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Reputational risks in banks: A review of research themes, frameworks, methods, and future research directions

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Abstract

This study examined the research trends on reputational risk in banks using a systematic literature review and network analysis (SLRNA) approach on 35 research articles published between 2010 and 2020. It was found that only developed countries (i.e., the United States and Europe) have been actively contributing to research on reputational risks in banks, suggesting that reputational risks management of banks has not gained the global attention it deserves. Moreover, we identified five broad research themes from the thematic network analysis, namely, reputational risk of operational losses, reputational effects of media tone, performance implications of reputational risk management, management of reputational risk in banks, sustainability practices and reputational risk of banks in the project finance market. Nonetheless, there still a number of areas that require further attention. These include conceptualization of reputational risk management in banks that explore the dynamic and interdependencies in a system thinking framework, the role of corporate governance, environmental and social issues on reputational risk, how sustainability practices shape reputational risk management, the role of political connections in mitigating

reputational effect of operational loss events, and how information and communication technology (ICT) mechanisms impact reputational risk management in banks.

KEYWORDS
banks, reputational risks, systematic literature review

"We can afford to lose money — even a lot of money. But we can't afford to lose reputation — even a shred of reputation." – Warren Buffett

1 | INTRODUCTION

A company's reputation is critical if it is to succeed and survive in the marketplace. So much market value is derived from hard-to-assess intangible assets such as reputation. At the same time, companies with strong positive reputation are perceived as providing more value, since the market believes that such companies will deliver sustained earnings and future growth (Bushman & Wittenberg-Moerman, 2012; Eccles et al., 2007). The role of the financial industry in an economy makes the reputation of financial firms one of the most critical areas that regulators, industry groups, consultants and individual companies have to develop elaborate guidelines for assessing and managing risks associated with reputational damage. Major operational events of banks led regulators and the banking industry to full recognition of the importance of operational risk in the risk profiles of financial firms.[1] This led to the proposal of capital requirement for operational risk by the Basel Committee on Banking Supervision (Basel II) in 2005. Consequently, a lot of attention was drawn to operational risk by the financial markets (Cummins et al., 2006; Gillet et al., 2010).

Although the events are classified as operational, there are negative externalities, including reputational damage of financial firms. Yet, the regulatory definition of operational risk by the Basel Committee on Banking Supervision excludes reputational risk (Gillet et al., 2010). Specifically, there is no capital requirement for reputational losses. Interestingly, reputational risk behaves as derivative risk (Cummins et al., 2006). De Fontnouvelle and Perry (2005) coined the first definition of reputational risk in financial firms, in a quantitative term as the "Loss Ratio", which is the ratio between the operational loss amount and the loss in the market capitalization of a firm. Gillet et al. (2010) refined this definition as pure reputational risk by accounting for the difference between the market value loss and the operation loss amount announced by a firm. In other word, a sign of reputational damage is deemed as the excess of the loss in market value over the operational loss amount announced by a firm. Consequently, operational risk event announcement signifies firm-level deficiencies and other governance level weaknesses (Barakat et al., 2018).

Yet, in the banking sector, reputational risk management (RRM) frameworks are still underdeveloped (Fiordelisi et al., 2013; Zaby & Pohl, 2019) and reactive, suggesting that RRM of banks are developed mainly in the context of minimizing losses after a scandal, rather than as a

strategic, long term goal (Eccles et al., 2007; Trostianska & Semencha, 2020). Nonetheless, following the global financial crisis (GFC), reputational risk has become one of the most significant risks confronting banks. The crisis and post-crisis periods have put trust in the integrity of the financial sector on a downward trend, as misconduct and unethical managerial behavior in the pre-crisis period get exposed (Miklaszewska et al., 2020; Tachiciu et al., 2020). Consequently, confidence in banks decreased drastically following financial crisis, and this phenomenon manifested in the increased public opposition to banks' rescue (Miklaszewska et al., 2020). This expression of a lack of confidence in the social responsibility of banks resulted in increased disclosure requirements (Tachiciu et al., 2020) as well as the enactment of stringent prudential regulations and new prudential powers for central banks to uphold financial stability (Born et al., 2012; Hungin & James, 2019). A decade after the global financial crisis (GFC), corporate reputation has improved but suffered a loss of customer support, suggesting that customers will not give an organization the benefit of doubt (Tachiciu et al., 2020).

Numerous studies have discussed several themes in RRM in the last decade. Studies such as Fiordelisi et al. (2013), Fiordelisi et al. (2014) and Gillet et al. (2010) provide improved understanding of the determinants of reputational risk and the modelling of reputational risk as a derivative of operational losses. Other studies also provide insights into the importance of incorporating content analysis of online media news and expert advice into reputational risk management framework of financial institutions to help alleviate financial markets investors' concerns (Barakat et al., 2018; Barakat et al., 2019; Bawre & Kar, 2019). Again, recent advances in sustainable development and environmental concerns of bank lending activities have been explored. Environmental credit risk assessment is considered a major factor in contemporary banking lending practices of many major banks in the United States and Europe (Mulder & Koellner, 2011). The adoption of the EP, for example, has been shown to be value enhancing for financial institutions (Eisenbach et al., 2014). While these studies speak to very important issues in the literature, there are very few studies (Walter, 2013, 2016) that present an overview of the progress made and issues in reputational risk management in banks.

In this paper, we conduct a review of the research trends on reputational risk of banks. We focus on the following questions. (1) What is the annual publication trend of reputational risk research in banks? (2) What were the contributions of different countries/regions and researchers to reputational risk research from 2010 to 2020? (3) What were the most frequently studied research themes of reputational risk in the literature? (4) What are the methodologies adopted by previous studies on reputational risk in banks? (5) What are the most frequently identified research frameworks adopted in the study of reputational risks in banks? (6) What are the relevant themes on reputational risk literature in banks. This research idea is needed because of the following reasons. First, the trend of research provides insights into the critical role of reputational risk management in the post-2007/2008 global financial crisis. Second, a comprehensive insight into the theories and frameworks adopted in the literature should support regulators and practitioners to develop appropriate proactive reputational risk models to measure, manage and prevent extreme reputational damages. Third, knowledge of the pertinent determinants and control of reputational risk in banks should provide insights into the need for regulators, policymakers, and practitioners to promote through either self-regulation or legal regulation the management and prevention of reputational risk in the light of the heavy losses linked to it. Therefore, conducting a systematic literature review and network analysis (SLRNA) of previous research on reputational risk in banks is worthwhile.

This paper contributes to the literature in the following ways. First, it contributes to the literature on conceptualization of reputational risk in financial institutions. Specifically, we

contribute to the theories, context and methods (TCM) framework and the mitigation, antecedents, implications and measurement (MAIM) framework of reputational risk in banks. Second, this review contributes to the ongoing debate of the need for banks to act proactively to decouple reputational risk as "stand alone risk". Third, for practitioners, policymakers, and regulators, this review may aid policy formulation that harnesses the good of reputational risk management in banks. Finally, for academics and researchers, this review provides a critical baseline effort toward an improved understanding of research issues, conceptual approaches and methodologies adopted in the study of reputational risks in banks as well as future research efforts.

The remainder of this paper is organized as follows: Section 2 describes the research methodology adopted to retrieve and select relevant papers for the analysis; Section 3 presents the results and discussion of the review findings; Section 4 discusses the main themes of reputational risk research; Section 5 discusses research gaps and presents suggestions for future research direction; Section 6 presents the limitation of the study, and Section 7 concludes and presents the implications of the paper.

2 | METHODOLOGY

We adopted the SLRNA methodology introduced by Colicchia and Strozzi (2012). In this approach, systematic literature review (SLR) and bibliometric network analysis (BNA) are combined. We chose this approach because the SLR method ensured a systematic content analysis of the sampled literature. The BNA helps group together thematically similar articles into clusters to generate the streams of knowledge in the literature. The SLRNA methodology has two aspects to its implementation, namely, (i) SLR and (ii) BNA. In the first phase, an SLR involved retrieving and selecting relevant prior studies with a thorough analysis to aid a current study. Two main reasons motivated the adoption of a SLR method. First, a systematic literature review was employed in this study due to its rigor, robustness and transparency in the identification of pertinent articles from a large number of publications and allow for an assessment and evaluation of existing knowledge (Linnenluecke et al., 2020). Second, SLR is used because it helps in synthesizing research findings, recognizing patterns and themes, and uncovering future research direction. Section 2.1 describes in detail the main steps in our SLR methodology while Section 4 describes in detail the BNA methodology.

