exists. Any employee (or even a supplier's employee, for example) can report a situation on social media"* (Participant Nr. VII).
- *"Media today goes far beyond the traditional media. (...) anyone can become an opinion-maker if they have the right channel and audience. Often, the traditional media follows the lead of these opinion makers"* (Participant Nr. VIII).

According to the participants in the interviews, today's hyper-transparent environment has three significant consequences for companies. Table 24 summarizes the results. On one hand, media communication is becoming increasingly manipulated (F = 16, N = 7). Within the media business model, although it is evolving slowly, revenues are still strongly tied to audience levels and web traffic. As a result, communication channels have an incentive not only to report news but to create news (F = 12, N = 7).

Respondents do not claim that media channels report false news today. However, they argue that if the underlying subject is of interest to the mass public, communication channels aiming to boost their audience will present an isolated event as a recurring corporate practice, generalize from one company to others based on a common link, and often omit providing the context for an event, to name a few examples.

Furthermore, interviewees highlight that, for various reasons, news are increasingly published with little to no scrutiny and data source verification (F = 6, N = 4). On social networks, posts gain 'life' and turn into news simply because they have been shared numerous times to the point where it becomes impossible to identify the original source. Additionally, traditional media channels are under pressure to be the first to report news. According to C-level executives, this lack of scrutiny by communication channels is already being exploited by some companies or individuals to encourage the publication of news that may harm the reputation of competitors or opponents or enhance their 'moral capital'.

- *"It's all so constructed, and even constructed by the media, that (...) becomes a fact"* (Participant Nr. I).
- *"(...) we know that there is gossip on social media, sometimes unsubstantiated (so-called fake news), posted with the intention of creating or destroying an image"* (Participant Nr. II).
- *"The emotion, and consequent reaction, that a news raise allows to sell newspapers, increases audience in TV channels and increases traffic in media networks. If the*

news grabs attention, media will capitalize on it by any possible means" (Participant Nr. IV).

- *"(...) anyone can publish information about a company and, depending on how users interact with the information published, this information can (...) be captured by traditional media channels (...). Sometimes, without anyone having questioned and validated the underlying factors"* (Participant Nr. IV).
- *"There can be news that affect the corporate image and brand without any underlying fact"* (Participant Nr. V).
- *"Media are channels for building or destroying reputations in certain segments"* (Participant Nr. VII).
- *"In today's world, there is more and more fake news (just because it sells more easily). (...) there is a simple intention to put news out there: that sells and that has visibility, without any regulation"* (Participant Nr. VIII).

Another consequence of today's hyper-transparency, according to interviewees, is the proliferation of watchdogs (F = 5, N = 4). With the advent of social media, anyone can now report alleged corporate abuses. The traditional role of the press in monitoring the behavior of companies and governments has shifted to the hands of individual citizens and organizations. According to the C-level executives interviewed, this social evolution has a detrimental impact on companies, as they often find themselves in a perpetual state of justification. Moreover, due to the anonymity promoted on social networks, companies may not even be able to identify the original accuser to address the facts and arguments.

- *" (...) customers asked us directly about the event. (...) Whether the news is reliable or not, the company is always on the role of 'explainer'"* (Participant Nr. III).
- *"(...) the number of parties looking if companies do something wrong or illegal increases everyday"* (Participant Nr. IV).
- *"The media are true 'watchdogs' of the public, driven by an environment that favors the transmission of information in real time (...) without filters"* (Participant Nr. V).
- *"'Transparency' has become the panacea for all the problems that have affected some large companies in recent decades, and the digital world encourages surveillance, without scrutiny, by any individual of companies, institutions and even other individuals"* (Participant Nr. VII).

Finally, respondents mention that today's hyper-transparent environment also fosters a cascade effect that companies cannot control (F = 7, N = 3). Once something is published on social networks, companies lose their ability to control its spread or anticipate the chain of events that the information may set in motion.

- *"(...) the event is built up as it circulates on the social networks and the speed with which it circulates does not allow companies to take any mitigation or control actions"* (Participant Nr. III).
- *"If the subject is of interest, the machine [social media] works by itself. Someone with greater visibility on social media highlights and comments on the case, and the company only becomes aware that there is a reputational issue when the communication department receives a call asking if the company wants to comment on the news that will appear at 8pm on the TV news channel"* (Participant Nr. VII).

C-level executives interviewed emphasize how today's hyper-transparent environment has made managing corporate reputation risk more challenging. However, two interviews also highlight a positive aspect. They note that increased public scrutiny encourages corporate change and transformation. Furthermore, the abundance of publicly available information about third parties allows for more informed due diligence.

- *"Sometimes this exposure is necessary so that internal management change"* (Participant Nr. I).
- *"For [the Financial sector], however, I have to confess that this hyper-transparency helps because it allows us to get a clearer 'picture' of our counterparties. One of the sources of consultation is, of course, the media"* (Participant Nr. IX).

While they acknowledge the importance of social media for companies, C-level executives firmly believe that traditional media channels remain more influential when it comes to building or damaging corporate reputation. Respondents unanimously agree that news published in traditional media channels highly impact corporate reputation (Mean = 9.11), rating it 8 or higher on a scale from 1 ('no impact') to 10 ('massive impact'). In their collective opinion, news published on social networks carry a lower but still noteworthy impact on corporate reputation, ranging between 5 and 9 on the same scale (Mean = 7.11). Table 25 consolidates interviewees' evaluations.

According to the respondents, the public generally considers traditional media channels to be more reliable and grants greater credibility to the news they publish. This is why, in their view, companies of significant size continue to invest in managing and monitoring traditional media stakeholders. The participants perceive social networks as a channel that also requires close monitoring by companies, as it tends to precede reputation scandals.

Table 24 - *Hyper-transparency environment consequences to companies*

	Participants									F	N
	I	II	III	IV	V	VI	VII	VIII	IX		
Media communication manipulation											
News making	1	1	2	1	2	2	1	2		12	8
Little scrutiny	1			2	2		1	1		7	5
	2	**1**	**2**	**3**	**4**	**2**	**2**	**0**	**0**	**19**	**7**
Watchdogs everywhere			2	1	1		1			5	4
			2	**1**	**1**		**1**			**5**	**4**
Cascade effect			3				**2**	3		8	3
			3				**2**	**3**		**8**	**3**
Total	**2**	**1**	**7**	**4**	**5**	**2**	**5**	**3**	**0**	**32**	**8**

Table 25 - *Impact of communication channels on corporate reputation*

	Participants									Mean
	I	II	III	IV	V	VI	VII	VIII	IX	
Traditional media	10	8	8	9	9	10	10	10	8	9.11
Social networks	9	5	7	6	6	9	8	8	6	7.11

Note: 1 - ‘no impact’; 10 - ‘massive impact’

According to the participants, the public may not place 100% trust in news published on social networks, but they tend to believe that there might be some underlying truth in these reports.

- *"(...) the traditional media still have more impact, because they are perceived as providing more information. Of course, social media also makes people look for more information on a subject, adopt a more suspicious spirit: "where there's smoke, there's fire""* (Participant Nr. II).
- *"All channels affect, but in different ways and with different impacts. All together is clearly more traumatic [for the company]. A social network has an impact because it creates a lot of noise, but it doesn't 'blow' any company away. If you have a story together in Correio da Manhã and on television, or on prime time tv show, it has a more significant impact. A structured channel has more credibility than a social network, where everyone now realizes that a lot of lies are disseminated. Social networks are more important in terms of anticipating what's coming and assessing risk"* (Participant Nr. V).
- *"If you're convicted in court, you have some formal operational difficulties (e.g. opening a bank account). But if the news doesn't make the media, it goes unnoticed in terms of reputation and day-to-day life. Whereas if there is [only an accusation reference] in the media, you are automatically guilty in people's minds"* (Participant Nr. VIII).

Today, companies cannot control the outflow of information or how quickly it spreads and transforms into news or a potential reputation scandal. However, the C-level executives interviewed assert that there is some preventive (F = 9, N = 6) and mitigation (F = 10, N = 6) actions that companies can undertake. Table 26 summarizes the strategies identified by interviewees to deal with today's hyper-transparency environment.

In terms of prevention, interviewees emphasize the significance of proactively managing the public connection with shareholders (F = 7, N = 6), particularly when any of the key factors that negatively affect shareholder reputation are present.

- *"Directors should realize that if a shareholder is a potential source of reputational risk, they should, as a preventative measure, avoid publicizing the company's relationship with them as much as possible"* (Participant Nr. V).
- *"From experience, companies are not all affected in the same way by a shareholder scandal. The same shareholder, with the same reputational constraints, affected the*

companies in their portfolio in very different ways. How did the companies differ and what, in my opinion, made the difference? Firstly, in the way they took advantage of the shareholder's image over the years: while some communicated a close relationship, others always communicated a separation between management and the shareholder" (Participant Nr. VII).

- *"The companies that suffered the most from this particular reputational issue were companies in which the shareholder was the 'parental figure', had a de facto role in the company survival (umbilical relationship was established)"* (Participant Nr. VIII).

Furthermore, some respondents believe that social media monitoring (F = 3, N = 3) is essential for anticipating potential reputation events and providing companies with the time needed to implement mitigation measures.

- *"It is important that companies follow social media to constantly 'feel the mood' and anticipate some potential reputation issues (...)"* (Participant Nr. IV).
- *"Social networks are a channel for certain segments (...). It needs to be managed as the channel it is and companies should monitor it to understand and anticipate trends"* (Participant Nr. VII).

In terms of mitigation, interviewees argue that the most effective approach in dealing with today's hyper-transparent environment is to communicate factual information (F = 7, N = 6). This enables companies to contextualize the event being communicated and shape public perception.

- *"The only way to fight constructed perceptions is by communicating the facts, by explaining the context and the event itself. (...) In many people's minds, as soon as the news appears in the media, it becomes the truth. Companies can only respond with facts"* (Participant Nr. I).
- *"If you don't give stakeholders facts (almost like proof) about what the company is doing, what has been done, what has happened, it's difficult to synchronize mindset. I would say that to manage reputational risk the company has to have good and solid underlying facts, and then try to manage perceptions and emotions, which may be wrong about the company"* (Participant Nr. II).
- *"There is sensitivity in the facts, and the facts are important in the recovery of reputation. Crisis management is the more effective, the more the message is based on communicating facts, evidences"* (Participant Nr. VII).

Table 26- *Corporate strategies to deal with hyper-transparency environment*

	Participants									**F**	**N**
	I	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**		
Preventive corporate strategies to dels with hyper-transparency environment											
Media management of shareholder's relationship	1		1		1		1	2	1	7	6
Social media monitoring				1	1		1			3	3
	1	**0**	**1**	**1**	**2**	**0**	**2**	**2**	**1**	**10**	**7**
Mitigation corporate strategies to deal with hyper-transparency environment											
Contrast with the facts		2		1	1	1	1	1		7	6
Capitalization on management independence				1	1		1			3	3
	0	**2**	**0**	**2**	**2**	**1**	**2**	**1**	**0**	**10**	**6**
Total	**1**	**2**	**1**	**3**	**4**	**1**	**4**	**3**	**1**	**20**	**9**

C-level executives who have previously encountered reverse reputation spillover, however, assert that the only effective mitigation strategy is to enforce a clear separation between the operational management of the company, entrusted to the executive committee and overseen by the board of directors, and the shareholders, who own the company's capital (F = 3, N = 3).

- *"(...) frankly, if there is a reputation scandal (no matter if it is real or not), the only action the company can have, is to show that shareholders don't participate on the operational management of the company. And if they do, they need to resign"* (Participant Nr. IV).
- *"(...) in the event of a shareholder's scandal, the only relatively effective mitigation measure is to distance the company from the shareholder (because they are not part of the management, because they put their position up for sale, etc)"* (Participant Nr. V).
- *"(...) the press release announcing that the participation was going to be sold, originated by the Board of directors and not by the shareholder, who merely accepted the Board's recommendation, (...) honestly, it was the only mitigation action that could have been minimally effective [following the reputation scandal affecting the shareholder], because it indirectly communicated that the shareholder was a mere financial investor and was not involved in the management of the company"* (Participant Nr. VII).

2.3. Discussion of the Results

In the following section, a summary of the primary conclusions derived from the in-depth interviews with C-level executives is provided. This summary includes a comparison with the findings drawn from empirical studies on corporate reputation available in the literature. Additionally, it encompasses the insights highlighted by the C-level executives, for which we have not found parallel within the existing literature.

2.3.1. Corporate Reputation

As stated in the literature review section, the definition of corporate reputation has been a subject of significant exploration by scholars in recent decades. Today, there is a prevailing consensus that there is no single, universally accepted definition, but rather multiple perspectives on corporate reputation from various disciplinary angles (Barnett et al., 2006; Veh et al., 2019; Wartick, 2020). Similarly, the C-level executives interviewed were also unable to provide a uniform definition for corporate reputation. The interview results indicate that the terms identity, image, and reputation are often used interchangeably, a phenomenon identified in the literature by authors like Bromley (2000) and Whetten and Mackey (2002). This interchangeability is due to the high degree of correlation among these concepts, a viewpoint supported by Llewellyn (2002).

In general, the interviewees perceive corporate reputation as the collective perception held by stakeholders regarding the company's purpose and what it stands for, both presently and in the future. This perception is shaped by both the deliberate and unintentional image projected by the organization over time through its actions and behaviors.

This characterization is notably consistent with the most widely accepted definition of corporate reputation identified by Veh et al. (2019), based on an analysis of 5,885 publications. However, in emphasizing the influence of stakeholders' perception on corporate reputation, often referred to as the 'cognitive component' (Llewellyn, 2002; Schwaiger, 2004), the interviewees also underscore the predisposition of stakeholders to change their behavior towards the company. This, in turn, affects their perception of the company over time. This observation supports the thesis that there is an attitudinal component that plays a crucial role in shaping corporate reputation (Llewellyn, 2002; Schwaiger, 2004; Watson, 2007).

The C-level executives have identified five drivers that exert an influence on corporate reputation, with four of them also being identifiable in existing literature. However, the driver labeled as 'internal control systems' is an area where a direct parallel in the existing literature was not found. We posit that the reason for this topic being prominently featured in the minds of the interviewees is likely the heightened focus on corporate governance awareness at the level of boards of directors over the past three decades. This heightened awareness comes in response to major corporate reputation scandals in Europe and the United States, which have been attributed to a lack of standardized practices, breaches of governance norms, and instances of mismanagement (Vogler & Eisenegger, 2019).

The 'communication' factor, which pertains to how aspects or events of the company's life are perceived by stakeholders, encompasses a slightly broader scope than the reputation drivers identified by Fombrun and Shanley (1990) and Kitchen and Laurence (2003), who focus on media visibility and media, respectively. The 'past behavior' factor mentioned by the participants, on the other hand, covers topics related to the delivery of the value proposition and profitability. Interestingly, 'profitability' and 'market value' are recognized as the two primary reputation drivers according to Fombrun and Shanley (1990), and 'employees', an intrinsic component of service quality, ranks among the top five in Kitchen and Laurence's exploratory study (2003). Among the 'counterparties' factor, respondents also include the ownership structure, which was ranked as the fifth driver of corporate reputation in Kitchen and Laurence's study (2013). Finally, the 'social and institutional context' factor bears a clear connection to the social-constructionist view of reputation, as outlined by Soleimani et al. (2014).

A recurring theme emphasized by C-level executives throughout the interviews is the concept that corporate reputation is formed through the accumulation of various layers of information. For instance, the country of origin influences the reputation of a counterparty, which, in turn, contributes to the reputation of the company. No reference to the idea of reputation being built in layers was encountered in the existing literature. This observation highlights the unique perspective brought forward by the interviewees and suggests an interesting avenue for further exploration in the study of corporate reputation.

However, several authors have found evidence that a company's country of origin reputation moderates the effectiveness of its corporate reputation signals (Cowan & Guzman, 2020; Kemper et al., 2013; Magnusson et al., 2011; Öberseder et al., 2013; Zuckerman & Kim, 2003).

Numerous studies have delved into the relationship between corporate performance and corporate reputation, providing substantial evidence that corporate reputation is indeed value-relevant in explaining the market value of an organization. This holds true even after accounting for the halo effect of financial performance (Black et al., 2000; Carmeli & Tisher, 2005; Davies et al., 2004; Fombrun & Van Riel, 2004). In line with these findings, the C-level executives argue that corporate reputation has a causal effect on a firm's value. They posit that this effect manifests indirectly, which aligns with the perspectives of several scholars in the field (e.g., Carmeli & Tisher, 2005; Rose & Thomsen, 2004).

As per the insights provided by the interviewees, corporate reputation exerts its influence on firm value through factors such as top-line growth, rather than having a direct impact on company’s valuation. A positive corporate reputation can result in the availability of more and higher-quality clients (e.g., Nguyen & Leblanc, 2001) and desirable partners (e.g., Groenland, 2002; Stevens & Makarius, 2015), who are not only willing to collaborate with the company but also willing to pay a premium price for its products or services (e.g., Deephouse, 2000; Rindova et al., 2005). This, in turn, enhances the company's financial performance. Additionally, the interviewees emphasize that corporate reputation plays a crucial role in the company's ability to attract talent (e.g., Cravens & Oliver, 2006; Eccles et al., 2007) and in its access to financial and capital markets (e.g., Orlitzky & Benjamin, 2001). These factors collectively contribute to the firm's overall value and performance, reinforcing the idea that corporate reputation's impact is predominantly indirect.

Certain C-level executives introduce the notion of a “moral credit” that emanates from a positive corporate reputation. This “moral credit” provides some buffer to the companies, particularly in the event of adverse events. This concept suggests that a positive reputation grants the company an insurance-like effect when challenges arise. Several authors have explored and supported this idea, including Dhir and Vinen (2015), Minor and Morgan (2011), Shiu and Yang (2017), and Vanhamme and Grobben (2009). This concept of “moral credit” somehow aligns with the idea of trust in the business context, which was also highlighted in the interviews, and which is explored in the following sections.

2.3.2. Corporate Reputation Risk Management

In the literature, there is a lack of a general consensus on the definition of corporate reputation risk, and interviewees also found it challenging to provide a clear definition. However, the ideas that emerged from their responses closely align with the definitions identified by Eckert (2017) for corporate reputation risk, which represent the various stages of the causal chain:

- Type 1: the deterioration of perception from a specific stakeholder group concerning a specific issue.
- Type 2: a change in behavior towards the company by a particular stakeholder group.
- Type 3: monetary losses incurred due to reputational damage.

The literature suggests that reputation risk is more challenging to manage than other types of risk due to two cumulative characteristics: an amplifying effect and its qualitative nature. This highlights the complex and multifaceted nature of reputation risk, which extends beyond traditional financial metrics and involves the perception and behavior of stakeholders.

The amplifying effect of corporate reputation risk has led several scholars to dub it the “risk of risks” (Bonime-Blanc, 2014; Eckert, 2017; Fiordelisi et al., 2014). This term is used because of reputation risk's ability to compound and add further value losses to any risk event. The C-level executives interviewed acknowledge that reputational risk is more challenging to define and manage compared to other types of risks. This is because it may not only stem from a single reputation event (termed “a risk on its own right”, as stated by Fombrun, 1996) but can also originate from or be compounded by other risks (referred to as “a risk to reputation”, as mentioned by Rayner, 2003). Additionally, interviewees identify the characteristic known in the literature as “risk by association” (Fombrun, 1996). This aspect involves the transference or spillover of reputation between the company and its stakeholders, adding an extra layer of complexity to the amplifying effect of reputation risk.

Numerous respondents emphasize that corporate reputation risk is an 'invisible' risk. This means that it is not only challenging to measure, but also that current risk management systems and methodologies are perceived as not entirely suited for its measurement and quantification. Several authors (Eccles et al., 2007; Eckert, 2017; Walter, 2013) have arrived at similar conclusions, explaining why reputation risk management often tends to be overlooked by top management executives. A significant effort has, however, been deployed to build a conceptual approach to reputation risk management aligned with the principles of enterprise risk management systems (e.g., Eccles et al., 2007; Gaultier-Gaillard et al., 2009b; Schultz, 2017).

2.3.3. Shareholders' Reputation Role on Corporate Reputation

The C-level executives recognize the bidirectionality of reputation transferability. They unanimously agree that corporate reputation can transfer to shareholders, a viewpoint supported by the literature (Zhang & Schweitzer, 2019). According to the interviewees, this spillover effect influences both the value and the reputation of the shareholder.

The interviewees also unanimously agree that the reputation of controlling or qualified shareholders plays a role in shaping corporate reputation. This aligns with the thesis of Zhang and Schweitzer (2019), who argue for an interdependency between corporate reputation and ownership. Consequently, the interviewees contend that a 'reverse spillover effect' exists. This effect encompasses two key aspects: (1) the misconduct of shareholders can indeed impact corporate reputation, and (2) a reputational event in one company may affect other companies linked by the same ownership structure. This underscores the interconnectedness of reputation dynamics and the far-reaching implications of reputation events.

However, the interviewees assert that the reverse spillover effect is applicable primarily to controlling or qualified shareholders. In their view, the market recognizes the influence these shareholders exert on the company, either directly or through their representatives, while non-controlling or non-qualified shareholders are perceived to have little to no impact. Interestingly, this perspective aligns with the findings of Hung et al. (2020), who identified a similar characteristic in the 'spillover effect'. In cases of misconduct by a company, it is typically the controlling shareholders who are affected, while non-controlling shareholders remain largely unaffected.

While recognizing the existence of the reverse spillover effect, the C-level executives emphasize that the level of reputation risk introduced by a shareholder can vary depending on the corporate ownership structure. According to the respondents, single or concentrated ownership structures pose a higher reputation risk to companies than multiple or dispersed ownership structures. This view aligns with the understanding presented in the literature, as empirical studies have shown that a high level of ownership concentration can erode corporate reputation. This erosion occurs due to the risk of control being exercised by the largest shareholder at the expense of minority investors (Delgado-Garcia et al., 2010; Gomes, 2000; La Porta et al., 2000) and due to the perception of lower transparency in management (Ljubojevi & Ljubojevi, 2008).

However, the C-level executives' arguments for the increased reputation risk associated with single or concentrated ownership structures are more centered on the perception of a higher risk of misconduct by the controlling shareholder. They perceive a greater potential for reputational damage when there is a dominant shareholder with significant control over the company.

Additionally, the interviewees argue that individual investors pose a higher level of reputation risk to companies compared to institutional shareholders. They perceive institutional shareholders as being subject to greater scrutiny and, as a result, as being more inclined to adopt rigorous management practices. This viewpoint is consistent with the arguments presented by Delgado-Garcia et al. (2010), which suggest a positive correlation between the concentration of ownership in institutional shareholders and corporate reputation. However, regarding whether the reputation risk stemming from shareholders varies among private companies, public companies, or investment funds, the opinions of the respondents differ, and no definitive conclusion was found in the existing literature. This suggests that the impact of shareholder reputation risk might vary based on the specific nature and ownership structure of the company.

The existing literature on the relationship between corporate reputation and ownership structure, as well as the impact of shareholder reputation on corporate reputation, is still in its early stages of development. However, the C-level executives provide valuable insights, suggesting that different stakeholders view shareholder reputation (the trustor) to enhance or diminish trust in the company (the trustee). This serves to minimize information asymmetry as postulated by transitive trust theory.

In empirical terms, the interviewees argue that trust is transitive, implying that in a transitive trust relationship, parties trust each other if they trust an intermediary party - in this case, the shareholder (Bhuiyan et al., 2010). Recent literature supports this notion and emphasizes the significance of trust transference from shareholders to the companies they invest in, particularly for startup companies that lack an established history with stakeholders (Nicolo, 2015; Zhang & Schweitzer, 2019). This trust transference is seen as crucial for establishing trust and credibility, especially in the absence of a lengthy corporate track record.

The C-level executives acknowledge that certain factors, whether fairly or unfairly, can jeopardize shareholders' reputation and, in turn, corporate reputation. According to the respondents, the most significant factor in their view is nationality, closely followed by suspicions of illicit enrichment, corruption, and bribery. While the literature does not appear to offer specific references to the factors influencing shareholders' reputation, we suggest that nationality, or country of origin, can encompass information about the likelihood of ethical or legal activities. This makes it an informative signal that can impact the perception of shareholders and their influence on corporate reputation. Several authors have examined the impact of a company's country of origin on its reputation, although no link has been established between this factor and the ownership structure (Cowan & Guzman, 2020; Kemper et al., 2013; Magnusson et al., 2011; Öberseder et al., 2013; Zuckerman & Kim, 2003).

As per the interviewees, a reverse spillover effect is contingent on the reputation event affecting the shareholder being publicly exposed. In their view, the decision to publicize a reputation event depends on the degree of public or political exposure of the shareholder. Individuals or entities under the spotlight for any reason are subjected to a higher level of public and media scrutiny. Additional factors such as nationality, when combined with the level of shareholders' public exposure, can further amplify the impact of a reputation event on corporate reputation.

The interviewees point out that the impact of the reverse spillover can vary significantly from one company to another, even under similar conditions. According to their perspectives, companies that heavily depend on the financial sector and specific business segments are more likely to experience a greater impact and face more challenges in mitigating the consequences of a reputation event. They argue that this occurs because such companies, along with their shareholders and other significant counterparties, are subject to heightened scrutiny from financial institutions and the general public.

It is worth noting that the literature did not provide specific references to conditions surrounding the reverse spillover highlighting the unique insights provided by the interviewees in this context.

2.3.4. Agency Theory and Shareholder's Reputation Management

Agency theory has a long and established history, with its roots dating back to the 1960s and 1970s. Over time, it has been applied to various disciplines. In the field of strategic management, agency theory has been employed to explain and address disputes and reduce associated costs that often arise between shareholders (principals) and executives (agents, to whom decision-making authority is delegated). These conflicts typically stem from differences in goals or risk aversion (Bendickson et al., 2016; Bergh et al., 2018; Bosse & Phillips, 2016; Dalton et al., 2007; Shapiro, 2005).

Throughout the years, corporate governance researchers have put forward monitoring and incentive-alignment systems with the goal of mitigating agency costs (Daily et al., 2003; Dalton et al., 2007; Young et al., 2008). On the other hand, comparative corporate governance theories contend that high ownership concentration can help reduce the agent-principal conflict and the transaction costs associated with monitoring agent behavior (La Porta et al., 2000). These theories provide frameworks for understanding how corporate governance mechanisms can influence the relationship between shareholders and executives.

Based on the observations made by the C-level executives regarding shareholders as a potential source of corporate reputation risk, it can be concluded that, in their perspective, there is no principal-agent problem in this context. Directors (agents) not only lack incentives to raise concerns about shareholder reputation and its impact on corporate reputation, as they may be penalized for doing it. Simultaneously, shareholders (principals) may lack the necessary self-awareness to initiate this discussion. This alignment of interests between agents and principals suggests that agency costs are eliminated. However, it also implies that the focus may not be on maximizing shareholder value. In essence, while the absence of a principal-agent problem reduces certain costs, it may not necessarily lead to optimal outcomes for the company and, consequently, for its shareholders.

The overall absence of a principal-agent conflict, as perceived by the C-level executives, is not seen as a positive situation. Instead, it suggests that the board of directors may not be fulfilling its stewardship responsibilities effectively within the company, as they have the ultimate responsibility of managing all the components of reputation risk (Dowling, 2006b). However, the interviewees also believe that the board of directors currently lacks the necessary corporate governance mechanisms to openly address and prepare for the potential risks stemming from shareholders. As a result, they may not be equipped to implement mitigation measures proactively.

An exception to this situation is the financial sector, which is highly regulated. In this sector, supervisory authorities hold significant power over ownership structures and can compel discussions and actions related to fit and proper diligence. This regulatory oversight means that the financial sector has more stringent mechanisms in place to address potential shareholder-related risks, whereas other sectors may lag behind in this regard.

We have not discovered any literature exploring the relationship between the principal-agent dynamic and shareholders' reputation risk management.

However, much recent literature has delved into the role of independent directors and the ideal form of 'independence' required for effective decision-making by these directors (e.g., Calderón et al., 2020; Courteau et al., 2017; Sharpe, 2011). The interviewees advocate for a higher level of independence on the board of directors. They understand 'independence' as a form of skeptical objectivity in the management and supervision of the company. This concept of independence aligns with positive approaches to independence, as examined by scholars such as Calderón et al. (2020). This positive independence entails practical wisdom and autonomy, enabling directors to act with integrity, fairness, and truthfulness.

Furthermore, the interviewees emphasize that there exists a monitoring gap on the part of the principals, as they often fall short in overseeing the behavior of the directors (agents) due to a lack of self-awareness. According to the interviewees, this monitoring gap can only be effectively addressed by the shareholders themselves. It requires shareholders to recognize the potential risks they may pose to the company and to establish the right incentives for the directors. In doing so, they can contribute to more effective governance and reputation risk management. This shift in focus places a greater onus on shareholders to actively engage in the oversight of the company's leadership and corporate reputation.

2.3.5. Media Role on Corporate Reputation

The C-level executives assert that the role of the media has evolved significantly, extending far beyond traditional media channels. They emphasize that the technological advancements in connectivity platforms over the last two decades have exponentially increased the likelihood of a wrongdoing becoming a full-blown reputational scandal. This, in turn, has amplified both the probability and the magnitude of impact associated with a corporate reputation event.

According to these executives, the development of connectivity platforms has created a hyper-transparent environment. In this environment, information is easily shared, accessible, and subject to analysis and dissemination by a multitude of opinion makers without traditional scrutiny, or 'gatekeepers' as described by Vogler and Eisenegger (2019). These authors recognize that media, with its mission to make corporate misbehavior known to the public and influence public perception, is a primary driver behind the occurrence of reputation scandals. This emphasizes the critical role of media in shaping the narrative and perception of corporate reputation events.

While the literature has not definitively determined why certain corporate wrongdoings escalate into scandals while others do not (as noted by Bayle & Rayner, 2018; Vogler &

Eisenegger, 2019), Vogler and Eisenegger (2019) did identify a correlation between the level of public interest in an industry or company and the occurrence of corporate scandals.

However, the interviewees put forth a different perspective. They contend that companies with a higher level of public exposure, often attributed to the public or political exposure level of their shareholders, are more likely to attract media attention and, consequently, experience reputation scandals. Furthermore, if companies or shareholders are controversial and capable of sparking discussions and extreme opinions, they are even more likely to garner media attention. This implies that the level of public interest and the controversial nature of a company or its shareholders play key roles in determining which corporate wrongdoings become full-fledged scandals.

According to the interviewees, social media has fundamentally altered the dynamics for companies in how scandals evolve and disseminate, and companies are still struggling to master corporate reputation management in this era of hyper-transparency. Some of the challenges highlighted by the interviewees have already been extensively explored in the literature, including the reduction in reaction time and the proliferation of watchdogs (Bednar, 2012; Vogler & Eisenegger, 2019).

However, the interviewees also bring attention to two aspects that have not yet received enough consideration in scholarly research. These are:

1. An uncontrollable cascade effect: companies often find it challenging to control the rapid and widespread dissemination of information on social media. Negative news or rumors can spread like wildfire, making it difficult for companies to manage the fallout effectively.
2. Increase in news fabrication: the interviewees note that in the age of social media, there is an increased risk of news fabrication, where false or misleading information can be disseminated and gain traction. This further complicates reputation management for companies.

These emerging challenges, not deeply addressed in the existing literature, underscore the evolving nature of reputation management in the digital age and the need for companies to adapt to these new dynamics.

The historical role of media in both the erosion and restoration of corporate reputation, as discussed in the literature (Eccles, 2007; Sims, 2009; Vogler et al., 2016), continues to be relevant today. According to the C-level executives, the present era makes it easier for companies to use social media as a tool to damage the reputation of competitors while enhancing their own “moral capital”. This reflects the evolving landscape of reputation management, where social media plays a pivotal role not only in a company's self-presentation but also in how it engages with and responds to competitive dynamics in the market.

The interviewees emphasize that managing corporate reputation in today's hyper-transparent environment demands proactive actions, including:

(1) Managing public connections with counterparties, especially shareholders: this is crucial, particularly if there are identified weaknesses in the shareholder's reputation.

(2) Closely monitoring social media: to anticipate any reputation-related noise and gain reaction time, companies need to keep a close eye on social media. This proactive monitoring allows them to gain some reaction time.

(3) Developing and communicating "moral capital" building initiatives: these initiatives should be viewed as investments aimed at demonstrating the company's goodwill and moral character to stakeholders. By developing a positive moral capital, companies can create a form of shield against reputation risk. This understanding aligns with existing literature (Gaultier-Gaillard et al., 2009b; Godfrey, 2005; Godfrey et al., 2009; Minor & Morgan, 2011; Peloza, 2006; Shiu & Yang, 2017) that underscores the value of enhancing moral capital to protect against reputation-related challenges.

2.4. Conclusion

Based on the analysis of interviews, it can be observed that C-level executives recognize the undeniable value and significance of corporate reputation as a key asset. However, it is worth noting that the field of corporate reputation risk management is not yet fully mature. C-level executives face challenges in effectively managing the various dimensions of reputation risk, especially in light of the increasing complexity brought about by the digital era.

Reputation risk not only stands as a risk in its own right but also cumulatively derives from other risks. Multiple layers of information contribute to the construction of corporate reputation, forming distinct layers of triggers for corporate reputation risk. The existing risk management systems and processes are perceived as insufficient to effectively address the multifaceted and qualitative nature of reputation risk. The advent of social media has transformed every individual into a potential corporate watchdog and whistleblower. Social media is capable of quickly escalating an incident into a corporate reputation scandal before the company has a chance to respond. Lastly, it is important to acknowledge that the understanding of what constitutes a positive corporate reputation evolves over time due to social and institutional dynamics, as reputation is a social-constructed concept.

The recognition that reputation reverse spillover exist is central to this thesis, and indeed C-level executives themselves acknowledge the existence of this phenomenon, noting it as an increasing cause for concern. This growing concern arises from several recent reputation scandals involving large corporate shareholders, as well as the heightened likelihood of such incidents multiplying due to the increasing sophistication and frequency of cyber-attacks. However, in most cases, companies find themselves in a reactive position, attempting to mitigate the impact of a reputation event that affects the shareholders and, in turn, the corporate reputation.

The theme of shareholder reputation remains absent from the agendas of most boards of directors. Corporate governance mechanisms designed to facilitate this discussion at the board level are virtually non-existent, except in the financial sector, where regulatory bodies and authorities have some influence through fit and proper standards. The self-interest of both directors and shareholders tends to relegate shareholder reputation to a non-priority, and it remains an unmonitored dimension of corporate risk.

Overall, the observations gathered from the nine in-depth interviews conducted with C-level executives align with the conclusions of empirical studies on corporate reputation found in the literature. Interviewees highlight topics stemming from major management issues of recent decades, such as signaling, transferability, and agency theories. However, interviewees also brought attention to certain aspects for which there appears to be a gap in the existing literature. These include the reputation reverse spillover effect and the specific characteristics that transform a reputation event affecting shareholders into a full-fledged corporate reputation scandal.

As per the insights provided by the interviewees, it is evident that controlling or qualified shareholders play a significant role in shaping corporate reputation, and their personal reputations contribute as one of the layers of information that define corporate reputation. However, it is important to note that a reputation event involving a controlling or qualified shareholder does not necessarily lead to a reputation scandal. Interviewees assert that the extent of public exposure of the shareholder is a pivotal factor in the emergence of a corporate reputation scandal through a reverse spillover effect. This suggests that individual shareholders pose a higher reputation risk to companies than institutional shareholders do.

Conversely, companies do not experience the impacts of a reputation reverse spillover uniformly. According to the interviewees, the business model, which pertains to how companies target their customer base, does not significantly influence this outcome. However, the level of dependence on the financial sector emerges as a critical factor. The extent to which a company relies on the financial sector for its business operations, such as in areas like trade finance or trade insurance, has a substantial impact. The greater a company's reliance on the financial sector, the more it, its shareholders, and other significant stakeholders, including key suppliers and clients, come under the vigilant scrutiny of financial institutions.

From this initial inductive study, it is evident that management executives are cognizant of the phenomenon of reputation reverse transferability from shareholders to companies and comprehend its potential impacts. Nevertheless, this study also provides insight into the interviewees' beliefs, indicating that the extent of reputation reverse spillover hinges on specific characteristics, contingencies, associated with both the shareholder and the company. These factors include:

- The nature of the reputation event (whether it is negative, neutral, or positive).
- The sector where the company operates (whether is it more or less exposed to public and regulatory scrutiny).
- The type of ownership (individual vs. institutional shareholder).
- The structure of ownership (whether capital is concentrated or dispersed).
- The level of dependence on the financial system.
- The extent of media exposure of the shareholder.

This suggests that these contingencies play a significant role in determining the magnitude of reputation reverse spillover. Based on the findings from this initial inductive study, four propositions were developed, summarizing the views of the interviewed C-level executives:

P1: ***Reverse spillover effect*** - shareholder reputation has a positive direct effect on corporate reputation.

P2: ***Reverse spillover significance*** - shareholder reputation has a positive direct effect on firm value.

P3: ***Structural and contextual contingencies -*** structural and contextual factors related to ownership, media exposure and financial dependence influence the relationship between shareholder reputation and corporate reputation.

P3a: Ownership concentration contingency - the structure of shareholder ownership influences the relationship between shareholder reputation and corporate reputation, such that a higher ownership concentration amplifies the magnitude of this effect.

P3b: Media exposure contingency **-** media exposure affects the relationship between shareholder reputation and corporate reputation, with a high level of media exposure strengthening the association between the two.

P3c: Dependence from the financial sector contingency - a company's dependence on the financial sector influences the relationship between shareholder reputation and corporate reputation. Specifically, when a company relies heavily on the financial sector, the association between shareholder reputation and corporate reputation is stronger compared to companies with little to no dependency on the financial sector.

*P4: **Structural and contextual contingencies' significance*** - structural and contextual factors related to ownership, media exposure and financial dependence influence the effect of shareholder reputation on firm value.

P4a: Ownership concentration contingency significance - the structure of shareholder ownership influences the impact of shareholder reputation on firm value, such that a higher ownership concentration amplifies the magnitude of this effect.

P4b: Media exposure contingency significance - media exposure influences the impact of shareholder reputation on firm value, with a higher level of media exposure strengthening this effect.

P4c: Dependence from the financial sector contingency significance **-** a company's dependence on the financial sector influences the impact of shareholder reputation on firm value. Specifically, when a company relies heavily on the financial sector, the impact of shareholder reputation on firm value is stronger compared to companies with little to no dependency on the financial sector.

A limitation of this study lies, exactly, in the absence of a comprehensive understanding of how the most significant contingencies identified by the interviewees are expected to either magnify or diminish the reverse spillover effect, and how they interact with one another to do so. To address this gap, a quasi-experimental study will be carried out. This subsequent study aims to investigate whether various combinations of these contingencies, specifically their interaction effects, have differing impacts on the perceived corporate reputation.

III. Study Nr. 2: Semi-Experimental Study, Using Vignette Technique

3.1. Study Motivation

C-level Executives interviewed in the initial qualitative study, Study Nr. 1, assert a positive association between shareholders' reputation and corporate reputation. They emphasize that several structural and contextual factors (contingencies) play pivotal roles in explaining how shareholders' reputation influences corporate reputation. Findings highlight the nature (or valence) of the events affecting shareholders, the level of ownership concentration, the degree of media exposure, and the company's dependence on the financial sector.

Based on these results, this semi-experimental study, Study Nr. 2, is designed to test the existence of reverse reputation spillover (i.e., from shareholders to companies) and to examine how the different factors (contingencies) identified by the C-level executives previously interviewed may influence this effect. The goal is to draw conclusions about causal relationships.

The limited quantity of real-life cases illustrating this reverse reputation spillover phenomenon ruled out a comparative case study. Additionally, due to the confidentiality assurances required by the C-level executives interviewed for the initial inductive study, it was unrealistic to expect corporate executives to share intricate details regarding events that could potentially explain a particular scandal involving shareholders and its impact on the company's reputation or performance.

To address the literature gap concerning reverse reputation transferability and to circumvent the challenges mentioned, we deemed it pertinent to conduct a quasi-experimental vignette study, designed to either validate or refute the four propositions mentioned in the conclusion of chapter II.

3.2. Research Method

A quasi-experimental vignette study combines elements from conventional surveys with observations from real-life practices (Atzmüller & Steiner, 2010; Sheringham et al., 2021). Using a factorial design, vignettes were meticulously created to represent all possible combinations of the most relevant factors (considered as independent variables) identified in initial qualitative study and validated through the literature review, allowing for a comparison of their causal effects. These factors are instrumental in explaining how shareholders' reputation might impact corporate reputation or performance.

The primary aim of this semi-experimental study is to determine whether various configurations of independent variables exert differing influences on key outcome of interest, such as perceived corporate reputation or short/long-term firm valuation, specifically focusing on interaction effects.

3.2.1. Choice of the Vignette Method for Data Collection

Vignette technique in qualitative research was first used in ethnographic studies, but over the past two decades vignette studies, which combine the vignette technique with a traditional survey, have become widespread across various disciplines, including psychology, sociology, marketing, education, healthcare research and business management (Atzmüller & Steiner, 2010; Sheringham et al., 2021).

A vignette is a concise story, meticulously structured to illustrate hypothetical, yet plausible, situations within defined circumstances (Atzmüller & Steiner, 2010). Although the central storyline of a vignette remains constant, its diverse elements are intentionally modified and combined in a systematic approach (Sheringham et al., 2021). Through encouraging participants in responding to these vignettes, studies aim to identify influential factors and draw conclusions regarding cause-and-effect relationships (Sheringham et al., 2021; Steiner & Atzmüller, 2016).

Numerous authors advocate for the effectiveness of vignettes in experimental or quasi-experimental studies, attributing their significance to the ability to elicit participants' perceptions, attitudes, beliefs, emotions, and even predict behaviors on complicated, sensitive, or moral topics that might be challenging to discuss using other methods (Aguinis & Bradley, 2014; Morrison, 2015; Sheringham et al., 2021). The construction of vignette scenarios enables participants to connect their emotions and experiences with the narrative. However, because the questions refer to integrated situations, they are perceived as less personal, thereby reducing socially desirable responses (Barter & Renold, 2000; Jenkins et al., 2010; Wilks, 2004).

Critics of vignette studies raise concerns about the methodological consistency in designing and collecting data for vignettes, as well as the potential limitations in external validity. They emphasize the lack of established criteria ensuring transparency and high-quality execution (Aguinis & Bradley, 2014; Sheringham et al., 2021). Additionally, opponents highlight that vignette cases explore hypothetical scenarios rather than real-life situations, and that sometimes fail to establish an appropriate temporal distance between a sensitive event and the inquiry, potentially influencing the results by the respondent's momentary emotions (Evans et al., 2015).

Conversely, proponents supporting the use of vignettes in experimental designs are confident in the deliberate manipulation of vignettes, asserting that this approach enhances internal validity (Atzmüller & Steiner, 2010). They argue that the distinctive design of vignettes allows for the simultaneous presentation of multiple explanatory and contextual factors, creating more realistic scenarios for respondents compared to traditional survey methods (Atzmüller & Steiner, 2010). Advocates suggest that participants can engage in a decision-making process in a realistic and unbiased manner due to the vignette's structure (Aguinis & Lawal, 2013; Barter & Renold, 2000; Wilks, 2004).

To develop effective vignettes and enhance its internal validity, we followed the recommendations compiled by Bryman (2016), Evans et al. (2015), Matza et al. (2021), and Sheringham et al. (2021). These suggestions were derived from comprehensive literature reviews of best practices. To ensure the authenticity of the scenario depicted in the vignettes, we situated the hypothetical company within the EPC (Engineering, Procurement, and Construction) sector, prone to corruption and scandals that usually become known by the public (Monteiro et al., 2020). This approach aimed to lend credibility to the hypothetical situations presented in the vignettes.

To discourage defensive or socially desirable responses, following Bryman's suggestion (2016), the inquiries regarding the hypothetical case illustrated in the vignettes do not require open-ended answers. Instead, respondents were prompted to classify responses on a scale to capture the direction and magnitude of the effect being analyzed. To ensure optimal comprehension, the vignette descriptions were succinct and employed simple language, avoiding intricate economic or management jargon. Additionally, the initial draft of the vignettes was reviewed by third-party professionals with similar backgrounds to the potential respondents. This review aimed to evaluate the clarity and comprehensibility of the vignettes.

3.2.2. Participants

The method used in this study combined purposive and random sampling techniques: respondents were selected through personal contacts using convenience sampling, and these individuals were drawn from professional groups identified through purposive sampling.

Five professions were specifically targeted for their awareness and sensitivity to potential reputation spillovers between shareholders and the companies they invest in. These professions were targeted to provide diverse, significant, grounded, realistic and insightful perspectives within the study's context. They are as follows:

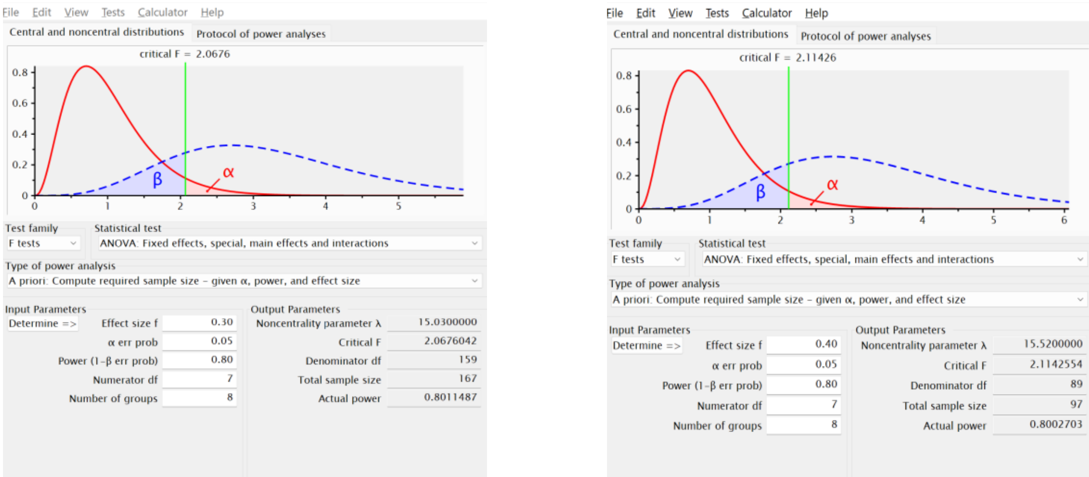
- Corporate managers: representing different management layers within a company, corporate managers typically demonstrate a deep understanding and strategic and operational involvement in risk management matters. Respondents may include C-suite executives, senior managers (high-ranking executive responsible for overseeing and directing the operations of specific departments) and middle managers (positioned between the senior management and the operational staff). No specific thresholds were set regarding company size, and the study did not impose limitations based on corporate roles.
- Lawyers/compliance officers: embracing distinct roles - legal representation and advice versus overseeing ethics and regulatory compliance -, both corporate lawyers and compliance officers demonstrate a high understanding of the various risks impacting a company. The study did not impose restrictions on whether respondents work in-house or externally for companies.
- Bankers/financial analysts: entrusted with providing informed guidance to companies or individual investors regarding business investment decisions, financial analysts possess a discerning eye not only for evaluating companies but also for scrutinizing their most pertinent stakeholders, notably the shareholders. As a result, they represent a professional group extremely familiar to the various risks that can impact a firm.
- Accountants/auditors: both professional groups are involved in handling business's financial statements, ensuring their accuracy, up-to-date, and compliance with diverse regulatory standards. Their expertise provides a solid understanding of how various types of risks can affect a company, along with a deep knowledge of controls and procedures essential for managing these risks.
- Journalists: while acknowledging that business journalists constitute only a subset of this professional group, it is important to note that journalists, in general, often display sensitivity towards individuals and issues within the business sector, including interconnections and cross-impacts.

Since reputation is a socially constructed concept, it was decided that respondents should be employed by institutions, whether Portuguese or foreign, that operate within Portugal.

Expecting an effect size of 0.30, with a confidence interval of 95% and a desired power of 80%, for a 2x2x2x2 factorial design with two levels each, the minimum sample size should be 167 respondents according to G*Power software (Faul et al., 2009). If the expected effect size is 0.40, under the same parameters, the minimum sample size required is 97 respondents.

Therefore, aiming for an expected effect size of 0.35, we set our target sample size to over 125 respondents to ensure sufficient statistical power.

Figure 1- *Sample size analysis for 0.30 and 0.40 effect thresholds*



Note: based on G*Power software (Faul et al., 2009)

A total of 161 valid questionnaires were accepted, ensuring a power effect slightly below 0.40 but above the established target of 0.35. Each questionnaire included five 'yes-or-no' screening questions designed to assess respondents' understanding of the illustrated story, i.e. the manipulation check (Ejelöv & Luke, 2020; Gruijters, 2022). Any questionnaires with incorrect answers to these screening questions were deemed invalid.

Table 27 presents descriptive information on the demographic characteristics of participants in this study across five categories: gender, age, education level, current occupation, and years of work experience. The sample is gender balanced with females slightly outnumbering male representation, including 77 males (47.8%) and 84 females (52.2%).

Most respondents are aged between 40 and 50 years, comprising 55.3% of the total. Participants aged above 60 years old account for only 1.2% of the respondents. Education levels are notably high among respondents, with 83.2% holding a Master's degree or above. Less than 2% of respondents have only a secondary school degree.

Distribution across professional groups is as follows: 60.9% are in corporate management positions, 24.2% are journalists, 8.1% are lawyers/compliance officers, 4.3% are bankers/financial analysts, and 2.5% are accountants/auditors. All participants have more than 11 years of work experience, with nearly half of the respondents having more than 20 years (48.4%), indicating the significant seniority of the respondent pool.

Table 27 - *Socio-biographical characterization of the respondents*

	Frequency	Percentage	Cumulative percentage
Gender			
Male	77	47.8%	47.8%
Female	84	52.2%	100.0%
Other	0	0.0%	100.0%
Age			
Age Below 40 yrs old	37	23.0%	23.0%
40 to 50 yrs old	89	55.3%	78.3%
51 to 60 yrs old	22	20.5%	98.8%
Above 60 yrs old	2	1.2%	100.0%
Education level			
Secondary school	3	1.9%	1.9%
Bachelors degree	22	13.7%	15.5%
Masters degree	120	74.5%	90.1%
PhD degree	14	8.7%	98.8%
Other	2	1.2%	100.0%
Current occupation			
Corporate management	98	60.9%	60.9%
Journalist	39	24.2%	85.1%
Lawyer/ compliance officer	13	8.1%	93.2%
Banker/ financial analyst	7	4.3%	97.5%
Accountant/ auditor	4	2.5%	100.0%
Years of work experience			
Less than 5 yrs	0	0.0%	0.0%
5 to 10 yrs	0	0.0%	0.0%
11 to 15 yrs	28	17.4%	17.4%
16 to 20 yrs	55	34.2%	51.6%
More than 20 yrs	78	48.4%	100.0%

Note: $N = 161$

3.2.3. Questionnaire and Vignette Design

The questionnaire devised for the semi-experimental study was developed using Qualtrics, an online software widely used for creating and distributing surveys, and divided into two sections. The initial section aimed to gather sociodemographic information about the respondents, with a specific focus on professional attributes, namely their occupation and years of professional experience. The second section was designed to elicit the respondent's perspective on the perceived impact of shareholders' reputation on corporate reputation and firm’s valuation, based on the scenario provided.

The vignette technique was employed in the design of the second section of the questionnaire. Annex C features the questionnaire utilized in the study, including the eight vignettes presented to the respondents.

The eight factorial combinations were generated using the orthoplan functionality in SPSS that produces an orthogonal fractional factorial design, employing four factors each with two levels, resulting in a 2x2x2x2 factorial design. These factors, identified during the first qualitative study based on insights from C-level executives and subsequently corroborated by the literature review, are:

(1) reputation event affecting the shareholder (negative vs. positive);

(2) company's ownership structure (dispersed vs. concentrated);

(3) event's exposure in the media (low vs. high);

(4) company's level of dependence from the financial sector (low vs. high).

Table 28 displays the eight factorial combination cards, generated by SPSS.

Table 28 - *Factorial combination cards, generated by SPSS*

No.	Event	Ownership	Media Exposure	Financial Dependence
1	Negative	Dispersed	High	High
2	Positive	Dispersed	Low	High
3	Negative	Dispersed	Low	Low
4	Positive	Dispersed	High	Low
5	Negative	Concentrated	Low	Low
6	Positive	Concentrated	Low	High
7	Negative	Concentrated	High	High
8	Positive	Concentrated	High	Low

The vignettes were developed based on a consistent story, similar to real-life events in Portugal, which are familiar to the respondents due to their high public profile (Pereira & Ferreira, 2016; Tavares & Fernandes, 2021). The vignettes maintained the same structure, modifying only the factors and some contextual details. Figure 2 exemplifies the vignette structure used in the study.

The vignettes were randomly assigned to participants by the Qualtrics software, regardless of their professional backgrounds. All respondents, irrespective of the vignette assigned, were presented with three identical questions. The first question aimed to assess the impact of a negative or positive event affecting the shareholder on the company's reputation under given conditions. The second and third questions aimed to determine whether the event is truly meaningful for the company, in terms of its ability to affect the company valuation either in the short or long term.

Figure 2- *Vignette structure*

> *The company XPTO is listed on the stock exchange and possesses a [company's ownership structure]. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities.*
> *Recent market disclosures have revealed that [event affecting the shareholder]. The media [level of media exposure given to the event].*
> *The projects undertaken by XPTO consistently involve substantial capital expenditures. XPTO operates [level of dependence from the financial sector]. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.*

Respondents were required to answer using a scale ranging from 'exceedingly negative impact' (below 74% of the original value) to 'exceedingly positive impact' (above 126% of the original value) to the following questions:

(1) How much of an immediate impact do you anticipate the event affecting the shareholder will have on the company's reputation?
(2) How much of an immediate impact do you anticipate the event affecting the shareholder will have on the company's short-term valuation/share price?
(3) And after 6 months, how will the valuation/share price be?

The provided scale was designed to measure the extent of the potential impact relative to an original value, aiding respondents in assessing whether the effect is severe or moderate. This scale is independent of any market-normalized variations, which are only available for share price volatility. Its primary purpose was to offer a reference point for respondents to evaluate the potential impact.

To ensure that participants correctly understood the scenario presented by each vignette, the questionnaire also included, as previously referred, five 'yes-or-no' screening questions to validate the understanding of each factor under analysis, thus conducting a manipulation check (Ejelöv & Luke, 2020; Gruijters, 2022). Any questionnaires with incorrect answers to any of these screening questions were not considered.

3.2.4. Questionnaire Distribution

Gathering participants who matched the eligibility criteria above mentioned was a challenge for this study. We initially intended to use a platform like Prolific or Amazon Mechanical Turk

(MTurk), which connects researchers with participants for academic research studies. This approach seemed to be the most efficient way to recruit high-quality and reliable participants, as these platforms verify participants' identities and ensure they meet the specific demographic and professional criteria defined by the researcher.

However, both Profilic and MTurk also rely on voluntary registration of participants. The participant profile required for this semi-experimental study do not align well with the typical users of these platforms, and the pool of individuals registered on Prolific matching the criteria is fewer than 20 people. The matching pool available on MTurk is even smaller. For this reason, we decided to distribute the questionnaire through our personal LinkedIn network, selecting only individuals who matched the defined criteria.

As a former executive at a leading firm in the management consulting industry and having served as a C-level executive in several Portuguese companies, our LinkedIn network serves as an excellent database of C-level executives, senior and middle managers across various sectors in the Portuguese ecosystem. This explains the significant concentration of respondents in management positions (60.9% of total participants) and the more limited number of respondents in operational roles such as journalists, lawyers, accountants, or auditors.

To ensure the anonymity of the responses, a link to the Qualtrics survey was sent to each individual over LinkedIn. Over 300 individuals were approached to secure 161 valid questionnaires. There was no other interaction with any participant in this study.

3.2.5. Data Analysis

To analyze the data collected, conjoint analysis and OLS regression-based path analysis were chosen for their distinct objectives. Conjoint analysis was used to evaluate the relative impact of the selected structural and contextual factors (contingencies) on corporate reputation and firm valuation in both the short and long term. In contrast, OLS regression-based path analysis was employed to examine the relationships between the referred factors, revealing direct, indirect and conditional effects.

3.2.5.1. Conjoint Analysis

Conjoint analysis is one of the most popular statistical techniques used in marketing and consumer research (Agarwal et al., 2015; Rao, 2014), although it is also utilized in many other social and applied sciences (Krabbe, 2017; Rao, 2014). Developed in the 1970s in the field of mathematical psychology, conjoint analysis aims to understand how people make multidimensional choices and decisions (Green et al., 2001). This method operates on the assumption that answers to direct 'how' and 'why' questions do not necessarily reflect true behavior, as they do not account for the trade-offs and compromises involved in making a choice (Krabbe, 2017). According to Rao (2014), the greatest advantage of the conjoint method is its capability to address various 'what if' questions.

Conjoint analysis today is a generic term used to describe various methods for deriving quantitative measures of subjective occurrences, based on a combination of stimuli configurations generated from experimental or quasi-experimental design techniques (Louviere et al., 2010; Krabbe, 2017; Rao, 2014). Stimuli for conjoint analysis typically take the form of a questionnaire that breaks down the subject under analysis (e.g., a product, service, scenario, or situation) into multiple conjoined attributes or features to understand the underlying preference or utility structure that the respondent associates with it (Chandukala et al., 2008; Krabbe, 2017; Louviere et al., 2010; Rao, 2014).

The vignettes in our study serve as the stimuli for the conjoint design. The characteristics (structural and contextual contingencies) of the hypothetical situation described in each vignette were systematically varied to capture the independent contribution of each factor to the chosen outcome. Specifically, in this study, conjoint analysis was deployed to understand the fundamental relationships between an event involving the shareholder, the different structural and contextual contingencies, and their conjoint effect on three outcomes: (1) corporate reputation and firm value both in the (2) short and (3) long-term.

The use of vignettes for stimuli construction allowed for a manageable number of attributes and levels under analysis, addressing the primary challenge of conjoint analysis (Chandukala et al., 2008; Krabbe, 2017). This data analysis technique was selected based on the premise that evaluating the combined impact of structural and contextual contingencies provides more robust insights than examining them separately, a view supported by several scholars (e.g., Agarwal et al., 2015; Krabbe, 2017).

Conjoint analysis was run on SPSS through command syntax. The focus was primarily on the relative importance output, which indicates that factors with higher percentages are more influential in determining the outcome under analysis (Rao, 2014). The objective was to assess whether a shareholder event, used as a proxy for shareholder reputation, could significantly explain the changes in corporate reputation and firm value, thereby confirming the existence of a reverse spillover phenomenon. If the shareholder event ranked lower than the other factors in terms of relative importance, it would suggest that the reverse spillover effect was non-existent.

The suitability of the conjoint analysis was assessed using Pearson's R and Kendall's tau coefficients. According to Cohen (1988), in behavioral studies, a Pearson's R value above 0.50

indicates a large effect size. More recent statistical literature suggests that values above 0.60 or 0.80 are considered strong or very strong, respectively (Dancey & Reidy, 2020; Evans, 1996). Kendall's tau coefficients, which tend to be lower than Pearson's R for the same strength of association due to its rank-based nature, indicate a strong correlation with values above 0.70 (Gibbons & Chakraborti, 2020).

3.2.5.2. OLS Regression-Based Path Analysis

To understand how a factor transmits its effect on another factor through conditional mechanisms (Hayes, 2017), the PROCESS tool for SPSS was employed. This specialized macro, created by Hayes (2017), utilizes OLS regression-based path analysis and incorporates various predefined models that represent different types of conditional process models. In this study, three predefined models were applied to estimate the relative direct and/or indirect effects, as well as the conditional effects of various factors (structural and contextual contingencies) on the dependent variables.

Model 6 (Serial Mediation Model) was employed to test the indirect effect of the independent variable (shareholder event) on the dependent variable (long-term valuation), through all the mediators (Hayes, 2017).

Additionally, Model 59 (Moderated Mediation Model) was used to analyze the conditional effects leading to short-term valuation (Y). This model investigates the conditional effects of the independent variable (shareholder event) on the dependent variable (short-term valuation), where corporate reputation serves as a mediator (M) and the various structural and contextual contingencies (W) act as interacting moderators (Hayes, 2017).

Finally, Model 92 (Moderated Serial Mediation Model) was employed to examine whether the indirect effect of a shareholder event (X) on long-term valuation (Y) through sequential mediators (corporate reputation and short-term firm value) is moderated by any of the aforementioned structural and contextual contingencies at various points in the process. This model assesses how the serial mediation process varies across different levels of the moderator (Hayes, 2017).

The PROCESS macro offers the advantage of calculating all effects simultaneously and provides confidence intervals derived from a bootstrapping procedure. According to Hayes (2017), a 5,000 repetition bootstrapping with interval confidence set at 95% is applied.

The validity of the path analysis was assessed by the explained variance (R^2), which should be at least 0.25 in behavioral studies, as recommended by Cohen (1988). Additionally, it was essential to ensure the absence of multicollinearity, which can distort variance estimates. This was evaluated using the Variance Inflation Factor (VIF), which should not exceed 5, or its alternative measure, tolerance, which should not fall below 0.20 (Chatterjee & Simonoff, 2013; O'Brien, 2007).

3.3. Results

3.3.1. Conjoint Analysis

As previously mentioned, this semi-experimental study was designed to either validate or refute the four propositions that summarize the empirical beliefs of the C-level executives inquired for the initial study. The initial conjoint analysis aims to validate the assumption that reverse spillover may exist. This is achieved by assessing the relative weight of an event affecting the shareholder (used as a proxy for shareholder reputation) among other structural and contextual contingencies (such as ownership structure, media exposure, and financial dependence) in influencing corporate reputation, short-term firm value, and long-term firm value.

Hence, the conjoint analysis sought answers to three key questions, under three different scenarios:

(Q1) How relevant is each factor in estimating the immediate impact on corporate reputation,

(Q1a) regardless of whether the impact on reputation is positive or negative?

(Q1b) if the impact on reputation is negative?

(Q1c) if the impact on reputation is positive?

(Q2) How relevant is each factor in estimating the impact on the firm's short-term value,

(Q2a) regardless of whether the impact on value is positive or negative?

(Q2b) if the impact on value is negative?

(Q2c) if the impact on value is positive?

(Q3) How relevant is each factor in estimating the impact on the firm's long-term value,

(Q3a) regardless of whether the impact on value is positive or negative?

(Q3b) if the impact on value is negative?

(Q3c) if the impact on value is positive?

The first question assesses the relative contribution of each factor in influencing corporate reputation. When disregarding whether the impact on reputation is positive or negative (Q1a), ownership, media exposure, and financial dependence each demonstrate significant influence on corporate reputation, with equal importance values of 32.50. In contrast, the event factor shows negligible impact. Table 29 presents a summary of the factors' importance in explaining the impact on corporate reputation (CorRep).

In scenarios where the impact on reputation is negative (Q1b), however, the event emerges as the most influential factor, with an importance value of 54.17. Financial dependence also exhibits substantial influence, with a value of 29.17. Similarly, when the impact on reputation is positive (Q1c), the event retains the highest importance value at 64.52, signifying its predominant influence on corporate reputation compared to other factors. Media exposure and financial dependence present less influence (12.90 each).

Pearson's R and Kendall's tau coefficients indicate a very strong and significant positive relationship among the factors and corporate reputation in all scenarios. High coefficients in conjoint analysis should not raise suspicion, as larger values denote a higher explanatory power of the model (Hauser & Rao, 2004). This means that, overall, the referred factors collectively play a crucial role in explaining the impact on corporate reputation, with varying levels of influence depending on whether the impact is positive or negative. The findings emphasize the utmost importance of the event factor, while ownership, media exposure, and financial dependence provide additional contextual insights, though less prominently.

Table 29 - *Importance value of each factor in explaining the impact on CorRep (SPSS)*

Negative or Positive Impact

Importance Values	
Event	2.50
Ownership	32.50
MedExp	32.50
FinDep	32.50

Averaged importance score

Correlations	*Value*	*Sig.*
Pearson's R	.886	.002
Kendall' tau	.717	.008

Negative Impact

Importance Values	
Event	54.17
Ownership	9.72
MedExp	6.94
FinDep	29.17

Averaged importance score

Correlations	*Value*	*Sig.*
Pearson's R	.988	.000
Kendall' tau	.964	.001

Positive Impact

Importance Values	
Event	64.52
Ownership	9.68
MedExp	12.90
FinDep	12.90

Averaged importance score

Correlations	*Value*	*Sig.*
Pearson's R	.988	.000
Kendall' tau	.920	.002

The second question aims to evaluate the relative contribution of each factor in directly and immediately influencing firm valuation. Ignoring whether the impact on valuation is positive or negative (Q2a), financial dependence emerges as the most important factor with a value of 47.22, followed by media exposure at 25.00. Shareholder event and ownership contribute less, each with a value of 13.89. Table 30 presents a summary of the importance values for each factor in explaining the immediate impact on firm valuation (STV).

In scenarios of negative impact on short-term valuation (Q2b), firm devaluation, shareholder event is the most influential factor with a value of 46.77, followed by financial dependence at 30.65. Ownership and media exposure also contribute to a lesser extent, each with a value of 11.29. For positive impacts on short-term valuation (Q2c), shareholder event again holds the highest importance value at 60.00, indicating its predominant influence. Ownership structure also shows significant importance with a value of 30.00. Media exposure and financial dependence contribute negligibly, each with a value of 5.00.

In all three scenarios, Pearson's R and Kendall's tau demonstrate the strong robustness of the relationships, highlighting the significant role of the four factors in shaping short-term valuation.

In summary, across all scenarios, the factors collectively play a crucial role in explaining the short-term impact on firm valuation. Consistent with observations for corporate reputation (Q1), the shareholder event factor is pivotal, when the direction of the impact is taken into consideration. Financial dependence is notably important when ignoring the direction of the impact or when it leads to devaluation, while ownership is significant when the impact on firm valuation is positive.