2.1 | Retrieval, selection, and acceptance of relevant papers

2.1.1 | Stage 1: Retrieval of prior studies

We searched for and retrieved prior studies on reputational risk in banks using Scopus search engine. Scopus is commonly used to search, retrieve, and select relevant papers for literature review because it contains numerous archives of studies on a comprehensive list of disciplines, which improves diversity in a research phenomenon. Scopus also makes literature review easier to replicate in systematic way ensuring improved transparency in the search and selection of relevant papers. Moreover, Scopus is deemed to have a wider coverage and articles search precision, which makes it a better choice compared to other search engines like Web of Science (WoS),

PubMed and Google Scholar (Falagas et al., 2008). Specifically, Scopus coverage is noted to be 60% larger than *WoS* (Comerio & Strozzi, 2019; Zhao & Strotmann, 2015).

The search process began with the identification of appropriate keywords that captures reputational risks of banks. The final keywords used are reputational risk, reputational loss, reputation risk, banks, and finance. The insertion of these keywords into the "Title-Abstract-Keyword" framework of Scopus produced an initial 102 hits as of 6 March 2021. After this, the search was restricted with the publication years 2010–2020. Further restrictions with respect to document type, language and source type were imposed, which limited the number of relevant papers to 60 for detailed content analysis.

2.1.2 | Stage 2: Selection and acceptance of relevant papers

All 60 papers identified in stage 1 were downloaded for in-depth reading and analysis. We read the abstracts, keywords, introduction, literature review, conceptual and theoretical framework, research methodology, data presentation and analysis, discussion of results, conclusions and implications for the results found as well as recommendations for future research. All four authors read each of the 60 papers independently and assessed their relevance to the objectives of this review. Then after, we met together to reconcile any differences in the selection of papers included for final analysis. This process led to the selection of 35 relevant papers for data analysis and discussions. Further restrictions with respect to document type, language and source type were imposed.

2.2 | Assessing the contributions of relevant countries

This research paper helps to measure the various contributions made by researchers' countries of origin, and the active contributors to research on reputational risks in banks during the 11 years period covered by this study (i.e., 2010–2020). To assess the contributions of countries and researchers to reputational risks research of banks, we followed contemporary literature review studies (Akomea-Frimpong et al., 2021) and adopted the score matrix formula by (Howard et al., 1987) presented as presented below.

$$Score = \frac{1.5^{n-i}}{\sum_{i=1}^{n} 1.5^{i-1}} \tag{1}$$

where n denotes the number of authors; and i = denotes the order of specific author. According to (Howard et al., 1987), each paper is assigned a maximum score of 1.00. In applying this formula, a contributing author is awarded a score according to their specific rank on a multi-authored paper.

This formula is built on the premise that the first author contributed more than a second, a second author more than a third author, and so on. Therefore, the one point for each paper is divided into the corresponding parts, consistent with the number of authors contributing to the research paper. Appendix 1 shows the contribution assessment score matrix for multi-authored paper. Applying this formula, we calculated and ranked the contributions of each country and author accordingly.

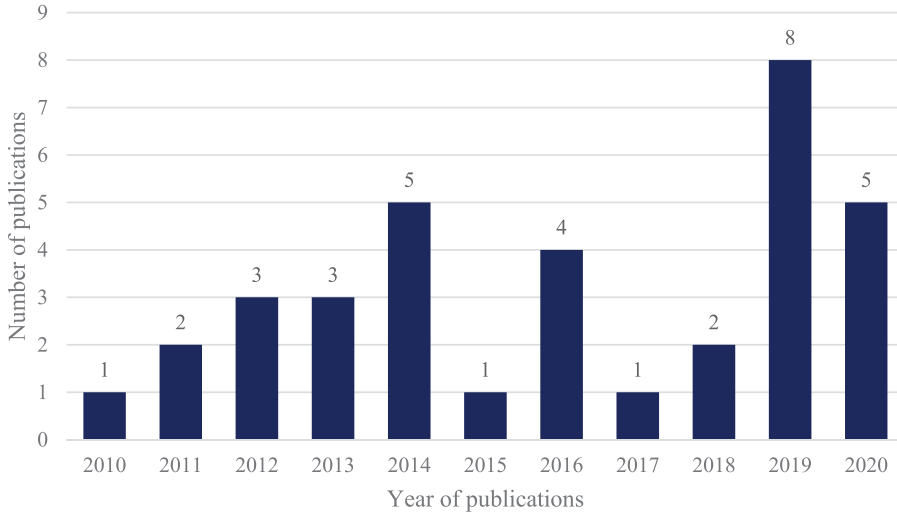

FIGURE 1 Annual publication of reputational risks research from 2010 to 2020 [Colour figure can be viewed at wileyonlinelibrary.com]

3 | PRESENTATION OF FINDINGS

3.1 | Annual publications analysis

Figure 1 shows the distribution of 35 relevant papers on reputational risk of banks published each year during the period of covered by the study. The result shows several declines and increases in the number of published peer-reviewed papers. However, the number of publications peaked within 2019 (eight papers), followed by five papers each in both 2014 and 2020. The highest number of publications during the years before 2014 was three papers each in 2012 and 2013. With these results, the last 5 years (i.e., 2016–2020) is presumed to have witnessed a growing research interest with 19 papers (i.e., 54% of relevant papers).

Following the GFC, reputational risk has become one of the most significant risks confronting banks (Heidinger & Gatzert, 2018). This may explain the reason behind the increasing trend in the interest of researchers and practitioners towards research on reputational risks of banks in recent years. The trend of research into the reputational risks of banks is projected to continue to increase because of the need to build trust in the integrity of banks' strategic and cultural alignments, quality commitments, operational focus, and organizational resilience among all its stakeholders.

3.2 | Active contributors to reputational risks research

This section presents contributions of various countries to research on reputational risk in banks. Besides the contributing countries, the number of institutions, researchers or authors and papers are presented. Table 1 reports the active contributing countries with a score of at least one and a minimum of two publications or papers. These selection criteria led to the eight (8) active contributing countries. This analysis is necessary because the geographical distribution of research outputs on a particular topic in a specific location may reflect the extent of industrial practice

TABLE 1 Active contributors to reputational risks research in FIs

Country	Score	Papers	Authors	Institutions
US	7.32	8	11	10
Germany	7.08	9	17	9
UK	5.61	7	11	9
Italy	2.60	3	4	3
Spain	2.53	3	6	5
France	2.26	4	3	3
Belgium	1.21	2	2	1
Switzerland	1.00	2	2	2

and development on the topic (Akomea-Frimpong et al., 2021). Therefore, knowing the number of research on RRM of banks in certain locations may provide useful insight into the extent of RRM initiatives in those financial systems.

Table 1 shows that only developed countries have been actively contributing to research on RRM in banks, suggesting that RRM of banks has not gain the global attention it deserves. The United States, Germany, and the United Kingdom were the top three countries, with scores of 7.32, 7.08, and 5.61, respectively. With this result, the United States and Europe have been the primary contributors to research on RMM of banks. In United States, 11 authors from 10 institutions published eight papers that discussed RRM of banks, whereas in Germany, 17 authors in nine institutions contributed to nine publications during the period covered by the study. The United Kingdom had 11 researchers from nine institutions contributing to seven publications on RRM of banks. These results are not surprising because the fallout of the GFC severely damaged the reputation of US and European banks (Walter, 2013; Xifra & Ordeix, 2009). Our finding is consistent with the understanding that banks in US and Europe face a higher exposure to reputation risk, and thus, more likely to engage in RRM (Heidinger & Gatzert, 2018).