Table 30 - *Importance value of each factor in explaining the impact on STV*

	Negative or Positive Impact	Negative Impact	Positive Impact
Importance Values			
Event	13.89	46.77	60.00
Ownership	13.89	11.29	30.00
MedExp	25.00	11.29	5.00
FinDep	47.22	30.65	5.00

Averaged importance score

Correlations	Negative or Positive Impact *Value*	*Sig.*	Negative Impact *Value*	*Sig.*	Positive Impact *Value*	*Sig.*
Pearson's R	.786	.010	.970	.000	.824	.006
Kendall' tau	.473	.053	.837	.002	.740	.010

The last question aims to assess the relative contribution of each factor in influencing the firm valuation in the long-term, considered six months after the trigger event. When disregarding whether the impact is positive or negative (Q3a), the shareholder event holds the highest importance value at 47.83, closely followed by ownership at 39.13. Financial dependence and media exposure show relatively lower importance, with values of 8.69 and 4.35, respectively. Table 31 presents a summary of the importance values for each factor in explaining the long-term impact on firm valuation (LTV).

In scenarios where the long-term impact is negative (Q3b), ownership assumes the highest importance at 41.67. Shareholder event and media exposure play equally substantial roles, each with a value of 25.00, while financial dependence has the lowest influence at 8.33. For positive impacts on long-term valuation (Q3c), the shareholder event again emerges as the most influential factor with an importance value of 59.62. Media exposure also shows substantial importance with a value of 21.15, followed by financial dependence at 13.46. Ownership has the least influence, with a value of 5.77.

Table 31 - *Importance value of each factor in explaining the impact on LTV*

Importance Values	Negative or Positive Impact	Negative Impact	Positive Impact
Event	47.83	25.00	59.62
Ownership	39.13	41.67	5.77
MedExp	4.35	25.00	21.25
FinDep	8.69	8.33	13.46

Averaged importance score

Correlations	Negative or Positive Impact		Negative Impact		Positive Impact	
	Value	*Sig.*	*Value*	*Sig.*	*Value*	*Sig.*
Pearson's R	.929	.000	.948	.000	.933	.000
Kendall' tau	.815	.003	.865	.001	.849	.002

In all cases, Pearson's R and Kendall's tau indicate an extremely strong, positive, and significant linear relationship between the factors and long-term valuation, suggesting that collectively, the four factors play a crucial role in determining long-term valuation.

Overall, consistent with the findings for corporate reputation (Q1) and short-term valuation (Q2), the shareholder event factor is the most influential in explaining the firm's long-term valuation, except in cases of negative impact, where ownership becomes the most influential.

Media exposure has also a substantial influence in all scenarios.

Appendix D presents the SPSS outputs for the conjoint analysis.

Findings from the conjoint analyzes reveal that the event significantly influences corporate reputation, short-term valuation, and long-term valuation. This suggests that the event serves indeed as a proxy for shareholder reputation, and understanding its valence is crucial for predicting its impact on these outcomes. Consequently, the reverse spillover effect warrants further investigation. These initial findings leave unanswered questions about how these factors interact and the processes through which their effects progress from shareholder event to long-term valuation, mediated by corporate reputation and short-term valuation.

3.3.2. Path Analysis

After the initial conjoint analysis, the same data set was subject to OLS regression-based path analysis, to understand how a variable transmits its effect on another variable through conditional mechanisms (Hayes, 2017). In line with the already mentioned four propositions that summarize the empirical beliefs of the C-level executives interviewed during the initial qualitative study, eight hypotheses were developed.

The relationship between propositions and hypothesis is shown in the table 32. The conceptual model and the hypotheses under test are illustrated in figure 3.

Table 32 - *Relationship between propositions and hypothesis*

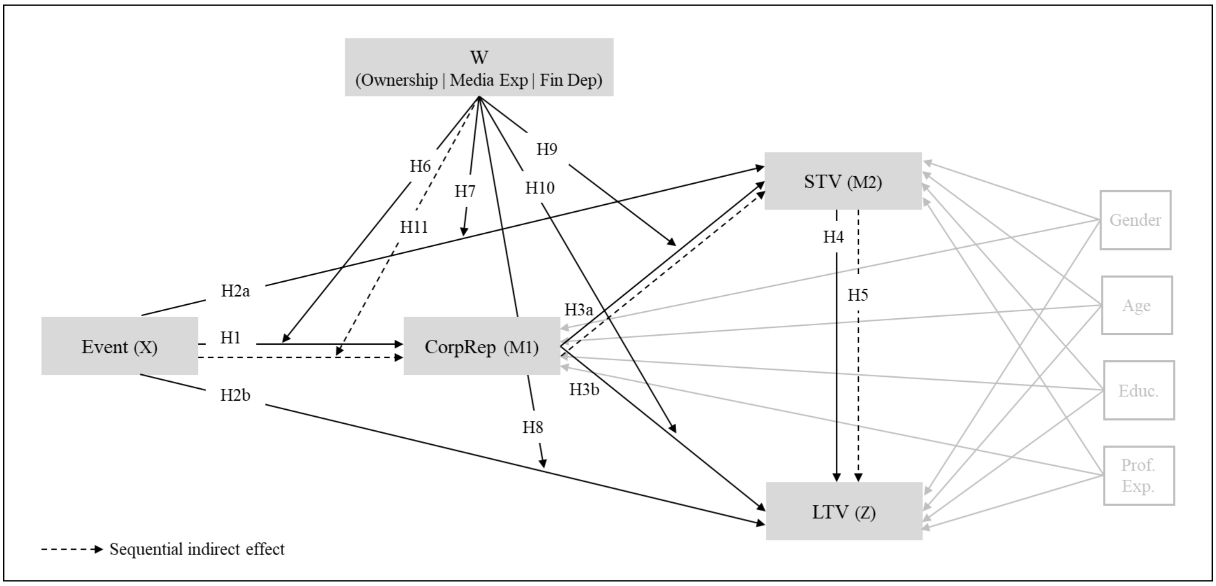
Propositions	Hypothesis
P1: **Reverse spillover effect** - shareholder reputation has a positive direct effect on corporate reputation	*H1:* Shareholder events will have a positive direct effect on corporate reputation
P2: **Reverse spillover significance** - shareholder reputation has a positive direct effect on firm value	*H2:* Shareholder events will have a positive direct effect on firm valuation *H2a:* Shareholder events will have a positive direct effect on short-term valuation *H2b:* Shareholder events will have a positive direct effect on long-term valuation *H3:* Corporate reputation will have a positive direct effect on firm valuation *H3a:* Corporate reputation will have a positive direct effect on short-term valuation *H3b:* Corporate reputation will have a positive direct effect on long-term valuation

	H4: Short-term valuation will have a positive direct effect on long-term valuation *H5:* Shareholder event has a sequential indirect effect on long term valuation through corporate reputation and short-term valuation
P3: **Structural and contextual contingencies**: structural and contextual factors related to ownership, media exposure and financial dependence influence the relationship between shareholder reputation and corporate reputation *P3a:* **Ownership** concentration contingency: the structure of shareholder ownership influences the relationship between shareholder reputation and corporate reputation, such that a higher ownership concentration amplifies the magnitude of this effect *P3b:* **Media exposure** contingency: media exposure affects the relationship between shareholder reputation and corporate reputation, with a high level of media exposure strengthening the association between the two *P3c*: **Dependence from the financial sector** contingency: a company's dependence on the financial sector influences the relationship between shareholder reputation and corporate reputation. Specifically, when a company relies heavily on the financial sector, the association between shareholder reputation and corporate reputation is stronger compared to companies with little to no dependency on the financial sector	*H6:* The direct effect of shareholder events on corporate reputation depends on structural and contextual factors related to ownership, media exposure and financial dependence *H6a:* The more concentrated the ownership structure, the stronger the direct effect of shareholder events on corporate reputation *H6b:* The higher the media exposure, the stronger the direct effect of shareholder events and corporate reputation *H6c:* The greater the dependence on the financial system, the stronger the direct effect of shareholder events on corporate reputation
P4: **Structural and contextual contingencies' significance**: structural and contextual factors related to ownership, media exposure and financial dependence influence the effect of shareholder reputation on firm value *P4a:* **Ownership concentration** contingency significance: the structure of shareholder ownership influences the impact of shareholder reputation on firm value, such that a higher ownership concentration amplifies the magnitude of this effect *P4b:* **Media exposure** contingency significance: media exposure influences the impact of shareholder reputation on firm value, with a higher level of media exposure strengthening this effect	*H7/8:* The direct effect of shareholder events on firm value depends on structural and contextual factors related to ownership, media exposure and financial dependence *H7a:* The more concentrated the ownership structure, stronger the direct effect of shareholder events on STV *H7b:* The greater the media exposure, stronger the direct effect of shareholder events on STV *H7c:* The greater the dependence on the financial system, stronger the direct effect of shareholder events on STV

P4c: **Dependence from the financial sector** contingency significance: a company's dependence on the financial sector influences the impact of shareholder reputation on firm value. Specifically, when a company relies heavily on the financial sector, the impact of shareholder reputation on firm value is stronger compared to companies with little to no dependency on the financial sector	*H8a:* The more concentrated the ownership structure, the stronger the direct effect of shareholder events on LTV *H8b:* The greater the media exposure, the stronger the direct effect of shareholder events on LTV *H8c:* The greater the dependence on the financial system, the stronger the direct effect of shareholder events on LTV
	H9/10: The direct effect of corporate reputation on firm value depends on structural and contextual factors related to ownership, media exposure and financial dependence *H9a:* The more concentrated the ownership structure, the stronger the association between corporate reputation and STV *H9b:* The greater the media exposure, the stronger the association between corporate reputation and STV *H9c:* The greater the dependence on the financial system, the stronger the association between corporate reputation and STV *H10a:* The more concentrated the ownership structure, the stronger the association between corporate reputation and LTV. *H10b:* The greater the media exposure, the stronger the association between corporate reputation and LTV *H10c:* The greater the dependence on the financial system, the stronger the association between corporate reputation and LTV
	H11: The sequential indirect effect of shareholder events on long-term firm value, through corporate reputation and short-term value, depends on structural and contextual factors related to ownership, media exposure and financial dependence *H11a:* Ownership interacts with the sequential indirect effect of shareholder events on LTV through corporate reputation and STV in such a way that the more concentrated the ownership, the stronger the effect

	H11b: Media exposure interacts with the sequential indirect effect of shareholder events on LTV through corporate reputation and STV in such a way that the greater the exposure, the stronger the effect
	H11c: Financial dependence interacts with the sequential indirect effect of shareholder events on LTV through corporate reputation and STV in such a way that the greater the dependence, the stronger the effect

Figure 3 - *Conceptual model*



Gender, age, education (level of formal schooling or academic qualifications attained by the respondent), and work experience (amount of time the respondent has spent working in their professional field, measured in years) were selected as control variables for the three dependent variables: corporate reputation (CorRep), short-term valuation (STV), and long-term valuation (LTV).

For each of the dependent variables, at a 95% confidence interval, to the exception of education for short-term valuation, none of the control variables are significant predictors. This means that changes in these control variables do not lead to significant changes in the dependent variables. However, education is a significant predictor for short-term valuation, suggesting that higher education levels are associated with lower short-term valuation. Still, including this variable as a covariate allows for the extraction of variance attributed to the variables in the conceptual model, beyond what is explained by education alone.

The first hypothesis (H1) aims to test the reverse spillover effect. Findings support this hypothesis, evidenced by a significant positive coefficient ($\beta = 0.705$, $p = 0.001$). This suggests that positive events involving shareholders enhance corporate reputation, whereas negative events, or scandals, involving shareholders harm corporate reputation. Therefore, H1 is supported.

The second hypothesis aims to validate whether this reverse spillover affects firm valuation by testing the direct impact of a shareholder event on the firm's short-term (H2a) and long-term (H2b) valuation. H2a presents a small coefficient ($\beta = 0.099$) and a non-significant p-value of 0.206, indicating that an event involving the shareholder is not associated with the firm's short-term valuation. Therefore, H2a is not supported.

Conversely, for H2b, the shareholder event shows a significant moderate effect on long-term valuation ($\beta = 0.259$, $p = 0.007$). The 95% confidence interval [0.047; 0.294] does not include zero, further confirming the significance of the effect. These findings suggest that a positive event affecting the shareholder enhances the firm's long-term value. Hence, H2b is supported.

The third hypothesis aims to test the direct impact of corporate reputation on firm valuation and is divided into two sub-hypotheses: it posits that corporate reputation is positively associated with short-term valuation (H3a) and also positively associated with long-term valuation (H3b).

Regarding H3a, corporate reputation demonstrates a significant positive effect on short-term valuation ($\beta = 0.639$, $p = 0.001$). This suggests that a positive corporate reputation enhances the company's short-term value. Furthermore, the 95% confidence interval [0.442; 0.733] does not include zero, reinforcing the positive and significant relationship between corporate reputation and short-term valuation. Consequently, H3a is supported.

Regarding H3b, corporate reputation also shows a positive effect on long-term value ($\beta = 0.341$, $p = 0.004$). Although the effect of corporate reputation on long-term value is weaker than its effect on short-term value, the results suggest that a positive corporate reputation still positively influences the company's long-term valuation. Additionally, the 95% CI [0.079; 0.403] does not include zero, further confirming the positive and significant relationship between corporate reputation and long-term value. Therefore, H3b is also supported.

The fourth hypothesis seeks to test the effect of short-term valuation on long-term valuation, with the objective of understanding whether short-term valuation losses or gains are mitigated in the long term. H4 presents a negative coefficient ($\beta = -0.044$) and a non-significant p-value of 0.659, indicating that an increase in short-term value is not associated with long-term valuation. As a result, H4 is rejected.

However, despite H4 not being corroborated, the company's long-term value is not entirely unaffected by past shareholder events, as found by H2b and H3b. The significant positive influence of both the shareholder event and the corporate reputation on long-term value suggests that the process explaining how reverse spillover affects both short and long-term value involves mediation. This indirect effect pathway appears to begin with a shareholder event, which impacts corporate reputation, subsequently influencing short-term valuation, and ultimately explaining long-term value.

The fifth hypothesis investigates whether a shareholder event has a sequential indirect effect on long-term valuation through corporate reputation and short-term valuation. However, findings suggest that the indirect effect of an event on long-term valuation mediated by corporate reputation and short-term valuation is negligible (β = -0.019) and not statistically significant, as the 95% CI [-0.118; 0.074] includes zero. Therefore, H5 is not supported.

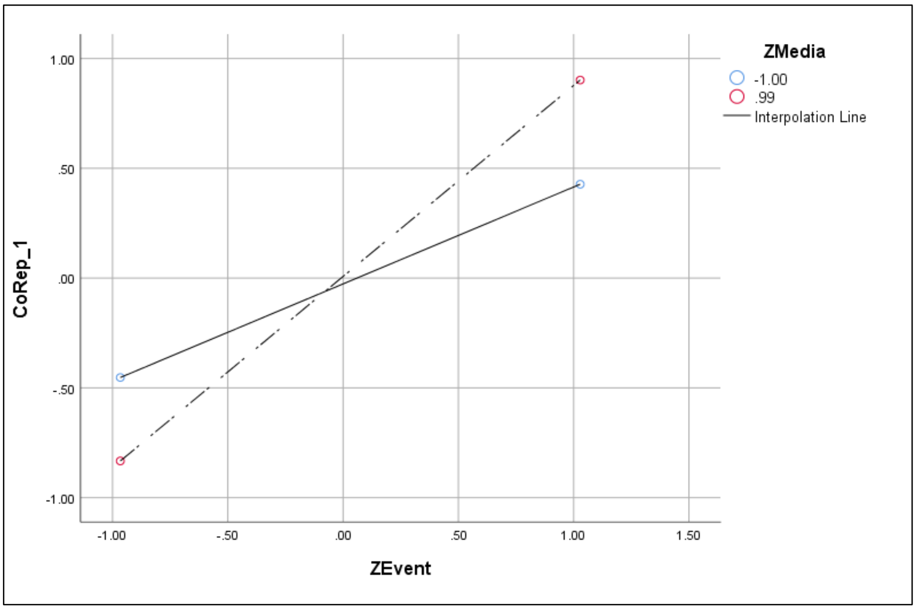
The sixth hypothesis explores whether the direct effect of an event involving a shareholder on corporate reputation is influenced by certain structural and contextual variables, as referred the ownership structure of the company, the media exposure of the event, and the company's dependence on the financial system. H6 is, thus, divided into three sub-hypotheses, each assessing the mediation effect of one of these variables.

Regarding ownership structure, the interaction effect between this factor and a shareholder event does not explain corporate reputation (β = 0.069; p = 0.201). Consequently, H6a is rejected.

Conversely, the interaction effect between media exposure and a shareholder event results in a significant enhancement of corporate reputation (β = 0.215), which is statistically significant (p = 0.001). This indicates that the more media exposure a shareholder event receives, the greater its impact on corporate reputation. Therefore, H6b is supported.

Figure 4 illustrates the interaction effect of shareholder event on corporate reputation, moderated by media exposure. As shown, both slopes (solid and dashed) are positive and significant, indicating that positive shareholder events enhance corporate reputation regardless of the level of media exposure. However, the slope for high media exposure is steeper (ZMedia = 0.99) than that for low media exposure (ZMedia = -1.00), showing that the positive effect of the event on corporate reputation is amplified when media exposure is higher.

Figure 4 - *Interaction shareholder event * media exposure on CorRep*



Lastly, the interaction effect between the company's financial dependence and a shareholder event does not explain corporate reputation (β = -0.024; p = 0.647). As a result, H6c is not supported.

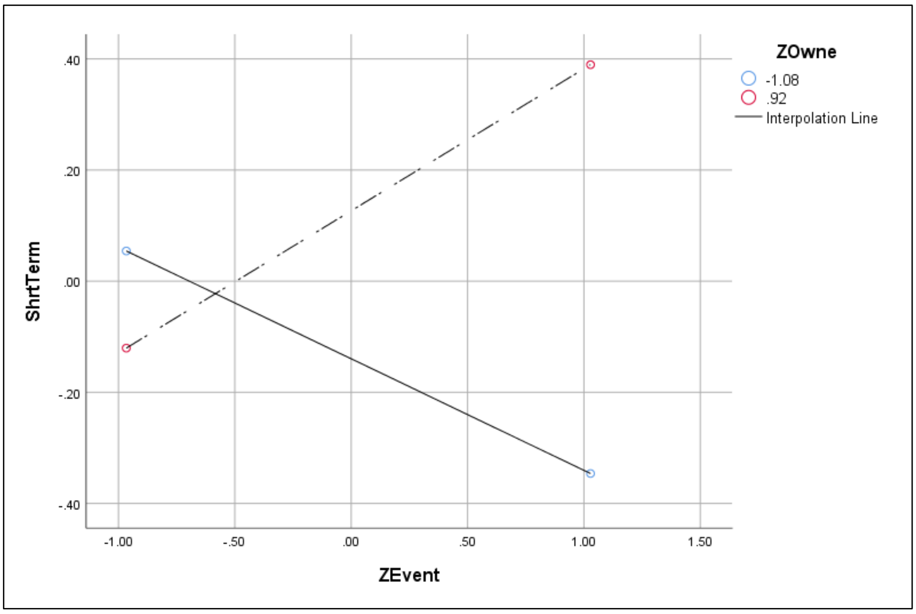
In summary, a positive event involving a shareholder has a significant positive direct effect on corporate reputation (H1), which is amplified by the level of media exposure given to the event (H6b). Conversely, the combination of ownership structure or the company's level of dependence on the financial system and the event does not significantly impact corporate reputation (H6a and H6c).

The seventh and eighth hypotheses investigate whether the direct effect of an event involving a shareholder on the firm's short-term value (H7) or long-term value (H8) is influenced by the aforementioned structural and contextual variables. Both H7 and H8 are divided into three sub-hypotheses, each assessing the moderated mediation effect through ownership structure, media exposure, or financial dependence.

The interaction effect between ownership structure and shareholder event has a small but statistically significant positive effect on short-term valuation (β = 0.023; p = 0.001). Consequently, H7a is supported.

Figure 5 illustrates the interaction effect of a shareholder event on short-term valuation, moderated by ownership structure. Both slopes (solid and dashed) are significant but appear to have a paradoxical effect. When ownership is dispersed (ZOwne = -1.08), the more positive the shareholder event, the more the firm's short-term value decreases. Conversely, when ownership is concentrated (ZOwne = 0.92), the more positive the shareholder event, the more the firm's short-term value increases.

Figure 5 - *Interaction shareholder event * ownership structure on STV*



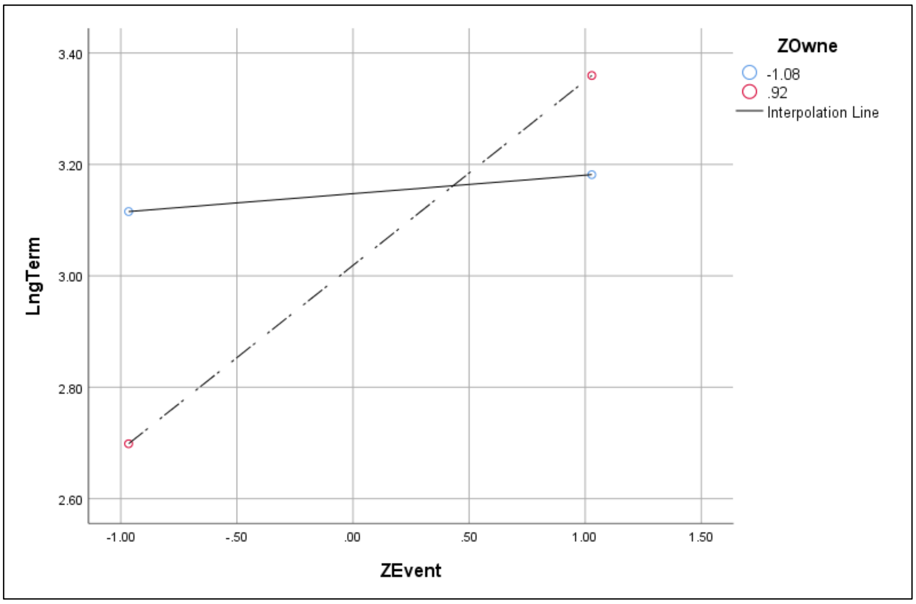
Conversely, the interaction effect between media exposure and shareholder event has no effect on short-term valuation (β = -0.039; p = 0.612). Consequently, H7b is rejected.

Finally, the interaction effect between financial dependence and shareholder event has also no effect on short-term valuation (β = 0.079; p = 0.249). Thus, H7c is also not supported.

Regarding the impact on the firm's long-term valuation, the conditional effect of the interaction between ownership structure and shareholder events has a positive and significant effect on long-term valuation (β = 0.149; p = 0.022). The 95% confidence interval [0.022; 0.277] does not include zero, further confirming this result. Therefore, H8a is validated.

Figure 6 illustrates the interaction effect of a shareholder event on long-term valuation, moderated by ownership structure. Only the slope for concentrated ownership (dashed line) is significant. The more positive the event, the greater the firm's long-term valuation when ownership is concentrated (ZOwne = -1.08). Conversely, when ownership is dispersed (ZOwne = 0.92), there is no significant relationship between the event's valence and the firm's long-term valuation.

Figure 6 - *Interaction shareholder event * ownership structure on LTV*



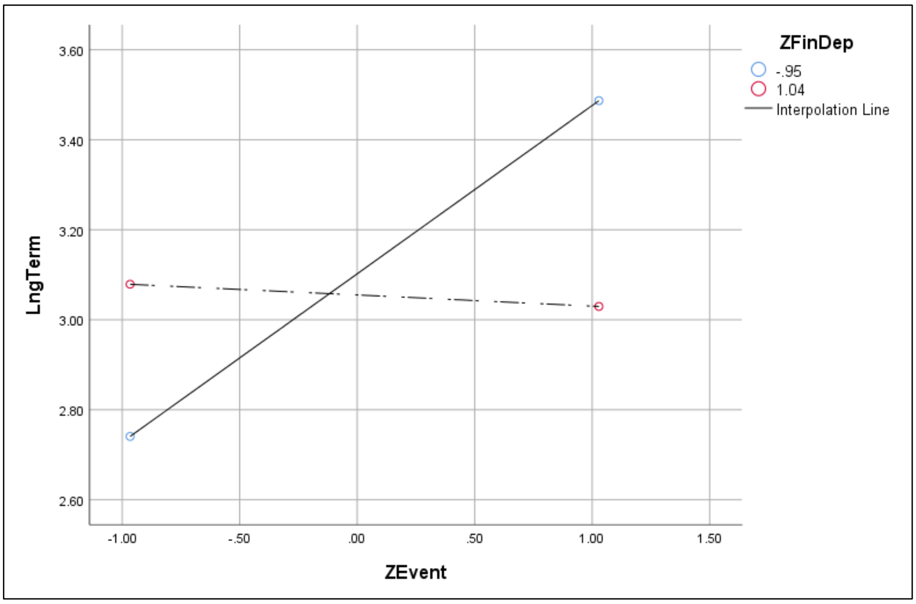
In contrast, the interaction effect between media exposure and shareholder events does not impact long-term valuation ($\beta = 0.029$; $p = 0.679$). Hence, H8b is rejected.

Lastly, the interaction effect between financial dependence and shareholder events has a negative and significant effect on long-term valuation ($\beta = -0.199$; $p = 0.002$). This result is supported by the confidence interval [-0.325; -0.075], which does not include zero. These findings suggest that higher financial dependence adversely affects the firm's long-term value during a shareholder event. Consequently, H8c is supported.

Figure 3.7 illustrates the interaction effect of a shareholder event on long-term valuation, moderated by financial dependence. Only the slope for low financial dependence (solid line) is significant (ZFinDep = -0.95). In this scenario, a more positive shareholder event leads to a higher long-term valuation for the firm. However, when the company is highly dependent on the financial system (ZFinDep = 1.04), there is no significant relationship between the event's valence and the firm's long-term valuation.

In summary, a positive event involving a shareholder does not directly affect the firm's short-term value (H2a), though it may have a modest impact when amplified by the type of ownership structure (H7a). On the other hand, such an event has a direct effect on the firm's long-term value (H2b), with its impact being amplified by both the type of ownership structure (H8a) and the company's level of dependence on the financial system (H8c).

Figure 7 - *Interaction shareholder event * financial dependence on LTV*



The ninth hypothesis posits that a direct effect of corporate reputation on short-term valuation is influenced by the company's ownership structure, the media exposure of the event, and/or the company's dependence on the financial system. H9 is divided into three sub-hypotheses, each assessing the moderated mediation effect through one of these variables.

The interaction effect between ownership structure and corporate reputation has no effect on short-term valuation (β = -0.089; p = 0.189). Consequently, H9a is not supported.

Regarding media exposure, the interaction effect between this factor and corporate reputation has also no effect on short-term valuation (β = 0.141; p = 0.087) and the confidence interval does include zero, which reinforces the absence of effect. Therefore, H9b is also not supported.

Furthermore, the interaction effect between financial dependence and corporate reputation has also no effect on short-term valuation (β = 0.029; p = 0.702). Thus, H9c is also not supported.

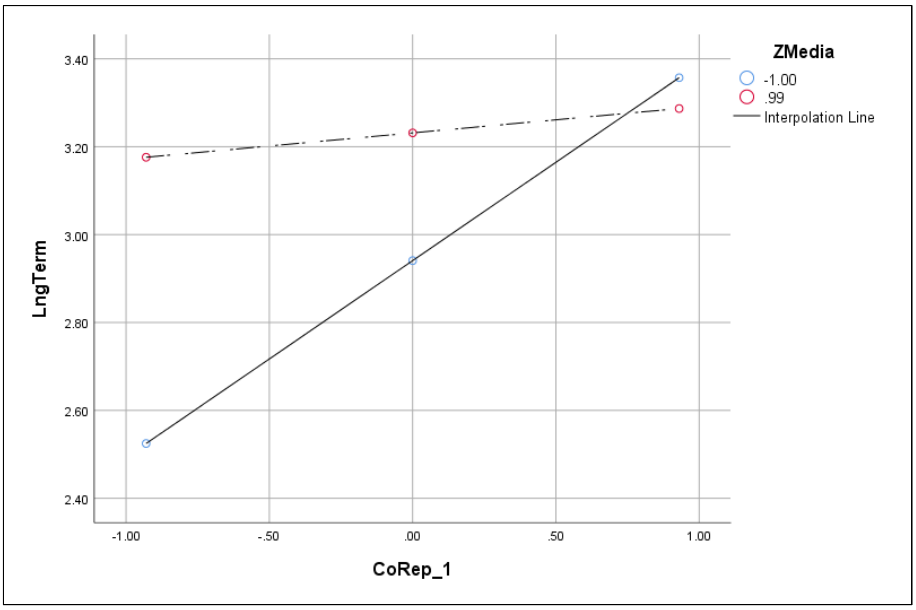
While the ninth hypothesis examines whether the direct effect of corporate reputation on short-term valuation is influenced by structural and contextual variables, the tenth hypothesis investigates whether the same effect applies to long-term valuation.

For the conditional effects of corporate reputation on long-term valuation moderated by ownership structure, the interaction effect is non-significant (β = -0.051; p = 0.542), thus rejecting H10a.

Conversely, regarding media exposure, the interaction effect between this factor and corporate reputation on long-term valuation is negative (β = -0.195) and statistically significant (p = 0.025). This finding suggests that higher media exposure reduces the positive impact of corporate reputation on long-term valuation. The 95% CI does not include zero [-0.365; -0.024], confirming the significant effect. Therefore, H10b is supported.

Figure 8 depicts the interaction effect of corporate reputation on long-term valuation, moderated by media exposure. As shown, the slope is statistically significant only at low levels of media exposure (ZMedia = -1.00), indicating that increasing corporate reputation reduces long-term valuation at low levels of media exposure. In contrast, the dashed line (ZMedia = 0.99) exhibits a negligible slope, suggesting that changes in corporate reputation have no impact on long-term valuation at high levels of media exposure.

Figure 8 - *Interaction corporate reputation * media exposure on LTV*



Lastly, the interaction effect between financial dependence and corporate reputation on long-term valuation is non-significant (β = 0.081; p = 0.323). Hence, H10c is not supported.

In summary, neither ownership structure nor financial dependence significantly affects the relationship between corporate reputation and both short-term and long-term valuation. While higher media exposure significantly reduces the positive impact of corporate reputation on long-term valuation, it is not statistically significant for short-term valuation.

The last hypothesis, H11, aims to test whether the sequential indirect effect of shareholder events on long-term firm value, through corporate reputation and short-term value, is moderated by the structural and contextual factors mentioned.

For the sequential conditional indirect effects of shareholder events on long-term valuation moderated by ownership structure, the interaction effect is negative (*β* = -0.101) and not statistically significant, as the 95% CI [-0.228; 0.027] includes zero. Therefore, H11a is rejected.

Regarding media exposure, the interaction effect between this factor and shareholder events shows a positive sequential indirect effect on long-term valuation (*β* = 0.212), which is statistically significant, as the 95% CI [0.075; 0.392] does not include zero. This finding suggests that higher media exposure enhances the positive impact of shareholder event on long-term valuation, mediated through corporate reputation and short-term value. Therefore, H11b is supported.

Lastly, the sequential indirect interaction effect between financial dependence and shareholder events on long-term valuation is positive (*β* = 0.005) but not statistically significant, as the 95% CI [-0.116; 0.103] includes zero. Hence, H11c is rejected.

The R^2 values for the dependent variables range from 36.7% to 55.1%, indicating the reliability and validity of the conjoint analysis. Given the high variance explained by the model, multicollinearity was assessed. The results, detailed in Table 33 indicate no significant variance inflation due to multicollinearity, with the highest VIF (Variance Inflation Factor) at 3.20 and the lowest tolerance at 0.312, each well below the critical thresholds of 5 and above 0.20, respectively (Chatterjee & Simonoff, 2013; O'Brien, 2007).

Table 33 - *Multicollinearity test: coefficients for the dependent variable (LTV)*

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
	β	**SE**	***β***	t	***p*-value**	**Tolerance**	**VIF**
Constant	2.599	.533		4.878	.000		
Age	.073	.081	.077	.901	.369	.565	1.769
Gender	.148	.090	.112	1.633	.105	.879	1.138
Education	-.047	.077	-.042	-.602	.548	.870	1.150
Work Exp.	-.063	.073	-.072	-.860	.391	.599	1.668
CorRep	.241	.082	.341	2.950	.004	.312	3.205
STV	-.034	.076	-.044	-.442	.659	.429	2.332
Zscore(Event)	.170	.063	.259	2.723	.007	.461	2.169
Zscore(Owne)	-.063	.044	-.095	-1.426	.156	.933	1.072
Zscore(Media)	.145	.045	.219	3.242	.001	.909	1.101
Zscore(FinDep)	-.028	.045	-.043	-.618	.538	.876	1.142

Tables 34 and 35 summarize the results of the path analysis. Figures 9 to 11 visually reflect the conceptual model coefficients for each one of the mediators.

Figure 9 - *Conceptual model coefficients, with ownership structure as moderator*

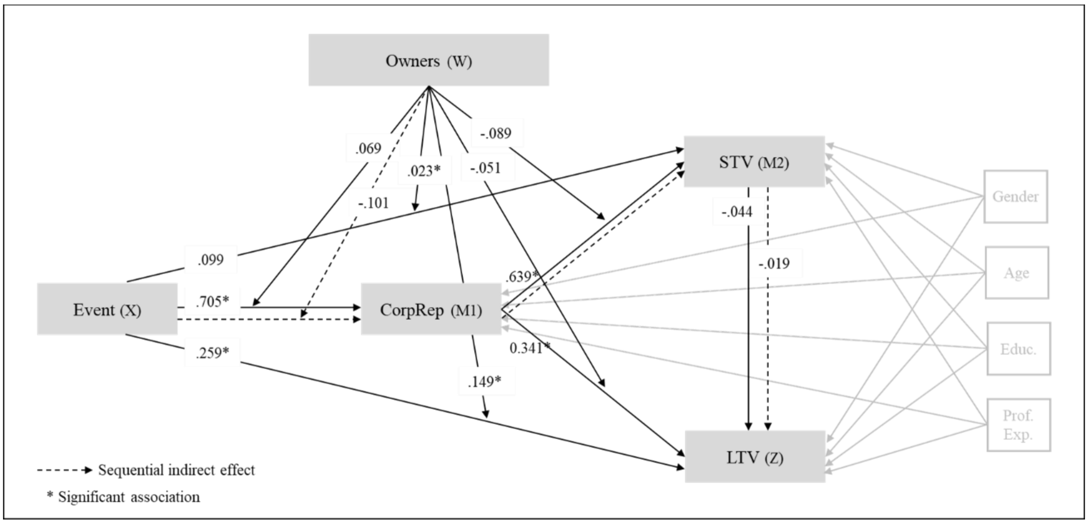


Figure 10 - *Conceptual model coefficients, with media exposure as moderator*

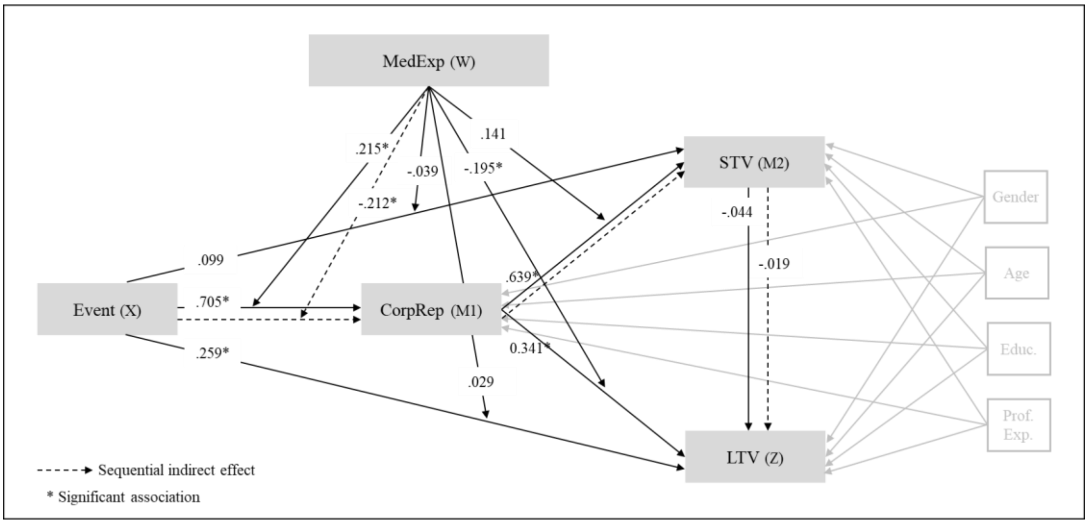


Figure 11 - *Conceptual model coefficients, with financial dependence as moderator*

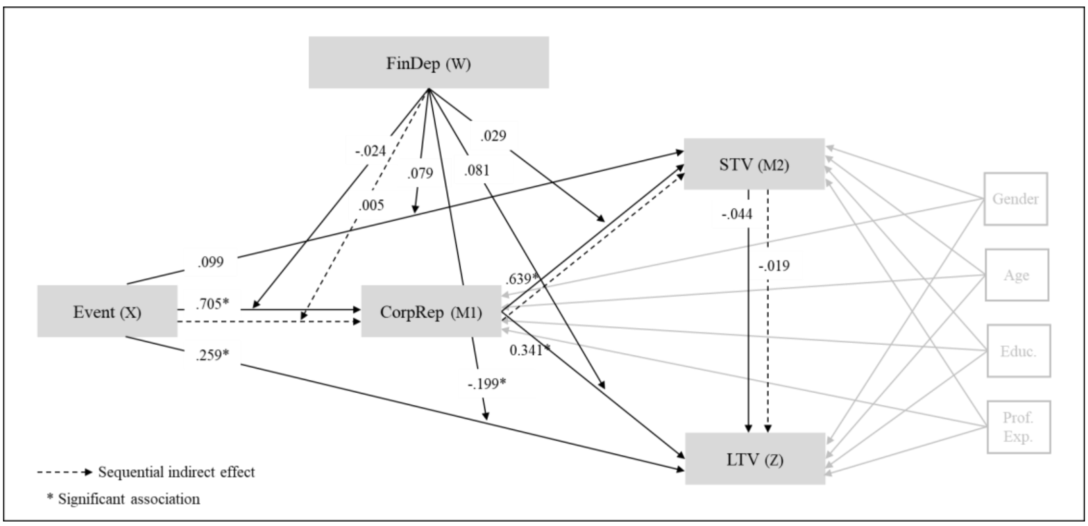


Table 34 - *Path analysis: direct and indirect effects*

	Corporate Reputation (CorRep)						Short-Term Valuation (STV)						Long-Term Valuation (LTV)					
	β	**SE**	***p*-value**	**95% CI LB**	**95% CI UB**		**β**	**SE**	***p*-value**	**95% CI LB**	**95% CI UB**		**β**	**SE**	***p*-value**	**95% CI LB**	**95% CI UB**	
Control Var.																		
Constant	2.739	.574	.000	1.605	3.872		1.525	.558	.007	.423	2.638		2.599	.533	.000	1.546	3.651	
Age	.001	.095	.988	-.187	.189		.088	.086	.214	-.063	.278		.077	.081	.369	-.087	.233	
Gender	-.063	.106	.269	-.326	.092		.081	.096	.153	-.052	.329		.112	.090	.105	-.031	.326	
Education	.019	.089	.734	-.147	.208		-.139	.081	.014	-.363	-.042		-.042	.077	.548	-.199	.106	
Work Experience	.026	.086	.713	-.139	.202		.037	.078	.590	-.112	.197		-.072	.073	.391	-.207	.081	
Direct effects																		
Event	.705	.051	0.000	.555	.756	*H1*	.099	.067	.206	-.047	.217	*H2a*	.259	.063	.007	.047	.294	*H2b*
CorRep							.639	.074	.000	.442	.733	*H3a*	.341	.082	.004	.079	.403	*H3b*
STV													-.044	.076	.659	-.183	.116	*H4*
							β	**BootSE**		**BootLB**	**BootUB**		**β**	**BootSE**		**BootLB**	**BootUB**	
Indirect effects																		
Event-CorRep-STV							.450	.051		.353	.553							
Event-CorRep-LTV													.240	.086		.069	.402	
Event-CorRep-STV-LTV													-.019	.048		-.118	.074	*H5*

Note: CI – Confidence Interval; LB – Lower Bound; UB – Upper Bound

Table 35 - *Path analysis: conditional effects*

	Corporate Reputation (CorRep)						Short-Term Valuation (STV)						Long-Term Valuation (LTV)					
	β	SE	*p*-value	95% CI LB	95% CI UB		β	SE	*p*-value	95% CI LB	95% CI UB		β	SE	*p*-value	95% CI LB	95% CI UB	
Conditional effects																		
Owners*Event	.069	.054	.201	-.176	.037	*H6a*	.023	.064	.001	.102	.354	*H7a*	.149	.065	.022	.022	.277	*H8a*
Owners*CorRep							-.089	.068	.189	-.223	.045	*H9a*	-.051	.084	.542	-.217	.114	*H10a*
Owners*STV													-.134	.080	.097	-.292	.025	
MedXp*Event	.215	.051	0.000	0.115	.315	*H6b*	-.039	.078	.612	-.194	.115	*H7b*	.029	.069	.679	-.108	.165	*H8b*
MedXp *CorRep							.141	.082	.087	-.021	.302	*H9b*	-.195	.086	.025	-.365	-.024	*H10b*
MedXp *STV													.300	.075	.000	.152	.449	
FinDep*Event	-.024	.052	0.647	-0.126	.079	*H6c*	.079	.068	.249	-.056	.214	*H7c*	-.199	.063	.002	-.325	-.075	*H8c*
FinDep *CorRep							.029	.076	.702	-.125	.180	*H9c*	.081	.081	.323	-.080	.241	*H10c*
FinDep *STV													.008	.075	.916	-.139	.155	
							β	Boot SE		Boot LB	Boot UB		β	Boot SE		Boot LB	Boot UB	
Conditional indir. effects.																		
Owners*Event-CRep-STV							-.207	.114		-.432	.015							
Owners*Event-CorRep-LTV													-.106	.111		-.346	.087	
Owners*Event-CorRep-STV-LTV													-.101	.065		-.228	.027	*H11a*
Media*Event-CorRep-STV							.458	.134		.178	.705							
Media*Event-CorRep-LTV													-.146	.1472		-.444	.131	
Media*Event-CorRep-STV-LTV													.212	.081		.075	.392	*H11b*
FinDep*Event-CorRep-STV							.011	.104		-.199	.212							
FinDep*Event-CorRep-LTV													.093	.116		-.130	.329	
FinDep *Event-CorRep-STV-LTV													.005	.0556		-.116	.103	*H11c*
R^2		50.8%					55.1%						36.7%					

Note: CI – Confidence Interval; LB – Lower Bound; UB – Upper Bound

3.4. Discussion of the Results

The following section presents a summary of the primary findings from the conjoint analysis and OLS regression-based path analyzes. This summary also includes a comparison with conclusions from empirical studies in the literature and offers potential explanations or justifications for findings for which we have not yet found parallel with existing research.

3.4.1. Conjoint Analysis

The findings from the conjoint analysis support the existence of a reverse spillover effect from shareholders to companies, which significantly impacts not only corporate reputation, but also firm valuation. Specifically, events affecting shareholders, serving as a proxy for shareholder reputation, account for most of the changes in corporate reputation and the firm's short-term valuation when the valence (positive or negative) of the change is considered. This suggests that shareholder events act as triggers, either enhancing or damaging both corporate reputation and short-term value.

Although direct support for this reverse spillover effect is to our best knowledge absent in the literature, it is important to note that corporate reputation is fundamentally defined as the collective valuation in which a company is held by its internal and external stakeholders (Fombrun, 1996; Fombrun & Shanley, 1990; Veh et al., 2019). This assessment reflects assumptions about the company's credibility, reliability, responsibility, and trustworthiness (Fombrun, 1996). Consequently, it seems natural that an event affecting a shareholder could significantly influence the collective perception of a company’s ability to meet stakeholders’ expectations, given the potential impact of the event consequences on the firm’s strategic and operational direction, financial health, and corporate governance practices, among other factors (Russino, 2023).

Additionally, some researchers posit that ownership structure influences corporate reputation by signaling organizational transparency (Ljubojević & Ljubojević, 2008) or expectations about expropriation (Delgado-García et al., 2010; Gilson, 2006). Following this logic, it can be argued that an event affecting a shareholder can also signal the market about the company. Shareholders play a crucial role in providing capital, influencing strategic decisions, and ensuring effective governance (Basu et al., 2017; Russino, 2023). Therefore, a shareholder event may transmit information that shapes perceptions about the firm’s stability, governance, and future performance, directly influencing the mechanisms of corporate reputation formation.

The spillover effect of a shareholder event on a firm's short-term valuation is supported by both the efficient market hypothesis (Fama, 1970; 1991) and behavioral finance theory (Kahneman & Tversky, 1979; Thaler, 1999; Tversky & Kahneman, 1974). The efficient market hypothesis posits that financial markets are highly efficient in processing information, instantly incorporating all publicly available news into stock prices (Lim & Brooks, 2011; Malkiel, 2003). If information about a shareholder event is available to all market participants, and investors are rational and base decisions on this information, the firm's short-term valuation will reflect the event's potential influence on the company.

Conversely, behavioral finance theory suggests that investors are subjected to psychological biases and emotional reactions, which may lead to overreactions or underreactions, resulting in less than fully rational decisions (Hirshleifer, 2001; 2015; Olsen, 1998). Over the years, researchers have found evidence that investors tend to overreact to salient, unexpected, or dramatic news events, and that this behavior affects stock prices (Hirshleifer, 2015; De Bondt & Thaler, 1985). Several authors have also introduced the idea that feelings play a role in decision-making, and investors' "mood swings" can affect share prices (Hirshleifer & Shumway, 2003; Mehra & Sah, 2002).

When the valence (positive or negative) of the change in corporate reputation or short-term valuation is disregarded, the explanatory power of the shareholder event diminishes to near irrelevance. Our interpretation is that the process by which an event affecting a shareholder influences corporate reputation or short-term valuation involves complex interactions among various factors - such as the shareholder event, media exposure, ownership structure, and financial dependence. These interactions are sensitive to whether the event results in a positive or negative change and require a different type of statistical analysis than conjoint analysis to be fully understood.

When the impact on corporate reputation or short-term valuation is negative, the level of financial dependence also exhibits relevant explanatory power. This finding seems to contradict literature suggesting that bank loan announcements generate positive abnormal returns for the borrower's stock by increasing market confidence in the company (Ongena & Smith, 2001). However, our interpretation is that financial dependence conveys a message about a company's financial stability and perceived risk, because failure to meet financial obligations may dictate a transfer of ownership to bondholders or creditors (D'Mello & Gruskin, 2021). In adverse situations, such as following a scandal involving a shareholder, this dependence may lead to reduced stakeholder confidence, particularly among investors, and consequently increased scrutiny and risk perception. Extensive literature addresses the agency problem between shareholders and creditors due to information asymmetry and the risk of expropriation of the latter by the former (Jensen & Meckling, 1976; Long et al., 1994; Tran, 2019), and the extent to which corporate reputation serves as a proxy for tangible information about the company (Long et al., 1994; Tran, 2019). Financial markets are highly sensitive to information (Bai et al., 2016), and a deterioration in corporate reputation necessarily calls into question all assumptions made by financial institutions and stakeholders about the company.

Additionally, it cannot be forgotten that corporate reputation risk is an amplifying risk (Bonime-Blanc, 2014). In the context of information asymmetry, it can exacerbate other forms of risk, leading to significant negative repercussions in financial markets (Healy & Palepu, 2001) and influencing the behavior of auditing firms, investment banks, and financial analysts (Jackson, 2005; Reynolds & Francis, 2001). Conversely, positive events may not generate as immediate or significant response (Jackson, 2005; Reynolds & Francis, 2001).

When short-term value changes positively, ownership structure also emerges as a significant factor after the shareholder event. As mentioned, ownership structure influences corporate reputation by signaling organizational transparency or expectations about expropriation (Delgado-García et al., 2010; Ljubojević & Ljubojević, 2008). While the conjoint analysis is not sufficient to determine whether ownership structure influences short-term valuation directly or through the enhancement of corporate reputation, several authors argue that concentrated ownership enhances firm value due to better monitoring and control over management (e.g., Konijn et al., 2011; López-Iturriaga & Rodríguez-Sanz, 2001; Perrini et al., 2008; Thomsen & Pedersen, 2000; Russino, 2023) and that higher levels of management ownership reduce agency costs (e.g., Cho, 1998; Davies et al., 2005; López-Iturriaga & Rodríguez-Sanz, 2001; Russino et al., 2019), leading to positive market signaling.

Thomsen and Pedersen (2000) assert that different types of ownership structures have varying impacts on performance, with concentrated ownership, particularly by families and institutional investors, positively impacting return on assets and return on equity. This positive impact on performance is attributed to family ownership's focus on long-term strategy and stability (Andres, 2008; Perrini et al., 2008) and institutional investors' emphasis on professional management and returns, which drive better governance and operational efficiency (Bena et al., 2017; Boone & White, 2015). Thomsen and Pedersen (2000) also argue that the downsides of concentrated ownership, such as the expropriation of minority shareholders, can be mitigated if the right governance mechanisms are in place.

On the other hand, when managers own a significant portion of the company's shares, their interests are more aligned with those of the shareholders, leading to an increase in the firm's value (Fabisik et al., 2021; Perrini et al., 2008). However, Fabisik et al. (2021) cautions that very high levels of managerial ownership may cause managers to prioritize personal benefits over shareholder value.

The conjoint analysis results for changes in long-term valuation are more challenging to interpret. Over the past four decades, behavioral finance has emerged as a field of study, challenging the efficient market hypothesis by asserting that markets are not perfectly efficient even in the long run (e.g., Hirshleifer, 2001; 2015; Olsen, 1998). According to the efficient market hypothesis, any investor overreactions or underreactions to contemporary events should be corrected over the long term as more information becomes available and market participants adjust their expectations (Lim & Brooks, 2011; Malkiel, 2003). However, several authors have found evidence of long-term memory in stock market prices (e.g., Lillo & Farmer, 2007; Lo, 1991; Sadique & Silvapulle, 2001), suggesting that past events and past price movements can have long-lasting effects on a firm's price. Lo (2004) developed the adaptive markets hypothesis to explain that market efficiency is dynamic and evolves over time. According to this theory, market inefficiencies and anomalies can persist for extended periods due to investors' fears and behavioral biases. However, investors engage in an adaptive learning process that eventually leads to market adjustments.

Contrary to the findings concerning the immediate effects on corporate reputation and short-term valuation, an event affecting a shareholder appears as the most influential factor when the valence of the change (positive or negative) is ignored, followed by ownership structure. Behavioral finance theory might help explain the influence of the shareholder figure and everything related to it in long-term memory: the strength and durability of the signal passed to the market by different types of ownership structures (Russino, 2023) and the psychological and emotional reactions that the event affecting the shareholder raises among investors.

The event affecting a shareholder is the most influential factor when the changes in long-term valuation are positive, followed by media exposure. However, when the change in long-term valuation is negative, ownership structure emerges as the most relevant factor, followed by the shareholder event and media exposure. These findings show that, in the long run, media exposure plays a role in influencing long-term valuation, which is not found for immediate impacts.

The influence of the media on the stock market has been studied by several authors (e.g., Antweiler & Frank, 2004; Strycharz et al., 2018; Tetlock, 2007). Media coverage, as well as the emotionality or expertise of the coverage, plays an important role in influencing stakeholders' decision-making processes (Kleinnijenhuis et al., 2013; Strauß et al., 2016; Strycharz et al., 2018), contradicting the efficient market hypothesis (Lim & Brooks, 2011; Malkiel, 2003).

In conclusion, the conjoint analysis findings support the existence of a spillover effect from shareholders to companies, which affects corporate reputation, short-term valuation, and long-term valuation. In the next section, we will discuss the pathways leading to these reverse spillover effects.

3.4.2. OLS Regression-Based Path Analysis

The path analysis results for the direct effects of a shareholder event on corporate reputation (H1) converge with the findings from the conjoint analysis, which identified a reverse spillover effect (i.e., from shareholders to companies). The large effect indicates that such events have a substantial practical impact on corporate reputation. However, the direct effect of a shareholder event on short-term valuation (H2a) is not statistically significant. For long-term valuation (H2b), while the effect is statistically significant, it is more modest.

The reverse spillover effect on a firm's short-term and long-term value is corroborated not through the direct impact of the shareholder event itself, but rather through the effect of corporate reputation changes on short-term valuation (H3a) and long-term valuation (H3b). This finding aligns with numerous academic studies that demonstrate the influence of ownership on corporate reputation (e.g. Bromley, 1993; Fombrun & Shanley, 1990; Hung et al., 2015; Kitchen & Laurence, 2003; Zhang & Schweitzer, 2021). Studies also show that changes in a company's position in corporate reputation rankings are quickly and fully reflected in its share prices (Tischer & Hildebrandt, 2014). Our results extend this understanding by showing that aspects related to shareholders actively contribute to shaping the company's reputation.

This means that the market incorporates available information about the shareholder into the company's corporate reputation, which then influences the firm's performance. As outlined in the literature reviewed, the relationship between corporate reputation and corporate performance has been extensively researched, with debates about whether corporate reputation independently affects corporate performance (Black et al., 2000; Larkin, 2003) or is merely a reflection of the firm's performance (Carmeli & Tisher, 2005; Rose & Thomsen, 2004). The vignette study conducted provides evidence supporting the existence of an independent causal effect. In this study, the scenarios were triggered by events affecting the shareholder, and respondents were asked to evaluate how these specific events influenced the company's reputation.

The path analysis reveals that there is neither a direct effect of short-term value on long-term valuation (H4) nor an indirect effect of the shareholder event on long-term valuation through corporate reputation and short-term value (H5). These findings align with the efficient market hypothesis (Fama, 1970; 1991), which asserts that financial markets are rational and that any short-term inefficiencies are corrected over the long run (Lim & Brooks, 2011; Malkiel, 2003). Along the years, several authors have analyzed the effects of corporate scandals of both a financial and nonfinancial nature and found an increase in stock price volatility in the days following the announcement of the scandal (e.g., Eisenegger & Künstle; 2011; Jory et al., 2015). However, findings also suggest that the damage is confined to the short run and that the stock price performance is corrected in the long run post-announcement (Jory et al., 2015; Tischer & Hilderbrant, 2011).

Regarding the conditional direct effects, the findings indicate that ownership structure moderates the relationship between a shareholder event and both short-term (H7a) and long-term valuation (H8a). In contrast, financial dependence acts as a moderator only in the context of long-term valuation (H8c). This distinction suggests that while ownership structure has an immediate and continuous influence on the impact of shareholder events, the effect of financial dependence is more subtle and primarily manifests in the long term.

As discussed, shareholders and ownership structure play a pivotal role in shaping corporate reputation. Thus, it is unsurprising that when ownership is concentrated, a positive shareholder event leads to a significant increase in both the firm's short-term and long-term value. The relationship between ownership concentration and firm performance has been extensively studied, with numerous researchers identifying a positive correlation (e.g., Torres et al., 2024; Weiss & Hilger, 2012).

In companies with concentrated ownership, shareholders often exert considerable influence over the company's strategy and decision-making processes (e.g., Russino, 2023). This influence, combined with irrevocable control over the firm's assets, allows shareholders to deploy these assets strategically to maximize value (Foss et al., 2021). This dynamic likely explains the positive relationship between shareholder events and firm value in such contexts.

Our findings also indicate that in cases of dispersed ownership, a positive shareholder event leads to a decrease in firm's short-term valuation. This outcome may be explained through the lens of agency theory (Fama, 1980), which suggests that conflicts of interest between shareholders and management are more pronounced when ownership is dispersed and internal controls are weaker (e.g., Devers et al., 2007; Harris & Bromiley, 2007; Westphal & Khanna, 2003). In such scenarios, investors might perceive that positive shareholder events are misaligned with the strategic interests of the company, ultimately causing a negative impact on the firm's short-term valuation.

The fact that concentrated ownership structure serves as a moderator for long-term valuation underscores its lasting influence, which can create a long-term memory effect in stock market prices (e.g., Lillo & Farmer, 2007; Lo, 1991; Sadique & Silvapulle, 2001). The adaptive markets hypothesis (Lo, 2004), which incorporates principles of behavioral finance, helps explain market anomalies that contradict the efficient market hypothesis, further supporting these findings. We recall that findings do not show a significant relationship between the event's valence and the firm’s long-term valuation, in cases of dispersed ownership.

The finding that financial dependence - indicating a company's reliance on external financing for its operations and growth - only moderates the relationship between a shareholder event and the firm’s long-term valuation when financial dependence is low suggests that the impact of financial dependence becomes more apparent over time. Additionally, it suggests that when a company relies less on external financial sources, it enjoys greater flexibility to better capitalize on positive shareholder events.

On the one hand, contracts with banks and other financial partners may shield highly dependent companies on the financial system from short-term fluctuations in financial conditions. However, in the long term, these companies may become more vulnerable. A shareholder event can lead to increased scrutiny from various stakeholders, including financing partners, potentially exposing the company to greater risks. Financial dependence can influence a company's overall stability and growth prospects (e.g., Didier et al., 2021; Hennessy & Whited, 2007), which in turn affects its long-term valuation (e.g., Lamont et al., 2001; Penman et al., 2023). As shareholder events bring these dependencies into sharper focus, their impact on valuation becomes more pronounced over time. Thus, a company that is less reliant on external financing is better positioned to leverage positive shareholder events to enhance its long-term valuation.

Our findings also show a significant interaction effect between media exposure and a shareholder event that influences corporate reputation (H6b). These findings are supported by Carroll’s studies (2009), which demonstrate that public perception of a company is strongly shaped by media coverage of the company's actions, with media favorability acting between those actions and public esteem. The media's ability to make specific topics salient and frame particular aspects of them (Scheufele & Tewksbury, 2007; Thompson, 2013) explains why an event involving shareholders can affect public perception, influence opinions about the company, and evoke emotional responses toward it, regardless of the level of media exposure.

However, our results show that media exposure significantly enhances corporate reputation, contrary to the seminal findings of Fombrun and Shanley (1990), who observed that media exposure, regardless of the nature of the news, negatively influences corporate reputation. Media exposure affects the image component of reputation (Llewellyn, 2002), contributing to the organization's overall message.

While corporate reputation is typically understood as positively influencing a firm's valuation, with this effect often amplified by media exposure (e.g., Bushee & Miller, 2012; Deephouse, 2000; Strycharz et al., 2018; Tetlock, 2014), our findings reveal that this positive impact does not occur in the short-term (H9b) and has a negative effect on long-term valuation, particularly when media exposure is low (H10b). On the contrary, the sequential conditional indirect effects show that higher media exposure enhances the positive impact of shareholder events on long-term valuation, mediated through corporate reputation and short-term value (H11b).

Agenda-setting and framing theories have long been associated with the role of media coverage in explaining stock market fluctuations (e.g., Carroll, 2009; Carroll & McCombs, 2003; Tetlock, 2014). Several authors argue that a company's media visibility influences its stock price more significantly than financial information released by the company itself (e.g. Bushee & Miller, 2012; Davis, 2006; Lehavy & Sloan, 2008). However, the impact of corporate news on financial markets depends not only on the presence of media coverage but also on the characteristics of that coverage, such as its emotional tone or the relevance of expert opinions (Strauß et al., 2016; 2017; Strycharz et al., 2018). Deephouse (2000) explains the positive correlation between strong media reputation - understood as the overall evaluation of a company by the media - and a firm's market value by highlighting the media's ability to shape investors' perceptions and behaviors. Strycharz et al. (2018) also found that stock markets react not only to financial news but also to "consumer-oriented themes" - any content that can trigger a reaction and influence investor perceptions.

As noted, our findings for H10b do not align with the previously mentioned studies. The interaction between high levels of media exposure and corporate reputation does not enhance the firm's long-term value. According both to the efficient market hypothesis (Lim & Brooks, 2011; Malkiel, 2003) and the adaptive markets hypothesis (Lo, 2004), eventually financial markets incorporate all publicly available data into stock prices.

Moreover, the diminished positive impact of corporate reputation on long-term value due to increased media exposure can be attributed to several factors: heightened scrutiny

(Deephouse, 2000; Pfarrer et al., 2010), penalization when expectations are not met (Pfarrer et al., 2010), or media sensationalism (Solomon & Soltes, 2015). Fombrun and Van Riel (2003) also suggest that continuous media attention may cause stakeholders to become less responsive to a positive corporate reputation, leading to diminishing returns. This introduces the idea that avoiding media overexposure is crucial to maintaining reputation as a competitive asset (Carroll, 2013). Moreover, Sánchez and Sotorrío (2007) argue that there is a limit to how much improving corporate reputation can contribute to enhancing a company's financial performance.

Our findings build on previous studies by demonstrating that media attention can amplify an event involving a shareholder (a proxy for the shareholder's reputation) and impact the firm's long-term value through a sequential conditional indirect pathway involving corporate reputation and the firm's short-term value. The influence of a shareholder's reputation on firm value is therefore a complex and gradual process that unfolds over time.

The way media covers and frames an event involving a shareholder builds on the public's existing perception of the company, either enhancing or damaging its reputation. Corporate reputation, in turn, reflects several key attributes of the company contributing to the firm's value at different points in time. Since financial markets tend to be efficient, this process influences how the company's value is perceived and adjusted over the long term. By understanding how this process unfolds, the reverse spillover effect can be effectively managed.

3.5. Conclusion

The interviews conducted with C-level executives for the initial inductive study revealed a plausible empirical positive association between shareholders' reputation and corporate reputation, suggesting that various structural and contextual factors influence how this relationship unfolds. Interviewees identified the nature (or valence) of events affecting shareholders, ownership concentration, media exposure, and the company's dependence on the financial sector as key factors that influence the reputation spillover from shareholders to companies.

This reverse spillover effect is further supported by the findings from this semi-experimental study, based on conjoint, and path analyzes. In this second study, an event affecting a shareholder was used as a proxy for shareholder reputation, and the data analysis demonstrated that such events not only influence corporate reputation but also impact the firm's short-term and long-term valuation. This finding supports our contention that shareholder events can trigger a reverse reputation spillover effect with significant implications for the company.

While the conjoint analysis provided insights into the relative importance of shareholder events in influencing changes in corporate reputation and firm valuation, it did not allow to establish a causal relationship. The conjoint analysis also highlighted how ownership structure, media exposure, and financial dependence provide additional context for understanding the reverse spillover effect, though it offered limited insight into the pathways leading to these effects.

The path analysis was built on the conjoint analysis findings, establishing an independent causal link between shareholder events and their impact on the company. Shareholder events trigger reactions among company stakeholders that can enhance or damage corporate reputation. Although the path analysis show a modest direct impact of shareholder events on the firm's long-term valuation, the reverse spillover effect on valuation is primarily mediated through changes in corporate reputation. This finding underscores the complex relationship between shareholder events, corporate reputation, and firm valuation, and the role of corporate reputation as an informative signal (e.g., Connelly et al., 2011; Dowling, 2004; Zinko et al., 2007). While existing literature discusses the role of shareholders and ownership structure in building a company's reputation (e.g., Delgado-García et al., 2010; Hung et al., 2015; Kitchen & Laurence, 2003; Zhang & Schweitzer, 2021) and how corporate reputation influences the firm performance (e.g., Fombrun & Van Riel, 2004), our study extends this understanding by showing how fluctuations in shareholders’ reputations can materially impact the company.

The path analysis also reveals the conditional effects of ownership structure, media exposure, and financial dependence. Each factor plays a significant moderating role in specific aspects and at different points in the company's timeline. Ownership structure moderates the relationship between shareholder events and both short-term and long-term valuation, reflecting the shareholders' influence on company strategy and decision-making (e.g., Russino, 2023). In contrast, financial dependence only moderates long-term valuation, suggesting that its impact becomes evident over time, likely due to the evolution of financial market volatility and its influence on the firm's financial stability and perceived risk (e.g., D’Mello & Gruskin, 2021).

While ownership structure and financial dependence moderate firm valuation, media exposure significantly interacts with shareholder events to affect corporate reputation. Extensive literature discusses media's role in shaping public perception of a company and evoking emotional responses to specific events (e.g., Scheufele & Tewksbury, 2007; Thompson, 2013). However, our findings indicate that higher media exposure, coupled with enhanced corporate reputation, does not positively affect the firm's short-term or long-term valuation and may negatively impact long-term valuation when media exposure is low. One possible explanation is reputation fatigue due to media overexposure (Deephouse, 2000; Pfarrer et al., 2010; Solomon & Soltes, 2015).

Nevertheless, media exposure amplifies the impact of shareholder events on the firm's long-term valuation through its effect on corporate reputation and short-term value. We interpret this as a process that unfolds over time, with financial markets gradually incorporating all available information into stock prices, consistent with the efficient market and adaptive markets hypotheses, after adjusting for initial overreactions or underreactions to shareholder events.

In conclusion, this study provides evidence supporting the existence of a reverse spillover effect (i.e., from shareholders to companies) that influences corporate reputation, short-term valuation, and long-term valuation, highlighting the complexity of this reputation transferability process. Our findings build on existing literature and offer new insights into the pathways through which shareholder reputation affects companies.

From a managerial perspective, understanding the reverse reputation transferability process and the roles played by various structural and contextual factors can help companies better manage the reverse spillover effect, enabling them to capitalize on opportunities and mitigate risks.

IV. General Discussion & Conclusion

Corporate reputation risk should be a major concern for executives, especially in light of recent scandals where reputational issues or operational misconduct escalated into reputational crises, leading to significant performance losses. While corporate reputation risks have always existed, the rise of the Internet and digital media over the past 30 years has made the business world more transparent and interconnected. This shift has empowered an increasing number of watchdogs, capable of broadcasting information and opinions globally, often anonymously, and regardless of their expertise. Coupled with the evolving social and ethical standards driven by technological advancements, societal changes, and global crises, the challenge of managing corporate reputation risk has intensified.

Despite its growing importance, companies have made limited progress in managing this ‘invisible’ multidimensional risk. Corporate reputation risk often arises from and amplifies other types of risks, and its effects and impacts are challenging to quantify (e.g., Bonime-Blanc, 2014; Fombrun, 1996; Rayner, 2003), while current risk management processes and systems are better suited for handling quantitative and vertical risks. Reputation is shaped by stakeholders' assessment of a company's past actions and likelihood of future behavior (e.g., Fombrun, 1996; Fombrun & Shanley, 1990; Veh et al., 2019), and a deterioration in these perceptions can lead to changes in stakeholder behavior, ultimately resulting in financial losses (Eckert, 2017). Furthermore, companies may face “risk by association”, where their reputation suffers due to a connection with third parties, over which the company has limited or no control (Elitzur & Gavious, 2003; Fombrun, 1996). The dynamics that cause corporate reputation risk to materialize in some cases but not in others are not entirely clear, which may explain why this field has seen limited management developments.