3.3 | Reputational risk research focus

Table 2 reports the focus of reputational risk research of banks. We classified the literature into four broad areas, namely, measurement, determinants, implications, and mitigation measures of reputational risk in banks during the sample period (i.e., 2010–2020). This analysis is critical because it depicts the concentration of reputational risk research in banks. Table 2 shows that the issues of mitigation measures employed in RRM in banks as the most studied in the literature with 21 articles. This result is consistent with the importance attached to RRM in banks following the GFC (Fiordelisi et al., 2014; Gillet et al., 2010; Heidinger & Gatzert, 2018). Issues of mitigation of reputation risk comprise factors ascribed in the literature to help banks in their risk management process. We have classified these factors into three (3) broad areas, namely, strategy, management, and governance related mitigation factors. Strategy related mitigation factors include, identification of broader stakeholder expectations, aligning strategy with higher order goals (Tachiciu et al., 2020), etc.

Management related mitigation factors involves the preparation of an organization to deliver on its commitments (Miklaszewska et al., 2020), increasing reputational risks awareness

TABLE 2 Summary of reputational risk research focus

Authors	Mitigation	Determinants	Implications	Measurement
Brei et al. (2020)	x			
Tachiciu et al. (2020)	x			
Miklaszewska et al. (2020)				x
Mason and Ying (2020)	x			
Michaelowa et al. (2020)	x			
Trostianska and Semencha (2020)	x	x		x
Zaby and Pohl (2019)		x		x
Hungin and James (2019)	x			
Eckert and Gatzert (2019)		x		x
Autore et al. (2019)	x		x	
Bawre and Kar (2019)	x			
Barakat et al. (2019)	x	x		
Ferreira et al. (2019)	x	x		
Heidinger and Gatzert (2018)		x	x	
Barakat et al. (2018)		x		
Oseni and Omoola (2017)	x			
Vizcaíno-González et al. (2016)	x		x	
Gatzert et al. (2016)	x		x	
Banhalmi-Zakar (2016)	x			
Walter (2016)		x	x	
Gambetta et al. (2015)	x			
Saleuddin (2014)	x			
Clancy (2014)	x			
Ullah et al. (2014)	x			
Eisenbach et al. (2014)	x			
Fiordelisi et al. (2014)		x		
Fiordelisi et al. (2013)		x		
Sturm (2013)			x	
Walter (2013)	x		x	
Carter and Power (2012)	x		x	
Born et al. (2012)	x			
Plunus et al. (2012)			x	
Scandizzo (2011)				x
Mulder and Koellner (2011)	x			
Gillet et al. (2010)			x	x

(Trostianska & Semencha, 2020), etc. Governance related mitigation factors include transparency in environmental, social and governance policies, effective reputational monitoring system, adoption and implementation of the Equator principles (Banhalmi-Zakar, 2016; Eisenbach et al., 2014; Mason & Ying, 2020), standard model for the reporting of non-financial results, remuneration policies, self-regulation (Saleuddin, 2014), etc.

Additionally, the determinants of reputational risk in banks have been studied by nine articles. These studies provide an understanding of reputational risks relevant factors. We classify the factors into two major categories, namely, financial, and non-financial indicators. Financial related determinants comprise of quantifiable, observable factors that affect the reputational risks of banks. These include scale and profitability (Fiordelisi et al., 2013, 2014), financing of controversial projects (Banhalmi-Zakar, 2016; Mason & Ying, 2020), asymmetry of profit to risk ratio, bonus-based remuneration, social responsibility, operational failures, productivity, resource availability (Walter, 2013), etc.

On the other hand, non-financial reputation risk factors relate to non-quantifiable and unobservable factors identified to affect reputational risk. These include neglect or delay to contribute to building a better future, irresponsible managerial behavior, inefficient system of governance, faulty strategy, poor management and leadership, inadequate supervision and problematic corporate culture, conflict of interest, promotion of a lenient interpretation of environmental integrity (Michaelowa et al., 2020), social requirement, customer satisfaction, quality of internal processes, crises in other banks, capital market orientation, legislative and regulatory requirements, etc.

The measurement of reputational risk is the least studied research issue with five articles. This is consistent with the difficulty with measuring reputational risk (Gatzert et al., 2016; Miklaszewska et al., 2020); although, awareness has increased considerably, relative to other risks (Heidinger & Gatzert, 2018). The review identified two strands of literature on the measurement of reputational risk in banks. The first strand of the literature develops indicator-based models, which identifies reputation risk relevant factors for banks. The second strand of literature mainly measures reputational risk as operational losses (Fiordelisi et al., 2013, 2014) and is closely related with communications because it helps market participants form appropriate expectations. Four main indicator-based measures of reputational risk are identified in the literature. These are stakeholder reputation score (Miklaszewska et al., 2020), reputational index point (Zaby & Pohl, 2019), portfolio perspective model (Eckert & Gatzert, 2019) and cognitive mapping model (Trostianska & Semencha, 2020).

Furthermore, the implications of reputational risk in banks have been studied by 10 articles. These include loss of current or prospective customers, loss of employees or managers, loss of current or prospective business partners, increased cost of capital, loss of competitive advantage, loss in market value of firm, etc. Although, the literature in this research area is predominantly focused on issues of control measures adopted in RRM, eleven (11) articles addressed overlapping issues of measurement, determinants, implications, and control of reputational risk in banks (Autore et al., 2019; Barakat et al., 2019; Trostianska & Semencha, 2020).

3.4 | Research frameworks

We also carried out categorization based on research framework employed in the study of reputational risks in banks. Table 3 summaries the list of theories, conceptual frameworks and models adopted in the literature. Clearly, the results reveal that majority of the studies (57.1%) used some kind of a framework. However, these frameworks do not converge. Consequently, there appears to be a high level of heterogeneity in the conceptual approaches adopted in the reviewed articles. Established theories identified represent 22.8% of the reviewed articles while underdeveloped framework and models represent 34.2% and the remaining 43% of the reviewed articles did not use a framework. Examples of the theories used are cheap talk theory (Barakat et al., 2019), theory of behavioral finance (Ferreira et al., 2019), expectancy violation theory, institutional legitimacy

TABLE 3 Research framework classification

Conceptual approaches identified	Classification	Article (*)
Cheap talk theory	Theory	12
Theory of behavioral finance	Theory	13
Expectancy violation theory	Theory	15
Institutional legitimacy theory	Theory	15
Pattern recognition theory	Theory	6
Theory of blame avoidance	Theory	8
A unified theory of reaction in assets market	Theory	28
Theory of reputational alignment	Theory	30
Stakeholder reputation score	Model	3
Reputational risks factor-based model	Model	26, 27
Reputational index point	Model	7
Information asymmetry hypothesis	Model	10
Reputational awareness-value model	Model	14
Portfolio perspective model	Model	9
Intersection of reputational risks and other types of risks	Framework	2
Environmental and social policy framework	Framework	4
UN Convention on Climate Change	Framework	5
Lens of external control web for reputational risks	Framework	20
Components of risk management	Framework	18
Online dispute resolution framework	Framework	16
Framework for environmental assessment in banks' lending	Framework	19
Framework of FIs risk management system	Framework	21
Framework for actions and regulatory responses in FIs	Framework	22
SRI framework	Framework	24
Sustainability framework	Framework	25
Framework to account for biodiversity risk and opportunities	Framework	34

Note: (*) Check list of references in the Appendix 2 for full reference corresponding to article number.

theory (Barakat et al., 2018), pattern recognition theory (Trostianska & Semencha, 2020), theory of blame avoidance (Hungin & James, 2019), unified theory of reaction in assets market (Sturm, 2013), and the theory of reputational alignment (Carter & Power, 2012). Only one study combines two theories to explore reputational risks of banks.