This thesis seeks to shed light on a specific type of third-party risk: the extent to which shareholders' reputation matters to firms. Specifically, it examines the transferability of reputation from shareholders to companies and how this transfer can affect a firm’s value.

The research addresses a gap in the literature. While prior studies have largely focused on how corporate reputation can influence shareholders or spill over to other organizations (Coffee, 2006; Eckert, 2020; Zhang & Schweitzer, 2019), limited research has explored whether shareholders' reputation and “moral capital” impact the company’s reputation - a reverse spillover effect. This thesis investigates whether shareholders' irresponsible or exemplary behavior can positively or negatively affect a company’s value.

While there is extensive research on the influence shareholders exert through capital provision, governance, and strategic decision-making (e.g., Basu et al., 2017; Russino, 2023), and on signaling theory's application to ownership structure (Spence, 1973), the relationship between corporate and shareholder reputation - specifically how changes in shareholders' reputation affect corporate reputation - remains largely underexplored.

From a management perspective, this thesis provides practical insights into managing corporate reputation risk and aims to contribute to the improvement of current risk management frameworks. By understanding the reverse reputation transfer process and the roles played by various structural and contextual factors, executives can better manage the reverse spillover effect, enabling them to seize opportunities and mitigate risks.

The proposed research method was structured into two studies to address the limited knowledge on reverse reputation spillover. A first, inductive study, aimed to validate key concepts from the literature by gathering insights from C-level executives. It sought to determine whether they believe in the existence of reverse reputation transferability, to identify relevant structural and contextual variables, and establish the theoretical relationships between these dimensions. Building on these findings, a second quasi-experimental study using the vignette technique tested the phenomenon and explored various pathways through which these variables influence corporate reputation and firm valuation, enabling a comparative analysis of their causal effects.

4.1. Key Insights from the Conducted Studies

The initial inductive study successfully validated the observations and constructs derived from the literature review. As extensively discussed in the literature (e.g., Barnett et al., 2005; Veh et al., 2019; Wartick, 2020), top executives also struggle to clearly define corporate reputation and corporate reputation risk, conflating these concepts with identity and image. While these distinctions are well-established in academic literature, their practical application in management remains unclear, and the processes that link these concepts are not well understood.

Despite these challenges, interviewees generally understand corporate reputation as the collective perception held by stakeholders of a company's purpose and values, both present and future, shaped over time by the intentional and unintentional image projected by the organization. Although this understanding aligns closely with the most widely accepted definitions of corporate reputation (e.g., Fombrun, 1996; Fombrun & Shanley, 1990; Veh et al., 2019), executives emphasize fluid nature of stakeholder perceptions. The perceptions, and consequently behavior and attitudes towards the company, can change over time influenced by both company actions and broader societal shifts. This changing nature of social values and individual attitudes, discussed by scholars like Llewellyn (2002), Schwaiger (2004) or Soleimani et al. (2014), is identified by the executives as one of the most critical and challenging aspects of managing corporate reputation.

Regarding the drivers influencing corporate reputation, interviewees not only converge with, but also add to literature review findings. They highlight the importance of 'communication', which extends beyond media exposure (Fombrun & Shanley, 1990; Kitchen & Laurence, 2003) to include all forms of corporate messaging. Another key driver identified is 'past behavior', meaning consistency in results and actions. This driver encompasses both profitability and delivery, which are viewed as inseparable factors, and not as distinct drivers as proposed in the literature (Fombrun & Shanley, 1990; Kitchen & Laurence, 2003). 'Counterparties' are also referred as having significant influence on corporate reputation. Among counterparties, executives include the shareholders - identified as an influencer on its own by Kitchen and Laurence (2003) -, but recognize that the influence of other third parties, such as suppliers or partners, cannot also be ignored. Moreover, executives recognize the influence of the 'social and institutional context' on corporate reputation, highlighting that failing to anticipate changes on regulation and societal expectations can significantly erode corporate reputation, as defended by Soleimani et al. (2014). A unique contribution from this initial inductive study is the recognition of 'internal controls' as a key influencer of corporate reputation. This factor, which has no direct parallel in existing literature, appears to have emerged from the increased focus on corporate governance following major scandals in the last decades, supporting the social-constructionist view of reputation (Soleimani et al., 2014).

An additional insight from the C-level executives, not widely discussed in the literature, is the idea that corporate reputation is built upon various layers of information, with not all information carrying the same weight in the reputation-building process. Controlling shareholders or significant shareholders, as well as the country of origin of both the shareholders and the company, are particularly influential. According to the respondents, these factors send strong signals to the market regarding the company's trustworthiness, credibility, ethical standards, and future prospects, thus influencing its corporate reputation. Similar observations support the idea that positive corporate reputation signals from favorable countries of origin are evaluated more positively than those from unfavorable countries of origin (Cowan & Guzman, 2020; Kemper et al., 2013; Magnusson et al., 2011; Öberseder et al., 2013; Zuckerman & Kim, 2003).

Moreover, executives clearly assert that corporate reputation has a causal effect on organizational performance. While the literature presents arguments both for corporate reputation directly influencing organizational performance (e.g., Black et al., 2000) and for organizational performance affecting corporate reputation (e.g., Rose & Thomsen, 2004), executives agree that reputation is not merely a consequence of performance. Instead, they believe it enhances organizational performance by enabling the company to attract better clients, more effective partners, top talent, and gain easier access to financial and capital markets, among other advantages (e.g., Carmeli & Tishler, 2005; Dhir & Vinen, 2005; Nguyen & Leblanc, 2001; Stevens & Makarius, 2015). Although they support the idea that corporate reputation impacts organizational performance, they view this effect as indirect, contrary to the literature suggesting a direct link between corporate reputation and firm market value (e.g., Black et al., 2000).

Executives also support the idea that corporate reputation acts as a form of 'insurance', with a strong reputation providing the company with "moral credit" (Godfrey, 2005), able to mitigate the impact of adverse events.

Interviewees recognize corporate reputation risk both as a distinct risk and as one that can be compounded by other risks, as suggested by Fiordelisi et al. (2014) and Eckert (2017). They acknowledge the added complexity in managing such risks, particularly when they originate from third parties - a factor they see as largely beyond the company's control.

Regarding risk by association, C-level executives acknowledge the transferability of reputation between shareholders and the company, but admit they often lack the tools - and sometimes the willingness - to effectively monitor or manage this. Only executives in the financial sector express a different view, noting that regulation requires them to closely scrutinize shareholders, more so than other third parties. Executives from other sectors, however, view discussions about shareholders' reputations as a 'taboo' topic, rarely addressed in board meetings. Despite recognizing the importance of this issue and acknowledging somehow their shortcomings in fulfilling stewardship responsibilities, they cite a conflict of interest: as directors, they are appointed by shareholders, who can exercise their power to vote to remove or replace them.

While acknowledging the existence of reverse reputation spillover, executives believe its likelihood of materialization is somewhat naturally controlled, as a corporate reputation risk stemming from shareholders would need to be exposed to relevant stakeholders. They posit a relationship between the media interest in a scandal involving a shareholder and the level of public or political exposure of the shareholder. Nevertheless, they also note that the rise of digital media and increased media sensationalism have heightened the probability and impact of reputation scandals, making social media monitoring and listening increasingly important for early detection and response. The importance of social listening to anticipate and mitigate reputation risk is a recent field of study (e.g., Westermann & Forthmann, 2020).

The responses from executives suggest that while they have been reluctant to view shareholders as a potential source of corporate reputation risk, the evolution of digital media is pushing this concern onto the agenda. They are increasingly recognizing that both corporate and shareholder reputations, viewed as strategic assets (e.g., Barney, 1991; Brahim & Arab, 2011), have become targets for competitors, cyber-hackers, and social activists.

Reverse reputation spillover, from shareholders to companies, is, thus, a growing concern, but executives believe that not all companies are equally vulnerable. This inductive study identifies several structural and contextual factors that, according to executives, influence the magnitude of reverse reputation spillover:

- The valence of the reputation event (whether it is negative or positive).
- The sector where the company operates (whether is it more or less exposed to public and regulatory scrutiny).
- The type of ownership (individual vs. institutional shareholder).
- The structure of ownership (whether capital is concentrated or dispersed).
- The level of dependence on the financial system.
- The extent of media exposure of the shareholder.

Executives believe that these dimensions signal information to the market and justify increased scrutiny over the company.

The second study, employing a quasi-experimental approach, utilized conjoint analysis and OLS regression-based path analysis for data evaluation. Conjoint analysis does not establish a causal relationship between shareholder reputation, corporate reputation, and firm value, nor does it capture the interactions among these dimensions. However, it corroborates the significant relative importance of shareholder events, used as a proxy for shareholders' reputation, in influencing changes in corporate reputation and firm valuation. Additionally, it provides insights into the relative importance of each structural and contextual variable under study – namely, ownership structure, media exposure and financial dependence - in these changes.

The findings reveal that shareholder events predominantly explain immediate changes in corporate reputation and firm valuation when considering the valence of the change (positive or negative). However, when valence is disregarded, the explanatory power of shareholder events is minimal. This indicates that shareholder events serve as triggers that either enhance or damage corporate reputation or short-term valuation through a complex, interactional process sensitive to the outcome's valence - a process that conjoint analysis alone cannot not fully capture.

Conversely, when valence is ignored, shareholder events account for most changes in long-term valuation. If the valence is negative, ownership structure emerges as the most significant factor. This could be attributed to the association between ownership structure and long-term memory (e.g., Lillo & Farmer, 2007; Lo, 1991; Sadique & Silvapulle, 2001).

The conjoint analysis also suggests that, under certain conditions, factors such as ownership structure, media exposure, and financial dependence have significant explanatory power and provide additional context for understanding the reverse spillover effect. However, conjoint analysis is not a data analysis technique that determines the pathways leading to these effects or whether firm valuation is influenced directly or through changes in corporate reputation. To ascertain this, the OLS regression-based path analysis deployed, does show that shareholder events have an independent causal effect on corporate reputation and influence both short-term and long-term firm value through corporate reputation. These findings address a major gap in the literature, confirming the existence of a reverse spillover effect. This means that not only do corporate misbehaviors affect shareholders (Coffee, 2006; Eckert, 2020; Zhang & Schweitzer, 2019), but shareholders' responsible or irresponsible behavior also influences corporate reputation and, indirectly, firm value.

The findings support the contention that shareholders' reputation serves as an informative signal (Akerlof, 1970; Dowling, 2004; Zinko et al., 2007) that contributes to the firm's reputation-building process. Transitive trust relationship theory (Bhuiyan et al., 2010) further contextualizes this finding: shareholder reputation functions as a trustor, influencing trust in the company, the trustee, and reducing information asymmetry among stakeholders. If trust can be transferred through reputation from shareholders to companies, shareholders effectively act as a "trust guarantor". Consequently, if shareholders engage in actions that raise concerns, it negatively impacts stakeholders' perceptions of the company. This study supports the idea that the role of shareholders as a trustor is crucial not only for young companies (e.g., Nicolo, 2015) but also for established firms in terms of reputation.

Path analysis further shows that, under certain conditions, the structural and contextual dimensions identified by the C-level executives in the first study have a conditional direct effect on both corporate reputation and firm valuation. This finding addresses a gap in the literature by shedding light on how the complex reputation transfer process from shareholders to companies occurs, and explaining why firms are not equally vulnerable to this effect.

Ownership structure moderates the relationship between shareholder reputation and both short-term and long-term valuation, underscoring the immediate and sustained influence of shareholders. Ljubojević and Ljubojević (2008) argue that ownership structure affects corporate reputation by conveying information about organizational transparency, while Delgado-García et al. (2010) suggest it signals the potential for expropriation risk. This thesis builds on that understanding by demonstrating that changes in shareholder reputation not only serve as signals but are also incorporated into firm value.

We reason that the more concentrated the ownership structure, the greater the shareholder's influence over the company's strategy, decision-making, and governance (Basu et al., 2017; Russino, 2023; Valsan & Yahya, 2006), and the stronger the shareholder's irrevocable control over the firm's assets (Foss et al., 2021). Behavioral finance theory (Kahneman & Tversky, 1979; Thaler, 1999; Tversky & Kahneman, 1974) explains how changes in shareholder reputation can provoke emotional reactions from stakeholders, impacting firm value. Additionally, the efficient market hypothesis (Fama, 1970; 1991) asserts that all publicly available information about a company, or related to it, is immediately reflected in its valuation. Immediate overreactions impacting a firm's short-term value, triggered by changes in shareholders' reputation, should be corrected over the long term as more information becomes available and expectations are adjusted (Lim & Brooks, 2011; Malkiel, 2003). However, certain events can have lasting effects on a firm's price as highlighted by several authors (e.g., Lillo & Farmer, 2007; Lo, 1991; Sadique & Silvapulle, 2001), indicating a long-term memory effect, which underpins the adaptive markets hypothesis (Lo, 2004).

Financial dependence, on the other hand, acts as a moderator only in the context of long-term valuation, indicating that its influence is more subtle and primarily manifests over time. The relationship between corporate reputation and a firm's reliance on the financial system appears to be an underexplored field in the literature, and it was not highlighted as a key factor influencing reputation in the seminal works of Fombrun and Shanley (1990) or in the later studies by Kitchen and Laurence (2003).

However, the literature extensively examines the link between debt policy and stock prices, with numerous studies concluding that bank financing increases the value of the borrower's stock (e.g., Fungáčová et al., 2020; Ongena & Smith, 2001). This is because banks are perceived as having superior access to companies' private information, making them more effective at monitoring and screening borrowing firms compared to other lenders (Ben-Nasr et al., 2021; Chiou & Shu, 2017; Denis & Mihov, 2003). A bank's lending action signals positive market expectations about the firm and provides an additional layer of oversight beyond that of the shareholders. Additionally, banks are seen as capable of mitigating moral hazard problems in borrowing firms through constant, tacit pressure related to contract termination and renegotiation (Fungáčová et al., 2020; Park, 2000).

Conversely, this research does not conclude that higher financial dependence has a positive relationship with a firm's long-term value, as previous studies suggest. In fact, changes in shareholder reputation negatively affect long-term firm value when high financial dependence exists. It appears that banks' enhanced monitoring capabilities raise stakeholder concerns about potential conflicts between debt holders and borrowers (e.g., Chiou & Shu, 2017; Park, 2000), when a significant event happens. Additionally, firms with greater financial exposure seem to have less flexibility to capitalize on positive shareholder events, likely due to the desire to avoid increased scrutiny by private lenders.

Lastly, event media exposure, used as a proxy for shareholders' media visibility, moderates the relationship between shareholder events and corporate reputation, which in turn directly affects a firm's short-term and long-term value as previously referred. Additionally, the interaction between media exposure and shareholder events shows a positive sequential indirect effect on long-term valuation, mediated through corporate reputation and short-term value.

Historically, the media has been recognized as a primary driver of corporate reputation (Fombrun & Shanley, 1990; Kitchen & Laurence, 2003) and extensive research has explored the role of media in shaping, damaging, or restoring corporate reputation (Eccles, 2007; Sims, 2009; Vogler et al., 2016; Westermann & Forthmann, 2020). This study builds on existing literature by revealing that media not only influences public perception about a company but also amplifies shareholder-related information to affect corporate reputation. These findings align with Carroll and McCombs' (2003) assertion that positive (or negative) media coverage correlates with public perception and support research by Tetlock (2014) and Strycharz et al. (2018) demonstrating that stakeholder perceptions impact firm value.

Agenda-setting (McCombs & Shaw, 1972) and framing theories (Scheufele, 2000) support these conclusions, suggesting that the frequency and placement of media coverage shape public interpretations (Carroll & McCombs, 2003) and influence emotional responses toward companies (Scheufele & Tewksbury, 2007). This role of the media can explain the long-term memory phenomenon affecting firm value, a concept recognized by multiple authors (e.g., Lillo & Farmer, 2007; Lo, 1991; Sadique & Silvapulle, 2001) and validated in this research. Information disseminated through media, and through digital media in particular, endures indefinitely, extending its influence.

The media's role in shaping collective memory has been examined since the 1950s (Gensburger, 2016). This thesis suggests that media also shapes collective memory regarding companies. This is especially significant in the digital era, where individuals, not just professional journalists, can produce the materialization of memory, acting as "agents of memory" (Neiger, 2020).

The confirmation of the media's role in shaping corporate reputation and its impact on a firm's value aligns with Deephouse's (2000) perspective, who emphasized the importance of media reputation alongside corporate reputation, highlighting the need for proactive and close management. More recently, Westermann and Forthmann (2020) have advocated for the practice of social listening to monitor media reputation and respond swiftly when necessary.

4.2. Conclusion

While existing literature extensively discusses the influence of corporate reputation on firm performance (e.g., Fombrun & Van Riel, 2004), the role of shareholders and ownership structure in building a company's reputation has received limited attention (e.g., Zhang & Schweitzer, 2021). Our research expands current literature by demonstrating that shareholders actively contribute to shaping a company's reputation, and that fluctuations in shareholders' reputations transfer to the firm's reputation, impacting company value both in the short- and long-term. Additionally, our study revealed that certain structural and contextual factors, such as ownership structure, the level of a company's dependence on the financial system, and the degree of media exposure, influence the magnitude of reverse reputation spillover. These factors help explain why some companies are more vulnerable than others to events affecting their shareholders' reputations.

Six research questions were defined as the foundation for this thesis, with the goal of enhancing academic and managerial understanding of corporate reputation risk.

1) *Do organizations and C-level executives perceive shareholders' reputation as a critical issue?*

The initial inductive study reveals that C-level executives believe the identity of controlling or significant shareholders, whether individuals or institutions, serves as a signal to the market and shapes stakeholders' perceptions of the company. Specifically, they argue that shareholders' identity conveys information about their deontological principles and behavior, which likely influences the company's operational model. Additionally, the track record of other companies in which the shareholder invests, as well as their likely medium- and long-term objectives for the investment, provide valuable insights into the company's potential and future trajectory.

C-level executives, therefore, regard the reputation of controlling or significant shareholders as a critical issue for the company, while they consider the reputation of shareholders with small ownership stakes to be less relevant. In particular, executives argue that a positive reputation of controlling or significant shareholders holds intrinsic value for the company, acting as a form of insurance, enhancing the company's appeal to investors, and fostering business opportunities. Conversely, a less positive reputation raises concerns and questions about the company's future.

2) *Does shareholders' reputation influence corporate reputation?*

This research question addresses the key gap identified in the literature: whether shareholders' reputation transfers to corporate reputation. Both the initial inductive study and the subsequent quasi-experimental study confirm that shareholders' reputation does indeed influence corporate reputation. The executives interviewed empirically acknowledge the impact of shareholders' reputation on the firm's reputation and recognize that changes in corporate reputation may result from events affecting the shareholder. The conjoint analysis demonstrates that shareholder events, used as a proxy for shareholders' reputation, are significantly associated to immediate fluctuations in corporate reputation. Additionally, the path analysis validates that shareholder events have a strong, independent causal effect on corporate reputation.

However, while the inductive study indicates that C-level executives believe only controlling or significant shareholders influence corporate reputation, the OLS regression-based path analysis reveals that the interaction between ownership structure and shareholder events does not account for changes in corporate reputation.

3) *Does shareholders' reputation impact firm value, and if so, how - directly (e.g., performance, market value) or indirectly (e.g., cost of capital, selling price)?*

This research question addresses a second gap in the literature: the extent to which the transferability of shareholders' reputation affects the company. Both the initial inductive study and the subsequent quasi-experimental study support the assertion that shareholders' reputation impacts firm value. However, the path analysis shows that this influence occurs indirectly, through changes in corporate reputation, rather than directly. Additionally, the quasi-experimental study reveals that certain factors mediate the relationship between shareholders' reputation and both short- and long-term firm valuation.

The inductive study, on its turn, provides insight into how the transferability process affects firm valuation. According to the executives interviewed, shareholders' reputation influences firm valuation indirectly by reducing information asymmetry and increasing trust in the company. It is particularly important for attracting investment, business opportunities, partners, and talent, which, in turn, contribute to improvements in both the top and bottom lines, ultimately enhancing the firm's value.

4) *Are there structural or contextual factors that influence the reverse reputation transferability process?*

The inductive study identifies several factors that executives believe to influence the magnitude of reverse reputation spillover. These include the valence of the reputation event, the industry in which the company operates, the type and structure of ownership, the company's dependence on the financial system, and the shareholder's media exposure.

The semi-experimental study was designed to test the direct effect of shareholder events on corporate reputation and firm value, as well as their indirect effect through corporate reputation on both short- and long-term valuation, and through short-term valuation on long-term valuation. The study also examines the conditional direct and indirect effects of ownership structure, financial dependence, and media exposure on these outcomes.

The results support the thesis that under certain conditions, these structural and contextual dimensions do influence the reverse reputation transfer process, highlighting why it is a complex issue for companies to manage and why firms differ in their vulnerability to such spillovers. Ownership structure has an immediate and continuous impact on both short- and long-term valuation, while financial dependence affects long-term valuation. Media exposure, on the other hand, moderates the relationship between shareholder events and corporate reputation, as well as between shareholder events and long-term valuation through corporate reputation and short-term value.

5.1) *How do organizations address shareholder-based corporate reputation risk? Do organizations and C-level executives prepare for and anticipate potential negative reputation events from shareholders?*

The initial inductive study suggests that in the day-to-day, with the exception of the financial sector, C-level executives generally lack the ability to anticipate or prevent reputational damage stemming from shareholders. It also suggests most companies do not have the necessary corporate governance mechanisms in place to assess risks related to shareholder activities, and that this issue is rarely discussed in Board meetings. Likewise, it posits the financial sector is an exception due to regulatory standards that provide the Board of directors with both empowerment and accountability over any kind of third-party risk. Mergers and acquisitions (M&A) also seems to represent an exception, as they typically involve a thorough fit and proper analysis of potential buyers and sellers.

Interviewees acknowledge that in order to anticipate potential reputational risks posed by shareholders, the Board of directors must exercise a high degree of objective skepticism in managing and overseeing the company. Additionally, a certain level of self-awareness on the part of shareholders is necessary to foster the independence of the Board of directors and the corporate governance mechanisms required to mitigate such risks.

5.2) How do organizations and C-level executives respond to corporate reputation damage arising from shareholders?

The initial inductive study also reveals that companies lack any predefined action plan to respond to corporate reputation risks arising from shareholders, and that any response would be reactive in nature. Even executives in the financial sector – a sector more mature in managing shareholders as a source of reputational risk by association – acknowledge the absence of a crisis plan. Our study further conclude that any potential risk response plan must consider factors beyond the type of reputational event, such as the company's customer base and its level of dependence on the financial sector.

5.3) What role does the principal-agent problem play in how C-level executives anticipate and react to shareholder reputation issues?

Regarding shareholders' reputation, there is no conflict between executives (agents) and shareholders (principals) according to the first inductive study. Executives seem to lack the incentive to closely monitor and scrutinize shareholders' reputations, even though failing to do so may not be in the company's best interest and could theoretically compromise their fiduciary duties. This study finds that C-level executives fear that discussing shareholders' reputations could be against their own self-interest, as they are appointed by shareholders, who have the power to vote them out or replace them. On the other hand, shareholders often lack the self-awareness needed to encourage executives to oversee reputational risks from all possible angles. Thus, when it comes to shareholders as a potential source of reputational risk, the interests of both parties are aligned, and conflict is avoided.

However, the executives interviewed recognize a shift in governance models on this topic.

The rise of the Internet, digital media, and the growing number of watchdogs are increasingly bringing this issue to the forefront of discussions.

6) *How does the current environment of hyper-transparency and information dissemination affect C-level executives' perception and reaction to shareholder reputation situations?*

Findings from the initial inductive study advocate that the rise of the Internet since the 1990s and the development of digital media have increased both the likelihood of events affecting corporate reputation and the potential magnitude of their impact. Executives recognize that if a controlling or significant shareholder is publicly visible or politically exposed, scrutiny intensifies, not only from media professionals but also from a broader audience. This heightened scrutiny, combined with the broadcasting power of social networks and the increasing mediatization of news, has made shareholders a greater source of reputational risk for companies. While companies have yet to fully master corporate reputation management in the digital era, they are even less equipped to handle reputation risks originating from shareholders.

Executives acknowledge that companies with greater public exposure – often linked to the public or political visibility of their shareholders – are more likely to attract media attention and, consequently, experience reputational scandals. Digital media has altered media dynamics and management priorities. C-level executives are particularly concerned about the uncontrollable cascade effect of digital and social media and the rise of fabricated news, which is increasingly exploited by competitors and activists.

In today's environment of hyper-transparency and rapid information dissemination, corporate reputation management is evolving, with a focus on how companies engage with and respond to competitive dynamics in the marketplace.

4.2.1. Managerial Implications

Acknowledging the existence of reputation transferability from shareholders to companies and its influence on firm valuation not only fills a gap in the literature by demonstrating that the reputation transfer process is bidirectional, but it also has significant managerial implications.

In today's business landscape, stakeholder perception, CSR alignment, and strategic signaling are becoming increasingly important. C-level executives can no longer overlook the fact that shareholder reputation is a powerful driver of corporate value. Understanding the reverse reputation transfer process, along with the structural and contextual factors that shape it, can help companies more effectively manage this spillover effect, enabling them to seize strategic opportunities and mitigate reputational risks, particularly in the digital era.

Leveraging the positive reputation of shareholders may, in fact, be more strategically valuable than simply mitigating the risks associated with shareholders whose reputations may pose potential challenges. Proactive management of shareholder reputation can enhance market confidence, lower perceived risk, increase stakeholder engagement, and positively shape media narratives. These outcomes contribute to the accumulation of corporate moral capital (Godfrey, 2005), which can serve as a reputational shield during times of crisis (Gaultier-Gaillard et al., 2009b; Godfrey, 2005; Godfrey et al., 2009; Minor & Morgan, 2011; Peloza, 2006; Shiu & Yang, 2017).

The main managerial implication for organizations in understanding the reverse spillover process lies precisely in the value of systematically monitoring and integrating shareholder reputation into their risk management systems.

Moreover, increased awareness of shareholder reputation can also lead to improved governance practices. By monitoring reputational risks not only within the company but also among key shareholders, organizations can raise internal standards, strengthen disclosure practices, and reinforce corporate reputation management as a shared responsibility across all levels of the organization – and not solely a responsibility of the board of directors.

Embedding shareholder reputation monitoring into the three lines of defense framework can further institutionalize this practice - where operational management serves as the first line, risk and compliance functions as the second, and internal audit provides independent oversight as the third. This integrated approach ensures that reputational risks linked to shareholders are identified early, assessed rigorously, and addressed effectively. In this context, organizations may also consider expanding some of the existing committees – such as the CSR committee - to include shareholder analysis, thereby reinforcing the board of directors' role as stewards of corporate reputation.

4.2.2. Limitations and Avenues for Future Inquiry

Despite contributing to academic and managerial knowledge, our research has some limitations that future studies should address. First, the selection of participants for both the inductive and quasi-experimental studies, based on convenience sampling through personal contacts, could be questioned. Future research would benefit from a more diverse and expanded pool of participants, encompassing a wider range of industries and professional backgrounds. This would allow for segmentation and comparison of perspectives on the reverse spillover effect across different professional groups, industries, and age cohorts. Additionally, some of the findings may be subjected to cultural context effects, namely to power distance differences, where the relative caution in approaching the issue of shareholder reputation may be significantly different.

Furthermore, not all structural and contextual factors identified in the inductive study as potential moderators of the reverse spillover effect were tested. In particular, the sector in which the company operates, and the type of ownership appear to be important for understanding differences in this transferability process across firms.

Despite these limitations, the research not only enhances current understanding of the reverse reputation transfer phenomenon but also points to potential avenues for future inquiry, including why some companies are more vulnerable to reputational spillover from shareholders than others - an idea highlighted by the executives in this study based on their practical managerial experience and observations. Albeit not highlighted by this research, future studies may explore the within-board dynamics as regards acknowledging and acting upon shareholder reputation by peer board members.

In summary, our research confirms that reputation transfer is bidirectional between companies and shareholders, and that changes in shareholders' reputation can influence firm valuation under certain circumstances. To fulfill their fiduciary duties, C-level executives must monitor shareholders' reputations, and anticipate and respond to any events that could impact corporate reputation. In conclusion, shareholder reputation does matter to firms.

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Appendix A. In-depth interview script

1. Socio-biographical characterization of respondents

1.1. Respondent

Gender

- Male ☐
- Female ☐
- Other ☐

Age (yrs)

- <40 ☐
- 40-50 ☐
- 51-60 ☐
- >60 ☐

Role

- Non-Executive ☐
- Executive ☐

Experience in top management

- <5 yrs ☐
- 5-10 yrs ☐
- 11-15 yrs ☐
- 16-20 yrs ☐
- >20 yrs ☐

1.2. Company

Type

- B2C ☐
- B2B ☐
- Both ☐

 # Employees (HC)

- <50 ☐
- 51-250 ☐
- 251-500 ☐
- 501-1,000 ☐
- >1,001

Revenue

<50 M EUR

50-100M EUR

100-205M EUR

250-500M EUR

>500M EUR

Sector

- Agriculture, Forestry, Mining ☐
- Industrials ☐
- Energy, Utilities ☐
- Transport, Logistics ☐
- Media, Creative Industries ☐
- Data Infrastructure, Telecom ☐
- Healthcare ☐
- Education ☐
- Life Sciences ☐
- Retail/ecommerce ☐
- Hospitality, Food, Leisure Travel ☐
- Public Service, Social Service ☐
- Financial Services ☐
- Professional Services ☐

2. Risk management overview

2.1. How would you define "risk management" in our own words?

2.2. From 1 to 10 (being 1 "not important" and 10 "the most important"), how much important is risk management in our company's corporate governance agenda?

2.3. Taking into consideration your experience, which are the most important risk types? Please organize from the most important (1) to the least important (12).

	Market/ Industry risk
	Political risk
	Regulatory risk
	Strategic/ Competition risk
	Financial/ Interest rate risk
	Health and safety risk
	Operational risk risk
	Compliance risk
	Technological risk
	Labor policies risk
	People risk
	Environmental risk
	Other

3. Corporate reputation risk

3.1. How would you define corporate reputation risk if you have to explain it to someone?

3.2. From 1 to 10 (being 1 "none" and 10 "most importance"), how much importance is given to corporate reputation within the corporate risk management framework in your organization?

3.2.1. Provide 3 examples of benefits that may arise from a positive/ good corporate reputation.

3.2.2. Provide 3 examples of challenges/ problems that may arise from a negative/ bad corporate reputation.

3.3. List the top 3 factors that in your opinion may impact corporate reputation.

3.4. Comparing to reputation risk, how much more difficult, or easier, is it to manage other types of risk? Consider that 1 means “comparatively much more difficult”, 5 “comparatively much easier” and 3 “likely”.

	Much more difficult		=		*Much easier*
	1	**2**	**3**	**4**	**5**
Market/ Industry risk					
Political risk					
Regulatory risk					
Strategic/ Competition risk					
Financial/ Interest rate risk					
Health and safety risk					
Operational risk risk					
Compliance risk					
Technological risk					
Labor policies risk					
People risk					
Environmental risk					
Other					

3.4.1. Explain why managing [example of a risk type classified with 1] is more difficult than managing corporate reputation risk.

3.4.2. Explain why managing [example of a risk type classified with 5] is easier than managing corporate reputation risk.

3.4.3. Explain why no other risk type is more difficult to manage than corporate reputation risk [only if no 1, 2 or 3 evaluations are given].

3.5. How did the development of media networks and todays' hyper transparency context impact how your organization manages the reputation risk?

3.6. From 1 to 10 (being 1 "facts" and 10 "emotions and perceptions"), what do you believe influences more corporate reputation?

3.7. Considering your company's industry segment, on average, how much vulnerable do you think companies are to a reputational scandal (being 1 "not vulnerable at all" and 10 "completely vulnerable"?

3.8. In our company, there is a crisis management plan in case of a reputation scandal?

	Yes
	Something
	No
	I do not know

4. Shareholder reputation

4.1. From 1 to 10 (being 1 "no impact" and 10 "massive impact"), how much impact do you believe the shareholder may have on corporate reputation? Why do you believe that?

4.2. From 1 to 10 (being 1 "not important" and 10 "very important"), how much important is shareholder's reputation for a company's reputation? Why do you believe that?

4.3. Considering the ranking of factors that may impact corporate reputation you presented on 2.3, how would you rank shareholder's reputation? Explain your ranking.

4.4. Enumerate 3 hypothetical situations where shareholder's reputation may help/ benefit corporate reputation in general (no specific relation with the company you work for).

4.5. On your opinion, among the dimensions that can harm a shareholder's reputation, which can fireback on a company's reputation (mark with X)?

	Country of origin
	Illicit enrichment suspects (e.g.: fiscal fraud)
	Bribery/ corruption suspects
	Morality accusations (e.g.: sexual harassment; workers' abuse)
	Non-payment of debts/ credits
	Lack of competence accusations
	Other. Which?

4.6. On your opinion, how much the following situations that may affect a shareholder's reputation impact the company's reputation (being 1 "no impact" and 10 "massive impact")?

	No impact				*Massive impact*
	1	**2**	**3**	**4**	**5**
Accusation in the media channels (newspapers, tv)					
Word of mouth on digital networks)					
Prosecution by the public attorney					
Conviction in court					

4.7. How much do you agree/ disagree following statements.

	Strongly disagree		*?*		*Strongly agree*
	1	**2**	**3**	**4**	**5**
Corporate reputation impacts positively or negatively the shareholders					
A positive corporate reputation increases value for the shareholders					
A positive corporate reputation enhances shareholders' reputation					
Shareholders' reputation impacts positively or negatively on companies					
Shareholders' misconduct detracts organization value					
Shareholders' misconduct only detract organization value if it is publicly known					
A reputational scandal from one company transfers to other companies linked by the shareholders' structure					
A scandal involving a shareholder impacts likewise all the companies where the shareholder invests in					
Shareholder may be a potential source of risk for the company					
Shareholder may be a potential source of opportunities for the company					
Media and social networks can magnify, or minimize, the corporate reputation risk					

4.8. Do you believe it is possible to anticipate or even prevent reputation damage that may arise from the shareholder? How?

4.9. Which ownership structure, in your opinion, represents a bigger source of corporate reputation risk? Why do you have this opinion?

☐	Private company	*vs.*	Public company	☐
☐	Private company	*vs.*	Investment fund	☐
☐	Public company	*vs.*	Investment fund	☐
☐	Concentrated ownership	*vs.*	Diluted ownership	☐
☐	Single owner company	*vs.*	Multiple owners company	☐

4.10. Consider the following examples. How much influence do you consider each dimension have on how shareholders' reputation impacts corporate reputation?

	Low influence		=		*High influence*
	1	**2**	**3**	**4**	**5**
Company sector of activity					
Selling directly to end consumer (B2C)					
Selling to other companies (B2B)					
Company brand is known by the public					
Dependency of financial sector					
Headquarters of the company					
Nationality of shareholder					
Shareholder is a public figure					
Shareholder is (are) Politically Exposed Persons					
Company executives are Politically Exposed Persons					

4.11. Do you believe companies are prepared to react to a potential misconduct from its shareholders? How?

4.12. Do you believe there is a bias when executives are asked about shareholders reputation? Why?

4.12.1. Can this bias impact how executives may consider, or not, shareholders as a source of risk?

4.12.2. May this bias be a form of conflict between the company's best interest and the executives' interest?

4.13. In general, who do you think may pose a bigger reputational risk for a company: the board or the shareholder? Why?

Appendix B. Coding dictionary

Dimension	**Category**	**Description**	**Examples**
Corporate reputation components	Identity	Reflects what the company stands for, encompassing its long-term purpose and the commitments it has undertaken toward various stakeholders.	*«values, principles, guidelines and priorities by which the company is governed»* (Participant Nr. VI) «*what can be expected from the company»* (Participant Nr. VII)
	Image	Conveys the message projected outward by the company, portraying who it is and what it does.	*«image that third parties build about the company (...) and which remains associated with the company»* (Participant Nr. III) «*internal and external image. (...) how the company transmits what it is: it is not enough just to be, [the company] must also know how to communicate what it is»* (Participant Nr. IV)
	Perception	Involves decoding what various stakeholders think about the company.	*«Today, companies build a reputation based on the perception that stakeholders have of them, rather than based on reality. It is not enough to be; companies must appear to be»* (Participant Nr. III) *«(...) the impact that [company's] actions may have on how the stakeholders perceive the company»* (Participant Nr. VIII)
Corporate reputation influencers	Communication	Refers to the way various aspects or events within the company are disseminated and known by stakeholders. This dissemination can occur through different channels: media communication (information broadcasted by media channels), institutional communication (messages and information disseminated both internally and externally by the company itself) and internal word-of-mouth (informal messages and information spread by employees and other internal stakeholders within the company).	*«It is absolutely crucial to have a well-structured communication policy: what the company communicates, how it communicates, in what format and when»* (Participant Nr. V) *«A key issue is how we communicate the company's values and ensure that the company's values are known, i.e. how we build the company's image for the different stakeholders»* (Participant Nr. VII)

	Internal control systems	Refer to the company's ability to ensure compliance with regulations, laws, and industry standards.	*«[Respecting] compliance, (…) labor [laws], working conditions (…) has an impact [on corporate reputation]»* (Participant Nr. II) *«The internal control system [is a key driver for corporate reputation]: ensuring that the (…) company's operating model has no failures»* (Participant Nr. V)
	Past behaviour	Serves as a signal to stakeholders about the company's ability to meet their expectations, and encompasses various aspects related to value proposition delivery, as product or service quality, or client satisfaction, and profitability.	*«[Corporate] reputation derives from several aspects, as the ability to deliver results and return (…)»* (Participant Nr. III) *«Poor customer service – deficient call centre service, poor network quality, etc. – is the main factor that impacts our corporate reputation»* (Participant Nr. VIII)
	Counterparties	Recognizes that the actions and behaviour of external parties, such as suppliers, clients, and shareholders, can influence how the company is perceived by its stakeholders.	« (…) *no company fully controls its employees, partners, subcontractors, among other third parties, but (…) the company can easily be perceived as accountable for their actions»* (Participant Nr. VII) *«Reputation of (…) shareholders (…), even if not directly involved in the [operational management] of the companies [may impact corporate reputation]»* (Participant Nr. VIII)
	Social institutional context	Recognizes that the broader social and institutional environment in which a company operates (beliefs, behaviours, and relationships that shape and organize social and corporate life) plays a significant role in influencing how the company is perceived and how its reputation is shaped.	*«Reputation is clearly a social concept, greatly influenced by the culture of each society and the times»* (Participant Nr. VII) *«Reputation is alive and it is socially dynamic. A [good] decision today may have a negative impact in the future»* (Participant Nr. IX)

Benefits from a good corporate reputation / Consequences from a less positive corporate reputation	Business opportunities	Encompass various levers that can contribute to an increase in revenues and overall business growth: price increase, client acquisition and market share growth, vertical and horizontal expansion, and partnership development.	*«[A positive/ good corporate reputation allows] to increase market share and prices (premium associated to good reputation)»* (Participant Nr. III) *«[Good reputation grants] access to top notch market/customers and commercial and operation partnerships»* (Participant Nr. IV) *«If the company does not manage its reputation well, it risks losing access to market or not being able to work with large players»* (Participant Nr. II)
	Talent attraction	Refers to the ability to recruit and retain human capital, that encompasses the skills, knowledge, and expertise of the employees within a company.	*«Managing people and attracting talent is much easier for a company that has a good reputation»* (Participant Nr. II) *«I believe that, in scenarios of similar salary conditions and benefits, corporate reputation acts as a tiebreaker (...)»* (Participant Nr. VI) *«Reduction in employees' market value: if a company's reputation is low, the market perception is that employees are not so 'good'»* (Participant Nr. VI)
	Financial instruments & capital markets	Refers to the access to more diversified and at a more competitive price financial instruments (for example, loans, lines of credit or trade finance), and to the capital market.	*«When a company has a good corporate reputation, financial partners offer their services and want to work with the company, and this gives the company a (...) a negotiation position»* (Participant Nr. II) *«[Good corporate reputation increases the] attractiveness of the capital from the point of view of investors or shareholders. For example, if a company wishes to become listed, or carry out certain operations, corporate reputation is fundamental»* (Participant Nr. II)

		«If the company does not maintain a good reputation (...), it will have an effective funding problem» (Participant Nr. II)
Moral credit	Reflects the idea that a positive corporate reputation can provide a form of protection for a company in the face of adverse events or challenges, an insurance-like effect.	*«[Good corporate reputation gives] moral credit: protecting the organization from a scandal»* (Participant Nr. I) *«[Good corporate reputation supports the] company survival: helping the brand to last over time»* (Participant Nr. VIII)
Productivity	Refers to the increase in efficiency and competitiveness that results as collateral benefits from attracting the best people and partners.	*«Process efficiency and productivity is a collateral upside of good reputation. A company with good reputation is theoretically more competitive and efficient in the long run, as it attracts the best resources (people and partners)»* (Participant Nr. V)
Context costs	Refers to a premium paid to financial partners, investors, employees or other third parties, to compensate for the deficit on corporate reputation.	*«(...) a company that does not have a good reputation (...)will pay more [to access finance instruments], because it will pay the reputational risk measured according to the parameters of the bank or investor. Indirectly, access to the financial market is more difficult, because it is more expensive»* (Participant Nr. II) *«A company with a bad reputation but that pays great wages is still able to attract people»* (Participant Nr. II)
Scrutiny by regulatory and supervisory authorities	Refers to an increase in the attention received by the company from regulatory and supervisory authorities, leading to more frequent audits and information requests, among other activities.	*«[Bad corporate reputation leads to] greater scrutiny and less tolerance from regulatory and supervisory authorities»* (Participant Nr. IV)

			«A negative reputational event (...) would immediately increase the level of scrutiny by regulators» (Participant Nr. IX)
Corporate reputation risk definition	Deterioration of perception	Deterioration of perception from a specific stakeholder group, with respect to a specific issue.	*«Everything that, in any way, could jeopardize the image [about the company] is a source of corporate risk»* (Participant Nr. VI) *«I perceive [corporate reputation risk] as the impact that company' actions may have on how the stakeholders perceive the company»* (Participant Nr. VIII)
	Change of stakeholders' behavior	Change of behavior towards the company by a given stakeholder group.	*«[By corporate reputation risk] I understand (...) all the information that circulates and that may affect the relationship with the stakeholders, namely investors, bankers and suppliers»* (Participant Nr. II) *«A reputational event calls into question the credibility [of the company] and customers (...) react accordingly»* (Participant Nr. IX)
	Corporate losses	Monetary losses due to reputational loss.	*«Corporate reputational risk is so important that it can destroy a company»* (Participant Nr. III) *«A negative event that jeopardizes the reputation of a bank can lead to a mass outflow of deposits»* (Participant Nr. IX)
Corporate reputation risk characteristics	Amplifying effect	Refers to the characteristic of corporate reputation risk wherein it arises from or compounds with other risks.	*«(...) reputational risk (...) does not exist in isolation: various events can trigger risks that, in turn, may have a reputational impact»* (Participant Nr. IV) *«[Corporate] reputational [risk] has the problem of being transversal to most of these [other] risks»* (Participant Nr. VIII)

Counterparty link	Reveals a transfer or spillover effect between the company and its various stakeholders	*«[A company] may have reputational issues derived from third parties»* (Participant Nr. V) *«[Reputational risk] also depends on the individual behaviour of employees, subcontractors and third parties»* (Participant Nr. VII)
Invisibility	Pertains to the notion that corporate reputation is qualitative and, as a result, challenging to quantify or measure	*«It is a kind of invisible risk (…). If managers think about it, they will realize that it exists. (…) However, as managers are not able to 'see it', it is far away from their hearts…»* Participant Nr. II) *«(…) the big difficulty in managing corporate reputational risk stems from the fact that it is not visible and easily quantifiable. It is not easy for a company to quantify the reputational risk that may derives from another type of risk. Even more difficult is to estimate the probability of occurrence of any event that triggers corporate reputational risk per si and to quantify the impact that derives from the materialization of the reputational risk. Managers find it difficult to manage what they cannot measure or materialize»* (Participant Nr. VI)
Emotion effect	Relates to the emotions experienced by stakeholders at a particular moment, which have a significant impact on how the company's reputation is perceived.	*«Corporate reputational risk has a lot of perceptions and emotions, and this is the hardest part to manage and control»* (Participant Nr. II) *«Reputational risk has a lot to do with (…) people's emotions»* (Participant Nr. V)
Time-scale effect	Refers to the time delay that can occur between a management decision made in the past and the potential reputational consequences of that decision, which may manifest in the present or future.	*«(…) the lens by which reputation is evaluated change with time and a source of reputational risk may be an event considered very positive in the past»* (Participant Nr. IV)

			«A decision today may have a negative impact [concerning corporate reputation] in the future» (Participant Nr. IX)
Shareholder as a market signal	Principles & behaviors	Refers to the deontological principles and behaviours exhibited by the shareholder over time, which are likely to influence the operational model of the company.	*«What is valued is the [shareholder] reputation as businessperson, the principles and behaviours demonstrated over the years»* (Participant Nr. V) *«A shareholder (…) [who demonstrates] principles of professional deontology and understanding of what acceptable and ethical corporate behaviours are, usually does not have 'two faces'. What they apply in the personal sphere (…) is what they will require from the entities they invest in»* (Participant Nr. IX)
	Track-record and business goals	Suggests that the shareholder's identity encompasses information about the track record of other companies in which the shareholder invests, as well as their likely medium- and long-term investment objectives. This information can provide insights into the business potential and future prospects of the company.	*«Any company where Warren Buffet is participating is a company that will be sought after in the market»* (Participant Nr. II) *«I know that it is not the same to establish a partnership with an entity that has 30 years in the sector, knowledge of the business and that wishes to run the company in continuity or with a private equity, that just wants to increase value and sell the investment in 5/7 years»* (Participant Nr. V)
Levers for shareholders' influence in the company	Company vision and strategy	Pertains to the reality that controlling and qualified shareholders play a significant role in shaping the company's vision and future. Through their influence on the Board of Directors, they actively participate in the formulation of the strategy necessary to realize the company's vision.	*«What is important for the company today is completely different [from the past], because the strategy, vision and mission for the company are different (…) What changed? The controlling shareholder»* (Participant Nr. V). *«The definition of the vision and mission for the company, its purpose and value proposition, is shareholders´ responsible»* (Participant Nr. VII)

	Supervision and voting rights	Highlights the role of shareholders in supervising the implementation of the corporate strategy through the Board of Directors. They ensure that the company has access to adequate and well-managed resources, establish company policies, and provide support for the responsibilities of the executive team.	*«The shareholder (...) monitors [the corporate strategy] execution through the supervisory mechanisms in place»* (Participant Nr. II) *«(...) the shareholder is a figure present at the company's main decision-making moments, directly or indirectly through the directors with whom they have a closer relationship»* (Participant Nr. VII)
	Board members' selection	Relates to the process by which shareholders choose the members of the Board of Directors, which serves as a group of fiduciaries or trusted advisors responsible for guiding the company on behalf of the shareholders.	*«(...) the type of intervention that the market believes that the shareholder has in the company, through the directors he appoints (...)»* (Participant Nr. VIII)
Positive reverse spillover	Trust guarantor	Pertains to the increase in trust placed in the company (the trustee) due to the reputation of the shareholder (the trustor). The shareholder effectively has an insurance effect on behalf of the company.	*«(...) recognition of good management practices in the companies where the shareholder invests in; this increases the confidence of the different stakeholders in the company's management practices»* (Participant Nr. IV) *«And the client quality assessment includes the level of security that the ownership structure gives us. (...) The value of the shareholder's trustiness is passed on to their companies»* (Participant Nr. VII)
	Investment attraction	Refers to the enhancement of the company's capital attractiveness as a result of the shareholder's positive reputation.	*«[A shareholder with positive reputation] increases the attractiveness of the company's capital and projects, allowing to access to more diverse and optimal sources of funding»* (Participant Nr. IV) *«(...) a shareholder [with good reputation] captures other investors/shareholders (...);* (Participant Nr. IX)

	Business opportunities	Relates to the creation of additional opportunities for client acquisition, market share expansion, vertical and horizontal growth, and the development of partnerships, all resulting from the shareholder's positive reputation.	*«[A shareholder with good reputation] opens door to business opportunities and partnerships»* (Participant Nr. IV) *«The association [with a shareholder with good reputation] makes the clients consider the entity as a company with a future, (…) and fosters the development of client/supplier relationships»* (Participant Nr. IX)
	Talent attraction	Points to an improvement in the effectiveness of recruiting and retaining human capital, especially at the leadership level, because of the shareholder's positive reputation.	*«[A shareholder with good reputation gives the company] access to leadership talent: usually top managers wish to work in projects that increase the value of their professional experience; to whom they work adds, or detracts, value»* (Participant Nr. IV) *«Retention/capture of talent [is a benefit from a shareholder with good reputation]: the connection to a 'good' shareholder gives the company a perception of stability, financial solidity, capacity for growth, which allows capturing 1st-class talent, more interesting leadership»* (Participant Nr. IX)
	Lobby & network	Pertains to the shareholder's capacity to introduce the company to pertinent third parties and advocate for its interests at high level forums, which is facilitated by the shareholder's positive reputation.	*«Having a shareholder with the ability to lobby (…) is relevant. Shareholders, individuals or corporations, with the ability to influence decisions can mean a lot of money, keep a project alive or dictate its death»* (Participant Nr. II) *«A shareholder with a good reputation opens doors for contacts, business, etc.»* (Participant Nr. VII)
Negative influence on	Country of origin	Refers to the shareholder's primary nationality, which can have an impact on their reputation. Geographies associated with money laundering and terrorism financing activities, even if they are not officially	*«Country of origin can tarnish the reputation of a shareholder. (…) If a company has a shareholder from North Korea or Iran, forget it... The company*

shareholders' reputation		designated as black or gray listed, can have a negative effect on shareholders' reputation.	*(...) will not open bank accounts, and nobody will want to do business with them»* (Participant Nr. II) *«(...) if I tell you that [the shareholder] is Venezuelan, you have an interpretation; if I tell you that he is Spanish, you have another one. This information is captured by the market (...)»* (Participant Nr. V)
	PEP – Politically Exposed Person status	Attained when an individual is entrusted with a significant public function, this status often extends to their relatives and close associates. Because of the influential positions and the authority that PEPs may hold, third parties typically perceive them as presenting a high risk of involvement in bribery, corruption, or money laundering.	*«(...) a PEP associated with a company significantly increases the risk of fraud, due to political influence and less clear business involving the company»* (Participant Nr. II). *«Having a PEP shareholder raises several reputational constraints (...). Every business the company wins, is scrutinized by auditors, financial and business partners, sometimes even by the media, because it may have been won by shareholders' undue influence»* (Participant Nr. IV)
	Family name	Understood as the family unit to which the shareholder is connected by birth or marriage. When a family name is associated with a negative context or specific negative events, it can have spillover effects on the reputation of the shareholder.	*« For example, today, having a shareholder with 'Espírito Santo' surname is not positive»* (Participant Nr. VI) *«(...) some [family] names, until recently, opened doors in our country; now, on the contrary, those same surnames close doors»* (Participant Nr. VIII)
	Moral turpitude suspicions	Understood as behaviours that violate and deviate from societal norms, including actions like sexual harassment, child pornography, prostitution, or illegal gambling.	*«In recent years, there has been an increase in the attention given to issues associated with morality and, in a way, it is understood that, if a shareholder does not respect the precepts and rules defined by society in their personal conduct, they will not make any effort to ensure that these precepts and rules are respected in their companies»* (Participant Nr. III)

	Illicit enrichment suspicions	Refers to situations in which personal wealth, which could be used for activities like starting a business, cannot be justified as originating from a legitimate source of income.	*«Illicit enrichment is a relevant issue, which is why financial institutions are so concerned with identifying the origin of the funds that are invested in each new investment»* (Participant Nr. V)
	Corruption & bribery suspicions	Corruption refers to dishonest or illegal behaviours, or the abuse of power, typically by individuals in positions of influence, with the aim of obtaining illicit benefits for personal gain. Bribery is a specific form of corruption that involves offering, promising, giving, accepting, or soliciting an advantage (such as money, gifts, loans, fees) as an incentive for an action that is illegal, unethical, or a breach of trust.	*«Suspicions of (...) corruption and bribery [from shareholder] always raise the question 'what is the company being used for?'»* (Participant Nr. III)
	Activism character	Understood as the application of a variety of offensive tactics, which can include exerting media pressure and making threats of litigation, to influence corporate behavior and drive corporate change. This activism is typically motivated by financial or social concerns.	*«Third parties do not like activist shareholders, because they do not like surprises that can impact their business and, consequently, tend to protect themselves from companies with activist shareholders»* (Participant Nr. II) *«(...) a shareholder with a reputation of activism automatically creates a perception of instability in a company»* (Participant Nr. IX)
Spillover effect		Positive (opportunity) or negative (risk) impact of company's reputation on the shareholder.	*«(...) the company has enormous risks [to reputation], that go unnoticed (...) the company is more concerned with those that (...) have an impact on shareholders (...)»* (Participant Nr. I)
	Shareholder value	Refers to the impact that a reputational event affecting the company has on the financial value investors receive from owning shares of a company's stock.	*«A significant reputational event in a company obviously has an impact on the value of the company and, consequently, on the value of the shareholder's assets. This effect is especially relevant in listed companies: one day the company is worth 1,000 and*

			the next day it may only be worth only 50» (Participant Nr. VI)
	Shareholder reputation	Refers to the impact that a reputational event affecting the company has on the perception that the market has about the investor and their business track record.	*«It seems clear to me that if a company has a bad reputation, it will influence the reputation of the shareholder»* (Participant Nr. II)
Reverse spillover effect		Positive (opportunity) or negative (risk) impact of shareholders' reputation on the company.	*«A shareholder's reputation has always a spillover effect... which can be positive or negative»* (Participant Nr. II) *«If a scandal shakes the shareholder, public opinion will consider that the company may also have some 'glass ceilings'»* (Participant Nr. III)
	Firm value	Refers to the impact that a reputational event affecting the shareholder has on the market value of the company.	*«The company had a hard time because of this [reputational event], with an important drop in sales»* (Participant Nr. II)
	Transferability through ownership structure	Refers to the fact that a reputational event originating from one company will impact other companies linked by the shareholders' structure, this is when the same shareholder owns shares of stock from several different companies.	*«Depending on the severity of the scandal, the reputational impact is transmitted across companies through the shareholder structure»* (Participant Nr. VII)
Triggers for 'reverse spillover effect'	Shareholder - public figure	Means that the magnitude of impact of a reputational event affecting the shareholder on corporate reputation is positively correlated with the level of public exposure of the shareholder.	*«The shareholder being a public figure increases the spillover effect; if they are 'unknown people', who cares?»* (Participant Nr. II) *«If shareholders have public exposure (...), everything they do is scrutinized, affects their reputation and consequently the reputation of the companies where they invest»* (Participant Nr. IV)

Shareholder - Politically Exposed Person	Means that if the shareholder is a Politically Exposed Person (PEP), any reputational event affecting the shareholder is subject to more scrutiny and has a higher impact on corporate reputation.	*«The worst thing is having a shareholder who is both a public figure and a PEP: everything they do or say appears in the media and is available for consultation by banks and other partners (...)»* (Participant Nr. III)
Company dependence on financial sector	Means that the higher the level of dependency of the company on the financial system, the more scrutinized any reputational event affecting the shareholder becomes by financial partners, and the greater the impact on corporate reputation.	*«The level of dependence on the financial sector makes financial partners to look more closely and deeply at everything that concerns the company, including what happens with the shareholder and related companies»* (Participant Nr. V) *«(...) banks (...) consciously and unconsciously (...) incorporate the [public] information [about the shareholder] into the decision-making [process]»* (Participant Nr. III)
Company brand awareness by the public	Means that the magnitude of impact of a reputational event affecting the shareholder on corporate reputation is positively correlated with the level of public exposure of the company.	*«The impact of a shareholder scandal on companies depends a lot on whether consumers know in which companies the shareholder invests in and on whether the companies have market visibility or not»* (Participant Nr. II) *«If the company is known (...) the impact is greater»* (Participant Nr. III)
Shareholder's nationality	Means that the magnitude of impact of a reputational event affecting the shareholder on corporate reputation is correlated with the nationality of the shareholder. If there is not a positive perception about shareholder's country of origin, any reputational event will have a higher impact on corporate reputation.	*«The country of origin can stigmatize the shareholder»* (Participant Nr. I)

	Company headquarters' location	Means that the magnitude of impact of a reputational event affecting the shareholder on corporate reputation is correlated with the location of the company's headquarters. If there is not a positive perception about the headquarters' location (for example, n offshore or mid-shore jurisdictions), any reputational event will have a higher impact on corporate reputation.	*«(…) offshore or other equivalents [locations] are seen as suspect»* (Participant Nr. II)
	Company sector of activity	Means that certain sectors of activity are inherently associated with a poorer reputation, and any reputational event affecting the shareholder will have an amplified impact on corporate reputation.	*«The sector of activity is very relevant. (…) In sectors, where trust is an intangible asset, anything that could call this asset into question has an impact for the company»* (Participant Nr. III) *«Nowhere in the world, will a company in the arms business have a good corporate reputation»* (Participant Nr. VII)
	Selling directly to end consumer (B2C) or to other companies (B2B)	Means that a reputational event affecting the shareholder may have a different impact on corporate reputation, depending on the source of revenue for the company, whether it is from end clients (B2C) or other businesses (B2B).	*«In a B2C company, the shareholder can have more impact, because there's the issue of consumer perception. Even in a B2B, it depends on who the customer is»* (Participant Nr. II)
Levers to anticipate or prevent reputation damage that may arise from shareholders	Corporate governance principles	Refers to the framework of policies and guidelines that shape a company's behaviour, decision-making, and practices, enabling the company to prevent reputation damage that may result from shareholders' misconduct. Three key principles have been identified: Board of Directors' independence, shareholders' self-awareness, and a strict approach to compliance.	*«(…) any shareholder recognizes themselves as a source of risk (…). If they did, they would have truly independent executive management teams. (…) independent in spirit, capable of defending positions that could upset shareholders without fear of reprisals, because the shareholder is aware that they are defending the company's best interests and, consequently, their own»* (Participant Nr. VII)

	Structured process	Pertains to the process that should be followed to anticipate a reputational risk event stemming from a shareholder: (1) acquire knowledge about the shareholder, (2) identify the various risks to the company that may arise from a reputational event involving the shareholder, and (3) initiate proactive measures to mitigate the impact on the company of a reputational event involving the shareholder.	*«Anticipating it is only possible by knowing the shareholder very well, mapping the risks and proactively triggering mitigation measures (e.g. strengthening management independence)»* (Participant Nr. III) *«Conceptually, the risk that may come from the shareholder should be treated like any other risk: through a structured process of risk identification, assessing their potential impacts and defining mitigation measures»* (Participant Nr. VII)
Hyper-transparency environment characteristics	Democratization of access to information	Pertains to information on the Internet being readily accessible to anyone around the world in almost real-time, thereby diminishing the time companies have to respond to reputation events.	*«Today, anyone goes to a site and posts what they want about organizations. It has a huge impact [to companies], not least because what's on the Internet is accessible to everyone and is (almost) impossible to delete...»* (Participant Nr. I) *«The story appeared in the media on the US at midday; within a few hours, it had spread around the world and had already impacted our operations in different parts of the globe, with customers asking us directly about the event»* (Participant Nr. III)
	Multiplication of information sources	Refers to the ease of sharing information in today's digital age, where virtually anyone can do so with limited accountability.	*«Nowadays, people inside the company themselves use cell phones and messaging to disseminate information. The information gets out in three minutes»* (Participant Nr. II) *«Any employee (or even a supplier's employee, for example) can report a situation on social media»* (Participant Nr. VII).
	Multiplication of opinion-makers	Pertains to the fact that anyone with a substantial following on social networks has the potential to become an influencer.	*«Media today goes far beyond the traditional media. (...) anyone can become an opinion-maker if they*

			have the right channel and audience» (Participant Nr. VIII)
Hyper-transparency environment consequences	Media communication manipulation	Points to the motivation of communication channels to manipulate information in order to boost their audience and web traffic. Additionally, it highlights the lack of scrutiny and data source verification before publishing news, a practice that can be exploited by institutions and individuals to enhance their moral capital or tarnish the reputation of competitors or opponents.	*«(...) there is gossip on social media, sometimes unsubstantiated (so-called fake news), posted with the intention of creating or destroying an image»* (Participant Nr. II) *«If the news grabs attention, media will capitalize on it by any possible means»* (Participant Nr. IV)
	Watchdogs everywhere	Highlights the impact of the surge in social media, where today, any individual or organization can monitor the actions of companies and governments and report alleged corporate misconduct. This role was traditionally undertaken by the press.	*«(...) the number of parties looking if companies do something wrong or illegal increases everyday»* (Participant Nr. IV) *«(...) the digital world encourages surveillance, without scrutiny, by any individual of companies, institutions and even other individuals»* (Participant Nr. VII)
	Cascade effect	Refers to the immediate loss of control by companies once something is posted on social networks, preventing them from managing its spread or predicting the chain of events that the information may set in motion.	*«(...) the event is built up as it circulates on the social networks and the speed with which it circulates does not allow companies to take any mitigation or control actions»* (Participant Nr. III) *«If the subject is of interest, the machine [social media] works by itself. (...) and the company only becomes aware that there is a reputational issue when the communication department receives a phone call asking if the company wants to comment on the news that will appear at 8pm on the TV news channel»* (Participant Nr. VII)

Corporate strategies to deal with hyper-transparency environment	Media management of shareholders' relationship	Emphasizes the significance of taking a proactive approach to managing the public relationship with the shareholders, particularly when any of the key factors negatively affecting shareholder reputation are present.	*«Directors should realize that if a shareholder is a potential source of reputational risk, they should, as a preventative measure, avoid publicizing the company's relationship with them as much as possible»* (Participant Nr. V) *«The same shareholder, with the same reputational constraints, affected the companies in their portfolio in very different ways. How did the companies differ and what, in my opinion, made the difference? Firstly, in the way they took advantage of the shareholder's image over the years: while some communicated a close relationship, others always communicated a separation between management and the shareholder»* (Participant Nr. VII)
	Social media monitoring	Emphasizes the importance of proactively monitoring social media to anticipate potential reputation events and provide companies with time to implement mitigation measures.	*«It is important that companies follow social media to constantly 'feel the mood' and anticipate some potential reputation issues (...)»* (Participant Nr. IV) *«Social networks (...) need to be managed as the channel it is and companies should monitor it to understand and anticipate trends»* (Participant Nr. VII)
	Contrast with the facts	Underscores the significance of communicating facts to mitigate the impact of any reputation event on the company, thereby framing the event being presented by the media and shaping public perception of it.	*«The only way to fight constructed perceptions is by communicating the facts, by explaining the context and the event itself. (...) Companies can only respond with facts»* (Participant Nr. I) *«There is sensitivity in the facts, and the facts are important in the recovery of reputation. Crisis management is the more effective, the more the message is based on communicating facts, evidences»* (Participant Nr. VII)

'Management independence' capitalization	Highlights the significance of maintaining a clear separation between the operational management of the company, overseen by the Executive Committee and the Board of Directors, and the shareholders who own the company's capital. This separation is vital to mitigate the impact of any reputation event initiated by the shareholder on the company.	*«(...) if there is a reputation scandal (...), the only action the company can have, is to show that shareholders don't participate on the operational management of the company. And if they do, they need to resign»* (Participant Nr. IV) *«(...) in the event of a shareholder's scandal, the only relatively effective mitigation measure is to distance the company from the shareholder (because they are not part of the management, because they put their position up for sale, etc)»* (Participant Nr. V)

Appendix C. Vignette questionnaires

5. Socio-biographical characterization of respondents

Gender

- Male ☐
- Female ☐
- Other ☐

Age (yrs)

- <40 ☐
- 40-50 ☐
- 51-60 ☐
- >60 ☐

Education

- None ☐
- Secondary ☐
- Bachelors ☐
- Masters ☐
- Doctorate ☐
- Other ☐

Occupation

- Corporate Senior Management ☐
- Lawyer/Compliance officer ☐
- Banker/Financial analyst ☐
- Accountant/Auditor ☐
- Journalist ☐

Work experience

- <5 yrs ☐
- 5-10 yrs ☐
- 11-15 yrs ☐
- 16-20 yrs ☐
- >20 yrs ☐

6. Vignette cases

6.1. Case 1

Ownership	**Event**	**Media Exposure**	**Dependence from financial sector**
Dispersed	Negative	High	High

The company XPTO is listed on the stock exchange and possesses a widely dispersed capital structure. Recently, it has garnered significant attention in the media due to a financial scandal involving one of its shareholders, who holds 10% of the company's capital. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities.

The projects undertaken by XPTO consistently involve substantial capital expenditures. Recent ongoing assignments have experienced delays and cost overruns, significantly impacting project profitability, and consequently XPTO has become heavily dependent on the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of the following situations is encompassed within it or not.
   - Does the company have a dispersion of capital? Yes ☐ No ☐
   - Has there been a financial scandal? Yes ☐ No ☐
   - Does the scandal capture media attention? Yes ☐ No ☐
   - Does the scandal affect a minority shareholder? Yes ☐ No ☐
   - Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the scandal affecting that shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
Reputational loss superior to -25% of initial value	**Reputational loss to up -25% of initial value**	**No change** Initial reputation unchanged (baseline = **100%)**	**Positive** impact **(reputational gain up to 25% of initial value)**	**Exceedingly positive** impact **(reputational gain > 25% of initial value)**

3. How much of an immediate impact do you anticipate the scandal affecting that shareholder will have on the company's **short-term share price**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
EXCEEDINGLY NEGATIVE impact **(share price loss superior to -25% of initial value)**	**NEGATIVE** impact **(share price loss to up -25% of initial value)**	**NO CHANGE on share price (**initial share price maintained: **100%**)	**POSITIVE** impact **(share price gain up to 25% of initial value)**	**EXCEEDINGLY POSITIVE** impact **(share price gain > 25% of initial value)**

4. And after **6 months**, how will the **share price** be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
Share price loss superior to -25% of initial value	**Share price loss to up -25% of initial value**	**No change on share price** Initial share price maintained (**100%**)	**Share price gain up to 25% of initial value**	**Share price gain > 25% of initial value**

6.2. Case 2

Ownership	Event	Media Exposure	Dependence from financial sector
Dispersed	Positive	Low	High

The company XPTO is listed on the stock exchange and possesses a widely dispersed capital structure. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities. Most of XPTO projects are executed in Europe and Africa.