3.5 | Research methods

An analysis of the research methods (i.e., data collection and data analysis methods) adopted to explore reputational risks in banks was undertaken. Five (5) major categories of research approaches were identified. These are case study, survey, expert interview, archival data analysis, and mixed method. Table 4 reports the respective number of studies employing the various categories of data collection methods. As shown in Table 4, archival data analysis is the most

TABLE 4 Data collection and analysis methods in reputational risks studies

	Number of papers	Percent (%)
Data collection methods		
Case study	3	9
Survey	4	11
Expert interview	4	11
Archival data analysis	14	40
Mixed method	10	29
Data analysis methods		
Descriptive statistics	3	9
Qualitative/thematic analysis	9	26
Statistical analysis	20	57
Hybrid techniques	3	9

frequent used data collection method for exploring reputational risks in banks during the sample period 2010–2020 accounting for 40% of relevant studies included in the review.

The mixed method is the second most used data collection methods identified in the literature and accounts for 29% of the studies reviewed. The mixed method adopted included a mixture of interviews, questionnaire survey and either case studies or content analysis. For example, Zaby and Pohl (2019) deployed both questionnaire survey and case study research approaches to elicit reputational risks relevant factors which were used to model an indicator based reputational index for banks in Germany and Switzerland. Similarly, Tachiciu et al. (2020) combine questionnaire survey and descriptive statistics to provide an understanding of how reputational risks is embedded in the Romanian financial industry. One of the main benefits of mixed methodology stems from the fact that it incorporates the strengths of various methodologies in order to thoroughly investigate a specific phenomenon.

Survey involves data collection from respondents using questionnaires or interview, which provides a basis for generalization (Creswell, 2013). This is so because, with surveys, a researcher could work with large sample sizes which increase the credibility of the survey-based reputational risks relevant factors and mitigation factors identified in the literature. An analysis of the sample sizes of the four identified studies using survey for data collection revealed very low sample sizes: 28 respondents (Tachiciu et al., 2020), 32 bank managers (Bawre & Kar, 2019), 109 respondents (Oseni & Omoola, 2017) and 417 depositors (Ferreira et al., 2019). Thus, the reliability of such works can only be improved through use of larger and more carefully constructed samples. Also, through extensive use of clearer statements of methodology which will help to replicate studies across wide geographical context.

Case study is least data collection method adopted to explore reputation risks in FIs, which accounts for 9% of the articles reviewed. For example, Banhalmi-Zakar (2016) used a case study of development lending practices in Australia and Europe to determine if and how environmental issues translated into financial risks and opportunities and impacted finance decisions. The results showed that banks relied on development or planning or environmental approvals and assessment by non-environmental experts as a means of mitigating the exposure to reputational risks on caused by delays in obtaining environmental approvals. Saleuddin (2014) deployed a case study approach coupled with interview research technique to provide insight into how

TABLE 5 Mapping of research focus to level of analysis

Level of analysis	Determinants (*)	Mitigation (*)	Implications (*)	Measurement (*)
General	**20**	**18**	**18**, **20**, 29	
Meso	**6**, **12**, **14**, 15, 26, 27	1, 2, 4, **6**, **10**, 11, **12**, **17**, 19, 21, 22, 24, 25, **30**, 34	**9**, **10**, **14**, **17**, **30**, 32, **35**	3, 7, **9**, **35**,
Micro	**13**	**13**, 16		
Macro		5, 8, 31		

Note: (*) Check list of references in the Appendix 2 for full reference corresponding to article number. **Bold**: studies that examined overlapping issues of measurement, determinants, implications, and control measures of reputational risks.

self-regulation help minimize reputational risks in financial firms in Canada. Despite the depth of context that these case studies provide, the limited use of the method may be explained by the shared lack of generalization of the results of case studies.

Following data collection, researchers of reputational risk in banks adopted various methods of data analysis to arrive at their conclusions. We reviewed and categorized the data analysis methods identified in the literature into four broad areas, namely, descriptive statistics (representing the use of graphs, frequency tables, mean scores, etc.), qualitative thematic analysis (represents the use of a systematic method of analyzing data collected from interviews), statistical analysis (the use of advanced quantitative analysis techniques, including regression), and the hybrid techniques (i.e., triangulation of data analysis methods). Following the classification, the results show that, statistical analysis and qualitative thematic analysis are the top two (2) data analysis techniques adopted in the literature and account for 83% of the total number of articles reviewed. Statistical analysis dominates with 57% of the total studies are included in this review. This is followed by qualitative thematic analysis at 26% of the articles reviewed. Qualitative thematic analysis involves the careful reading, summarizing, reflecting, and categorizing of data into emerging themes segments to induce themes on significant events and process of the reputational risks research in financial institutions. Descriptive statistics and hybrid techniques accounted for 9%, respectively, of the total studies reviewed.

3.6 | Mapping reputational risk research

3.6.1 | Mapping of research focus to level of analysis

Table 5 shows a mapping of research focus to level of analysis adopted by studies on reputational risk of banks. The results show a greater concentration of studies (10 papers) that focus solely on mitigation of reputational risk at the meso level of analysis. It is also evident that there are three (3) studies that focused on mitigation and implications of reputational risk while two (2) studies deal with measurement and implications of reputational risk at the meso level of analysis (Eckert & Gatzert, 2019; Gillet et al., 2010). Additionally, three (3) studies deal exclusively with determinants of reputational risk while two (2) studies have exclusive attention to measurement of reputational risk (Barakat et al., 2018; Fiordelisi et al., 2013, 2014). Only one study deals solely with implications of reputational risk in banks in our surveyed literature at the meso level (Plunus et al., 2012). At the micro level of analysis, only one study focused exclusively on mitigation while another study dealt with determinants and mitigation of reputational risk

TABLE 6 Mapping conceptual approaches to level of analysis

Level of analysis	Theory (*)	Framework (*)	Model (*)	Concept (*)	No Conceptual Approach
General		20		18	29, 33
Meso	6, 12, 15, 28,30	2, 3, 4, **19**, 21, **22**, **24**, 25, **34**	9, 10, 14, 26, 27		1, **11**, 17, 32, 35
Micro	**13**	**16**			
Macro	8	5			31

Note: (*) Check list of references in the Appendix 2 for full reference corresponding to article number. **Bold**: studies that were based on the collection and analysis of primary data.

(Ferreira et al., 2019). At the macro level of analysis, all three studies discussed mitigation factors exclusively (Born et al., 2012; Hungin & James, 2019; Michaelowa et al., 2020). At the general level, the distribution of the studies is as follows: only one study focused exclusively on implications (Walter, 2013), one study dealt with determinants and implications (Walter, 2013, 2016), while a study also dealt with mitigation and implications of reputational risk in banks (Gatzert et al., 2016).

3.6.2 | Mapping of conceptual approaches to level of analysis

Table 6 shows a mapping of conceptual approaches to the level of analysis employed by studies on reputational risk of banks. Studies at the general level of analysis (11.4%) pertain to descriptive analysis of the literature and practitioners' reports. Meso level of analysis (68.5%) pertains to studies conducted at the firm level. Micro level analysis (5.7%) pertains to studies conducted at the individual level while macro level of analysis (8.5%) represents studies conducted at the country level, mainly central banks. The results show that studies at the meso level (i.e., firm level) dominate this area of research with heterogeneity in the application of theory, framework, and model. We also identified that only seven studies made use of primary data to explore reputational risks in banks. Although, two studies at the micro level make use of primary data, the collection and analysis of primary data is predominant at the meso level. A large section of studies at the meso level is concentrated on the analysis of secondary data. The mapping reveals a paucity of studies at the micro level (i.e., stakeholder level) that employ the collection and analysis of (new) primary data. Macro level analysis are important for policy formulation; however, there are only three studies at this level of analysis.

The overwhelming dominance of studies focused on the organizational level analysis of reputational risks may signify the increased awareness and understanding in banks of the issues of reputational risk management following the GFC. Thus, reputational risk is recognized as a significant risk in financial firms (Heidinger & Gatzert, 2018). Despite this firm level awareness and understanding, we believe that research on reputational risk at the macro level is important for policy formulation for reputational risk management in banks. Additionally, micro level research on reputational risk is necessary to provide the building blocks of theory formulation. Accordingly, future research should consider reputational risk from the micro level perspective while collecting and analyzing (new) primary data. In the existing reputational risk reviews, there appears limited understanding about level of analysis, hence, we consider this classification as a significant contribution to reputational risk research in financial firms.

3.6.3 | Mapping conceptual approaches to issues in reputational risk research

According to Duncombe and Boateng (2009), the identification of the conceptual approaches employed in the literature provide valuable understanding of the extent of conceptualization of a particular research area. Table 7 presents a mapping of conceptual approaches to reputational risk determinants, measurements, implications, and control measures in banks. The results reveal that reputational risk research in banks is characterized by eight (8) theories, six (6) conceptual models and eleven (11) conceptual frameworks. The analysis revealed that 15 of the 35 reviewed articles made no use of any theory or defined conceptual framework.

Studies that addressed the determinants of reputational risk are underpinned by strong theoretical approaches. These include the cheap talk theory, Additionally, Ferreira et al. (2019) use the theory of behavioral finance to examine depositors' behavior as a determinant of reputational risks in banks. The results revealed that behavioral biases and depositors' risks tolerance level influenced reputational risks. The expectancy violation theory and institutional legitimacy theory have been employed by Barakat et al. (2018) to study the reputational effects of operational risks announcement by banks.

The theoretical approaches deployed in studies that address control measures of reputational risk in banks are still underdeveloped in the form of frameworks (Fiordelisi et al., 2013; Zaby & Pohl, 2019). Although, the conceptual approach is predominantly RRM framework, the theory of blame avoidance has been employed by Hungin and James (2019) to explain how the UK central bank's reforms for upholding financial stability following the financial crisis diverged significantly from the government's original plan. The authors argue that based on the competing agency reconfiguration proposals put forward by UK main political parties, prior to the 2010 election, the Bank of England adopted a strategy of agency subversion so that it can minimize the risk of future reputational damage. The two main strategies adopted are the *hard delegation* to maximize control of new macroprudential powers, and "*fuzzy" delegation* to shift micro-prudential supervision down to subordinate agencies.

Regarding the reputational risk control frameworks, the motivation appears to come from the concern for the environment and sustainability. Thus, we refer to these frameworks collectively as the "*Cultural, Environmental and Sustainability (CES) Framework of RMM in banks*". For example, the framework for the inclusion of environmental assessment in banks' lending (Banhalmi-Zakar, 2016), framework to account for biodiversity risk and opportunities (Mulder & Koellner, 2011), sustainability framework (Eisenbach et al., 2014) and socially responsible investment framework (Ullah et al., 2014).

4 | MAIN THEMES OF REPUTATIONAL RISK LITERATURE IN BANKING

The network analysis of reputational risk research is primarily based on bibliographic coupling analysis using *VOSviewer* software. Bibliographic coupling is the method of grouping together thematically similar articles into clusters. The assumption is that articles with common cited references share common themes as well (Comerio & Strozzi, 2019; Kessler, 1963; Kumar et al., 2020; Weinberg, 1974). Using bibliographic coupling, the unit of analysis was set to documents while the counting method and weights are "full counting" and "citations" respectively. The minimum number of citations of a document is also set to zero. Out of 35 documents, 25 articles contain the

TABLE 7 Mapping theoretical approaches to issues in reputational risk research

Research focus	Conceptual approaches identified	Classification	Antecedents cited	Article (*)
Determinants	Cheap Talk theory	Theory	Samuelson and Zeckhauser (1988)	12
	Theory of behavioral finance	Theory	Mutswenje and Jagongo (2014); Zindel et al. (2014)	13
	Expectancy violation theory	Theory	Rhee and Haunschild (2006)	15
	Institutional legitimacy theory	Theory	Rhee and Haunschild (2006)	15
	Factor-based model	Model	None	26, 27
Measurements	Stakeholder reputation score	Model	None	3
	Pattern recognition theory	Theory		6
	Reputational index point	Model	None	7
	Portfolio perspective model	Model	None	9
Implications	Information asymmetry hypothesis	Model	None	10
	Reputational awareness-value model	Model	None	14
	Components of risk management	Concept	None	18
	Lens of external control web for reputational risks	Framework	None	20
	A unified theory of reaction in assets market	Theory	Hong and Stein (1999)	28
	Theory of reputational alignment	Theory	Beatty and Ritter (1986); R. Carter and Manaster (1990); Titman and Trueman (1986)	30

(Continues)

TABLE 7 (Continued)

Research focus	Conceptual approaches identified	Classification	Antecedents cited	Article (*)
Control Measures	Intersection between reputational risks and other types of risks	Framework	Kaiser (2014)	2
	Environmental and social policy framework	Framework	None	4
	UN Convention on Climate Change	Framework	None	5
	Theory of blame avoidance	Theory		8
	Online dispute resolution framework	Framework	None	16
	Framework for environmental assessment in banks' lending	Framework	None	19
	Framework of FIs risk management system	Framework	None	21
	Framework for actions and regulatory responses in FIs	Framework	None	22
	SRI framework	Framework	None	24
	Sustainability framework	Framework	None	25
	Framework to account for biodiversity risk and opportunities	Framework	None	34

Note: (*) Check list of references in the Appendix 2 for full reference corresponding to article number. Full details of the antecedent works cited are: Samuelson and Zeckhauser (1988). Status quo bias in decision making. *Journal of risk and uncertainty*, *1*(1), 7–59; Zindel et al. (2014), Cognitive bias and their implications on the financial market. *International Journal of Engineering and Technology*, *14*(3), 11–17; Rhee and Haunschild (2006). The liability of good reputation: A study of product recalls in the United States automobile industry. *Organization science*, *17*(1), 101–117; Hong and Stein (1999). A unified theory of underreaction, momentum trading, and overreaction in asset markets. *The Journal of finance*, *54*(6), 2143–2184; Beatty and Ritter (1986). Investment banking, reputation, and the underpricing of initial public offerings. *Journal of financial economics*, *15*(1-2), 213–232; Carter and Manaster (1990). Initial public offerings and underwriter reputation. *the Journal of Finance*, *45*(4), 1045–1067; Titman and Trueman (1986). Information quality and the valuation of new issues. *Journal of accounting and economics*, *8*(2), 159–172; Kaiser (2014). Reputational Risk Management across the World: A Survey of Current Practices. *Reputational Risk Management in Financial Institutions*, 185–203.

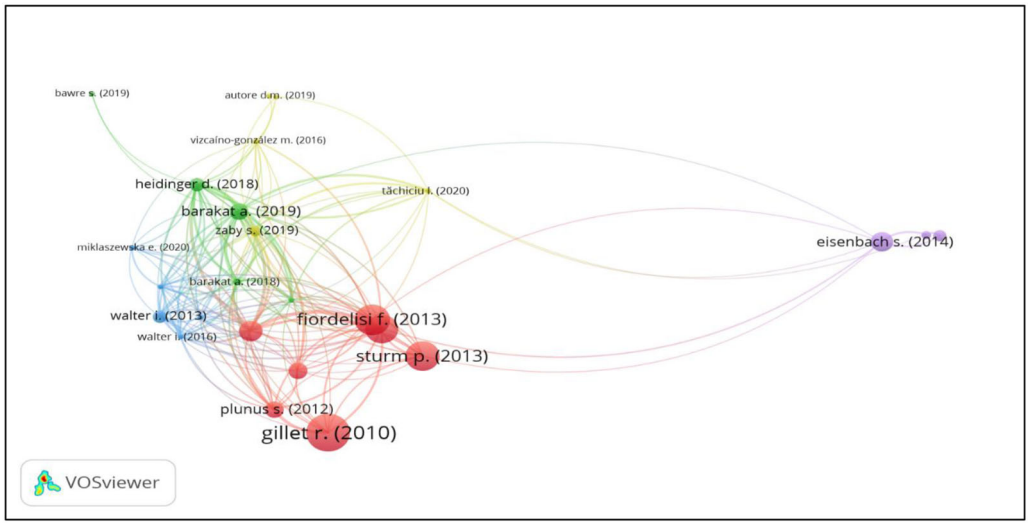

FIGURE 2 Bibliographic coupling by documents [Colour figure can be viewed at wileyonlinelibrary.com]

largest set of connected documents. This resulted in the formation of five clusters and presented as Figure 2. In the sections that follow, we discuss four out of five clusters in more details.