Recent market disclosures have revealed that a shareholder of XPTO, holding 10% of the company's capital, has acquired a majority stake in the largest player in the sector for Latin America and the Middle East. Surprisingly, the media has not highlighted this highly significant acquisition.

The projects undertaken by XPTO consistently involve substantial capital expenditures. Recent ongoing assignments have experienced delays and cost overruns, significantly impacting project profitability, and consequently XPTO has become heavily dependent on the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of these situations is encompassed within it or not.
    - Does the company have a dispersion of capital? Yes ☐ No ☐
    - Has there been a positive event? Yes ☐ No ☐
    - Does the event capture media attention? Yes ☐ No ☐
    - Does the event refer to a minority shareholder? Yes ☐ No ☐
    - Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the positive event affecting that shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
Reputational loss superior to -25% of initial value	**Reputational loss to up -25% of initial value**	**No change** Initial reputation unchanged (baseline = **100%)**	**Positive** impact **(reputational gain up to 25% of initial value)**	**Exceedingly positive** impact **(reputational gain > 25% of initial value)**

3. How much of an immediate impact do you anticipate the positive event affecting that shareholder will have on the company's **short-term share price**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New share price < **74%**	**75%** < New share price < **99%**	**No change on share price** Initial share price maintained (**100%**)	**101%** < New share price < **125%**	New share price > **126%**

4. And after **6 months**, how will the **share price** be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New share price < **74%**	**75%** < New share price < **99%**	**No change on share price** Initial share price maintained (**100%**)	**101%** < New share price < **125%**	New share price > **126%**

6.3. Case 3

Ownership	**Event**	**Media Exposure**	**Dependence from financial sector**
Dispersed	Negative	Low	Low

The company XPTO is listed on the stock exchange and possesses a widely dispersed capital structure. Despite recent involvement of a shareholder, owning 10% of the company's capital, in a financial scandal, this issue has surprisingly evaded media attention. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities.

The projects undertaken by XPTO consistently involve substantial capital expenditures. However, the company exhibits exceptional proficiency in project management, never encountering delays or overruns. Additionally, its advanced capabilities in contractual management enable the negotiation of highly advantageous payment terms with clients. Consequently, XPTO operates independently of the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of these situations is encompassed within it or not.
   - Does the company have a dispersion of capital? Yes ☐ No ☐
   - Has there been a financial scandal? Yes ☐ No ☐
   - Does the scandal capture media attention? Yes ☐ No ☐
   - Does the scandal affect a minority shareholder? Yes ☐ No ☐
   - Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the scandal affecting that shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New rating < **74%**	**75%** < New rating < **99%**	**No change** Initial reputation rating applicable (**100%**)	**101%** < New rating < **125%**	New rating > **126%**

3. How much of an immediate impact do you anticipate the scandal affecting that shareholder will have on the company's **short-term share price**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New share price < **74%**	**75%** < New share price < **99%**	**No change on share price** Initial share price maintained (**100%**)	**101%** < New share price < **125%**	New share price > **126%**

4. And after **6 months**, how will the **share price** be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New share price < **74%**	**75%** < New share price < **99%**	**No change on share price** Initial share price maintained (**100%**)	**101%** < New share price < **125%**	New share price > **126%**

6.4. Case 4

Ownership	Event	Media Exposure	Dependence from financial sector
Dispersed	Positive	High	Low

The company XPTO is listed on the stock exchange and possesses a widely dispersed capital structure. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities. Most of XPTO projects are executed in Europe and Africa.

Recent market disclosures have revealed that a shareholder of XPTO, holding 10% of the company's capital, has acquired a majority stake in the largest player in the sector for Latin America and the Middle East. The media has shown significant interest in covering this acquisition over the past few weeks, considering its potential to complement XPTO's markets. The projects undertaken by XPTO consistently involve substantial capital expenditures. However, the company exhibits exceptional proficiency in project management, never encountering delays or overruns. Additionally, its advanced capabilities in contractual management enable the negotiation of highly advantageous payment terms with clients. Consequently, XPTO operates independently of the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of these situations is encompassed within it or not.
   - Does the company have a dispersion of capital? Yes ☐ No ☐
   - Has there been a positive event? Yes ☐ No ☐

- Does the event capture media attention? Yes ☐ No ☐
- Does the event refer to a minority shareholder? Yes ☐ No ☐
- Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the positive event affecting that shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New rating < **74%**	**75%** < New rating < **99%**	**No change** Initial reputation rating applicable (**100%**)	**101%** < New rating < **125%**	New rating > **126%**

3. How much of an immediate impact do you anticipate the positive event affecting that shareholder will have on the company's **short-term share price**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New share price < **74%**	**75%** < New share price < **99%**	**No change on share price** Initial share price maintained (**100%**)	**101%** < New share price < **125%**	New share price > **126%**

4. And after **6 months**, how will the **share price** be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New share price < **74%**	**75%** < New share price < **99%**	**No change on share price** Initial share price maintained (**100%**)	**101%** < New share price < **125%**	New share price > **126%**

6.5. Case 5

Ownership	**Event**	**Media Exposure**	**Dependence from financial sector**
Concentrated	Negative	Low	Low

The company XPTO has a highly concentrated capital structure, with the majority shareholder owning 75% of the company's capital. Despite recent involvement its majority shareholder, in a major financial scandal, this issue has surprisingly evaded media attention. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities.

XPTO exhibits exceptional proficiency in project management, never encountering delays or overruns. Additionally, its advanced capabilities in contractual management enable the negotiation of highly advantageous payment terms with clients. Consequently, XPTO operates independently of the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of these situations is encompassed within it or not.
   - Does the company have a concentration of capital? Yes ☐ No ☐
   - Has there been a financial scandal? Yes ☐ No ☐
   - Does the scandal capture media attention? Yes ☐ No ☐
   - Does the scandal affect the majority shareholder? Yes ☐ No ☐
   - Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the scandal affecting the majority shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New rating < **74%**	**75%** < New rating **< 99%**	**No change** Initial reputation rating applicable (**100%**)	**101%** < New rating **< 125%**	New rating > **126%**

3. How much of an immediate impact do you anticipate the scandal affecting the majority will have on the company's **short-term valuation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact

New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

4. And **after 6 months**, how will the valuation be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

6.6. Case 6

Ownership	Event	Media Exposure	Dependence from financial sector
Concentrated	Positive	Low	High

The company XPTO has a highly concentrated capital structure, with the majority shareholder owning 75% of the company's capital. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities. Most of XPTO projects are executed in Europe and Africa.

Recent market disclosures have revealed that XPTO majority shareholder has acquired a majority stake in the largest player in the sector for Latin America and the Middle East. Surprisingly, the media has not highlighted this highly significant acquisition.

The projects undertaken by XPTO consistently involve substantial capital expenditures. Recent ongoing assignments have experienced delays and cost overruns, significantly impacting project profitability, and consequently XPTO has become heavily dependent on the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of these situations is encompassed within it or not.
    - Does the company have a concentration of capital? Yes ☐ No ☐

- Has there been a financial scandal? Yes ☐ No ☐
- Does the scandal capture media attention? Yes ☐ No ☐
- Does the scandal affect the majority shareholder? Yes ☐ No ☐
- Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the scandal affecting the majority shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New rating < **74%**	**75%** < New rating < **99%**	**No change** Initial reputation rating applicable (**100%**)	**101%** < New rating < **125%**	New rating > **126%**

3. How much of an immediate impact do you anticipate the scandal affecting the majority will have on the company's **short-term valuation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

4. And **after 6 months**, how will the valuation be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

6.7. Case 7

Ownership	**Event**	**Media Exposure**	**Dependence from financial sector**
Concentrated	Negative	High	High

The company XPTO has a highly concentrated capital structure, with the majority shareholder owning 75% of the company's capital. Recently, XPTO has garnered significant attention in the media due to a financial scandal involving its majority shareholder. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities.

The projects undertaken by XPTO consistently involve substantial capital expenditures. Recent ongoing assignments have experienced delays and cost overruns, significantly impacting project profitability, and consequently XPTO has become heavily dependent on the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of these situations is encompassed within it or not.
   - Does the company have a concentration of capital? Yes ☐ No ☐
   - Has there been a financial scandal? Yes ☐ No ☐
   - Does the scandal capture media attention? Yes ☐ No ☐
   - Does the scandal affect the majority shareholder? Yes ☐ No ☐
   - Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the scandal affecting the majority shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New rating **< 74%**	**75%** < New rating **< 99%**	**No change** Initial reputation rating applicable (**100%**)	**101%** < New rating **< 125%**	New rating > **126%**

3. How much of an immediate impact do you anticipate the scandal affecting the majority will have on the company's **short-term valuation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact

New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

4. And **after 6 months**, how will the valuation be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

6.8. Case 8

Ownership	Event	Media Exposure	Dependence from financial sector
Concentrated	Positive	High	Low

The company XPTO has a highly concentrated capital structure, with the majority shareholder owning 75% of the company's capital. XPTO operates within the EPC (Engineering-Procurement-Construction) sector, providing comprehensive turnkey contracts for designing, procuring, constructing, supervising, and commissioning refineries and chemical processing facilities. Most of XPTO projects are executed in Europe and Africa.

Recent market disclosures have revealed that XPTO majority shareholder has acquired a majority stake in the largest player in the sector for Latin America and the Middle East. The media has shown significant interest in covering this acquisition over the past few weeks, considering its potential to complement XPTO's markets.

However, the company exhibits exceptional proficiency in project management, never encountering delays or overruns. Additionally, its advanced capabilities in contractual management enable the negotiation of highly advantageous payment terms with clients. Consequently, XPTO operates independently of the financial sector. EPC sector is highly competitive and XPTO's reputation aligns with the sector's average.

Questionnaire questions:

1. The previously presented case illustrates various scenarios. Kindly specify if each of these situations is encompassed within it or not.
   - Does the company have a concentration of capital? Yes ☐ No ☐
   - Has there been a financial scandal? Yes ☐ No ☐
   - Does the scandal capture media attention? Yes ☐ No ☐
   - Does the scandal affect the majority shareholder? Yes ☐ No ☐
   - Is the company heavily dependent on the financial sector? Yes ☐ No ☐

2. How much of an immediate impact do you anticipate the scandal affecting the majority shareholder will have on the **company's reputation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New rating < **74%**	**75%** < New rating < **99%**	**No change** Initial reputation rating applicable (**100%**)	**101%** < New rating < **125%**	New rating > **126%**

3. How much of an immediate impact do you anticipate the scandal affecting the majority will have on the company's **short-term valuation**?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

4. And **after 6 months**, how will the valuation be?

Exceedingly negative impact	**Negative** impact	**No noticiable** impact	**Positive** impact	**Exceedingly positive** impact
New valuation < **74%**	**75%** < New valuation < **99%**	**No change on valuation** Initial valuation maintained (**100%**)	**101%** < New valuation < **125%**	New valuation > **126%**

Appendix D. Conjoint analysis (SPSS)

Model Description

	N of Levels	Relation to Ranks or Scores
Event	2	Discrete
Ownership	2	Discrete
MediaExposure	2	Discrete
FinanceDep	2	Discrete

All factors are orthogonal.

Q1.a) How relevant is each factor in estimating the immediate impact on corporate reputation, regardless of whether the impact on reputation is positive or negative?

Utilities

		Utility Estimate	Std. Error
Event	Negative	-.007	.050
	Positive	.007	.050
Ownership	Dispersed	.096	.050
	Concentrated	-.096	.050
MediaExposure	Low	-.096	.050
	High	.096	.050
FinanceDep	Low	-.096	.050
	High	.096	.050
(Constant)		.699	.050

Importance Values

Event	2.500
Ownership	32.500
MediaExposure	32.500
FinanceDep	32.500

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.886	.002
Kendall's tau	.717	.008

a. Correlations between observed and estimated preferences

Q1.b) How relevant is each factor in estimating the immediate impact on corporate reputation, if the impact on reputation is negative?

Utilities

		Utility Estimate	Std. Error
Event	Negative	.287	.030
	Positive	-.287	.030
Ownership	Dispersed	.051	.030
	Concentrated	-.051	.030
MediaExposure	Low	-.037	.030
	High	.037	.030
FinanceDep	Low	-.154	.030
	High	.154	.030
(Constant)		.404	.030

Importance Values

Event	54.167
Ownership	9.722
MediaExposure	6.944
FinanceDep	29.167

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.988	.000
Kendall's tau	.964	.001

a. Correlations between observed and estimated preferences

Q1.c) How relevant is each factor in estimating the immediate impact on corporate reputation, if the impact on reputation is positive?

Utilities

		Utility Estimate	Std. Error
Event	Negative	-.294	.028
	Positive	.294	.028
Ownership	Dispersed	.044	.028
	Concentrated	-.044	.028
MediaExposure	Low	-.059	.028
	High	.059	.028
FinanceDep	Low	.059	.028
	High	-.059	.028
(Constant)		.294	.028

Importance Values

Event	64.516
Ownership	9.677
MediaExposure	12.903
FinanceDep	12.903

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.988	.000
Kendall's tau	.920	.002

a. Correlations between observed and estimated preferences

Q2.a) How relevant is each factor in estimating the impact on the firm's short-term value, regardless of whether the impact on value is positive or negative?

Utilities

		Utility Estimate	Std. Error
Event	Negative	.037	.068
	Positive	-.037	.068
Ownership	Dispersed	-.037	.068
	Concentrated	.037	.068
MediaExposure	Low	-.066	.068
	High	.066	.068
FinanceDep	Low	-.125	.068
	High	.125	.068
(Constant)		.537	.068

Importance Values

Event	13.889
Ownership	13.889
MediaExposure	25.000
FinanceDep	47.222

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.786	.010
Kendall's tau	.473	.053

a. Correlations between observed and estimated preferences

Q2.b) How relevant is each factor in estimating the impact on the firm's short-term value, if the impact on reputation is negative?

Utilities

		Utility Estimate	Std. Error
Event	Negative	.213	.039
	Positive	-.213	.039
Ownership	Dispersed	.051	.039
	Concentrated	-.051	.039
MediaExposure	Low	-.051	.039
	High	.051	.039
FinanceDep	Low	-.140	.039
	High	.140	.039
(Constant)		.360	.039

Importance Values

Event	46.774
Ownership	11.290
MediaExposure	11.290
FinanceDep	30.645

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.970	.000
Kendall's tau	.837	.002

a. Correlations between observed and estimated preferences

Q2.c) How relevant is each factor in estimating the impact on the firm's short-term value, if the impact on reputation is positive?

Utilities

		Utility Estimate	Std. Error
Event	Negative	-.231	.103
	Positive	.231	.103
Ownership	Dispersed	-.115	.103
	Concentrated	.115	.103
MediaExposure	Low	-.019	.103
	High	.019	.103
FinanceDep	Low	.019	.103
	High	-.019	.103
(Constant)		.231	.103

Importance Values

Event	60.000
Ownership	30.000
MediaExposure	5.000
FinanceDep	5.000

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.824	.006
Kendall's tau	.740	.010

a. Correlations between observed and estimated preferences

Q3.a) How relevant is each factor in estimating the impact on the firm's long-term value, regardless of whether the impact on value is positive or negative?

Utilities

		Utility Estimate	Std. Error
Event	Negative	-.172	.052
	Positive	.172	.052
Ownership	Dispersed	-.141	.052
	Concentrated	.141	.052
MediaExposure	Low	-.016	.052
	High	.016	.052
FinanceDep	Low	.031	.052
	High	-.031	.052
(Constant)		.437	.052

Importance Values

Event	47.826
Ownership	39.130
MediaExposure	4.348
FinanceDep	8.696

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.929	.000
Kendall's tau	.815	.003

a. Correlations between observed and estimated preferences

Q3.b) How relevant is each factor in estimating the impact on the firm's long-term value, if the impact on reputation is negative?

Utilities

		Utility Estimate	Std. Error
Event	Negative	.070	.070
	Positive	-.070	.070
Ownership	Dispersed	-.117	.070
	Concentrated	.117	.070
MediaExposure	Low	.070	.070
	High	-.070	.070
FinanceDep	Low	-.023	.070
	High	.023	.070
(Constant)		.164	.070

Importance Values

Event	25.000
Ownership	41.667
MediaExposure	25.000
FinanceDep	8.333

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.948	.000
Kendall's tau	.865	.001

a. Correlations between observed and estimated preferences

Q3.c) How relevant is each factor in estimating the impact on the firm's long-term value, if the impact on reputation is positive?

Utilities

		Utility Estimate	Std. Error
Event	Negative	-.258	.063
	Positive	.258	.063
Ownership	Dispersed	-.025	.063
	Concentrated	.025	.063
MediaExposure	Low	-.092	.063
	High	.092	.063
FinanceDep	Low	.058	.063
	High	-.058	.063
(Constant)		.292	.063

Importance Values

Event	59.615
Ownership	5.769
MediaExposure	21.154
FinanceDep	13.462

Averaged Importance Score

Correlations[a]

	Value	Sig.
Pearson's R	.933	.000
Kendall's tau	.849	.002

a. Correlations between observed and estimated preferences

Appendix E. Path analysis (PROCESS tool for SPSS)

1. Direct and Indirect effect of shareholder Event on Long-Term Valuation: all moderators as simultaneous covariates (Hays, Model 6)

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 6
    Y  : LngTerm
    X  : ZEvent
   M1  : CoRep_1
   M2  : ShrtTerm

Covariates:
 Gender   Age      Educ     Work_xp  ZOwne    ZMedia   ZFinDep

Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7458      .5563      .4041    23.8209     8.0000   152.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     2.7386      .5737     4.7739      .0000     1.6052     3.8720
ZEvent        .6553      .0509    12.8641      .0000      .5546      .7559
Gender       -.1172      .1058    -1.1080      .2696     -.3263      .0918
Age           .0014      .0952      .0151      .9879     -.1867      .1896
Educ          .0305      .0897      .3404      .7340     -.1467      .2078
Work_xp       .0318      .0862      .3688      .7128     -.1385      .2021
ZOwne        -.0158      .0508     -.3109      .7563     -.1161      .0846
ZMedia        .0229      .0521      .4402      .6604     -.0799      .1258
ZFinDep      -.2144      .0505    -4.2444      .0000     -.3141     -.1146

Standardized coefficients
             coeff
ZEvent       .7045
Gender      -.0632
Age          .0011
Educ         .0193
Work_xp      .0257
ZOwne       -.0170
ZMedia       .0246
ZFinDep     -.2305

**************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
```

```
      .7558      .5712      .3323    22.3521     9.0000   151.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     1.5254      .5579     2.7344      .0070      .4232     2.6277
ZEvent        .0848      .0668     1.2701      .2060     -.0471      .2167
CoRep_1       .5874      .0736     7.9851      .0000      .4420      .7327
Gender        .1384      .0963     1.4365      .1529     -.0520      .3288
Age           .1078      .0864     1.2479      .2140     -.0629      .2784
Educ         -.2026      .0814    -2.4888      .0139     -.3634     -.0418
Work_xp       .0422      .0782      .5391      .5906     -.1124      .1967
ZOwne         .1249      .0461     2.7103      .0075      .0338      .2159
ZMedia       -.0909      .0472    -1.9234      .0563     -.1842      .0025
ZFinDep      -.0617      .0484    -1.2747      .2044     -.1575      .0340

Standardized coefficients
             coeff
ZEvent       .0991
CoRep_1      .6388
Gender       .0811
Age          .0880
Educ        -.1394
Work_xp      .0371
ZOwne        .1460
ZMedia      -.1062
ZFinDep     -.0722

Test(s) of X by M interaction:
              F        df1        df2          p
M1*X      .0385     1.0000   150.0000      .8447

***************************************************************************
OUTCOME VARIABLE:
 LngTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .6129      .3757      .2888     9.0270    10.0000   150.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     2.5987      .5327     4.8779      .0000     1.5460     3.6514
ZEvent        .1704      .0626     2.7229      .0072      .0467      .2940
CoRep_1       .2412      .0818     2.9503      .0037      .0797      .4028
ShrtTerm     -.0336      .0759     -.4424      .6588     -.1834      .1163
Gender        .1477      .0904     1.6333      .1045     -.0310      .3264
Age           .0729      .0809      .9014      .3688     -.0869      .2328
Educ         -.0466      .0774     -.6023      .5479     -.1996      .1063
Work_xp      -.0628      .0730     -.8601      .3911     -.2069      .0814
ZOwne        -.0627      .0440    -1.4263      .1559     -.1496      .0242
ZMedia        .1445      .0446     3.2424      .0015      .0564      .2326
ZFinDep      -.0280      .0454     -.6178      .5377     -.1177      .0617

Standardized coefficients
              coeff
ZEvent        .2587
CoRep_1       .3408
ShrtTerm     -.0436
Gender        .1124
Age           .0773
Educ         -.0417
Work_xp      -.0717
ZOwne        -.0953
ZMedia        .2194
ZFinDep      -.0426

Test(s) of X by M interaction:
              F        df1        df2          p
```

```
M1*X       .5596     1.0000   149.0000      .4556
M2*X      2.6330     1.0000   149.0000      .1068


****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Direct effect of X on Y
     Effect         se          t          p       LLCI       ULCI      c'_ps
      .1704      .0626     2.7229      .0072      .0467      .2940      .2587

Indirect effect(s) of X on Y:
          Effect     BootSE   BootLLCI   BootULCI
TOTAL      .1423      .0461      .0527      .2327
Ind1       .1581      .0566      .0441      .2642
Ind2      -.0028      .0085     -.0186      .0184
Ind3      -.0129      .0312     -.0763      .0479

Partially standardized indirect effect(s) of X on Y:
          Effect     BootSE   BootLLCI   BootULCI
TOTAL      .2161      .0694      .0805      .3538
Ind1       .2401      .0856      .0686      .4016
Ind2      -.0043      .0129     -.0279      .0275
Ind3      -.0196      .0479     -.1180      .0743

Indirect effect key:
Ind1 ZEvent      ->    CoRep_1     ->    LngTerm
Ind2 ZEvent      ->    ShrtTerm    ->    LngTerm
Ind3 ZEvent      ->    CoRep_1     ->    ShrtTerm    ->    LngTerm

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: Standardized coefficients for dichotomous or multicategorical X are in
      partially standardized form.

------ END MATRIX -----
```

2. Indirect effect of shareholder Event on Short-Term Valuation, through Corporate Valuation: all moderators as simultaneous covariates (Hays, Model 4)

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 4
    Y  : ShrtTerm
    X  : ZEvent
    M  : CoRep_1

Covariates:
 Gender   Age      Educ     Work_xp  ZOwne    ZMedia   ZFinDep

Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7458      .5563      .4041    23.8209     8.0000   152.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     2.7386      .5737     4.7739      .0000     1.6052     3.8720
ZEvent        .6553      .0509    12.8641      .0000      .5546      .7559
Gender      -.1172      .1058    -1.1080      .2696     -.3263      .0918
Age           .0014      .0952      .0151      .9879     -.1867      .1896
Educ          .0305      .0897      .3404      .7340     -.1467      .2078
Work_xp       .0318      .0862      .3688      .7128     -.1385      .2021
ZOwne        -.0158      .0508     -.3109      .7563     -.1161      .0846
ZMedia        .0229      .0521      .4402      .6604     -.0799      .1258
ZFinDep      -.2144      .0505    -4.2444      .0000     -.3141     -.1146

Standardized coefficients
             coeff
ZEvent       .7045
Gender      -.0632
Age          .0011
Educ         .0193
Work_xp      .0257
ZOwne       -.0170
ZMedia       .0246
ZFinDep     -.2305

**************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7558      .5712      .3323    22.3521     9.0000   151.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     1.5254      .5579     2.7344      .0070      .4232     2.6277
ZEvent        .0848      .0668     1.2701      .2060     -.0471      .2167
CoRep_1       .5874      .0736     7.9851      .0000      .4420      .7327
Gender        .1384      .0963     1.4365      .1529     -.0520      .3288
```

```
Age           .1078      .0864     1.2479      .2140     -.0629      .2784
Educ         -.2026      .0814    -2.4888      .0139     -.3634     -.0418
Work_xp       .0422      .0782      .5391      .5906     -.1124      .1967
ZOwne         .1249      .0461     2.7103      .0075      .0338      .2159
ZMedia       -.0909      .0472    -1.9234      .0563     -.1842      .0025
ZFinDep      -.0617      .0484    -1.2747      .2044     -.1575      .0340

Standardized coefficients
             coeff
ZEvent       .0991
CoRep_1      .6388
Gender       .0811
Age          .0880
Educ        -.1394
Work_xp      .0371
ZOwne        .1460
ZMedia      -.1062
ZFinDep     -.0722

************************** TOTAL EFFECT MODEL ****************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .6246      .3902      .4695    12.1563     8.0000   152.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     3.1340      .6184     5.0680      .0000     1.9122     4.3557
ZEvent        .4697      .0549     8.5537      .0000      .3612      .5782
Gender        .0695      .1141      .6096      .5430     -.1558      .2949
Age           .1086      .1027     1.0581      .2917     -.0942      .3114
Educ         -.1847      .0967    -1.9091      .0581     -.3757      .0064
Work_xp       .0608      .0929      .6547      .5136     -.1227      .2444
ZOwne         .1156      .0548     2.1114      .0364      .0074      .2238
ZMedia       -.0774      .0561    -1.3793      .1698     -.1883      .0335
ZFinDep      -.1877      .0544    -3.4469      .0007     -.2952     -.0801

Standardized coefficients
             coeff
ZEvent       .5492
Gender       .0407
Age          .0887
Educ        -.1270
Work_xp      .0535
ZOwne        .1352
ZMedia      -.0905
ZFinDep     -.2194


************** TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y **************

Total effect of X on Y
     Effect         se          t          p       LLCI       ULCI       c_ps
      .4697      .0549     8.5537      .0000      .3612      .5782      .5492

Direct effect of X on Y
     Effect         se          t          p       LLCI       ULCI      c'_ps
      .0848      .0668     1.2701      .2060     -.0471      .2167      .0991

Indirect effect(s) of X on Y:
            Effect     BootSE   BootLLCI   BootULCI
CoRep_1      .3849      .0502      .2879      .4841

Partially standardized indirect effect(s) of X on Y:
            Effect     BootSE   BootLLCI   BootULCI
CoRep_1      .4500      .0510      .3528      .5528
```

```
*********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: Standardized coefficients for dichotomous or multicategorical X are in
      partially standardized form.

------ END MATRIX -----
```

3. *Conditional indirect effects of shareholder Event on Long-Term Valuation (Hays, Model 92)*

3.1. Ownerhip as moderator

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 92
    Y  : LngTerm
    X  : ZEvent
   M1  : CoRep_1
   M2  : ShrtTerm
    W  : ZOwne

Covariates:
 Gender   Age      Educ     Work_xp

Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7132      .5086      .4446    22.6244     7.0000   153.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     -.1130      .5884     -.1920      .8480    -1.2754     1.0494
ZEvent        .6565      .0533    12.3246      .0000      .5512      .7617
ZOwne        -.0147      .0532     -.2760      .7829     -.1198      .0904
Int_1        -.0694      .0540    -1.2844      .2010     -.1762      .0374
Gender       -.1304      .1100    -1.1850      .2378     -.3477      .0870
Age           .0363      .1000      .3632      .7169     -.1612      .2339
Educ          .0542      .0928      .5837      .5603     -.1292      .2376
Work_xp      -.0072      .0910     -.0787      .9373     -.1869      .1726

Product terms key:
 Int_1    :        ZEvent   x        ZOwne

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0053     1.6496     1.0000   153.0000      .2010
----------
    Focal predict: ZEvent   (X)
          Mod var: ZOwne    (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZOwne      CoRep_1    .
BEGIN DATA.
     -.9664   -1.0809     -.6930
     1.0283   -1.0809      .7661
     -.9664     .9194     -.5882
     1.0283     .9194      .5940
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     CoRep_1  BY       ZOwne    .
```

```
**************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7729      .5973      .3121    24.8878     9.0000   151.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant      .1925      .4936      .3900      .6971     -.7827     1.1676
ZEvent        .0458      .0630      .7271      .4683     -.0787      .1703
CoRep_1       .6299      .0682     9.2380      .0000      .4952      .7646
ZOwne         .1332      .0446     2.9864      .0033      .0451      .2212
Int_1         .2282      .0637     3.5845      .0005      .1024      .3540
Int_2        -.0891      .0677    -1.3174      .1897     -.2228      .0445
Gender        .2112      .0926     2.2802      .0240      .0282      .3943
Age           .0876      .0839     1.0443      .2980     -.0781      .2533
Educ         -.2007      .0779    -2.5771      .0109     -.3546     -.0468
Work_xp       .0711      .0763      .9311      .3533     -.0797      .2218

Product terms key:
 Int_1    :        ZEvent   x        ZOwne
 Int_2    :        CoRep_1  x        ZOwne

Test(s) of X by M interaction:
             F        df1        df2          p
M1*X      .8170     1.0000   150.0000      .3675

Test(s) of highest order unconditional interaction(s):
        R2-chng          F        df1        df2          p
X*W       .0343    12.8486     1.0000   151.0000      .0005
M1*W      .0046     1.7356     1.0000   151.0000      .1897
----------
    Focal predict: ZEvent   (X)
          Mod var: ZOwne    (W)

Conditional effects of the focal predictor at values of the moderator(s):

      ZOwne     Effect         se          t          p       LLCI       ULCI
    -1.0809     -.2009      .0949    -2.1172      .0359     -.3883     -.0134
      .9194      .2557      .0845     3.0240      .0029      .0886      .4227

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZOwne      ShrtTerm   .
BEGIN DATA.
     -.9664    -1.0809      .0544
     1.0283    -1.0809     -.3462
     -.9664      .9194     -.1204
     1.0283      .9194      .3896
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     ShrtTerm BY       ZOwne    .
----------
    Focal predict: CoRep_1  (M1)
          Mod var: ZOwne    (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZOwne      ShrtTerm   .
BEGIN DATA.
     -.9301    -1.0809     -.8152
```

```
      .0000    -1.0809     -.1397
      .9301    -1.0809      .5358
     -.9301      .9194     -.3830
      .0000      .9194      .1267
      .9301      .9194      .6363
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     ShrtTerm BY       ZOwne    .

**************************************************************************
OUTCOME VARIABLE:
 LngTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .6065      .3678      .2944     7.8806    11.0000   149.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant    3.5578      .4797     7.4170      .0000     2.6100     4.5057
ZEvent       .1943      .0630     3.0846      .0024      .0698      .3188
CoRep_1      .2702      .0853     3.1676      .0019      .1016      .4387
ShrtTerm    -.0791      .0817     -.9679      .3347     -.2406      .0824
ZOwne       -.0643      .0447    -1.4382      .1525     -.1527      .0241
Int_1        .1491      .0645     2.3130      .0221      .0217      .2765
Int_2       -.0512      .0838     -.6113      .5419     -.2168      .1144
Int_3       -.1339      .0802    -1.6689      .0972     -.2924      .0246
Gender       .1404      .0915     1.5341      .1271     -.0405      .3213
Age          .0613      .0818      .7494      .4548     -.1003      .2230
Educ        -.1044      .0777    -1.3427      .1814     -.2579      .0492
Work_xp     -.0698      .0744     -.9376      .3500     -.2169      .0773

Product terms key:
 Int_1    :        ZEvent   x        ZOwne
 Int_2    :        CoRep_1  x        ZOwne
 Int_3    :        ShrtTerm x        ZOwne

Test(s) of X by M interaction:
             F       df1        df2          p
M1*X      .0152     1.0000   148.0000      .9019
M2*X      .7134     1.0000   148.0000      .3997

Test(s) of highest order unconditional interaction(s):
        R2-chng          F        df1        df2          p
X*W       .0227     5.3498     1.0000   149.0000      .0221
M1*W      .0016      .3737     1.0000   149.0000      .5419
M2*W      .0118     2.7853     1.0000   149.0000      .0972
----------
    Focal predict: ZEvent   (X)
          Mod var: ZOwne    (W)

Conditional effects of the focal predictor at values of the moderator(s):

      ZOwne     Effect         se          t          p       LLCI       ULCI
    -1.0809      .0332      .0951      .3490      .7276     -.1547      .2210
      .9194      .3314      .0854     3.8784      .0002      .1626      .5002

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZOwne      LngTerm    .
BEGIN DATA.
     -.9664    -1.0809     3.1154
     1.0283    -1.0809     3.1816
     -.9664      .9194     2.6986
     1.0283      .9194     3.3596
END DATA.
```

```
GRAPH/SCATTERPLOT=
 ZEvent   WITH     LngTerm  BY       ZOwne    .
----------
    Focal predict: CoRep_1  (M1)
          Mod var: ZOwne    (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZOwne      LngTerm    .
BEGIN DATA.
     -.9301    -1.0809     2.8447
      .0000    -1.0809     3.1475
      .9301    -1.0809     3.4503
     -.9301      .9194     2.8113
      .0000      .9194     3.0188
      .9301      .9194     3.2263
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     LngTerm  BY       ZOwne    .
----------
    Focal predict: ShrtTerm (M2)
          Mod var: ZOwne    (W)

Conditional effects of the focal predictor at values of the moderator(s):

      ZOwne     Effect         se          t          p       LLCI       ULCI
    -1.0809      .0656      .1335      .4917      .6237     -.1981      .3293
      .9194     -.2022      .0951    -2.1257      .0352     -.3902     -.0142

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ShrtTerm   ZOwne      LngTerm    .
BEGIN DATA.
     -.8552    -1.0809     3.0914
      .0000    -1.0809     3.1475
      .8552    -1.0809     3.2036
     -.8552      .9194     3.1918
      .0000      .9194     3.0188
      .8552      .9194     2.8459
END DATA.
GRAPH/SCATTERPLOT=
 ShrtTerm WITH     LngTerm  BY       ZOwne    .