4.1 | Reputational risk of operational losses in financial institutions

Cluster 1 is the largest cluster with seven documents cited 289 times and reported in red color. The theme of this cluster emerged from 2010 with the Gillet, Hübner and Plunus' examination of stock market reactions to operational losses announcement by financial firms listed on the major European and US stock exchanges (Gillet et al., 2010). The articles in this cluster show studies on reputational risk caused by operational losses in the financial industry. Studies that focus on this cluster have led to improved understanding of the determinants of reputational risk (Fiordelisi et al., 2013, 2014) and the modelling of reputational risk as a derivative of operational losses (Gillet et al., 2010).

Concerning the determinants of reputational risk, Gillet et al. (2010) identify bank nationality, the relative size of the loss and event type of loss as critical determinants of reputational damage in both European and US financial firms using a sample of operational losses greater than $10 million over the period 1990–2004. In a sample of medium sized-losses (i.e., operational losses greater than $1 million), Fiordelisi et al. (2013) show that after operational loss announcement in financial firms, the probability of reputational damage increases as bank profit and size increases; suggesting that investors penalized profitable banks and large-sized banks more relative to non-profitable banks and smaller banks. In the same vein, reputational damage increases if the operational loss occurred in the trading and sales, retail banking and commercial bank units for financial firms. Conversely, they also find that the probability of reputational damage decreases in well-capitalized banks and banks with high levels of intangible assets. This result is explained by a low incidence of the moral hazard problem in well-capitalized banks and the goodwill from intangible assets.

Fiordelisi et al. (2014) examine the extent of reputational losses from operational losses in banks listed on the European and US major stock exchanges. Using operational losses greater than

$1 million as data quality threshold, the authors found that larger reputational losses were not driven by legal or regulatory sanctions, but by the announcement of "pure" operational losses to the market while the event type generating the greatest impact in terms of reputation was "external fraud". Moreover, "employment practices and workplace safety", "execution, delivery, and process management", and "clients, products, and business practices" event types are also related to significant reputational losses. Focusing on the line of business most exposed to reputational risk, the authors found that "trading and sales" and "payment and settlement" activities generated the most substantial reputational losses. In additional analysis, the results also showed that investors assign similar reputational penalties to both large and small operational losses and that reputational damages in Europe were higher than those in the United States, contrary to the evidence in Gillet et al. (2010).

Ferreira et al. (2019) examine reputational risk from the perspective of bank depositors after operational risk announcement. They focused on the behavior of depositors in terms of their withdrawal, the source of information used, behavioral finance bias they are inclined to, and the level of risk tolerate regarding their deposits. The results from a structural equation modelling approach show that, operational risk events, depositors behavior bias and risk tolerance significantly influence reputational risk in banks. Specifically, on the operational risk events, they find that internal fraud, external fraud, employment practices, damage to assets, client and business practices, business disruptions, execution and delivery as well as reputation event hurt reputational risk of banks. Concerning depositors' behavioral finance biases, they find that availability bias and regret aversion contributed significantly to increases in reputational risk. However, they find that risk tolerance has a negative influence on the reputational risk of banks. A possible explanation is that, as depositors become less risk tolerant, reputational risk imposed on a bank increases. They conclude that profiling depositors' behavior is a critical factor in mitigating large operational losses and possible bank runs during operational risk events.

Eckert and Gatzert (2019) present a model of the spillover effects of operational loss announcement in a network from a portfolio perspective. They assess operational risk, reputational risk and the risk of spillover effects, taking into account their interdependencies. They model spillover effects with difference complexity, including stochasticity and influencing factors within the industry network. They find that spillover effects can represent a considerable non-diversifiable risk, especially in portfolios, and that neglecting them may lead to a severe underestimation of the actual impact of single operational loss events. Overall, these studies provide insights into the need for greater safeguarding and control of operational risk by banks. Additionally, studies in this cluster also provide insights into the need for the Basel Committee to promote through regulation, the management and prevention of reputational risk in the light of the heavy losses linked to it.

Concerning the measurement of reputational losses, studies in this cluster focus mainly on the event study methodology. The main analysis of these studies postulates a shorter event window [−1, 1] for the financial market to react to operational loss announcement (Fiordelisi et al., 2013; Gillet et al., 2010). This is to ensure that stock market reaction only reflects the operational loss event under investigation. Yet, the accurate measurement of reputational damages within a short event window is reliant on the assumption that stock markets are efficient, at least in a semi-strong form. Additional analysis considers a much longer event window such as a week [−5,5] and a month [−20,20]. A longer event window also captures other factors than the operational loss announcement, however, it makes room for possible market inefficiency (Fiordelisi et al., 2013; Gillet et al., 2010). Overall, the length of the event window used to measure reputational damage has proved to be a critical decision.

4.2 | Reputational effects of media tone following operational risk announcement

The second cluster contains five documents cited 30 times and focuses on reputational effects of media tone following operational risk announcements in the financial industry. It is reported in green color. It is an emerging research area which begun in 2018 with Heidinger and Gatzert's paper on "Awareness, determinants and value of reputation risk management: empirical evidence from the banking and insurance industry" (Heidinger & Gatzert, 2018). The most cited article in this cluster is Barakat et al. (2019) which is cited 15 times, followed by Heidinger and Gatzert (2018) cited 11 times.

With the global news landscape shifting towards online media, investors now have access to new information in a timely and cost-effective manner. Thus, unexpected, adverse news announcement about the financial industry have become easily accessible by financial market investors. As such, the reputational contribution of the textual contents in media news on operational risk events has increased in relevance and importance. Barakat et al. (2019) examined the effect of financial sentiments tones in operational risks announcement. The authors defined financial sentiment tones as net negative tone, litigious tone, uncertainty tone and textual tone. They found that the net negative tone and litigious tone have adverse reputational effects; however, the uncertainty tone mitigates the adverse reputational impact. Additionally, the reputational effects of media tones are much stronger in Anglo-Saxon countries and market-based economies. Interestingly, the reputational effects of media tone are more pronounced in the first post-announcement trading week and fade away entirely beyond the second-post announcement trading week. This study points to the importance of developing innovative mechanisms to mitigate the reputational effects of operational risk losses. It provides insights into the importance of incorporating content analysis of online media news in the reputational risk management framework of financial institutions to help alleviate financial markets investors' concerns. They conclude that the setup of media task forces to follow, analyze, and respond to adverse news announcement could mitigate the reputational effects of operational risk losses and safeguard the stability of the entire financial industry. Bawre and Kar (2019) examine the extent to which social media is used to manage reputational risk by financial institutions from a developing country's perspective. They identify reputational risk as being a major threat associated with the use of social media by non-banking financial institutions while social media exposed banks to data and information risks.

Barakat et al. (2018) investigated the reputational effect of expert advice such as equity analyst recommendations and debt analyst credit ratings around reputation-damaging events. They find that stock recommendations represent a reputational liability, whilst credit ratings serve as a reputational asset around operational risk announcements in financial institutions. Specifically, "Buy" stocks and "Speculative Grade" firms are more likely to incur an equity-based reputational damage. Moreover, firms with lower credit ratings incur a much more severe debt-based reputational damage. Further analysis reveals that equity investors revise their prior beliefs more aggressively in non-US firms with less heterogeneous stock recommendations. Additionally, credit ratings are more instrumental in mitigating the debt-based reputational damage caused by fraud incidents or incurred in non-Basel business lines (i.e., non-banking activities). They also find that the misconduct of senior management could demolish the reputation of firms with less heterogeneous stock recommendations. In summary, they provide insights into the post-announcement reputational repairs strategy for loss firms on whether favorable stock recommendations and credit ratings

provide a necessary and sufficient protection from any reputational damages from operational loss announcement.

4.3 | Management of reputational risk in banks

Reputational risk management in financial institutions has evolved since the global financial crisis of 2007/2008. This is demonstrated in the express call by several regulatory bodies across the world for elaborate guidelines of reputational risk management within the framework of national implementation of Basel II and III. A number of attempts have been made to establish an approach to measure and manage reputational risk in banks. According to MaRisk VA, reputational risk management should follow the phases of risk identification (how to identify?), risk analysis and evaluation (how to assess?), risk treatment (who handles it? Or how to handle it?), and risk monitoring (how to control the threat?). In this context, the definition of reputation is important. At the macro level, reputation is considered a resource and at the micro level reputation is considered a social view of the firm. Zaby and Pohl (2019) focus on the creation of a potential success and prevention of failure as the basis for their analysis of bank-specific reputation risks. The literature also notes that, with reputation risk, banks have to act proactively to decouple it as a "stand alone risks" (Tachiciu et al., 2020).

Moreover, the sources of reputational risks are critical components of the risk management framework. Carter and Power (2012) contribute to this stream of the literature and find that franchise value and reputational posture of firms are positively related. Walter (2013) identifies sources of reputational risk such as asymmetry of profit to risk ratio, bonus-based remuneration, social responsibility, operational failures, productivity, and resource availability. Michaelowa et al. (2020) identify other sources of reputational risk as neglect or delay to contribute to building a better future, irresponsible managerial behavior, inefficient system of governance, faulty strategy, poor management and leadership, inadequate supervision and problematic corporate culture, conflict of interest, promotion of a lenient interpretation of environmental integrity. Similarly, Zaby and Pohl (2019) identify sources of reputational risk such as social requirement, customer satisfaction, quality of internal processes, crises in other banks, capital market orientation, legislative and regulatory requirements. Other sources of reputational risk include scale and profitability (Fiordelisi et al., 2013, 2014) and financing of controversial projects (Banhalmi-Zakar, 2016; Mason & Ying, 2020).

The issue of control of reputation risk comprises factors ascribed in the literature to help banks in their risk management process. These measures encompass three (3) broad areas, namely, strategy, management, and governance related control factors. Strategy related control factors include, identification of broader stakeholder expectations, aligning strategy with higher order goals (Tachiciu et al., 2020), etc. Management related mitigation factors involves the preparation of an organization to deliver on its commitments (Miklaszewska et al., 2020), increasing reputational risks awareness (Trostianska & Semencha, 2020) *inter alia*. Governance related mitigation factors include transparency in environmental, social and governance policies, effective reputational monitoring system, adoption and implementation of the Equator principles (Banhalmi-Zakar, 2016; Eisenbach et al., 2014; Mason & Ying, 2020), standard model for the reporting of non-financial results, remuneration policies, self-regulation (Saleuddin, 2014), *inter alia*.

4.4 | Sustainability practices and reputational risk of banks in the project finance market

Cluster 5 contains three documents cited 66 times and focuses on environmental credit risk assessment in the financial industry which is critical to the success of sustainable development goals (SDGs) (Contreras et al., 2019). The consideration of environmental risk in the general scope of credit risk assessment of banks dated back in the 1980s (Banhalmi-Zakar, 2016; McCammon, 1995; Weber, 2012). The main motivation for this practice is "lender liability". In project finance, reputational risk arises when the bank is believed to have financed a project which is deemed to be harmful to the environment. Thus, environmental credit risk assessment is considered a major factor in contemporary banking lending practices of many major banks in the United States and Europe (Mulder & Koellner, 2011). This is demonstrated in the voluntary adoption of code of conduct such as the United Nations Environmental Program Finance Initiative (UNEPFI) in 1991, the Equator Principles (EP) in 2003, the Principles of Responsible Investment (PRI) in 2006 and the Principles for Positive Impact Finance (PPIF) in 2017. These sector-specific voluntary environmental initiatives set the tone for the recognition of the environment as a financial risk in lending.

For private-sector financial institutions, the EPs were established as a voluntary credit-risk management framework to be adopted by the world's leading financial institutions (now known as the Equator Principles Financial Institutions, or EPFIs) (Mason & Ying, 2020). The adoption of the EP, for example, has been shown to be value enhancing for financial institutions (Eisenbach et al., 2014). Specifically, EPFIs outperform their non-EPFIs. Similarly, the voluntary adoption of EP becomes a proactive strategy that strengthens the competitiveness of financial firms. Thus, from the CSR perspective, a firm's environmentally responsible identity enhances its strategic position (Eisenbach et al., 2014; Wright & Rwabizambuga, 2006). There is evidence also that, non-EPFIs have implemented some practices which aim at addressing the environmental implications of their lending activities (Banhalmi-Zakar, 2016; Weber, 2012). As such, they are able to participate in the global project finance markets in syndicated loans (Eisenbach et al., 2014).

Moreover, reputational risk also drive consideration of biodiversity risk in lending and investment products of financial firms (Mulder & Koellner, 2011). The financial market has increased surveillance on the biodiversity footprint of the financial sector in recent times. This has resulted in increased costs for financial firms operating in the project finance markets in as much as the environmental risk of debtors contribute to higher default risk. Again, political pressure has increased the consciousness to environmental and social issues. Environmental pressure groups, civil society movements coupled with stricter legislation and international biodiversity-related conventions have been developed and launched.

The "Potsdam Initiative" in 2007 is an example of a state's approach to effectively integrate biodiversity in the decision-making process. Stricter environmental legislation such as the environmental liability directive by the European Commission goes beyond personal liability to water resources, fauna, flora and natural habitats liabilities. These international biodiversity protocols increase the liability risks for financial institutions that finance development projects. Thus, the growing number of business regulation concerning the environment and sustainability increase exposure beyond reputational risk to include credit risk, regulatory risk, operational risk and legal risk for financial institutions (Mulder & Koellner, 2011).

In summary, this cluster contributes to the growing literature on voluntary self-regulations and measures taken by financial institutions to improve their environmental performance to signal to

the market of their commitment to the achievement of SDGs. This cluster provides the research community with resources to understand the evolution of voluntary adoption of sustainability principles and practices, such as the Equator principles, in the management of reputational risk (Eisenbach et al., 2014). It also provides insights into the relationship between bankers, developers and project proponents in the planning stages of development projects suggesting that reputational concerns have important consequences for urban development (Banhalmi-Zakar, 2016).

5 | DIRECTIONS FOR FUTURE RESEARCH

This section identifies a number of opportunities for further research in reputational risk management of financial institutions. The suggested areas for future research provided for in this section are limited to areas in the literature that we find particularly significant. These are mainly the conceptualization of reputational risk management in financial institutions, the role of corporate governance and other managerial information, how sustainability practices shape reputational risk management in financial institutions, the role of political connections in mitigating reputational effect of operational loss events, and how the information and communication technology (ICT) mechanism impacts reputational risk management in financial firms.

5.1 | Conceptualization of reputational risk management in financial institutions

The determinants, modulators, and mitigation strategies of reputational risk management in financial institutions have gained increased attention in the literature. However, the most dominant assumption underlying these studies is linearity which may not fully capture the dynamism and complexity of reputational risk constructs in reality. We call for further studies that explore the dynamic interdependencies in these constructs by adopting complexity science theory and system thinking philosophy. In the light of this gap, we are of the view that the following tools are useful: system dynamics, structural equation modelling, and total interpretative structural modelling

5.2 | Effect of corporate governance, environmental and social issues on reputational risk in financial institutions

Research on the effect of corporate governance on reputational risk in financial firms has not been explored. We suggest that future research considers empirically the effect of corporate governance and other managerial information on reputational risk in financial institutions (Fiordelisi et al., 2013). This inquiry is important given the role that corporate governance plays in the risk management of banks (Erkens et al., 2012; Laeven & Levine, 2009). Moreover, the adoption of the Equator principles in financial institutions forms a distinct group, which signifies the evolution of the sustainability framework into reputational risk management in financial institutions. We suggest that future research examines the costs and benefits of EP on the project finance market (Eisenbach et al., 2014). Additionally, we suggest that future research considers the role of voluntary adoption of the Equator principle in reputational risk management in financial institutions. Moreover, anecdotal evidence shows that bankers offer project finance advisory services. This type of activity could jeopardize a bank's reputation and perhaps result in lender liability, which is essentially a legal concern. We suggest that future research examines the relationship

between reputational risk and lenders' liability from the perspective of project finance advisory services (Banhalmi-Zakar, 2016).