***************** DIRECT AND INDIRECT EFFECTS OF X ON Y ****************

Conditional direct effects of X on Y
      ZOwne     Effect         se          t          p       LLCI       ULCI
    -1.0809      .0332      .0951      .3490      .7276     -.1547      .2210
      .9194      .3314      .0854     3.8784      .0002      .1626      .5002

Conditional indirect effects of X on Y:

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    LngTerm

      ZOwne     Effect     BootSE   BootLLCI   BootULCI
    -1.0809      .2382      .0821      .0930      .4168
      .9194      .1322      .0743     -.0379      .2578

Index of moderated mediation (difference between conditional indirect effects):
           Index     BootSE   BootLLCI   BootULCI
ZOwne     -.1059      .1107     -.3457      .0873
```

```
INDIRECT EFFECT:
 ZEvent      ->    ShrtTerm    ->    LngTerm

      ZOwne     Effect     BootSE   BootLLCI   BootULCI
    -1.0809     -.0132      .0219     -.0544      .0346
      .9194     -.0517      .0286     -.1121     -.0005

Index of moderated mediation (difference between conditional indirect effects):
           Index     BootSE   BootLLCI   BootULCI
ZOwne     -.0385      .0372     -.1171      .0318

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    ShrtTerm    ->    LngTerm

      ZOwne     Effect     BootSE   BootLLCI   BootULCI
    -1.0809      .0349      .0577     -.0822      .1486
      .9194     -.0657      .0331     -.1365     -.0026

Index of moderated mediation (difference between conditional indirect effects):
           Index     BootSE   BootLLCI   BootULCI
ZOwne     -.1005      .0652     -.2276      .0273

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: The following variables were mean centered prior to analysis:
          ZOwne    ZEvent   CoRep_1  ShrtTerm

NOTE: Standardized coefficients are not available for models with moderators.

------ END MATRIX -----
```

3.2. Media Exposure as moderator

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 92
    Y  : LngTerm
    X  : ZEvent
   M1  : CoRep_1
   M2  : ShrtTerm
    W  : ZMedia

Covariates:
 Gender   Age      Educ     Work_xp

Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
```

```
      .7457      .5560      .4017    27.3717     7.0000   153.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     -.1215      .5719     -.2124      .8321    -1.2514     1.0084
ZEvent        .6569      .0508    12.9363      .0000      .5566      .7572
ZMedia        .0171      .0518      .3299      .7419     -.0853      .1195
Int_1         .2149      .0505     4.2531      .0000      .1151      .3147
Gender       -.1131      .1047    -1.0807      .2815     -.3199      .0937
Age           .0028      .0948      .0300      .9761     -.1845      .1902
Educ          .0290      .0893      .3251      .7456     -.1474      .2055
Work_xp       .0314      .0859      .3650      .7156     -.1384      .2011

Product terms key:
 Int_1    :        ZEvent   x        ZMedia

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0525    18.0893     1.0000   153.0000      .0000
----------
    Focal predict: ZEvent   (X)
          Mod var: ZMedia   (W)

Conditional effects of the focal predictor at values of the moderator(s):

     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031      .4413      .0715     6.1686      .0000      .3000      .5826
      .9907      .8698      .0715    12.1630      .0000      .7285     1.0111

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZMedia     CoRep_1    .
BEGIN DATA.
     -.9664    -1.0031     -.4530
     1.0283    -1.0031      .4273
     -.9664      .9907     -.8330
     1.0283      .9907      .9021
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     CoRep_1  BY       ZMedia   .

***************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7477      .5591      .3417    21.2720     9.0000   151.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant      .4062      .5277      .7697      .4427     -.6365     1.4488
ZEvent        .0183      .0784      .2330      .8161     -.1366      .1731
CoRep_1       .6399      .0817     7.8328      .0000      .4785      .8013
ZMedia       -.0997      .0478    -2.0855      .0387     -.1942     -.0052
Int_1        -.0396      .0780     -.5078      .6123     -.1938      .1145
Int_2         .1409      .0817     1.7248      .0866     -.0205      .3023
Gender        .1100      .0970     1.1350      .2582     -.0815      .3016
Age           .1088      .0878     1.2399      .2169     -.0646      .2822
Educ         -.1985      .0826    -2.4039      .0174     -.3616     -.0353
Work_xp       .0425      .0793      .5361      .5927     -.1142      .1992

Product terms key:
 Int_1    :        ZEvent   x        ZMedia
 Int_2    :        CoRep_1  x        ZMedia
```

```
Test(s) of X by M interaction:
              F        df1        df2          p
M1*X      .0171     1.0000   150.0000      .8961

Test(s) of highest order unconditional interaction(s):
        R2-chng          F        df1        df2          p
X*W       .0008      .2578     1.0000   151.0000      .6123
M1*W      .0087     2.9750     1.0000   151.0000      .0866
----------
    Focal predict: ZEvent   (X)
          Mod var: ZMedia   (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZMedia     ShrtTerm   .
BEGIN DATA.
     -.9664    -1.0031      .0386
     1.0283    -1.0031      .1543
     -.9664      .9907     -.0839
     1.0283      .9907     -.1258
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     ShrtTerm BY       ZMedia   .
----------
    Focal predict: CoRep_1  (M1)
          Mod var: ZMedia   (W)

Conditional effects of the focal predictor at values of the moderator(s):

     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031      .4985      .0890     5.6008      .0000      .3227      .6744
      .9907      .7795      .1365     5.7116      .0000      .5098     1.0491

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZMedia     ShrtTerm   .
BEGIN DATA.
     -.9301    -1.0031     -.3690
      .0000    -1.0031      .0946
      .9301    -1.0031      .5583
     -.9301      .9907     -.8292
      .0000      .9907     -.1042
      .9301      .9907      .6208
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     ShrtTerm BY       ZMedia   .

**************************************************************************
OUTCOME VARIABLE:
 LngTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .6546      .4284      .2661    10.1538    11.0000   149.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     2.8141      .4765     5.9061      .0000     1.8726     3.7556
ZEvent        .1896      .0692     2.7379      .0069      .0528      .3264
CoRep_1       .2523      .0855     2.9514      .0037      .0834      .4212
ShrtTerm     -.1227      .0738    -1.6636      .0983     -.2685      .0230
ZMedia        .1458      .0428     3.4057      .0008      .0612      .2303
Int_1         .0286      .0689      .4145      .6791     -.1077      .1648
Int_2        -.1945      .0861    -2.2593      .0253     -.3647     -.0244
```

```
Int_3          .3000      .0752     3.9917      .0001      .1515      .4485
Gender         .1295      .0864     1.4990      .1360     -.0412      .3003
Age            .0553      .0781      .7080      .4801     -.0990      .2096
Educ           .0169      .0765      .2215      .8250     -.1342      .1680
Work_xp       -.0275      .0706     -.3887      .6980     -.1670      .1121

Product terms key:
 Int_1    :        ZEvent   x        ZMedia
 Int_2    :        CoRep_1  x        ZMedia
 Int_3    :        ShrtTerm x        ZMedia

Test(s) of X by M interaction:
              F       df1       df2         p
M1*X      .2692     1.0000   148.0000      .6047
M2*X     1.3088     1.0000   148.0000      .2545

Test(s) of highest order unconditional interaction(s):
        R2-chng         F       df1       df2         p
X*W       .0007      .1719     1.0000   149.0000      .6791
M1*W      .0196     5.1044     1.0000   149.0000      .0253
M2*W      .0611    15.9335     1.0000   149.0000      .0001
----------
    Focal predict: ZEvent   (X)
          Mod var: ZMedia   (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZMedia     LngTerm    .
BEGIN DATA.
     -.9664    -1.0031     2.7853
     1.0283    -1.0031     3.1063
     -.9664      .9907     3.0209
     1.0283      .9907     3.4555
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     LngTerm  BY       ZMedia   .
----------
    Focal predict: CoRep_1  (M1)
          Mod var: ZMedia   (W)

Conditional effects of the focal predictor at values of the moderator(s):

     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031      .4474      .0979     4.5702      .0000      .2540      .6409
      .9907      .0596      .1404      .4246      .6718     -.2178      .3370

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZMedia     LngTerm    .
BEGIN DATA.
     -.9301    -1.0031     2.5246
      .0000    -1.0031     2.9408
      .9301    -1.0031     3.3570
     -.9301      .9907     3.1760
      .0000      .9907     3.2315
      .9301      .9907     3.2869
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     LngTerm  BY       ZMedia   .
----------
    Focal predict: ShrtTerm (M2)
          Mod var: ZMedia   (W)

Conditional effects of the focal predictor at values of the moderator(s):
```

```
     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031     -.4236      .1169    -3.6234      .0004     -.6547     -.1926
      .9907      .1745      .0920     1.8955      .0600     -.0074      .3563

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ShrtTerm   ZMedia     LngTerm    .
BEGIN DATA.
     -.8552    -1.0031     3.3031
      .0000    -1.0031     2.9408
      .8552    -1.0031     2.5785
     -.8552      .9907     3.0822
      .0000      .9907     3.2315
      .8552      .9907     3.3807
END DATA.
GRAPH/SCATTERPLOT=
 ShrtTerm WITH     LngTerm  BY       ZMedia   .


****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Conditional direct effects of X on Y
     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031      .1609      .0681     2.3646      .0193      .0264      .2954
      .9907      .2179      .1198     1.8192      .0709     -.0188      .4546

Conditional indirect effects of X on Y:

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    LngTerm

     ZMedia     Effect     BootSE   BootLLCI   BootULCI
    -1.0031      .1975      .0604      .0905      .3286
      .9907      .0518      .1338     -.2238      .2983

Index of moderated mediation (difference between conditional indirect effects):
            Index     BootSE   BootLLCI   BootULCI
ZMedia     -.1456      .1472     -.4443      .1307

INDIRECT EFFECT:
 ZEvent      ->    ShrtTerm    ->    LngTerm

     ZMedia     Effect     BootSE   BootLLCI   BootULCI
    -1.0031     -.0246      .0285     -.0790      .0376
      .9907     -.0037      .0267     -.0508      .0602

Index of moderated mediation (difference between conditional indirect effects):
            Index     BootSE   BootLLCI   BootULCI
ZMedia      .0209      .0397     -.0596      .1024

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    ShrtTerm    ->    LngTerm

     ZMedia     Effect     BootSE   BootLLCI   BootULCI
    -1.0031     -.0932      .0419     -.1940     -.0281
      .9907      .1183      .0694      .0005      .2749

Index of moderated mediation (difference between conditional indirect effects):
            Index     BootSE   BootLLCI   BootULCI
ZMedia      .2115      .0809      .0745      .3916

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000
```

```
Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: The following variables were mean centered prior to analysis:
          ZMedia   ZEvent   CoRep_1  ShrtTerm

NOTE: Standardized coefficients are not available for models with moderators.

------ END MATRIX -----
```

3.3. Financial Dependence as moderator

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 92
    Y  : LngTerm
    X  : ZEvent
   M1  : CoRep_1
   M2  : ShrtTerm
    W  : ZFinDep

Covariates:
 Gender   Age      Educ     Work_xp

Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7457      .5560      .4017    27.3717     7.0000   153.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     -.1123      .5720     -.1964      .8446    -1.2425     1.0178
ZEvent        .6566      .0506    12.9636      .0000      .5565      .7567
ZFinDep      -.2134      .0503    -4.2390      .0000     -.3129     -.1140
Int_1        -.0238      .0519     -.4583      .6474     -.1264      .0788
Gender       -.1131      .1047    -1.0807      .2815     -.3199      .0937
Age           .0028      .0948      .0300      .9761     -.1845      .1902
Educ          .0290      .0893      .3251      .7456     -.1474      .2055
Work_xp       .0314      .0859      .3650      .7156     -.1384      .2011

Product terms key:
 Int_1    :        ZEvent   x        ZFinDep

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0006      .2100     1.0000   153.0000      .6474
----------
    Focal predict: ZEvent   (X)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.
```

```
DATA LIST FREE/
   ZEvent     ZFinDep    CoRep_1    .
BEGIN DATA.
     -.9664     -.9544     -.4530
     1.0283     -.9544      .9021
     -.9664     1.0412     -.8330
     1.0283     1.0412      .4273
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     CoRep_1  BY       ZFinDep  .

**************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7422      .5508      .3481    20.5732     9.0000   151.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant      .4049      .5338      .7585      .4493     -.6498     1.4597
ZEvent        .0833      .0685     1.2169      .2256     -.0520      .2186
CoRep_1       .5814      .0753     7.7212      .0000      .4326      .7302
ZFinDep      -.0674      .0495    -1.3597      .1759     -.1653      .0305
Int_1         .0790      .0683     1.1564      .2493     -.0560      .2141
Int_2         .0293      .0763      .3837      .7018     -.1215      .1801
Gender        .0996      .0989     1.0073      .3154     -.0958      .2951
Age           .0938      .0886     1.0581      .2917     -.0813      .2689
Educ         -.1919      .0833    -2.3041      .0226     -.3564     -.0273
Work_xp       .0488      .0804      .6063      .5452     -.1102      .2077

Product terms key:
 Int_1    :        ZEvent   x        ZFinDep
 Int_2    :        CoRep_1  x        ZFinDep

Test(s) of X by M interaction:
              F        df1        df2          p
M1*X      .0203     1.0000   150.0000      .8869

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0040     1.3373     1.0000   151.0000      .2493
M1*W     .0004      .1472     1.0000   151.0000      .7018
----------
    Focal predict: ZEvent   (X)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZFinDep    ShrtTerm   .
BEGIN DATA.
     -.9664     -.9544      .0636
     1.0283     -.9544      .0794
     -.9664     1.0412     -.2232
     1.0283     1.0412      .1071
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     ShrtTerm BY       ZFinDep  .
----------
    Focal predict: CoRep_1  (M1)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.
```

```
DATA LIST FREE/
   CoRep_1    ZFinDep    ShrtTerm   .
BEGIN DATA.
     -.9301     -.9544     -.4435
      .0000     -.9544      .0713
      .9301     -.9544      .5861
     -.9301     1.0412     -.6323
      .0000     1.0412     -.0632
      .9301     1.0412      .5060
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     ShrtTerm BY       ZFinDep  .

**************************************************************************
OUTCOME VARIABLE:
 LngTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .6111      .3735      .2917     8.0753    11.0000   149.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     3.2421      .4896     6.6219      .0000     2.2746     4.2095
ZEvent        .1833      .0630     2.9078      .0042      .0587      .3079
CoRep_1       .2573      .0819     3.1417      .0020      .0955      .4191
ShrtTerm     -.0618      .0770     -.8017      .4240     -.2140      .0905
ZFinDep      -.0236      .0457     -.5172      .6058     -.1138      .0666
Int_1        -.1998      .0631    -3.1682      .0019     -.3245     -.0752
Int_2         .0806      .0813      .9908      .3234     -.0801      .2413
Int_3         .0079      .0745      .1054      .9162     -.1394      .1551
Gender        .1502      .0910     1.6510      .1009     -.0296      .3299
Age           .0727      .0814      .8929      .3734     -.0882      .2336
Educ         -.0617      .0776     -.7958      .4274     -.2151      .0916
Work_xp      -.0537      .0740     -.7262      .4688     -.1999      .0924

Product terms key:
 Int_1    :        ZEvent   x        ZFinDep
 Int_2    :        CoRep_1  x        ZFinDep
 Int_3    :        ShrtTerm x        ZFinDep

Test(s) of X by M interaction:
              F        df1        df2          p
M1*X     1.5181     1.0000   148.0000      .2199
M2*X     4.1789     1.0000   148.0000      .0427

Test(s) of highest order unconditional interaction(s):
        R2-chng          F        df1        df2          p
X*W       .0422    10.0375     1.0000   149.0000      .0019
M1*W      .0041      .9817     1.0000   149.0000      .3234
M2*W      .0000      .0111     1.0000   149.0000      .9162
----------
    Focal predict: ZEvent   (X)
          Mod var: ZFinDep  (W)

Conditional effects of the focal predictor at values of the moderator(s):

    ZFinDep     Effect         se          t          p       LLCI       ULCI
     -.9544      .3740      .0887     4.2157      .0000      .1987      .5494
     1.0412     -.0247      .0894     -.2768      .7823     -.2014      .1519

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZFinDep    LngTerm    .
BEGIN DATA.
     -.9664     -.9544     2.7407
```

```
     1.0283     -.9544     3.4868
     -.9664     1.0412     3.0789
     1.0283     1.0412     3.0296
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     LngTerm  BY       ZFinDep  .
----------
    Focal predict: CoRep_1  (M1)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZFinDep    LngTerm    .
BEGIN DATA.
     -.9301     -.9544     2.9344
      .0000     -.9544     3.1021
      .9301     -.9544     3.2699
     -.9301     1.0412     2.7377
      .0000     1.0412     3.0550
      .9301     1.0412     3.3723
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     LngTerm  BY       ZFinDep  .
----------
    Focal predict: ShrtTerm (M2)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ShrtTerm   ZFinDep    LngTerm    .
BEGIN DATA.
     -.8552     -.9544     3.1614
      .0000     -.9544     3.1021
      .8552     -.9544     3.0429
     -.8552     1.0412     3.1008
      .0000     1.0412     3.0550
      .8552     1.0412     3.0092
END DATA.
GRAPH/SCATTERPLOT=
 ShrtTerm WITH     LngTerm  BY       ZFinDep  .


****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Conditional direct effects of X on Y
    ZFinDep     Effect         se          t          p       LLCI       ULCI
     -.9544      .3740      .0887     4.2157      .0000      .1987      .5494
     1.0412     -.0247      .0894     -.2768      .7823     -.2014      .1519

Conditional indirect effects of X on Y:

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    LngTerm

    ZFinDep     Effect     BootSE   BootLLCI   BootULCI
     -.9544      .1225      .0789     -.0501      .2673
     1.0412      .2156      .0848      .0426      .3811

Index of moderated mediation (difference between conditional indirect effects):
             Index     BootSE   BootLLCI   BootULCI
ZFinDep      .0930      .1157     -.1304      .3290

INDIRECT EFFECT:
 ZEvent      ->    ShrtTerm    ->    LngTerm
```

```
    ZFinDep     Effect     BootSE   BootLLCI   BootULCI
     -.9544     -.0005      .0067     -.0177      .0103
     1.0412     -.0089      .0216     -.0491      .0433

Index of moderated mediation (difference between conditional indirect effects):
             Index     BootSE   BootLLCI   BootULCI
ZFinDep     -.0083      .0224     -.0467      .0459

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    ShrtTerm    ->    LngTerm

    ZFinDep     Effect     BootSE   BootLLCI   BootULCI
     -.9544     -.0260      .0389     -.0943      .0615
     1.0412     -.0207      .0433     -.1172      .0555

Index of moderated mediation (difference between conditional indirect effects):
             Index     BootSE   BootLLCI   BootULCI
ZFinDep      .0053      .0555     -.1156      .1033

*********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: The following variables were mean centered prior to analysis:
          ZFinDep  ZEvent   CoRep_1  ShrtTerm

NOTE: Standardized coefficients are not available for models with moderators.

------ END MATRIX -----
```

4. Conditional indirect effects of shareholder Event on Short-Term Valuation (Hays, Model 59)

4.1. Ownerhip as moderator

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 59
    Y  : ShrtTerm
    X  : ZEvent
    M  : CoRep_1
    W  : ZOwne

Covariates:
 Gender   Age      Educ     Work_xp

Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7132      .5086      .4446    22.6244     7.0000   153.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     -.1130      .5884     -.1920      .8480    -1.2754     1.0494
ZEvent        .6565      .0533    12.3246      .0000      .5512      .7617
ZOwne        -.0147      .0532     -.2760      .7829     -.1198      .0904
Int_1        -.0694      .0540    -1.2844      .2010     -.1762      .0374
Gender       -.1304      .1100    -1.1850      .2378     -.3477      .0870
Age           .0363      .1000      .3632      .7169     -.1612      .2339
Educ          .0542      .0928      .5837      .5603     -.1292      .2376
Work_xp      -.0072      .0910     -.0787      .9373     -.1869      .1726

Product terms key:
 Int_1    :        ZEvent   x        ZOwne

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0053     1.6496     1.0000   153.0000      .2010
----------
    Focal predict: ZEvent   (X)
          Mod var: ZOwne    (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZOwne      CoRep_1    .
BEGIN DATA.
     -.9664    -1.0809     -.6930
     1.0283    -1.0809      .7661
     -.9664      .9194     -.5882
     1.0283      .9194      .5940
END DATA.
GRAPH/SCATTERPLOT=
```

```
 ZEvent   WITH     CoRep_1  BY       ZOwne    .

**************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7729      .5973      .3121    24.8878     9.0000   151.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     2.9999      .4936     6.0782      .0000     2.0248     3.9751
ZEvent        .0458      .0630      .7271      .4683     -.0787      .1703
CoRep_1       .6299      .0682     9.2380      .0000      .4952      .7646
ZOwne         .1332      .0446     2.9864      .0033      .0451      .2212
Int_1         .2282      .0637     3.5845      .0005      .1024      .3540
Int_2        -.0891      .0677    -1.3174      .1897     -.2228      .0445
Gender        .2112      .0926     2.2802      .0240      .0282      .3943
Age           .0876      .0839     1.0443      .2980     -.0781      .2533
Educ         -.2007      .0779    -2.5771      .0109     -.3546     -.0468
Work_xp       .0711      .0763      .9311      .3533     -.0797      .2218

Product terms key:
 Int_1    :        ZEvent   x        ZOwne
 Int_2    :        CoRep_1  x        ZOwne

Test(s) of X by M interaction:
          F        df1        df2          p
      .8170     1.0000   150.0000      .3675

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0343    12.8486     1.0000   151.0000      .0005
M*W      .0046     1.7356     1.0000   151.0000      .1897
----------
    Focal predict: ZEvent   (X)
          Mod var: ZOwne    (W)

Conditional effects of the focal predictor at values of the moderator(s):

      ZOwne     Effect         se          t          p       LLCI       ULCI
    -1.0809     -.2009      .0949    -2.1172      .0359     -.3883     -.0134
      .9194      .2557      .0845     3.0240      .0029      .0886      .4227

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZOwne      ShrtTerm   .
BEGIN DATA.
     -.9664    -1.0809     2.8619
     1.0283    -1.0809     2.4612
     -.9664      .9194     2.6871
     1.0283      .9194     3.1970
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     ShrtTerm BY       ZOwne    .
----------
    Focal predict: CoRep_1  (M)
          Mod var: ZOwne    (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZOwne      ShrtTerm   .
BEGIN DATA.
```

```
     -.9301    -1.0809     1.9923
      .0000    -1.0809     2.6678
      .9301    -1.0809     3.3433
     -.9301      .9194     2.4245
      .0000      .9194     2.9341
      .9301      .9194     3.4438
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     ShrtTerm BY       ZOwne    .


****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Conditional direct effects of X on Y
      ZOwne     Effect         se          t          p       LLCI       ULCI
    -1.0809     -.2009      .0949    -2.1172      .0359     -.3883     -.0134
      .9194      .2557      .0845     3.0240      .0029      .0886      .4227

Conditional indirect effects of X on Y:

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    ShrtTerm

      ZOwne     Effect     BootSE   BootLLCI   BootULCI
    -1.0809      .5312      .0926      .3718      .7391
      .9194      .3247      .0682      .2077      .4765

Index of moderated mediation (difference between conditional indirect effects):
          Index     BootSE   BootLLCI   BootULCI
ZOwne     -.2065      .1144     -.4318      .0148

*********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: The following variables were mean centered prior to analysis:
          ZOwne    ZEvent   CoRep_1

NOTE: Standardized coefficients are not available for models with moderators.

------ END MATRIX -----
```

4.2. Media Exposure as moderator

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 59
    Y  : ShrtTerm
    X  : ZEvent
    M  : CoRep_1
    W  : ZMedia

Covariates:
 Gender   Age      Educ     Work_xp
```

```
Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7457      .5560      .4017    27.3717     7.0000   153.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     -.1215      .5719     -.2124      .8321    -1.2514     1.0084
ZEvent        .6569      .0508    12.9363      .0000      .5566      .7572
ZMedia        .0171      .0518      .3299      .7419     -.0853      .1195
Int_1         .2149      .0505     4.2531      .0000      .1151      .3147
Gender       -.1131      .1047    -1.0807      .2815     -.3199      .0937
Age           .0028      .0948      .0300      .9761     -.1845      .1902
Educ          .0290      .0893      .3251      .7456     -.1474      .2055
Work_xp       .0314      .0859      .3650      .7156     -.1384      .2011

Product terms key:
 Int_1    :        ZEvent   x        ZMedia

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0525    18.0893     1.0000   153.0000      .0000
----------
    Focal predict: ZEvent   (X)
          Mod var: ZMedia   (W)

Conditional effects of the focal predictor at values of the moderator(s):

     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031      .4413      .0715     6.1686      .0000      .3000      .5826
      .9907      .8698      .0715    12.1630      .0000      .7285     1.0111

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZMedia     CoRep_1    .
BEGIN DATA.
     -.9664    -1.0031     -.4530
     1.0283    -1.0031      .4273
     -.9664      .9907     -.8330
     1.0283      .9907      .9021
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     CoRep_1  BY       ZMedia   .

**************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7477      .5591      .3417    21.2720     9.0000   151.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     3.2136      .5277     6.0896      .0000     2.1710     4.2563
ZEvent        .0183      .0784      .2330      .8161     -.1366      .1731
CoRep_1       .6399      .0817     7.8328      .0000      .4785      .8013
ZMedia       -.0997      .0478    -2.0855      .0387     -.1942     -.0052
Int_1        -.0396      .0780     -.5078      .6123     -.1938      .1145
```

```
Int_2         .1409      .0817     1.7248      .0866     -.0205      .3023
Gender        .1100      .0970     1.1350      .2582     -.0815      .3016
Age           .1088      .0878     1.2399      .2169     -.0646      .2822
Educ         -.1985      .0826    -2.4039      .0174     -.3616     -.0353
Work_xp       .0425      .0793      .5361      .5927     -.1142      .1992

Product terms key:
 Int_1    :        ZEvent   x        ZMedia
 Int_2    :        CoRep_1  x        ZMedia

Test(s) of X by M interaction:
          F        df1        df2          p
      .0171     1.0000   150.0000      .8961

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0008      .2578     1.0000   151.0000      .6123
M*W      .0087     2.9750     1.0000   151.0000      .0866
----------
    Focal predict: ZEvent   (X)
          Mod var: ZMedia   (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZMedia     ShrtTerm   .
BEGIN DATA.
     -.9664    -1.0031     2.8460
     1.0283    -1.0031     2.9617
     -.9664      .9907     2.7236
     1.0283      .9907     2.6817
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     ShrtTerm BY       ZMedia   .
----------
    Focal predict: CoRep_1  (M)
          Mod var: ZMedia   (W)

Conditional effects of the focal predictor at values of the moderator(s):

     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031      .4985      .0890     5.6008      .0000      .3227      .6744
      .9907      .7795      .1365     5.7116      .0000      .5098     1.0491

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZMedia     ShrtTerm   .
BEGIN DATA.
     -.9301    -1.0031     2.4384
      .0000    -1.0031     2.9021
      .9301    -1.0031     3.3658
     -.9301      .9907     1.9782
      .0000      .9907     2.7033
      .9301      .9907     3.4283
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     ShrtTerm BY       ZMedia   .


****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Conditional direct effects of X on Y
     ZMedia     Effect         se          t          p       LLCI       ULCI
    -1.0031      .0580      .0768      .7557      .4510     -.0937      .2097
      .9907     -.0210      .1357     -.1547      .8773     -.2891      .2471
```

```
Conditional indirect effects of X on Y:

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    ShrtTerm

     ZMedia     Effect     BootSE   BootLLCI   BootULCI
    -1.0031      .2200      .0479      .1340      .3199
      .9907      .6780      .1254      .4101      .9079

Index of moderated mediation (difference between conditional indirect effects):
            Index     BootSE   BootLLCI   BootULCI
ZMedia      .4580      .1342      .1782      .7046

********************** ANALYSIS NOTES AND ERRORS ***********************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: The following variables were mean centered prior to analysis:
          ZMedia   ZEvent   CoRep_1

NOTE: Standardized coefficients are not available for models with moderators.

------ END MATRIX -----
```

4.3. Financial Dependence as moderator

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 59
    Y  : ShrtTerm
    X  : ZEvent
    M  : CoRep_1
    W  : ZFinDep

Covariates:
 Gender   Age      Educ     Work_xp

Sample
Size:  161

**************************************************************************
OUTCOME VARIABLE:
 CoRep_1

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7457      .5560      .4017    27.3717     7.0000   153.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     -.1123      .5720     -.1964      .8446    -1.2425     1.0178
ZEvent        .6566      .0506    12.9636      .0000      .5565      .7567
ZFinDep      -.2134      .0503    -4.2390      .0000     -.3129     -.1140
Int_1        -.0238      .0519     -.4583      .6474     -.1264      .0788
```

```
Gender       -.1131      .1047    -1.0807      .2815     -.3199      .0937
Age           .0028      .0948      .0300      .9761     -.1845      .1902
Educ          .0290      .0893      .3251      .7456     -.1474      .2055
Work_xp       .0314      .0859      .3650      .7156     -.1384      .2011

Product terms key:
 Int_1    :        ZEvent   x        ZFinDep

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0006      .2100     1.0000   153.0000      .6474
----------
    Focal predict: ZEvent   (X)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   ZEvent     ZFinDep    CoRep_1    .
BEGIN DATA.
     -.9664     -.9544     -.4530
     1.0283     -.9544      .9021
     -.9664     1.0412     -.8330
     1.0283     1.0412      .4273
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     CoRep_1  BY       ZFinDep  .

**************************************************************************
OUTCOME VARIABLE:
 ShrtTerm

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7422      .5508      .3481    20.5732     9.0000   151.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     3.2124      .5338     6.0176      .0000     2.1576     4.2671
ZEvent        .0833      .0685     1.2169      .2256     -.0520      .2186
CoRep_1       .5814      .0753     7.7212      .0000      .4326      .7302
ZFinDep      -.0674      .0495    -1.3597      .1759     -.1653      .0305
Int_1         .0790      .0683     1.1564      .2493     -.0560      .2141
Int_2         .0293      .0763      .3837      .7018     -.1215      .1801
Gender        .0996      .0989     1.0073      .3154     -.0958      .2951
Age           .0938      .0886     1.0581      .2917     -.0813      .2689
Educ         -.1919      .0833    -2.3041      .0226     -.3564     -.0273
Work_xp       .0488      .0804      .6063      .5452     -.1102      .2077

Product terms key:
 Int_1    :        ZEvent   x        ZFinDep
 Int_2    :        CoRep_1  x        ZFinDep

Test(s) of X by M interaction:
          F        df1        df2          p
      .0203     1.0000   150.0000      .8869

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0040     1.3373     1.0000   151.0000      .2493
M*W      .0004      .1472     1.0000   151.0000      .7018
----------
    Focal predict: ZEvent   (X)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.
```

```
DATA LIST FREE/
   ZEvent     ZFinDep    ShrtTerm   .
BEGIN DATA.
     -.9664     -.9544     2.8711
     1.0283     -.9544     2.8868
     -.9664     1.0412     2.5842
     1.0283     1.0412     2.9146
END DATA.
GRAPH/SCATTERPLOT=
 ZEvent   WITH     ShrtTerm BY       ZFinDep  .
----------
    Focal predict: CoRep_1  (M)
          Mod var: ZFinDep  (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
   CoRep_1    ZFinDep    ShrtTerm   .
BEGIN DATA.
     -.9301     -.9544     2.3639
      .0000     -.9544     2.8787
      .9301     -.9544     3.3935
     -.9301     1.0412     2.1751
      .0000     1.0412     2.7443
      .9301     1.0412     3.3134
END DATA.
GRAPH/SCATTERPLOT=
 CoRep_1  WITH     ShrtTerm BY       ZFinDep  .


****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Conditional direct effects of X on Y
    ZFinDep     Effect         se          t          p       LLCI       ULCI
     -.9544      .0079      .0969      .0813      .9353     -.1836      .1993
     1.0412      .1656      .0962     1.7206      .0874     -.0246      .3558

Conditional indirect effects of X on Y:

INDIRECT EFFECT:
 ZEvent      ->    CoRep_1     ->    ShrtTerm

    ZFinDep     Effect     BootSE   BootLLCI   BootULCI
     -.9544      .3760      .0749      .2359      .5249
     1.0412      .3866      .0710      .2503      .5350

Index of moderated mediation (difference between conditional indirect effects):
             Index     BootSE   BootLLCI   BootULCI
ZFinDep      .0106      .1035     -.1997      .2116

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

NOTE: The following variables were mean centered prior to analysis:
          ZFinDep  ZEvent   CoRep_1

NOTE: Standardized coefficients are not available for models with moderators.

------ END MATRIX -----
```

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