5.3 | Impact of political connection on reputational risk in financial firms

Does the market differentiate between politically connected firms and non-connected firms following the announcement of operational losses in financial firms listed on major stock exchanges? This is a question that has not been answered in the recent literature. Prior literature shows that politically connected firms have incentives to obfuscate information and limit information disclosure, which adversely affect stock price informativeness (Li et al., 2022). Consequently, the market reaction to politically connected firms following operational loss announcement may be significantly less. Future research should investigate the impact of political connection on reputational risk associated with operational losses in banks. Additionally, the literature suggests that politically connected firms enjoy reduced uncertainties in the nature of relaxed regulatory oversight and privileged treatment (Faccio, 2006). Thus, in the presence of stricter environmental legislation and sustainability protocols which increase the liability risks for financial institutions that finance development projects, politically connected banks can have preferential treatment which culminates into reduced risk. Future research should investigate the effect of political connections on environmental risk assessment in the global project finance market.

5.4 | Impact of ICT diffusion on reputational risk in financial firms

Although studies such as Barakat et al. (2019) and Bawre and Kar (2019) provide great insights into the importance of incorporating content analysis of online media news in the reputational risk management framework of financial institutions to help alleviate financial markets investors' concerns, research on the impact of ICT diffusion on reputational risk in financial firms has not been explored empirically. This should help to develop innovative mechanisms to mitigate the reputational effects of operational risk losses.

5.5 | Other topical areas of future research

Future research may examine reputational risk in the credit default swaps and equity swaps markets following operational loss announcement in financial firms. This is because, over the long run, deficits in (operational) risk management and changes in bank reputation will be reflected in the credit rating of banks. Hence, from a more long-term perspective, future research may consider providing insights into the effect of operational loss and damages to bank reputation from rating downgrades. Another notable research area that needs attention is the performance implications of reputational risk of banks. Although, a few studies lead to the conclusion that efforts to enhance bank reputation have no positive effect on performance, suggesting that banks may manage reputational risk reactively, in the context of minimizing losses after a scandal and not as a strategic, long-term goal. This aspect of research on reputational risk of banks needs further attention to provide a business case on the need to manage reputational risk in a standalone risk management framework.

6 | LIMITATIONS OF THE STUDY

This paper has reviewed recent literature on reputational risk in financial firms, with a focus on the research themes, methodologies, and conceptual frameworks. In doing so, the paper offered several areas for future research that can set the agenda for reputational risk research in financial firms in the coming years. However, the paper has some limitations. First, the paper focuses exclusively on reputational risk in financial institutions in recent years (i.e., 2010–2020), and as such, may not cover other areas outside of this focus. Second, the paper applies a research quality threshold by focusing exclusively on peer-reviewed journal articles which led to the deliberate neglect of other works that might provide additional insights. However, the extant contemporary literature has used similar approaches to conduct review studies (Asongu, 2015; Gatzert, 2015). Additionally, such omission would not have altered the main findings and avenues for future research.

7 | CONCLUSION AND IMPLICATIONS

Following the global financial crisis of 2007/2008, reputational risk has emerged as one of the most significant risks confronting banks and has resulted in increased growth in reputational risk research in financial firms. This study examined the research trends on reputational risk in banks using the SLRNA approach on 35 research articles published between 2010 and 2020.

The analysis showed an increased trend in the growth of reputational risk research of banks over the 10-year period. The analysis also showed that developed countries have been actively contributing to reputational risk research of banks over the last decade and the United States, Germany and the United Kingdom are the top three countries. This finding is consistent with the understanding that banks in US and Europe face a higher exposure to reputational risk and as such, they are more likely to engage in reputational risk management.

Analysis of the research issues showed that mitigation measures, implications of reputational risk and its determinants are the most studied issues with a paucity of research on measurement of reputational risk. The analysis also showed a high level of heterogeneity in the conceptual approaches adopted in the literature. These included the cheap talk theory, expectancy violation theory, institutional legitimacy theory, theory of blame avoidance, among others.

An analysis of the research methods showed that majority of research articles relied on archival data while employing statistical analysis, specifically, the event study methodology. Another notable result is that firm level analysis dominates this research area. This may explain the increased awareness and understanding of reputational risk management at the firm level. The analysis also revealed that mitigation measures are motivated by concerns for the environment and sustainability.

A great deal of progress has been made on reputational risk research of banks. We identified five (5) broad research themes from the thematic network analysis, namely, reputational risk of operational losses in financial institutions, reputational effects of media tone following operational risk announcements, performance implications of reputational risk management, management of reputational risk in banks, sustainability practices and reputational risk of banks in the project finance market. Nonetheless, there are still a number of areas that require further attention. These include conceptualization of reputational risk management in financial institutions that explore the dynamic and interdependencies in a system thinking framework; the role of corporate

governance and other managerial information; how sustainability practices shape reputational risk management in financial institutions; the role of political connections in mitigating reputational effect of operational loss events; and how ICT mechanisms impact reputational management in financial firms.

The result in this paper has the following implications. Given the relevance and importance of reputational risk in banks for regulators, policy makers, investment advisors and the financial industry, our assessment of the recent literature following the global financial crisis should be of great interest. First, the theories and frameworks highlighted in this study should support regulators and practitioners to develop appropriate proactive reputational risk models to measure, manage and prevent extreme reputational damages. Second, the study highlights some pertinent determinants, implications, and control of reputational risk in banks. This should provide insights into the need for regulators, policymakers, and practitioners to promote through either self-regulation or legal regulation, the management and prevention of reputational risk in the light of the heavy losses linked to it.

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DATA AVAILABILITY STATEMENT

The data that support the findings is available upon request.

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NOTE

[1]These operational events include the infamous $1.3 billion loss which resulted in the bankruptcy of Barings bank in 1995, the Allied Irish Bank's loss of $750 million occasioned by unauthorized trading in 2002, the $1.4 billion fines against a number of brokerage firms which issued misleading research reports to investors in 2002.

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APPENDIX 1

Contributors' assessment score matrix

No. of contributors	Order of specific contributor				
	1	2	3	4	5
1	1.00				
2	0.60	0.40			
3	0.47	0.32	0.21		
4	0.42	0.28	0.18	0.12	
5	0.38	0.26	0.17	0.11	0.08

APPENDIX 2

List of references included in the systematic review

#	Authors
1	Brei et al. (2020)
2	Tachiciu et al. (2020)
3	Miklaszewska et al. (2020)
4	Mason and Ying (2020)
5	Michaelowa et al. (2020)
6	Trostianska and Semencha (2020)
7	Zaby and Pohl (2019)
8	Hungin and James (2019)
9	Eckert and Gatzert (2019)
10	Autore et al. (2019)
11	Bawre and Kar (2019)
12	Barakat et al. (2019)
13	Ferreira et al. (2019)
14	Heidinger and Gatzert (2018)
15	Barakat et al. (2018)
16	Oseni and Omoola (2017)
17	Vizcaíno-González et al. (2016)
18	Gatzert et al. (2016)
19	Banhalmi-Zakar (2016)
20	Walter (2016)
21	Gambetta et al. (2015)
22	Saleuddin (2014)
23	Clancy (2014)
24	Ullah et al. (2014)
25	Eisenbach et al. (2014)

(Continues)

#	Authors
26	Fiordelisi et al. (2014)
27	Fiordelisi et al. (2013)
28	Sturm (2013)
29	Walter (2013)
30	Carter and Power (2012)
31	Born et al. (2012)
32	Plunus et al. (2012)
33	Scandizzo (2011)
34	Mulder and Koellner (2011)
35	Gillet et al. (2010)